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Embracing sustainable value
creation in the boardroom
Four pillars for a new paradigm

April 2021



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Foreword

The concept of sustainable value creation is not new. What is relatively new, however, is the increasing realisation that action needs to be taken quickly to address the environmental, social, and governance (ESG) challenges facing our planet to ensure a sustainable future. This action is the responsibility of everyone: governments, businesses, investors, and individuals.

In the midst of the COVID-19 pandemic, businesses in Southeast Asia are stepping up with unprecedented contributions in the name of public health and well-being. For most of these organisations, responding to the current crisis is simply a moral imperative. But once the next normal is reached on the other end of the crisis, boards will find their world – and their boardrooms – fundamentally transformed.

While some forward-thinking boards may have already recognised the high stakes of sustainability – not only for our planet and people, but also for organisational competitiveness and their social licence to operate – the pandemic has undoubtedly sharpened the scrutiny on many ESG concerns.

Increasingly, stakeholders are seeking greater transparency into how organisations are addressing ESG issues in their business strategy, governance, risk assessment, as well as measurement and disclosure practices. Given that much of this information currently does not come directly from company disclosures – in part due to the lack of a single sustainability standard in the market – data providers often rely on proxies or other sources to provide a clearer picture for stakeholders.

The message to boards is clear: tell your sustainable value creation story – or someone else will. But unless a standardised set of consistent and comparable metrics exists in the marketplace, organisations will continue to find themselves challenged in credibly demonstrating to all stakeholders their progress on sustainability.

In this report, we will present an overview of the Stakeholder Capitalism Metrics framework that was launched earlier in September 2020 by the International Business Council of the World Economic Forum (IBC) – in collaboration with Deloitte, EY, KPMG, and PwC – in an effort to identify a set of universal, material ESG metrics and recommended disclosures.

This framework consists of four broad pillars – Principles of Governance, Planet, People, and Prosperity – each of which has an important bearing on the capacity of an organisation to generate shared and sustainable value in the long run. Along the way, we will also be sharing with you some of Deloitte's own experiences, as well as our efforts in supporting our clients and collaborating with other external organisations, in advancing along these pillars within Southeast Asia.

It is our hope that you will find this an insightful read as you embrace sustainable value creation in your boardrooms in this new era of stewardship.

Michael Fiore

Chairperson
Deloitte Southeast Asia

Four pillars for a new paradigm



Across Southeast Asia, the topic of sustainable value creation – which encompasses the entire spectrum of ESG concerns – is increasingly positioned at the top of board agendas, and has now become central to corporate competitiveness and an organisation's continued ability to operate. These issues are not only wide-ranging in nature, but also affect all industries and sectors – and challenges even the most progressive organisations and most thoughtful boards.

As boards continue to face challenges from investors and other stakeholders to be more proactive in driving sustainable value creation, and aligning the organisation's strategy and risk management practices to the needs of broader stakeholders, sustainability is securing more time at and in between board meetings. This is not least because there is no single, standardised approach to incorporating ESG metrics into boardroom discussions on business strategy and risk.

Expectations of investors, in particular, are mounting with the increasingly widespread recognition that ESG factors provide critical insight into how an organisation is driving and protecting its value. But in the absence of effective disclosures, investors are unable to price that risk effectively. This has, in turn, intensified the push by investors to engage with organisations, and use any and all levers to encourage more meaningful disclosures.

For boards and their management teams, having a consistent set of ESG metrics will not only demonstrate commitment, but also enable the tracking and measurement of performance that will help them to better communicate with their stakeholders about how sustainability considerations are integrated with strategy, risk management, and operations to drive long-term value. The stakes are high, and directors need to act now to recognise sustainability as a fundamental element of their stewardship and fiduciary role.

The Stakeholder Capitalism Metrics framework

In today's market, multiple ESG reporting frameworks and the lack of consistency and comparability of metrics continue to prevent organisations from credibly demonstrating to all stakeholders their progress on sustainability. Although a number of initiatives are underway to advance the greater standardisation and transparency of sustainability disclosures – including but not limited to efforts by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the Financial Stability Board Task Force on Climate-Related Financial Disclosures, and the International Integrated Reporting Council (IIRC) – there remains a certain level of market confusion as to the purpose and use of these standards.

To identify a set of universal, material ESG metrics and recommended disclosures that could be reflected in the mainstream annual reports of organisations on a consistent basis across industry sectors and countries, the International Business Council of the World Economic Forum (IBC) recently invited Deloitte, EY, KPMG, and PwC to define a core set of Stakeholder Capitalism Metrics¹.

These metrics were developed with the objective of enabling IBC members to align their mainstream reporting on performance against ESG indicators, and track their contributions towards the 17 UN Sustainable Development Goals (SDGs) on a consistent basis. The metrics are deliberately based on existing standards, with the near-term objectives of accelerating convergence amongst leading private standard-setters and bringing greater comparability and consistency to the reporting of ESG disclosures.

Application of recommended metrics

Addressing ESG metrics within a company's annual report will ensure that consideration of material ESG factors is on the board's agenda and part of the overall corporate governance process. Accordingly, organisations are encouraged to begin reporting on the recommended core metrics, where relevant and possible, in their mainstream corporate disclosures.

While the recommended metrics and disclosures are intended to be universal and industry agnostic, there may be instances when certain metrics are not feasible,

relevant, or easy to implement immediately. This may be due to confidentiality constraints, legal prohibitions, data availability, geographic idiosyncrasies, or lack of materiality.

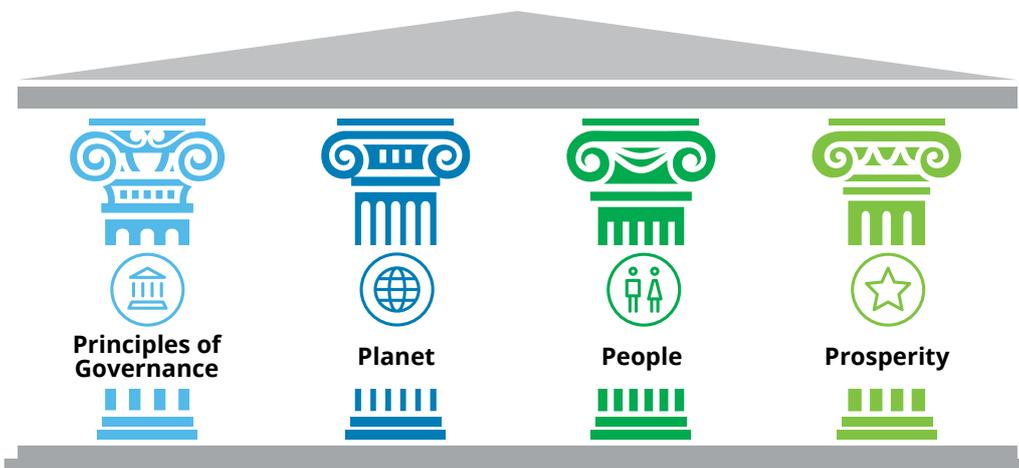
In line with the principles of good governance, boards are encouraged to consider the full set of recommended metrics and disclosures, and report on all those that are material or relevant to their organisations. However, in cases where a specific metric is not material for a company's long-term value creation, a "disclose or explain" approach should be adopted, where organisations are encouraged to explain in their reports the specific information omitted and the reasons for those omissions.

The four pillars

The Stakeholder Capitalism Metrics have been organised into four pillars – Principles of Governance, Planet, People, and Prosperity – which are aligned with the essential elements of the SDGs (see Figure 1)². Each of these pillars has an important bearing on the capacity of an organisation to generate shared and sustainable value, and performance in one pillar is highly interdependent with that of the others.

In the next section, we will introduce each of the four pillars, explore some of their key themes for metrics and disclosures, and share with you some of Deloitte's own experiences, and our efforts in supporting our clients and collaborating with other external organisations in advancing along these pillars within the Southeast Asia region.

Figure 1: The four pillars under the Stakeholder Capitalism Metrics framework



¹ "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.
² "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.



Principles of Governance

With organisations increasingly expected to define and embed their purpose at the centre of their business, the core principles of agency, accountability and stewardship continue to be vital for truly good governance.



As the focus of the purpose of a corporation shifts towards long-term value creation and its economic, environmental, and social impacts, organisations are increasingly expected to define their purpose in a way that integrates these societal impacts into the core of their business, and embed their purpose throughout their strategy and operations.

Indeed, these concepts have become ever more salient with the spread of the global COVID-19 pandemic, which has made the interrelationships between companies, communities, employees, customers, and other stakeholders glaringly clear.

Whether it is working to create a safe environment for employees, reconfiguring supply chains so they are more resilient, providing more generous payment terms to customers, or providing products and expertise to the community and the world in its fight against COVID-19, the pandemic has made it easy to understand that there is no way to survive and thrive without all stakeholders.

But above all, the pandemic has also brought to the fore tensions between – and the need to meet – both shareholder and stakeholder needs, manage both financial and non-financial goals, and balance both short-term and long-term imperatives.

Governance, including its traditional principles of agency, accountability, and stewardship, will be therefore be fundamental for an organisation to achieve alignment between financial and societal performance, and ensure accountability and legitimacy with stakeholders.

Accordingly, the metrics for governance should not only cover the setting, monitoring, and execution of an organisation's aspirations with respect to their societal impacts as part of its purpose and strategy, but also how the organisation is navigating risks and embracing opportunities associated with these dimensions to protect the long-term interests of its stakeholders.

Putting purpose into practice

At Deloitte, we are led by a purpose: to make an impact that matters. This purpose defines who we are. It endures – transcending the everyday, binding us together, and giving us our reasons to exist.

Amidst the COVID-19 outbreak, Deloitte Southeast Asia rallied its people around its purpose of making an *#ImpactEveryday* to fight the outbreak. In addition to volunteering and pro-bono work, we have also managed to achieve the following tangible outcomes:

- **Raised** US\$20,131 for the Dana Kemanusiaan Kompas (DKK) Foundation to help it provide vulnerable communities with medical supplies, 1,000 packages of staple foods, and 2,000 non-medical masks in Indonesia.
- **Collaborated** with the YTL Foundation to provide 100 tablets, each with 40GB of Internet data to students from the bottom 40% (B40) income households in Malaysia.
- **Coordinated** a campaign to provide hospitals and frontline workers in the Philippines with personal protective equipment (PPE) kits.
- **Organised** a fundraising campaign that raised S\$103,340, and collected 84 laptops and tablets to support the non-profit organisation Engineering Good with its 'Computers against COVID' initiative to support underprivileged children in Singapore with their participation in remote learning.



Principles of Governance: Key themes for metrics and disclosures

The metrics and disclosures under the Principles of Governance pillar can be classified into five key themes, namely³:

1. **Governing purpose:** The organisation's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental, and social issues. Corporate purpose should create value for all stakeholders, including shareholders. 
2. **Quality of governing body:** The composition of the highest governance body and its committees by competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; and stakeholder representation. 
3. **Stakeholder engagement:** A list of the topics that are material to key stakeholders and the organisation, how the topics were identified, and how the stakeholders were engaged. 
4. **Ethical behaviour:** Anti-corruption initiatives, including total percentage of governance body members, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, total number and nature of incidents of corruption confirmed during the current year, and a discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture in order to combat corruption; as well as protected ethics advice and reporting mechanisms, including a description of internal and external mechanisms for seeking advice about ethical and lawful behaviour and organisational integrity, and reporting concerns about unethical or unlawful behaviour and lack of organisational integrity. 
5. **Risk and opportunity oversight:** Organisational risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the organisational appetite in respect of these risks, how these risks and opportunities have moved over time, and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship. 

³ "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.



Protecting the planet from degradation – including through sustainable consumption and production, and sustainable management of its natural resources – is an urgent priority to enable us to support the needs of our present and future generations.



As the visibility of business impacts on the planet grows and expectations of corporate responsibility extend along the value chain, the business risk associated with failing to demonstrate a good understanding of and response to environmental impacts is amplified.

Amongst the numerous trends that COVID-19 has accelerated is the growing realisation that organisations need a much broader and more intense focus on environmental and climate issues. Indeed, the perception of such issues for many business leaders has moved from a “nice to have” to a “must have”. This is not only driven by the need to create more resilient operations, but also the need to satisfy increasing demands from stakeholders for organisations to engage in responsible business.

But to understand the relevance of environmental impacts on long-term value creation and indeed on basic commercial viability, organisations will need to consider these impacts beyond the section of the overall value chain that they operate in, and expand their focus to the full value chain of products and services on which they rely to sustain their own commercial success.

Although guidance on corporate reporting for established themes, such as climate change and freshwater availability, have been formalised in standards for some time, other equally pressing issues – such as nature loss, plastic waste, resource circularity, and excess nutrients – have rapidly risen to prominence in scientific fora and public debate but are as yet less well-represented in formal reporting standards. For this reason, the metrics and disclosures also include a small number of emerging metrics to contribute to advancing the measurement and management of these critical environmental issues.

Making the planet a priority

To create greater awareness of personal choices and change behaviours – both within our organisation and amongst those we influence – Deloitte has developed a global climate strategy known as *WorldClimate*. Under this strategy, Deloitte will commit to the following:

- **Net-zero by 2030:** We commit to achieving net-zero greenhouse gas emissions by 2030 for our own operations, ahead of the 2050 timeframe set by the Paris Agreement.
- **Operating green:** We recognise we must align our climate policies, practices, and actions across our organisation by designating a senior leader to be responsible for climate in each geography; prioritising discussion of climate change on executive agendas; and embedding climate-smart considerations into decisions on office operations, real estate, and investments.
- **Empowering individuals:** By engaging and educating our employees on climate change impacts – decisions about what they consume, use, and buy – we will enable our people to make positive climate choices at home and at work, and amplify these through their personal networks.
- **Engaging ecosystems:** We will collaborate with clients, alliance partners, non-governmental organisations, industry groups, suppliers, and others to address climate change at a systems and operations level.



Planet: Key themes for metrics and disclosures

The metrics and disclosures under the Planet pillar can be classified into seven key themes, namely⁴:



1. **Climate change:** Metric tonnes of carbon dioxide equivalent (tCO₂e) GHG Protocol Scope 1 and Scope 2 emissions for all relevant greenhouse gases (including but not limited to carbon dioxide, methane, nitrous oxide, F-gases); estimation and reporting of material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate; and implementation of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



2. **Nature loss:** Land use and ecological sensitivity issues, including the number and area of sites owned, leased, or managed in or adjacent to protected areas and/or key biodiversity areas.



3. **Freshwater availability:** Water consumption and withdrawal in water-stressed areas, including megalitres of water withdrawn, megalitres of water consumed, and the percentage of each in regions with high or extremely high baseline water stress for the full value chain (upstream and downstream) where appropriate.



4. **Air pollution:** Air pollution in terms of nitrogen oxides, sulphur oxides, particulate matter, and other significant air emissions, as well as their respective valued impacts.



5. **Water pollution:** Nutrients, in terms of metric tonnes of nitrogen, phosphorous, and potassium in fertiliser consumed, as well as the valued impact of water pollution, including excess nutrients, heavy metals, and other toxins.



6. **Solid waste:** Single-use plastics, including the metric tonnes of single-use plastic consumed, as well as the valued societal impact of solid waste disposal, including plastics and other waste streams.



7. **Resource availability:** Resource circularity for the whole organisation and/or at a product, material or site level as applicable, and the disclosure of the methodological approach used to calculate the chosen circularity metric(s), and the rationale for the choice of metric(s).

⁴ "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.



Accelerating the sustainability transformation in the chocolate industry

Through collaborations with Barry Callebaut, the world's leading manufacturer of high-quality chocolate and cocoa products, and organic chocolate manufacturer and social enterprise, Wildness, Deloitte is playing a role in leading sustainability efforts in the chocolate industry, and contributing to cocoa farming communities.

Educational and skills development programs for cocoa farmers in Indonesia

Indonesia is the world's sixth largest cocoa producer with approximately 220,000 tonnes a year, most of which comes from Sulawesi. Cocoa plantations in Indonesia are dominated by small-holder farmers on a trajectory towards a living income and beyond.

To accelerate the sustainability transformation for cocoa farming communities in Indonesia, Deloitte embarked on a multi-year strategic collaboration with Barry Callebaut to deliver educational and skills development programs to empower over 30,000 cocoa farmers in Sulawesi and Sumatra to permanently lift them out of poverty.

Under this collaboration, cocoa farmers, about 20% of whom are women, will have access to financial literacy and entrepreneurship trainings to help them find ways to professionalise their small business and enhance their livelihoods.

The farmers will also undergo a sales and marketing training conducted by Barry Callebaut's field facilitators who are key to the successful implementation of Barry Callebaut's Farm Business Plans. The Farm Business Plans consist of tailor-made services such as tools, individual coaching, and agricultural inputs to support and improve yields and farmer income, and are designed to support farmers in developing their cocoa farms into rehabilitated, diverse, and professionally run farms over a period of several years.

Together, Deloitte and Barry Callebaut will also introduce the Deloitte Grow program, which centres on creating better opportunities for youths through education and preserving an interest and appreciation for cocoa farming for the future.

Committing to sustainable chocolate

Low productivity on cocoa farms as a result of poor agricultural practices, nutrient depleted soils, and ageing cocoa trees continue to keep cocoa farmers and their families in a cycle of poverty. To address these challenges, Barry Callebaut launched Forever Chocolate in 2016, which plans to make sustainable chocolate the norm by 2025. Since then, Barry Callebaut has welcomed like-minded organisations to come alongside them to build a movement that ensures chocolate will be around forever.

These partners include chocolate manufacturers like Wildness, who is committed to using only the finest ingredients and environmentally sustainable methods for its organic handmade chocolates, and has begun incorporating 100% sustainable chocolate made from Barry Callebaut chocolate.

Under the latest collaboration, Deloitte has also partnered with Wildness to work with adults with special needs at the Association for Persons with Special Needs Centre for Adults in Singapore to manufacture handmade sustainable, organic Deloitte WorldClass chocolates. All proceeds from the sale of the chocolates go directly to Wildness.



People

There is a growing recognition of how critical issues such as dignity and equality, health and well-being, and developing skills for the future are to business performance. The challenge, of course, lies in translating these priorities into actions with impact.



People are crucial for every organisation: they represent employees, customers, suppliers, distributors, retailers, and contractors. People are also the investors and ultimate beneficiaries of providers of capital. Their growth – in knowledge, prosperity and well-being – is therefore central to the success of all organisations and societies.

The business case for firms to measure, manage, and disclose information on how they ensure an engaged, skilled, and healthy workforce across their value chains is compelling. Such a workforce creates both financial and non-financial value that is critical for an organisation's business performance and competitive advantage, while enabling it to mitigate risks, maintain a licence to operate, and strengthen stakeholder relationships.

In recent months, we have seen these priorities heighten as the unprecedented impact of COVID-19 triggered massive disruption of businesses and societies, inflicting hardship on workers in both formal and informal sectors across the world. The pandemic has accelerated new, more flexible ways of working and increased awareness of the importance of mental health in the workplace. But, perhaps more notably, the dual health care and economic crises heightened awareness among business leaders of the importance of other issues – including health and well-being, training and development, and diversity and inclusion.

Looking ahead, organisations will increasingly be expected to embrace human rights, foster diverse and inclusive workplaces with equal pay for work of equal value, and offer all those with a stake in its value creation the opportunity to thrive and grow – and more importantly, demonstrate tangible progress in each of these areas.

Going *ALL IN* with diversity and inclusion

At Deloitte, we pride ourselves on providing an inclusive workplace culture. It is fundamental to our values, so employees feel they can be themselves and thrive at work. Our *ALL IN* strategy is designed to provide our people with equal opportunities to grow, develop and succeed, and a workplace where they can bring their whole self to work. We are committed to building an environment where our people respect and appreciate diversity in all its forms, and creating a support system to empower employees to reach their full potential.

Some of our recent efforts to promote diversity and inclusion across our Southeast Asia operations include:

- **#EachforEqual** podcasts and livestreams for employees in Cambodia, Lao PDR, Malaysia, Myanmar, Singapore, and Thailand to discuss best practices for inclusion and opportunities.
- **Moms@Deloitte** initiative to provide women at Deloitte with a support system through which they can share experiences, and obtain assistance in choosing flexi-time options.
- **Deloitte Female Mentoring Program** for female undergraduates in Singapore to cultivate working relationships with experienced senior female practitioners from Deloitte.

Advocating holistic well-being

In line with our efforts to advocate holistic well-being, Deloitte recently launched the Employee Assistance Program (EAP) in Southeast Asia to provide a personal support line for Deloitte employees and their immediate families. This complimentary service offers round-the-clock, confidential support to employees, who are encouraged to utilise the service for both personal and work-related challenges. Qualified and experienced counsellors are able to provide support in local languages across the Southeast Asia region, and additional services, such as structured counselling and life management services, are also available for employees who require them.



People: Key themes for metrics and disclosures

The metrics and disclosures under the People pillar can be classified into three key themes, namely⁵:



1. **Dignity and equality:** Diversity and inclusion, including percentage of employees per employee category, by age group, gender, and other indicators of diversity; pay equality, including ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas; wage levels, including ratios of standard entry level wage by gender compared to local minimum wage, and ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO; and risk for incidents of child, forced, or compulsory labour, including an explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced, or compulsory labour.



2. **Health and well-being:** Health and safety, including the number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked; as well as an explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.



3. **Skills for the future:** Training provided, including average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category, and average training and development expenditure per full time employee.



Advancing women in leadership

By championing diversity and inclusion, Deloitte hopes to create a supportive environment for women leaders to be inspired, grow, connect, and drive meaningful change in their communities. Some of our marketplace programs in Southeast Asia include:

- **SheXO**

In Southeast Asia, Deloitte recently introduced the SheXO program to support the personal and professional development of established, emerging, or aspiring women leaders. Key activities include the SheXO NextGeneration Academy, a first-of-its-kind experience designed to prepare aspiring women leaders for success in a future C-suite role, and the Transition Lab series, which offers a personalised and immersive one-day experience to support newly appointed C-suite women leaders or those who are switching industries in making efficient and effective transitions into their new roles.

- **Board-Ready Women Program**

Recognising that boards today require diversity of thought and background in order to continue to make good decisions and provide strong oversight of management, Deloitte offers the Board-Ready Women Program to prepare talented women executives for board service in Singapore. This program will build on knowledge and assurance, and provide opportunities for the female leaders to network with their peer group and senior board members from listed companies.

⁵ "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.



Prosperity

Economic growth should be built upon decent employment, sustainable production and consumption, as well as the innovation and transformation of business models to create shared value for all.



Businesses cannot succeed in a failing society. Each and every organisation therefore has an important role to play in achieving the vision of growing a strong, inclusive, and transformative economy where economic, social, and technological progress occurs in harmony with nature, and everyone can enjoy prosperous and fulfilling lives.

Increasingly, business leaders are realising that an organisation's true value lies in many of the intangible, off-balance sheet assets and value drivers that are associated with economic and social prosperity. Many organisations, however, are not fully capturing these assets in their measurement and reporting processes.

A lack of understanding of these benefits could result in serious miscalculations and an undervaluing of the organisation's impact. By improving our measurement and reporting of these related metrics and disclosures, organisations and their stakeholders can better translate this value into the language of business, and become better informed to make strategic resource allocation decisions to enable these assets to contribute to sustainable value creation in the long run.

Over time, we believe that organisations will not only gain a more complete picture of their overall business value, but also find increased incentives to expend their efforts in many of these areas, and ultimately integrate them into their core strategy.

Making an impact, one future at a time

At Deloitte, we believe that we make the greatest societal impact when our professionals use their skills and expertise to help people to develop job skills, improve educational outcomes, and access opportunities to succeed in the new economy.

Through our WorldClass initiative, Deloitte employees around the globe are engaging in concentrated efforts to empower 50 million people by giving them the skills they need for the future.

Within the Southeast Asia region, some of the work that we have done in this space include:

- **Preparation** of video materials and learning resources for the basic English language course under the Myanmar Mobile Education (myME) project, which will provide informal education and outreach activities for more than 5,000 children who have been compelled into servitude with English lessons by 2021.
- **Collaboration** with The Edge Education Foundation on the 'Money & Me' program in Malaysia to train 44 trainers who will go on to empower more than 1,000 youths with financial literacy and entrepreneurial skills.
- **Collaboration** with IBM on its P-TECH initiative in Singapore to upskill youths studying at the Institute of Technical Education (ITE) for 'new-collar' jobs, including conducting basic Python workshops for more than 30 students.
- **Partnership** with Asia Society for Social Improvement and Sustainable Transformation (ASSIST) to train 20 IT educators at the Polytechnic University of the Philippines (PUP) on agile software development methodology.
- **Provision** of Lighting Up Your Future scholarships to enable underprivileged students in Vietnam to pursue a career in economics and finance, in collaboration with the and Association of Chartered Certified Accountants (ACCA).



Prosperity: Key themes for metrics and disclosures

The metrics and disclosures under the Prosperity pillar can be classified into three key themes, namely⁶:



1. **Employment and wealth generation:** Absolute number and rate of employment, including the total number and rate of new employee hires and employee turnover by age group, gender, other indicators of diversity and region; economic contribution, including both direct economic value generated and distributed, total monetary value of financial assistance received by the organisation from any government; as well as its financial investment contribution, including total capital expenditures minus depreciation, supported by narrative to describe the organisation's investment strategy, and share buybacks plus dividend payments, supported by narrative to describe the organisation's strategy for returns of capital to shareholders.



2. **Innovation of better products and services:** Research and development expenses, comprising total costs related to research and development; social value generated in terms of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges; and vitality index, represented as the percentage of gross revenue from product lines added in last three (or five) years, supported by narrative that describes how the company innovates to address specific sustainability challenges.



3. **Community and social vitality:** Total tax paid, including the total global tax borne by the organisation, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the organisation, by category of taxes; total social investment that sums up its resources used for the "S" in ESG efforts; additional global tax collected by the company on behalf of other taxpayers, including VAT and employee-related taxes that are remitted by the company on behalf of customers or employees, by category of taxes; and total tax paid and, if reported, additional tax remitted, by country for significant locations.

⁶ "Measuring stakeholder capitalism: Towards common metrics and consistent reporting of sustainable value creation". World Economic Forum. September 2020.



Contributing to strong, sustainable, and inclusive economic growth

Deloitte is committed to supporting strong, sustainable, and inclusive economic growth in the communities in which we operate across Southeast Asia. Some of our recent efforts in this area include our work with PROSPERA, the Australia government's economic governance program that aims to foster more effective Indonesian economic institutions and policies.

PROSPERA commenced on 1 March 2018, and builds on over 20 years of Australian investment in Indonesia's economic governance that began in the aftermath of the Asian Financial Crisis of the late 1990s. It brings together two previous programs – the Government Partnerships Fund (GPF), and the Australia Indonesia Partnership for Economic Governance (AIPEG) – and works with around 30 Indonesian government agencies, providing them with evidence on which to base policy.

To support PROSPERA in achieving its objectives, Deloitte will be offering our expertise in the following key areas:

- Expanding markets and creating jobs
- Safeguarding economic and financial stability
- Improving public sector finance and government performance
- Evidence and knowledge management
- Public sector institutions and policy development/coordination
- Gender equality and inclusion
- General program management

Our work in these areas will support PROSPERA in helping to improve government spending and revenue, markets, as well as institutions in the financial, transportation, and public sectors in Indonesia.

Embracing sustainable value creation in the boardroom



The function of the board has traditionally been – and fundamentally remains – one of supervision and stewardship, and directors are in a unique position to connect sustainability with corporate purpose and strategy. Careful consideration of the needs of a broader universe of stakeholders will ultimately drive value for shareholders, and directors should use the opportunity to promote more effective and transparent engagement with investors.

However, achieving this will first require the value of sustainability to be established in the boardroom. Once boards have integrated sustainability considerations within their core responsibilities, the business decisions and critical disclosures will then follow. In this section, we present five key steps that we believe boards should take to embrace sustainable value creation as their new way of doing things.

1



Start with purpose

The starting point for any board embracing the concept of sustainable value creation is to establish a purpose that promotes the long-term sustainable success of the organisation in the interests of all stakeholders. This purpose will provide the guiderails for choices around strategy, culture, and sustainability priorities. If this is not sufficiently clear, there is a risk of disconnect across these areas which could call into question the authenticity of the organisation's commitment to a better world.

2



Set the tone from the top

The culture of the board directly affects its ability to effectively lead the organisation towards achieving both its purpose and its sustainability goals. All boards have a responsibility to set the tone from the top, and lead by example championing a culture of sustainability throughout the organisation. To achieve this, each director needs to be aligned with – and fully commit to – the sustainable purpose of the organisation by demonstrating the desired values, behaviours and attitudes.

3



Focus on key sustainability priorities

While boards need to take a holistic view and have an awareness of all material sustainability risks and opportunities, they should focus on the most strategically important priorities. This means concentrating on issues that are specific to their organisation and the sector in which it operates, and which are most likely to impact business operations and revenues.

To determine these key sustainability priorities, boards should ask management to present a sustainability risk assessment that covers the whole organisation and its supply chain, and engage with stakeholders to help inform their views. They would need to ensure that management has established clear sustainability priorities for functions such as finance, investor relations, legal, risk, strategy, talent, and operations.

4



Embed sustainability in board governance practices

To enable boards to effectively discharge their responsibilities, sustainability needs to be embedded into all board governance practices. This starts with looking at board structure and processes, and making sure that there is an appropriate committee structure, standing board agenda item on sustainability, access to individuals with responsibility for sustainability, and frequent access to high quality information.

In addition, boards could also consider establishing or clarifying the responsibilities of a board committee that is focus on sustainability, and giving them responsibility for evaluating sustainability competence on the board.

5



Commit to open engagement and communication

Investors, regulators, and other stakeholders are interested in sustainability strategy, performance, and compliance, not to mention specific issues. Boards need to understand stakeholders' perspectives on sustainability matters to inform debate in the boardroom, and enable directors to take their views into consideration. It is critical that boards both support engagement with key stakeholders, and have mechanisms in place to keep them updated on management's engagement.

At the same time, many boards often do not feel they have access to the sustainability information they need, nor do they necessarily understand how sustainability is tied to business value. This gap is an opportunity for the board to work with management to define the broader universe of risks and the critical stakeholders, and determine which warrants measurement and disclosure.

In line with this, boards will need to ensure that management establishes a disclosure strategy that prioritises the needs of its stakeholders, while aligning sustainability considerations to value creation. This strategy should leverage the use of leading sustainability standards to guide meaning disclosure, and be supported by the appropriate sustainability management systems, documentation, internal audit processes, as well as external assurance, to improve the quality of data and increase confidence in disclosures.

Looking ahead



As the urgency of addressing sustainability issues intensifies, we can expect stakeholder pressure on businesses to continue to increase even as we emerge from the throes of the COVID-19 pandemic. To be future-ready, boards need to ensure that the topic is a board priority, and that they have a clear grasp on their role and responsibilities.

Broadly, committing to sustainable value creation entails first and foremost providing transparent, high quality disclosures to stakeholders. Increasingly, leading organisations are moving away from high-level information towards meaningful narratives that go beyond compliance with reporting requirements, and which appropriately leverage leading sustainability standards.

Therein lies the real opportunity of embracing sustainability in the boardroom: by enabling boards and management to better communicate – through improved disclosures – how sustainability considerations are integrated with strategy, risk management, and operations, they can be better empowered with quality information to drive long-term organisational value.

For a start, boards should consider reframing their thinking along the four broad pillars – Principles of Governance, Planet, People, and Prosperity – and work to develop a better understanding of how each of them contribute to the organisation's ability to create shared and sustainable value in the long run.

In this report, we have shared with you several examples of Deloitte's own experiences, as well as efforts in supporting our clients and collaborating with other external organisations, in advancing our collective goals towards sustainable value creation within Southeast Asia. It is our hope that they will inspire you to do the same in your organisations and societies.

Fundamentally, however, our experience reveals that what is often more challenging for boards are the people and softer dimensions of governance. These include, but are by no means limited to, the need for a chairperson that is able to effectively lead the board on sustainability matters, as well as directors with the skills, competencies, and experiences that are aligned to the organisation's sustainability priorities.

Identifying these gaps, and addressing them through succession planning, future board appointments, and director development processes will therefore be crucial to ensuring that boards are able to effectively challenge management and, more importantly, hold them accountable for their performance and contributions to sustainable value creation.

Contact us

For more insights, please contact

Michael Fiore

Chairperson
Deloitte Southeast Asia
mfiore@deloitte.com

Seah Gek Choo

Centre for Corporate Governance Leader
Deloitte Southeast Asia
gseah@deloitte.com

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