



Secretary-General Ban Ki-moon hosted the Climate Summit 2014 at UN headquarters in New York on 23 September. In inviting world leaders, from government, finance, business, and civil society, the Secretary-General asked them to bring bold announcements and actions to the Summit that will reduce emissions, strengthen climate resilience, and mobilize political will for a meaningful legal agreement in 2015. Image: United Nations

The state of responsible business in Asia

While big businesses flexed their muscle at the United Nations climate summit last month, Asian companies were conspicuously absent. But there are encouraging signs that corporate Asia is awakening to the benefits of understanding and applying corporate sustainability to business strategies. Jessica Cheam reports.



BY JESSICA CHEAM

In the largest showing of corporate ambition in recent times, business leaders from across the globe convening at the United Nations climate summit in New York last month pledged significant actions to, in the words of UN chief Ban Ki-moon, “crystallize a global vision for low-carbon economic growth and to advance climate action”.

Several initiatives were announced, including a more than US\$200 billion commitment

towards the Green Climate Fund to finance low-carbon and climate-resilient development by a coalition of government, business and civil society organisations, and a new initiative called RE 100, where a group of 100 major companies - including Swedish furniture giant IKEA and retail giant H&M - will power all their operations with renewable energy by 2020.

UN climate envoy and former Irish president Mary Robinson summed the proceedings

up aptly when she noted: “The message from the climate summit... is that it’s not business as usual with a little bit of green attached. It’s changing course.”

Over the past decade, increased awareness of climate change and the growing global momentum to tackle related challenges such as climate risks, resource scarcity and poverty have indeed changed the business environment and put an uncomfortable spotlight on the way companies operate.

Corporate sustainability, often also termed corporate responsibility, or corporate social responsibility (CSR), has made its way into boardrooms and to the top of the global agenda, popularising the belief that it is no longer acceptable for businesses to make profits unless it is done in a responsible manner that benefits the community and environment.

Advocates also point out that improving a company’s social and environmental performance will save money, enhance profitability, and generate more business value. This is backed by a new report released by the non-profit Carbon Disclosure Project last month, which found that S&P (Standard & Poor’s)500 companies that built sustainability into their core strategies are outperforming those that failed to show leadership in this area.

Arguably, the concept has taken root more firmly in developed countries than in developing Asia. While big businesses flexed their corporate muscle on the UN stage last month, Asian companies were conspicuously absent.

Assaad Razzouk, board member of the Association for Sustainable and Responsible Investing in Asia (ASrIA), told Eco-Business: “Disappointingly, Asian companies are laggards and have not assumed their responsibilities to the same extent as their peers in Australia, Europe and the United States.”

He pointed to a recent initiative where global institutional investors representing over \$24 trillion in assets pledged to increase low carbon and climate resilient investments: only 12 out of the 348 signatories were from Asia, representing a mere 1.3 per cent of total assets.

“Asian institutions need to do much, much better. After all, Asia is at the forefront of the



Secretary-General Ban (centre) chairs one of the segments of the UN Climate Summit 2014. Image: United Nations

suffering from climate change, whereas Europe and the United States are not,” he says.

A global study of CEOs’ perspectives on sustainability last year by consultancy firm Accenture and UN Global Compact also found that Asian CEOs are not yet leading on sustainability. In Asia, “sustainability may not yet have made the transition from a philanthropic concept towards an approach embedded into companies, industries and markets”, write the report’s authors.

SLOWLY, BUT SURELY

There are encouraging signs however that corporate Asia is awakening to the benefits of understanding and applying corporate sustainability to business strategies – and to the pitfalls of choosing to ignore it.

The high-profile Rana Plaza factory collapse in Bangladesh last year which killed 1,100 garment industry workers linked to western brands such as UK’s Primark and Italy’s Benetton, and the exposed slavery earlier this year in Thailand’s prawn industry, which supplies supermarket giants like Tesco and Carrefour, demonstrate that global supply chain issues go beyond na-



Factory workers in Hebei province, China. The growing importance of sustainability to business success in Asia may be powered by the urban transformation taking place across the region. Image: Shutterstock.com

tional boundaries and can damage reputable brands overnight.

The good news is that the same Accenture study, which surveyed more than 1,000 top executives from 27 industries across 103 countries, found that 76 per cent of Asian CEOs expect sustainability to transform their industries within five years, versus a global average of 63 per cent.

Activity on sustainability also appears to be on the rise, with 78 per cent of CEOs reporting that they are incorporating sustainability practices into their core businesses more than they did five years ago. More than half — 52 per cent — report that sustainability issues will be “very important” to their future success — a figure above the global 45 per cent, and well over the 32 per cent in Europe.

The study notes that the growing importance of sustainability to business success may be powered by the urban transformation taking place across the region. “In providing the means for Asia’s transition towards a new resource economy, many companies see a unique opportunity to differentiate their business and seize new waves of growth,” it notes.

ASIA’S FIRST SUSTAINABILITY RANKING

Perhaps the clearest indicator that the conversation on sustainability is maturing was the launch of Asia’s first sustainability index by Singapore broadcaster Channel NewsAsia (CNA) last month. The index identifies firms leading in corporate sustainability across 10 Asian economies.

The Channel NewsAsia Sustainability Ranking, developed in partnership with consultancy firms CSR Asia and Sustainalytics, lists the top 100 companies in Asia in terms of sustainability performance. It also identifies the top three companies in each of the territories covered: China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The companies were selected based on their performance across a broad range of environmental, social and governance (ESG) indicators tracked by Sustainalytics.

Channel NewsAsia managing director Deborah Soon said at the launch of the index in Hong Kong that the ranking will “throw a spotlight on firms in Asia that have demonstrated the best

practices in environment protection, social responsibility and corporate governance; through their products, operations or supply chain.”

In developing the index, Annie White, associate director at Amsterdam-headquartered Sustainalytics, gleaned some insights about the corporate sustainability movement in Asia: the majority of sustainability leaders are based in Hong Kong, India, South Korea and Taiwan; technology firms demonstrate the most robust sustainability strategies, particularly across social aspects where external scrutiny has been intensive in recent years; and Asian real estate companies demonstrate the strongest environmental strategies.

“To demonstrate leadership on a global scale, more must be done to fully integrate and communicate holistic sustainability strategies throughout core operations. The strategy must include aggressive goals that go beyond regional regulatory requirements,” she says.

CSR Asia’s executive director Erin Lyon notes that there is now “less resistance about CSR” among Asian companies compared to five years ago.

One key driver that is advancing corporate sustainability among companies is cost – Asian leaders, known for their practicality, increasingly realise that being sustainable means savings for their bottom lines.

“But there’s still that Asian mentality here. There is a constant tension between introducing and improving sustainability practices and not talking about it in case you get shot down,” she says.

A DIVERSE CONVERSATION

The truth is, just as Asia is made up of diverse countries in markedly different stages of development, so is the sustainability movement characterised by a huge disparity. On one end of the spectrum, there are many companies still trying to get their head around the basics of CSR, and at the other end, others that understand and apply sustainability more strategically, observes Tony Gourlay, chief executive of Singapore-based sustainability events firm Global Initiatives.

He notes that the marketplace for sustainability-related events in Asia has been growing, with more business, government and civil society leaders interested in participating in the conversation.

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Annie White, associate director, Sustainalytics

The company, together with Eco-Business, is hosting the upcoming [Responsible Business Forum on Sustainable Development](#) in Singapore next month, themed ‘Building prosperity with economic, social and natural capital’.

Gourlay says the forum, which will feature more than 100 global sustainability speakers, aims to “better frame a shared prosperity” that broadens the concept to include economic, social and environmental well-being for all. Topics to be addressed include disruptive innovation, equitable growth, the sustainable supply chain, clean energy access, and integrated reporting.

“The United Nations, governments and leading corporations are all agreed that sustainable and equitable global development is critical for the future prosperity of the world. This conversation is even more crucial for Asia as it is now the centre for economic growth,” Gourlay adds.

Eugene Tan, Associate Professor of Law at Singapore Management University, who specialises in ethics and social responsibility, notes that in Asia, it is “no more a question of ‘why CSR’ but rather how to capitalise on CSR to make significant shifts in how business is done.”

“CSR and sustainability are not passing fads. I view them as imperatives given the growing concerns of climate change, stakeholders’ expectations, and evolving global standards,” he says.

His advice to companies: “It’s better to be ahead of the curve rather than have to play catch up because it would be too late by then to make the necessary changes and be competitive”.

“Asian businesses should take advantage of CSR and sustainability as new avenues for optimum profits and business opportunities. They should read the tea leaves better and be prepared for the future.” ☞