

## More on Sustainability Reporting

Sherman Tan

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### Rounding Up

In this concluding article on Sustainability Reporting, it is useful first to recap what were discussed in the two preceding articles in Jun and Jul 2012. In the first article, we shared that one of the key outcome of the Rio+20 UN conference concluded in Jun 2012 was the group's common intention to popularize the wide spread adoption of sustainability reporting. Brazil, Denmark, France and South Africa have formed a political group called 'Friends of Paragraph 47' to advocate corporate sustainability reporting<sup>1</sup>.

While Singapore is starting behind and only 14% of the 562 listed companies in the Singapore Exchange (SGX) were engaged in sustainability reporting in 2010/2011, SGX has released its "Guide to Sustainability Reporting for Listed Companies" in Jun 2011 to reinforce the importance of holistic disclosure.

In last month's article, the triple-P's: **People, Planet and Profit** approach was introduced and why the inter-relationships amongst the 3 pillars; namely: economic growth, environmental protection and social progress are becoming more important for organisations operating in the current and future environment. In helping organisations with Sustainability Reporting, various reporting frameworks and guidelines have been established by professional bodies, government agencies, voluntarily and not-for-profit organisations. The most widely adopted reporting frameworks and guidelines are the Global Reporting Initiatives<sup>2</sup>, ISO 26000:2010<sup>3</sup> and the United National Global Compact<sup>4</sup>.

### Why the Urgency?

While there are various reporting frameworks and guidelines to provide some form of templates and best practices to organisations planning to embark on sustainability reporting, this undertaking is not about adopting templates and putting together statistics of non-financial nature surrounding environment and social responsibilities. At the highest level, this requires the organisation to establish an organizational direction and incorporate this into its mission statement. Why the need to reflect this into the mission statement?

Firstly, it allows the organisation as a whole to allocate the appropriate resources to achieve it. Secondly, it helps the board and management to increase the probability of success as the organisation will be focused in a common direction. Finally, the mission statement will set broad targets and goals so that managers and the rest of the staff will keep these targets in mind when making decisions.

As all organisations would already have put in place their mission statement and vision for their respective organisations, modifications and refinements to existing mission statement and vision involve the boards and senior management to deliberate and develop the appropriate corporate sustainability strategy that embodies and strengthens the organisation's values and cognitive structures toward the environment and society.

And there is urgency in doing so as some governments are already setting timeline for private organisations to do so. For instance, in May 2012, the Monetary Authority of Singapore (MAS) has accepted the recommendations made by the Corporate Governance Council (Council) on the Code of Corporate Governance (Code), and issued the revised Code of Corporate Governance. Under Principle 1, the Board's Conduct of Affairs, Guidelines 1.1 (f) requires the Board *to consider sustainability issues, e.g. environmental and social factors, as part of its strategic formation*<sup>5</sup>. In this regard, board members

would have to consider beyond financial aspects when developing and reviewing the companies' strategy directions.

### **Sterling Examples**

Amongst top companies; the mission statement of **Samsung** is as follows: *"A company's success is measured not only by its business achievements, but also by how well it serves its community, protects our planet's resources, and makes a difference in people's lives."* Contrast this with the world's most valuable company, **Apple's** mission statement: *"Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store, and is defining the future of mobile media and computing devices with iPad".*

On the other hand, **Coca-Cola** does the whole mission and vision statement in a different way:

### **Coca Cola's Mission and Vision Statements**

**Our Mission**  
Our Roadmap starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

- To refresh the world...
- To inspire moments of optimism and happiness...
- To create value and make a difference

**Our Vision**  
Our vision serves as the framework for our Roadmap and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth.

- **People:** Be a great place to work where people are inspired to be the best they can be.
- **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- **Profit:** Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- **Productivity:** Be a highly effective, lean and fast-moving organization

In Singapore, one of the pioneering companies in sustainability reporting, City Development Limited has developed a specific Corporate Social Responsibility (CSR) Mission Statement as follows: *"To be a responsible corporate citizen who believes in creating value for stakeholders, conducting sustainable business practices, caring for the community and protecting the environment".*<sup>6</sup>

Another company, China Fishery Group Limited saw the need to advocate sustainable fishing practices and regulated fishery management and appointed a CSR and Sustainability Manager in Sep 2011. The company also became a supporting sponsor of the Economist's World Oceans Summit held in Singapore in Feb 2012. Another major milestone was the publication of its first standalone sustainability report in Aug 2012<sup>7</sup>. Going forward, the Group CSR committee will continue to guide the development of the Group-wide CSR policies and initiatives in 2012.

## Benefits of Sustainability Reporting

In the past, organisations were concerned (some still are) that embarking on the path to put in place sustainability requirements would erode their competitive advantages especially in countries lacking in sustainability practices. However, many recent examples have shown that organisations that advocate such practices and embedded sustainability as part of their organisations' strategic development are gaining in terms of those that didn't do so.

Some of the apparent benefits come from reduction in utility bills and in the case of developer, CapitaLand; the company cut its utility bill by more than US\$8.5 million since 2009. The company is amongst the first in Singapore to voluntarily report on sustainability achievements. The various sustainability efforts have earned the company a place in the Global 100 Most Sustainable Corporations in the World<sup>8</sup>. CapitaLand was also listed in the Sustainability Yearbook 2012<sup>9</sup>, compiled by rating agency SAM and auditor KPMG. Out of 135 real estate firms in the world, only 20 made it onto the list. The other two major developers in Singapore that made it to the list are City Development and Keppel Land with the latter clinching the title of "Sector Leader".

While some may question the usefulness of such accolades, it is relevant to highlight that such rankings are viewed as key consideration by investors and potential investors who place sustainability and green practices high on their evaluation criteria. Recently, research firm, RepuTex which analyses **environment, social and governance (ESG)** factors on behalf of the Hang Seng Corporate Indices noted a groundswell of interest in ESG performance from companies and investors. According to RepuTex research director Martha Grossman, "*... as stakeholder scrutiny of environment, social and governance issues continues to grow, we are witnessing greater repercussions for companies that fail to live up to community standards...*"<sup>10</sup>

As more investors want to know how companies that they have invested in or planned to invest in are taking ESG issues seriously, consultants like Mercer have recently announced that it will incorporate ESR ratings into their client reports related to manager searches and performance by end of 2012<sup>11</sup>. In addition, MSCI, a provider of investment decision support tools for global investors will be transitioning its current MSCI Global ESG Indices to an enhanced methodology at its May 2013 Index Review<sup>12</sup>. The current MSCI Global ESG Indices is based on its proprietary ESG Research Framework that covers 5 categories of ESG related performances of each reviewed company namely; Environment, Community & Society, Employees & Supply Chain, Customers and Governance & Ethics. Given that ESG issues are key factors affecting corporate strategies, international business school like INSEAD has added a new Corporate Social Responsibility (CSR) component to its Singapore MBA module starting this academic year.

## Concluding Thoughts

Although the global economy is currently in a flux, a growing population especially in the developing countries and further urbanization across the globe would require adequate supplies of food, water and energy. With climate change and the additional challenge of de-carbonizing the energy mix, impact on the environment and the limited world resources will constantly be key issues faced by countries and organisations in an inter-connected fashion. Organisations that demonstrate their commitments in protecting the environment, safe guarding the community and ensuring social progress and reporting these activities in a transparent and structured manner will find that they are better prepared to achieve sustainable profit in the long run.

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## References:

- <sup>1</sup> PwC Corporate Reporting Blog: Green Shoots for Corporate Reporting dated 17 Jul 2012: <http://pwc.blogs.com/corporatereporting/>
- <sup>2</sup> The Global Reporting Initiative (GRI) website is at: <https://www.globalreporting.org/Pages/default.aspx4>
- <sup>3</sup> ISO 26000 - Social Responsibility: <http://www.iso.org/iso/home/standards/management-standards/iso26000.htm/>
- <sup>4</sup> The United Nation Global Compact website is at: <http://www.unglobalcompact.org/>
- <sup>5</sup> MAS issued revised Code of Corporate Governance on 2 May 2012. The URL is at: <http://www.mas.gov.sg/News-and-Publications/Press-Releases/2012/MAS-Issues-Revised-Code-of-CG.aspx>
- <sup>6</sup> City Development Limited's Corporate Social Responsibility website can be found at: [http://www.cdl.com.sg/app/cdl/social\\_responsibility/our\\_csr\\_philosophy.xml](http://www.cdl.com.sg/app/cdl/social_responsibility/our_csr_philosophy.xml)
- <sup>7</sup> Announcement by China Fishery Group on launch of its first Sustainability Report on 16 Aug 2012: [http://www.chinafisherygroup.com/attachment/2012081618363317\\_en.pdf](http://www.chinafisherygroup.com/attachment/2012081618363317_en.pdf)
- <sup>8</sup> The "Global 100 Most Sustainable Corporations in the World" is carried out by Canada-based magazine Corporate Knights: <http://www.global100.org/annual-lists.html>
- <sup>9</sup> A copy of the Sustainability Yearbook 2012 can be downloaded at: [http://www.sustainability-index.com/images/sam-yearbook-2012-final\\_tcm1071-337504.pdf](http://www.sustainability-index.com/images/sam-yearbook-2012-final_tcm1071-337504.pdf)
- <sup>10</sup> Press release from Reputex can be found at this url: <http://www.reputex.com/media-centre/media-release-asia-esg-performance-improves-across-the-board/>
- <sup>11</sup> Mercer press release can be found at this url: <http://www.mercer.com/press-releases/1472795>
- <sup>12</sup> The MSCI Global ESG Indices will transition to an enhanced methodology at the May 2013 Index Review: [http://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_Global\\_ESG\\_Index\\_Aug2012.pdf](http://www.msci.com/eqb/methodology/meth_docs/MSCI_Global_ESG_Index_Aug2012.pdf)

The writer is the Principal Consultant & Director at Innovar Pte Ltd ([www.innovar.com.sg](http://www.innovar.com.sg)). He can be contacted at [office@innovar.com.sg](mailto:office@innovar.com.sg).