



Ethical
CORPORATION

RESPONSIBLE BUSINESS SUMMIT ASIA 2015

Post-conference report

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EXECUTIVE SUMMARY

Ethical Corporation's Responsible Business Summit Asia 2015 was held in Singapore on 6-7 May. It brought together delegates from business, civil society and government, representing a variety of industries operating in Asia and globally. Interactive panel discussions, case studies, round table events and open debate ensured that the two-day event was engaged, practical and provided participants with clear and practical opportunities to use sustainability to create real business change within their own organisations.

The major themes of the two-day summit focused on business strategy and innovation, moving beyond auditing in the supply chain, internal and external communications and the challenges and opportunities surrounding organisational culture and buy in. Participants agreed on the need for an integrated approach, one that embedded sustainability objectives into the culture of organisations.


The two-day summit began with a keynote speech by Asian sustainability leader Rob Coombes, president and chief executive officer, Asia Pacific, Interface Inc. Coombes highlighted the opportunities that exist in embedding sustainability into business to spur growth and innovation, using the success of the firm's Net-Works partnership with the Zoological Society of London (ZSL) as an example. This was further illustrated by Pamela Phua, global R&D director for AkzoNobel, the world's biggest paint company. Phua discussed the progress that the company has made in its sustainability agenda to create Weathershield KeepCool paint, which enables the reduction of energy use by cooling buildings by 15%.



Opportunities exist in embedding sustainability into business to spur growth and innovation

Rob Coombes, president and chief executive officer, Asia Pacific, Interface Inc.





Discussions relating to the creation of shared value were initiated by Mark Devadason, group head of sustainability at Standard Chartered Bank, who maintained that the key to generating shared value was finding organisational focus. Stefan Phang, from the Sealed Air Corporation, gave his firm's 'Soap for Hope' programme as an example of shared value creating win-win-win scenarios between a variety of stakeholders, including the company, community and government.

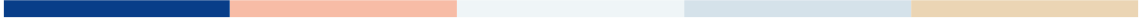
Going beyond audits to manage risks in the supply chain was the second key focus of the summit. William Anderson, head of environmental and social affairs, Asia Pacific, provided a candid overview of the way that Adidas Group responded to the sweat shop scandals of the 1990s to create innovative and performance-driven approaches to manage risks in its supply chain. According to Anderson, "you cannot rely on audits to protect rights. They capture an instance, a day, a moment, but they cannot capture what is re-occurring in the setting of the supplier."

The third key focus of the two-day summit was on the challenges and opportunities associated with internal and external communications, including the role of crises. Ian Suwarganda, senior manager for corporate communications and sustainability at Golden Agri-Resources Ltd, provided a case study on how crisis can help an organisation build a robust sustainability strategy through engagement and communication. Sustainability reporting was covered in depth by a lively panel discussion between Janice Lao, sustainability manager at MTR, and Briony Mathieson, global head of corporate and sustainability communications at Olam International. Natalie Chan, director of corporate responsibility and sustainability at Hong Kong Shanghai Hotels, Limited, highlighted some of the challenges and opportunities of the luxury brands sector and said that, although consumers in the sector were as yet unready to demand sustainability as a core element of their consumer experience, that it would come in the future – meaning the company is preparing for it now.

Culture and buy in was the final theme of the summit. Dr Petra Meekers, group director of sustainability at New Britain Palm Oil Limited, and Tony Henshaw, chief sustainability officer at Aditya

"You cannot rely on audits to protect rights. They capture an instance, a day, a moment, but they cannot capture what is re-occurring in the setting of the supplier."

William Anderson, head of environmental and social affairs, Asia Pacific, Adidas Group



Birla Group, facilitated an innovative and active session where delegates were given the opportunity to role-play pitching to their internal board on the need to manage a specific sustainability risk.

Discussions on employee engagement were managed by Mark Devadason, Mayra Saturnina Sanchez, head of project management governance at the Philippine Long Distance Telephone Company and Ann Florini, professor of public policy at Singapore Management University, who maintained that “if you want to win the war for talent, you have to be part of this [sustainability] conversation. Simply making profit is essential but it is not going to get you where you want to go with a new wave of employees.”

“If you want to win the war for talent, you have to be part of this [sustainability] conversation.”

**Ann Florini,
professor of public
policy, Singapore
Management
University**



02

02

BUSINESS STRATEGY AND INNOVATION

INTERFACE

Rob Coombes, president and CEO Asia Pacific at global commercial carpet tile manufacturer Interface, started the two-day summit in Singapore with a keynote speech highlighting the opportunities that exist in embedding sustainability into business to spur growth and innovation, maintaining that you can “do great by doing what is right”.

Interface’s journey towards using sustainability as a catalyst for business innovation started with chairman and founder Ray Anderson, whose “spear in the chest moment” prompted him to revolutionise the way that Interface did business, starting with lowering the environmental footprint, closing the loop on materials and increasing engagement. The result was lower costs, improved efficiency, better quality, more customers and a committed staff. The business case for change and innovation was therefore clear and powerful.

From this initial environmental focus, Interface shifted from sustainable to “restorative” practices, to determine ways that it could “put more back into the Earth than it was taking out”. The firm started to explore more inclusive business models, which aimed to balance the needs and priorities of people, business and the environment. After some initial failures, so often invaluable to innovation, Interface developed Net-Works, a partnership between Interface and the Zoological Society of London (ZSL), which enables fishing communities in developing countries to sell waste fishing nets back into the global supply chain, and allows Interface to



Interface lowered costs, improved efficiency and quality and gained customers and committed staff

purchase a fully recycled source of nylon for carpet tile production. Although Interface pays more to source this kind of nylon, it is responding to increased demands from customers. If Interface was unable to source these solutions, it would lose revenue.

COMMUNITY ENGAGEMENT

Andrew Buay from Singtel maintains that its focus is increasingly on looking at how business creates a positive impact for its customers by leveraging technology into the community, as well as a positive impact on the environment. Community engagement is critical to this, particularly around securing what Buay described as “cyber wellness” and responsible internet practice in relation to cyber safety, security, bullying and data privacy. Critical to sustainability for Singtel is deciding what, as an organisation, it does well and then using this as the foundation for its engagement projects, making sure that while its global strategy resonates throughout the organisation, it is also relevant to the local community.

According to Holy Ranaivozanany, head of corporate social responsibility, community engagement at Huawei rests on four pillars. First, the digital divide, looking at the correlation between social and economic growth and internet connectivity. Second, entrepreneurship and innovation, particularly on engaging “young people with bright ideas using technology”. In recognition of the vital role that communication plays during emergencies, the third pillar focuses on the role that Huawei can play in disaster relief, while the fourth and final pillar is about the development of talent and capabilities through education. Key to the company’s approach to engagement is focusing on what it is that it can achieve and what partners it needs to be able to achieve it.

As a core element of its sustainability strategy, Diageo is building thriving communities in areas where it operates. Through its women’s empowerment programme, Plan W, Diageo is working with women through skilled-based learning. Georgie Passalaris, skills and empowerment manager, maintains that one of the challenges the company faces is how to take global issues, such as the inclusion of women, and then make them make sense at a local and regional level, through transparency, stakeholder engagement and



Diageo is working with women through skilled-based learning

open dialogue. Passalaris believes the next frontier in sustainability will be measuring and communicating the impact of community engagement programmes, and moving from input measurements to determining the value of what has been created and why that matters.

CREATING SHARED VALUE

The notion of creating shared value is still sometimes difficult to apply to a particular business context and translate into a series of practical actions. Increasingly the creation of shared value is motivated by a developing awareness of the role that business can and increasingly does have in a society. Mark Devadason opened the session on creating a shared value by illustrating the journey which Standard Chartered had been on, from undertaking pockets of philanthropic activity, to cohesive, strategic and collaborative engagement to develop collective responses to some of the world's most critical challenges by drawing on the specific value that Standard Chartered can create around financial stewardship. The key to this, according to Devadason, is to find organisational focus. Rather than running a large number of programmes, which reflect the personal interest of a company's leadership, focus on two or three issues to which your organisation can contribute value, aligned with international agendas (such as the SDGs).

The role of financial institutions in the definition and creation of shared value was further reflected upon by Namita Vikas from YES Bank: "As far as you ensure that you have long-term business success by contributing to economic and social development, the environment and a stable society, that is creating shared value."

Stefan Phang from the Sealed Air Corporation suggested that shared value was the creation of a win-win-win-win-win situation between the environment, the company, its shareholders, the community and relevant members of civil society through the development of integrated solutions to sustainability. Through its 'Soap for Hope' programme, Sealed Air harvests used soap from hotels and uses it to create community investment programmes for women, to lift them out of prostitution. The programme creates a win for the environment by lessening waste, a win for the hotel by providing an



Focus on two or three issues to which your organisation can contribute value, aligned with international agendas

Mark Devadason, group head of sustainability, Standard Chartered Bank

opportunity to report on sustainable waste management, and a win for the community by enhancing livelihood opportunities.

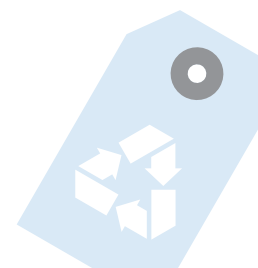
PRODUCT R&D INNOVATION

Ethical Corporation's recent survey found sustainable innovation the second most exciting opportunity for Asian CSR executives in the coming years. The sustainability commitment of the world's biggest coatings and paint company, AkzoNobel, is articulated through its 'Planet Possible' programme, which commits it to "do more with less". The global coatings company is committed to ensuring that by 2020, 20% of its total revenue has to come from a sustainable product, illustrating the key link between the R&D process and sustainability objectives.


According to Pamela Phua, global R&D director for AkzoNobel, by 2050 70% of the world's population will be living in cities, increasing the heat island effect of urban areas and, as a result, contributing to global warming. In response AkzoNobel has developed the Weathershield KeepCool paint, which enables the reduction of energy use in cooling buildings by 15%.

Several years ago, senior leaders at BASF, one of the world's leading chemical companies, decided that they needed a new corporate purpose to "create chemistry for a sustainable future". As a chemicals giant, BASF had no option but to fully engage with the sustainability agenda. In much the same way that AkzoNobel has integrated sustainability goals into its product innovation and R&D processes, BASF has also created its own sustainable solutions portfolio, informed by analysis of market drivers and irreversible trends within the industries that it serves. According to Rachel Fleishman, sustainability manager at BASF, as a market leader BASF often finds itself anticipating regulatory stipulations within its product development. Although some question whether this puts the firm at a competitive disadvantage, Fleishman claims that "maybe it's not a level playing field, but which part of the playing field are we going to play on... we simply can't play on the lower part."

The idea of being ahead of the game was echoed by Meenakshi



AkzoNobel committed to ensuring that by 2020, 20% of its total revenue comes from a sustainable product



Sharma, vice president of sustainability and communications for SAB Miller, who maintained that “if you are a smart company then you start thinking about how you manage the risk ahead of its impact on your value chain.” For SAB Miller one of these key risks is water scarcity, which has a direct and clear impact on the amount and quality of drinks that it can manufacture.

“If you are a smart company then you start thinking about how you manage the risk ahead of its impact on your value chain.”

**Meenakshi Sharma,
vice president of
sustainability and
communications,
SAB Miller**

The background is an abstract, fluid composition of swirling blue and white forms. A bright, glowing light source is positioned in the upper right, casting a strong, ethereal light across the scene. The swirling patterns create a sense of movement and depth, with various shades of blue ranging from deep navy to light, airy tones. The overall effect is one of dynamic energy and futuristic elegance.

03

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SUPPLY CHAIN

AUDITS AND ADIDAS

The Adidas Group has been on a very public journey over the last two decades after the sweatshop scandals of the 1990s culminated in a \$1 million lawsuit against Adidas, relating to the alleged use of forced prison labour in its Asian supply chain. These allegations were unfounded but, according to William Anderson, head of environmental and social affairs, Asia Pacific, it made the company sit up and think about social compliance within its supply chains. The focus of its work has been on country risk assessments, capacity building, implementation, monitoring, public reporting and engagement with stakeholders. It also instituted a process of KPIs, as well as monitoring and management systems, which focus on the social performance of primarily its tier one suppliers, but with provisions for the compliance of tier two suppliers.


According to Anderson, “you cannot rely on audits to protect rights. They capture an instance a day, a moment, but they cannot capture what is reoccurring in the setting of a supplier.”

Adidas Group’s supply chain management programme is supported by a worker feedback mechanism which, through a variety of mediums, including SMS, allows for the verification of social performance management and captures real time issues so often missed by a standard auditing process.

According to Anderson, Adidas Group works on a principle of continuous improvement for companies already operating in its supply chain. However, when it first takes on a supplier it adopts



Adidas Group works on a principle of continuous improvement for companies already operating in its supply chain



a zero tolerance approach if a company fails to meet its pre-qualification standards and screening process.

Challenges with fair labour programmes in the supply chain were highlighted by Siham Nuseibeh from global integrated logistics company Agility. These programmes, which are currently focused on the Gulf Peninsula, have been set up by Agility in response to challenges concerning migrant labour, in particular the practice of passport retention and recruitment agency bribes. It includes training, poster campaigns and the institution of a grievance mechanism.

Agility responded to challenges concerning migrant labour, in particular the practice of passport retention and recruitment agency bribes

The background is a dark, deep blue gradient. It is filled with numerous thin, glowing blue lines that radiate from various points, creating a sense of motion and depth. Interspersed among these lines are several small, bright red circular spots, some of which appear to be the ends of fiber optic cables. The overall effect is a futuristic, high-tech aesthetic.

04

04

COMMUNICATIONS

CRISIS COMMUNICATIONS

Ian Suwarganda, senior manager for corporate communications and sustainability at Golden Agri-Resources Ltd (GAR), presented a case study on how crisis can help an organisation build a robust sustainability strategy through engagement and communication

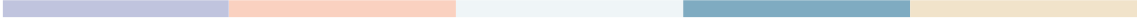
According to Suwarganda, GAR's sustainability journey started ahead of the rest of the industry by pioneering sustainability policies before they became legislation. However, to civil society organisations including Greenpeace, these commitments failed to go far enough to protect forests from deforestation programmes associated with palm oil plantation. As a result Greenpeace initiated a boycott of GAR-related products, resulting in the loss of Unilever and Nestlé as GAR customers and prompting GAR to find a multi-stakeholder solution to deforestation and biodegradation.

GAR's approach was critically based on the creation and maintenance of trust. It spent nine months in the field with Greenpeace putting an immediate halt to all plantation activities, and comparing maps with Greenpeace to identify areas of forest for conservation above and beyond what was currently required of it by legal and certification requirements.

This process of collaboration between GAR and Greenpeace allowed them to find common ground around conserving the forest, creating jobs and generating long-term stakeholder value. Key to this was openness and transparency. According to Suwarganda, the building of trusting relationships with stakeholders opened the



Greenpeace initiated a boycott of GAR-related products, resulting in the loss of GAR customers Unilever and Nestlé



door for proactive and collaborative engagement and the instigation of industry change, for example its forest conservation policy, which is increasingly being adopted by other growers.

Fundamentally the crisis was resolved by multi-stakeholder collaboration between business, government and civil society.

STAKEHOLDER ENGAGEMENT

Roma Balwani, president group communications, sustainability and CSR at Vedanta Resources, kicked off the session noting that stakeholder engagement was absolutely critical for the firm to operate as a community-facing organisation. Balwani maintained that the community's rejection of a Vedanta proposal to mine bauxite in the Niyamgiri Hills in India acted as a significant catalyst for the organisation. Inadequate engagement and insufficient communication with potentially impacted stakeholders was inhibiting the firm's ability to secure a social licence to operate, without which it was unable to mine. As a result of this, Vedanta now actively communicates with all potentially impacted stakeholders and has made a corporate commitment to only mine in areas where the community provides its active consent.

For Balwani, stakeholder engagement requires being transparent, collaborating, listening and translating what you hear into action.

For Ada Wong, head of public affairs and communications at FrieslandCampina Asia, one of the world's largest dairy farms, stakeholder engagement is a critical part of its business. According to Wong, if you want to improve the standard of the milk that you produce you have to start from the beginning of the value chain, and involve all key stakeholders along the way through ongoing, constant dialogue and partnership.

This idea of an integrated approach to stakeholder engagement was echoed by Ramil Burden at GSK, who believes that, in the same way that CSR as an additional corporate component is becoming an outdated concept, in around five years time, stakeholder engagement will no longer be discussed as something extra or external to normal business function. At GSK, 'partnership' is starting to replace stakeholder engagement as a core business

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**Ramil Burden,
vice president,
Africa & developing
countries, GSK**

concept. For Burden, real change can only occur when you bring your stakeholders together and build upon areas of interest common to you all, and when you are able to take a long-term view.

CR REPORTING

During the panel discussion on internal reporting, Janice Lao, sustainability manager at MTR, described how a change in public perception acted as a catalyst for the company's CEO and chairman to instigate change within an organisation committed to becoming even more customer-centric and effective.

Companies often don't have such institutional change catalysts. In outlining ways to undertake internal communication on sustainability, Briony Mathieson, global head of corporate and sustainability communications at Olam International, outlined a list of things that you should not do. First, don't use jargon because no one will understand what you're talking about. Secondly, don't be too religious about sustainability, rather concentrate on meeting the needs of the other through active listening. And finally, "don't be a geek" and be driven by metrics and measurements.

Internal communication methods adopted by Olam centre on functions operating not sustainably but 'responsibly', and include newsletters, webcasts and posters. Rather than saying everything to everyone, Mathieson proclaims the imperative of using the right language and choosing particular channels that apply to target groups. In contrast, MTR deploys what Lao referred to as "stealth tactics" by using existing channels to plant articles about sustainability within. Both Mathieson and Lao deploy champions in their organisations; well informed supporters of the sustainability agenda who have the ability to bring stories to life and advocate on behalf of the sustainability department.

Linked to this was a panel discussion on communicating your company's sustainability efforts in a way that makes most sense to your target audience. Having a variety of stakeholders can make it difficult to ensure your corporate sustainability story is compelling enough and meets their differing needs.



Well informed supporters of the sustainability agenda have the ability to bring stories to life and advocate on behalf of the sustainability department



Janice Lao, in seeking the best way to communicate MTR's sustainability strategy, advocates for 'storytelling' as a new approach, which is reflected in its 2015 sustainability report. Not only is storytelling appropriate to the Chinese culture, it is also more relevant to a business to customer organisation that impacts on peoples' lives on a daily basis.

Natalie Chan, director, corporate responsibility and sustainability at Hong Kong and Shanghai Hotels Limited, recognises that the luxury brands market is at a different stage, with customers in general as yet unwilling to fully embrace the sustainability agenda. The hotel chain is therefore focused on integrated and internal rather than external communication and engagement, and on ensuring that its internal operations are run as sustainably as possible, without having to engage its customers at all. In this way the hotel chain's sustainability agenda is focused not on today's customer, but on the customer of the future, so that when they start to demand a sustainable service, that service will already be in place.

Simon Lord, Sime Derby, highlighted the importance of creating purpose, generating passion and ensuring that your sustainability road map is clearly linked to performance right up to the CEO and board level. According to Lord, "as you begin to move into transformation and change you begin to challenge, as a sustainability practitioner, the role of the board and sustainability starts to influence the strategic direction of an organisation." Lord also advocated for the use of materiality matrices as a tool to communicate with your board and move them forward in their thinking.

Hong Kong and Shanghai Hotels Limited recognises that the luxury brands market is at a different stage, with customers in general as yet unwilling to fully embrace the sustainability agenda



05

05

CULTURE AND BUY IN

ADITYA BIRLA GROUP, NEW BRITAIN PALM OIL LIMITED

One of the key challenges facing the sustainability agenda is getting board buy-in to the agenda, or sign-off on key sustainability-related initiatives.

Dr Petra Meekers, director of sustainability at New Britain Palm Oil, described how the organisation initiated its sustainability agenda with the board through discussions about environmental impact and the application of environmental management standard ISO14001. Concurrently and externally, the palm oil industry was getting increased exposure from civil society organisations like Greenpeace and inspiring debate, particularly in Europe. All of which culminated in the increased awareness by the New Britain Palm Oil board of the relevance and importance of the sustainability agenda. Today the company has a social and environmental risk register and is usually given around five minutes to convince the board that the management of a particular risk is worth investing in.

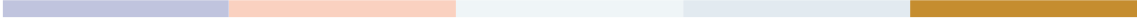
Tony Henshaw, chief sustainability officer at Aditya Birla Group, was responsible for overseeing the clean-up operation of the Ossa II pipeline spill in Bolivia's Altiplano. The project took eight months and required Aditya Birla to sell two of its subsidiaries to pay for it. On his return, Henshaw was asked by the board how, with all the expertise of the organisation, had this been allowed to happen?

The problem, according to Henshaw, is that people are not good at assessing risk, particularly chronic risks that creep up on an organisation slowly, like climate change. This translates into a



People are not good at assessing risk, particularly chronic risks that creep up on an organisation slowly, like climate change

**Tony Henshaw,
chief sustainability
officer, Aditya Birla
Group**



problem – how to convince boards to act on low-probability, high-impact issues? The solution lies in the ability to move towards compliance with international standards, understanding future risk and developing a long-term strategy rather than waiting for a crisis as a prompt for action.

According to both Meekers and Henshaw, convincing boards of this necessitates visionary approaches, the inclusion of figures and statistics, and an understanding of what the rest of the industry is doing to illustrate that your company has reached a critical point for action.

The solution lies in the ability to move towards compliance with international standards

EMPLOYEE ENGAGEMENT

Mark Devadason, Standard Chartered Bank, outlined a series of in-house initiatives deployed to build employee engagement with, and understanding of, the Bank's sustainability agenda. These included a commitment to volunteering, where each employee is allowed to volunteer for three days per year; an instituted champion network and executive sponsors of particular sustainability programmes right up to the board level; staff fundraising initiatives and targeted initiatives where employees are able to leverage their own skill sets to effect change (e.g. financial education for youth). However, fundamentally Devadason believes employee engagement is critically dependent not on social programmes, but on nurturing and coaching provided by managers towards the personal development of each employee.

Mayra Saturnina Sanchez, head of project management governance at the Philippine Long Distance Telephone Company, outlined that its CSR programmes are focused on issues that affect it as a phone company, particularly education and infrastructure.

According to Ann Florini, professor of public policy at Singapore Management University, "if you want to win the war for talent, you have to be part of this (sustainability) conversation. Simply making profit is essential, but it is not going to get you where you want to go with a new wave of employees." However, Florini maintained that we are still facing challenges in how we undertake employee engagement initiatives, particularly where there is a misalignment in

volunteering programmes between the skill set of the volunteering employee and the needs of the beneficiary organisation. This is compounded by the fact that academia is failing the world in how it trains people to undertake public policy and business. Despite the fact that they are increasingly interlinked, people are still only being trained in one of these disciplines and not both. According to Florini, the most meaningful way to approach employee engagement is not through philanthropy and volunteering programmes, but by thinking about the social purpose of your business and managing the extent to which your operations are socially harmful. Focusing on your “corporate strategy and corporate meaning is how you will get employees to dedicate their lives to your organisation”.



Academia is failing the world on how it trains people to undertake public policy and business

**Ann Florini,
professor of public
policy, Singapore
Management
University**