

**SPEECH BY MINISTER FOR THE ENVIRONMENT AND WATER RESOURCES
MASAGOS ZULKIFLI AT THE CONFERENCE ON CORPORATE
GOVERNANCE & RESPONSIBILITY: THEORY MEETS PRACTICE AT NUSS
KENT RIDGE GUILD HOUSE ON 20 JULY 2016, 2.40PM**

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Excellencies, Members of the Diplomatic Corps

Distinguished guests and friends

Ladies and gentlemen

Introduction

1 I am happy to join you for the Conference on Corporate Governance and Responsibility.

2 Around the world and across the region, corporate governance and responsibility has been recognised by government leaders and other key stakeholders in society as an enabler for inclusive, equitable and sustainable development. Governments are beginning to realise their shrinking role and resources to adequately address socio-economic problems in their countries. Investors, consumers and media are also imposing increasing pressures on companies to act with a strong sense of social responsibility.

3 However, while corporate governance and responsibility is effective in addressing socio-economic issues in society at large, and there is a growing number of companies incorporating it into their core business activities, the current state is still well below expectations. For example, the understanding and implementation of corporate social responsibility (or CSR for short) is currently largely confined to philanthropic activities.

4 As good governance and responsibility continues to flourish, there has also been increasing academic attention. It is progressively developing into a research field in its own right. Universities are also beginning to teach corporate governance

and responsibility in undergraduate, graduate and MBA courses. Yet, teaching and researching it is still a puzzle because of a variety of definitions, meanings and terms employed.

Conference Agenda

5 Hence, it is most timely and fitting that the theme for this Conference is “Theory Meets Practice”, where academics and practitioners are brought together to learn from one another on proven methodologies, share expertise and gain fresh perspectives on how we can tackle some of the challenges the region faces.

6 Therefore, I am very encouraged to see that many of the participants and speakers here today are from around ASEAN, because we are all committed to the region and we recognise its importance and potential.

7 We have come a long way since 10 years ago when sustainability in the region was at its infancy stage. Everyone in this room has played a role in moving the region’s sustainability agenda forward. For the first time, the principle of sustainable development has been incorporated in the ASEAN new blueprint “ASEAN 2025: Forging Ahead Together”.

8 Much has been achieved in mainstreaming the practice of CSR in the region through the ASEAN CSR Network’s efforts in developing and implementing the

“ASEAN CSR Vision 2020”. I would also like to commend the Centre for Governance, Institutions and Organisations of the National University of Singapore Business School, which has been involved in the ASEAN Corporate Governance Scorecard since 2013. It has become an asset for ASEAN in raising the standards of corporate governance among listed companies in the region and in turn, increasing their visibility to investors.

9 Allow me to further expand on the state of sustainability in ASEAN, as well as the respective roles of businesses, government and civic society in achieving a sustainable ASEAN.

State of Sustainability in ASEAN

10 Today, I am proud to say that we are doing reasonably well. The 2016 sustainability reporting study in ASEAN, specifically Singapore, Indonesia, Malaysia and Thailand, which was presented earlier this afternoon, shows that more than 90% of the top 400 companies are communicating sustainability reporting. I congratulate the ASEAN CSR Network and the Centre for Governance, Institutions and Organisations of the National University of Singapore Business School for having embarked on this first-of-its-kind study for the region.

11 So what will further drive the region’s sustainability agenda? The study has identified three areas in which ASEAN companies have a key role to play, which

can make a difference. Firstly, as sustainability is a holistic conception involving environmental, social and governance elements, companies have to adopt a total approach to address all aspects, especially those material to their business. Next, for sustainability to take root and have the benefits reaped, it should be pervasive and be embedded in the companies' organisational cultures and management processes. Finally, disclosure by the companies is important in order that stakeholders, including investors, may readily discern and appreciate the efforts put in.

12 Where applicable and adaptable, these strategies might also be transferred to other member states in ASEAN and possibly serve as a starting point as a whole-of-ASEAN working model in time to come.

13 Nevertheless, I do not want to paint an overly-optimistic picture. While there is increasing responsible business practices in our region, it is not without its own set of challenges.

14 Corruption adds up to the total cost of doing business, especially in developing countries where most ASEAN member states are classified. Significant inequalities still persist in the region. Women have less opportunities to work, children lack access to quality and affordable services and members of minorities groups see less progress. The regional agricultural landscape is also

undergoing unprecedented challenges, ranging from climate change to food security to sustainable agriculture.

15 Given the massive impact of companies in all aspects of regional integration, especially in achieving sustainable growth, there are countless opportunities for the private sector to engage with the sustainability agenda through inclusive business models.

16 The private sector must not delay further in implementing and embracing zero-tolerance policy on bribery and make anti-corruption part of their company culture and operations. As employers, companies have the ability to make right working conditions for their employees. The private sector also needs to take governance and sustainability seriously, for example, errant companies in the palm oil and pulp and paper sectors need to stop illegal slash-and-burn practices to clear land, and put in place fire preventive measures to minimise the recurrence of the transboundary haze pollution. Companies need to start incorporating climate change adaption planning and investment in their business decisions to build climate-resilient communities.

17 The consuming community too has lost their patience with companies that continue to ignore sustainable production. In the face of palm-oil and paper companies' inaction in Indonesia, consumer countries and companies are putting

up more laws and regulations to bar produce from non-sustainable sources from being part of their supply chain. Some of these companies have lost their sustainability certification, some will never get one. These companies should take heed that, even if the law of their countries may provide cover or make legal their unsustainable practices, the world has gone a different direction and becoming responsible consumers that are concerned with environment protection.

The role of business and academia in sustainability

18 Sustainability reporting has evolved globally to be a common practice of 21st century businesses. It is also developing steadily in the region. This understanding has shifted companies from doing philanthropic activities to integrating socially responsible practices in their business strategies.

19 Just as the private sector seeks to understand and practise good governance and responsibility, there is also potential and room for academia to operate. Universities and think tanks are uniquely placed to advance the sustainability agenda. They have access to deep knowledge and are in a position of independence from which to communicate this knowledge. I also encourage academia to start making sustainability a part of the educational experience for your students so that the DNA of sustainability will be second nature to our leaders of tomorrow.

Corporate sustainability and sustainable procurement

20 Corporate sustainability is a business approach that creates long-term consumer and employee value by creating a "green" strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural, and economic environment.

21 In that respect, I must emphasise that businesses have a strong ability to influence environmental sustainability, for example, through practising sustainable procurement. A company's impact on the environment is much bigger than the products that they consume. Therefore businesses can and should take the lead in helping to promote awareness and move towards more sustainable activities and practices. The integration of environmental sustainability in their core business operations and strategies are vital aspects of being a good corporate citizen.

22 At the 2016 Committee of Supply Debate in March, I announced that from the third quarter of this year, the Singapore Government will take the lead and procure printing paper products that carry the Singapore Green Label, which is an indication that the supplier practices sustainable forestry management. The Government will also be procuring energy efficient air-conditioners, lamps, televisions, and refrigerators to do its part in fighting climate change. In doing this, we hope to spur local as well as overseas businesses to adopt greener procurement practices. In fact, we must move away from talking and discussing

about sustainability to actually working towards achieving the goals, together with implementing mechanisms that will monitor our achievements in this area. These actions will demonstrate the significant power of a collective consumer voice, which will exert pressure down the supply chain to adopt environmentally and socially sustainable practices.

Sustainable reporting and financing for better decision-making

23 Consumers have a key role to play in making environmentally responsible purchasing decisions. Often, public education is needed to drive up sustainable consumption of end users, and one of the ways to do this is through green labelling. For example, the Singapore Environment Council (SEC) announced in February 2016 that they would be developing a new category of the Singapore Green Label this year to certify products containing sustainable palm oil. This will allow consumers to make informed choices about their product purchases. On a side note, I am happy to note that more companies have also declared to SEC that their wood and paper/pulp products are made from sustainable sources.

24 The other group that has a critical role to play is investors. Having information to allow them to make investment decisions based on the sustainability of the company will further encourage more companies to join in this movement. Hence I was glad to note SGX recently announced that it would be mandatory for all listed companies to report their environmental, social and governance (ESG)

practices from the financial year ending 31 Dec 2017 onwards. The “comply or explain” sustainability reporting framework will help to raise standards on sustainability reporting in Singapore, and the annual reporting of non-financial information will enhance the visibility of SGX-listed companies among investors who seek sustainable investment. This underscores the importance of the role that financial institutions have to play in getting companies to do good socially and environmentally. For example, the Association of Banks (ABS) in Singapore has recently issued new guidelines to steer banks on responsible financing. ABS will also work with MAS to monitor the adoption of the guidelines. While the guidelines are not silver bullets, they will contribute in shaping long-term changes in the sustainable practices of banking customers.

Conclusion

25 The sustainability agenda for the region cannot be achieved unless each member state undertakes common but differentiated actions to improve corporate governance and responsibility. It is a collective action of undertakings which can be encouraged through regional network and support where stakeholders will need to work closely with one another.

26 Ladies and gentlemen, ASEAN is at the heart of the global challenge of achieving sustainable development. The global commitments offered by the United

Nations' Sustainable Development Goals and Paris Agreement, as well as the regional strategy by the ASEAN new blueprint have laid down the direction to go.

27 In moving the sustainability agenda forward, I understand that the ASEAN CSR Network and their partners have been rigorously and regularly bringing key stakeholders together from the private sector to the civil society to the government, through regional high-level discussions such as this Conference, to address key issues. The Network is also developing training programmes to build up and unite the next generation of CSR ambassadors and leaders. If we can strengthen these ASEAN-based processes, they have the potential to form the core of the evolving architecture for regional capacity-building in moving towards the sustainability goal.

28 How and whether we continue to do so will result in a stronger or weaker ASEAN in the global stage. Despite gaps in the region, I believe that with the private sector and academia coming together, we can seize the opportunity to play a bigger role in shaping the sustainability agenda to build a more sustainable, equitable and inclusive ASEAN and realise a truly rules-based, people-oriented, people-centred ASEAN Community.

29 The need to strengthen corporate governance and responsibility at all levels within ASEAN mirrors comparable needs in other parts of the world. As ASEAN succeeds, its model may offer insights that can lead to similar success elsewhere.

30 In closing, I will like to congratulate the ASEAN CSR Network and the Centre for Governance, Institutions and Organisations of the National University of Singapore Business School for organising this Conference.

31 Thank you, and I wish you a lively and fruitful discussion ahead.

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