

SUSTAINABILITY REPORTING PART 5

Responsible Business Practices for SMEs



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As defined by Global Reporting Initiative (GRI), sustainability reporting (SR) is the process of understanding, communicating and monitoring of your organisation's most significant impacts on sustainability issues such as climate change, human rights, corruption and many others. In view of the current expectations in creating value for the stakeholders, SR brings clarity to both investors, stakeholders and companies alike.

Such an importance is echoed in the June 2016 announcement by the Singapore Exchange (SGX) to make it mandatory for all companies listed on SGX to issue a sustainability report by 2018.

IMPORTANCE OF SR TO SMES

Small and medium-sized enterprises (SMEs) are important to national economies and the global supply chains of large companies. In Singapore, SMEs account for approximately 99% of the workforce and contribute mostly to the Gross Domestic Product of Singapore¹.

The SR process enables companies, including SMEs, to understand how sustainability may affect their



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businesses and helps to align strategic goals to help sustain businesses in the long run.

In an article published by GRI and International Organisation of Employers (IOE)², SR could assist SMEs to grow both internally and externally. Internally, it helps companies to develop its vision and strategy to promote sustainability in business operations, be it in its products or services. By developing a vision and strategy, it enhances the monitoring of progress which helps companies to not only identify its key strengths but also highlight areas for improvement to make the necessary changes. By preparing to report, it indicates that companies are also ready to discuss with the public, particularly employees, on how to tackle each issue and readily resolve them. This promotes trust between employee and employer which may improve employee retention and motivation, and attract talent.

Externally, developing vision and strategy would help align organisational objectives in the long term which would enhance reputation of the companies and hence, promote trust from stakeholders. Reputation would help companies stand out from one another, providing a competitive edge, which would attract funding vital to the longevity of a company. Public

¹ https://www.spring.gov.sg/Resources/Documents/Corp_Marketing_Brochure_Eng.pdf

² GRI "Small Business, Big Impact: SME sustainability reporting from vision to action"; <https://www.globalreporting.org/resource/library/Small%20Business%20Big%20Impact%20Booklet%20Online.pdf>

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discussions would help companies to receive feedback from stakeholders which may enable companies to review their processes and identify business opportunities.

THE PROCESS TO SUSTAINABILITY REPORTING FOR SMES

Given the restrictions for SMEs in terms of resources and capacity in coming up with a full-blown sustainability report, GRI has provided a guide to help SMEs draft their sustainability report. The GRI reporting process is divided into five phases:

1. Prepare

A company would first select the SR team that is familiar with the GRI Standards. Next, organise and conduct meetings with those directly involved in the reporting process to ensure that commitment is present within top management to report and act on sustainability issues identified that are relevant to the organisation and may impact business goals from environmental and social aspects. The plan should also include manpower resources, budget estimates and reporting milestones. In addition, decide whether the report would be issued as a standalone sustainability report, or be included within other reports, example, Annual Report, and will it address other standards,

frameworks and regulations which the company is required to follow.

Meetings should be held with employees to communicate and help them understand the expectations set out for them while ensuring that commitment is also present across the company throughout the reporting process.

2. Connect

Identify key stakeholders to collect feedback on sustainability issues identified previously. Decide on how the collection of information should be performed while observing the objective and format of the process. The information to be collected should comprise sustainability issues that are identified as being relevant and crucial for the company to attend to. These, together with recommendations, should be reviewed before

presenting to senior management who will decide on the topics to present in the sustainability report.

3. Define

It is important to define what the reporting content of the company is. A company should assess the materiality aspects of the issues that would allow it to achieve its goals in a sustainable manner, respond to the information needs of key stakeholders and manage the impacts on the economy, environment and society.

For each sustainability issue identified as relevant, assess the impacts on where they may occur, that is, internally within the company or externally with a third party that the company has a relationship with. It is crucial to prioritise each sustainability topic identified by assessing the

importance of the stakeholder's assessment and decisions, and the company's economic, environmental and social impacts. These should be supported, with reasons, about why they are perceived as "material". Materiality includes:

- Items or issues that are or will affect the company and represent significant risks for the company's area of operation;
- The company's sustainability interests, topics and indicators as pointed out by stakeholders;
- Current discussion and areas of concern in the company's business environment, future challenges for the sector/region that are reported by peers, competitors or expert bodies with recognised

- credentials in the field, and
- Relevant laws, regulations, international agreements or voluntary agreements with strategic significance to the company and its stakeholders.

4. Monitor

The SR team members should begin to collect and analyse the information needed in order to build the context of the report. They should check whether internal systems are in place to gather the information; especially if information is not readily available, can it be gathered in time to properly monitor and report? For material aspects identified that do not have a monitoring system or policy,

³ GRI "Ready to report? Introducing sustainability reporting for SMEs"; <https://www.globalreporting.org/resource/library/Ready-to-Report-SME-booklet-online.pdf>

decide which information cannot be disclosed and provide the explanation in the report.

The SR team should establish monitoring systems to periodically check on the progress of both the sustainability performance of the material aspects and how effective the monitoring systems are.

5. Report

The last step is to complete the sustainability report, which is then publicly launched. The company should decide whether information compiled is necessary and needed to address the GRI Standards Disclosures. Information presented should be clear, concise and give a complete picture.

In conclusion, SMEs have a very important part to play in building a sustainable future through responsible business practices and there is a clear business case for SMEs to be part of this great SR initiative.

In order for this to be successful, companies cannot be indifferent to the society and environment in which they operate, and this is no different for SMEs. Peaceful conditions, a healthy environment, legal certainty and good human relations within the company are key elements of business success. SMEs can start by ensuring that their vision, mission, strategy and business model embrace responsible business practices and consider these practices as critical factors in the SME's future viability. Responsible business practices are about continuous improvement, and combined with SR, they reinforce each other, helping SMEs integrate sustainability thinking into the organisation and capture new value³. ISCA

This is the fifth article in the ISCA Corporate Reporting Committee's series of articles on sustainability reporting to raise awareness and quality of sustainability reporting in Singapore. The first four articles were published in the October 2016, November 2016, December 2016 and June 2017 issues of this journal.

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