

STILL A LONG WAY TO THAI BUSINESS SUSTAINABILITY

Over the past few years, we have seen a gradual shift in the way that companies in Thailand view responsible — and therefore sustainable — business. Thai corporate leaders increasingly see good business as going beyond ad hoc philanthropic activities branded as corporate social responsibility (CSR). Businesses today must be able to recognise and respond to the complex risks and opportunities presented by emerging global megatrends — climate change, population growth, ecosystem degradation and resource scarcity.

In part, this recognition has been driven by an intensifying demand for transparency from stakeholders. In Thailand, pressing social and environmental issues — health concerns at Map Ta Phut, ethical labour issues in the shrimp industry, or severe floods linked to deforestation — have highlighted the growing significance of “people power”. This in turn has put pressure on businesses to not only be responsible for their impacts, but also to bring tangible value to society and nature. This in turn has led many businesses to look beyond their own operations and bottom line, to their broader supply chain and stakeholders.

Not surprisingly, the demand for sustainability reporting — disclosure of companies’ social and environmental performance — is picking up. The number of sustainability reports in Thailand based on the Global Reporting Initiative (GRI) guidelines rose from just one in 2006 to 16 in 2011 — and this trend is about to accelerate.

Indeed, as part of its 2013-15 strategy to develop a foundation for the country’s sustainable development, the Securities and Exchange Commission (SEC) recently announced requirements for all listed companies to disclose information relating to CSR, starting from January 2014.

The Stock Exchange of Thailand (SET) has also been actively stepping up its role in promoting corporate sustainability among listed companies.

Through the Corporate Social Responsibility Institute (CSRI), the SET this year intends to establish the SET Sustainability Index (SET SI). The index will have the dual aim of encouraging the development of sustainable practices, as well as responding to institutional investors’ growing interest in companies with a more comprehensive, longer-term view of risk and opportunity.

As a first step, the SET is supporting its top 15 companies to list in the Dow Jones Sustainability Index (DJSI), a family of indices measuring the sustainability performance of the world’s top 2,500 companies — and a key reference point for sustainable investing.

Quality sustainability reporting will form a critical starting point for those companies seeking to be listed in both or either the DJSI and SET SI. As such, the exchange is partnering with a number of organisations, including PricewaterhouseCoopers (PwC), to help raise awareness and build capability among listed companies.

There is now a strong recognition that sustainability reporting is quickly developing from a “nice-to-have” to a “must-have”, as global developments indicate a trend toward “report or explain”.

However, while the level of awareness of sustainability and its relevance to business is increasing rapidly, truly integrating social and environmental considerations into the heart of corporate strategy is a practice still limited to a minority of companies.

The facts are set out in “Pulse-check on Sustainability”, PwC’s 2013 survey of the five largest Asean economies (Indonesia, Malaysia, the Philippines, Singapore and Thailand). It found that while 81% of companies say sustainability is extremely or very relevant to their business, and 64% report on sustainability, fewer than 50% actually have a sustainability strategy. Only one out of five companies says sustainability is a regular agenda item in board meetings, while only

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3% have a good leadership structure in place to drive sustainability effectively.

Moreover, Thai companies in particular fall behind their counterparts in other countries on a number of sustainability practices — for instance, monitoring systems, the sophistication of sustainability disclosure, and stakeholder engagement.

Notwithstanding this, Thai companies currently look to local corporate sustainability pioneers as role models. The Siam Cement Group (SCG) has long been an advocate of sustainable business, and frequently shares insights from a decade of sustainability reporting, as well as its membership in the World Business Council for Sustainable Development (WBCSD), of which PwC is also a member.

For SCG — and its peer, PTT — however, sustainability has already gone far beyond strategy and reporting, to the next level of sophistication: sustainability assurance.

Sustainability reporting promotes increased trust from stakeholders through transparency. By ensuring that a company’s non-financial information is reliable and accurate, sustainability assurance can reinforce this trust by giving management assurance that the right decisions are being made, and that critical stakeholders are duly informed.

Sustainability assurance can take the form of either full assurance, or pre-verification. Full assurance involves a formal review of an organisation’s sustainability processes, controls and data — after which key findings and recommendations for improvements are shared to help to reduce the risk of

reporting material mis-statements.

For those companies still preparing for assurance, though, pre-verification is an assessment of system and process readiness and effectiveness. It can involve the review and establishment of optimal governance structures, appropriate management systems and formalised information-collection processes, to facilitate the preparation and reporting of high-quality, non-financial information.

Over the past year, we have witnessed rising interest in sustainability assurance from leading companies in Thailand. However, companies actually obtaining external assurance are currently limited to those with years of experience in incorporating sustainability into their operations.

Thus, while levels of sustainability awareness in Thailand have risen significantly in the past few years, there still remains large scope for Thai business to integrate sustainability considerations into corporate strategy, to report — and then, finally, to obtain external assurance.

Only when this cycle is completed will sustainability reports truly be more than mere “tick-the-boxes” exercises, or the simple completion of directives from management. Rather, they will do what they are supposed to do: support the protection and creation of value, by building long-term, trust-based relationships with stakeholders — who, in turn, will help you to sustain business into the future.

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