Consultation on the World Benchmarking Alliance

Jakarta - EAT Asia-Pacific Food Forum - 29 October 2017
Summary document
The second consultation of the World Benchmarking Alliance (WBA), was held on 29 October in Jakarta on the margins of the EAT Asia-Pacific Food Forum, and brought together stakeholders from the Asia-Pacific region. Representatives of companies, NGOs, governments, and academic institutions participated in this roundtable.

The roundtable was opened by Dr. Gunhild A. Stordalen, Founder and President of the EAT Foundation, who stressed that science has a key role to play in transitioning to a more sustainable world but that knowledge alone is not enough; the private sector has an important role to play in achieving the SDGs and contributing to system change, which requires concerted efforts and collaboration between all stakeholders. She also emphasised that time is of essence if we want to achieve the 2030 agenda, requiring both speed and endurance as 13 years is quite a marathon in the corporate world. Benchmarks can be especially useful here in helping to balance short-term wins with long-term goals.

“Food is at the heart of the greatest global challenges”
Sunny Verghese, Co-founder and Group Chief Executive Officer of Olam International, the new Chair of the World Business Council for Sustainable Development (WBCSD), and Commissioner on the Business and Sustainable Development Commission (BSDC), echoed Gunhild’s remarks and emphasised the importance of measuring corporate performance beyond solely financial performance. He underscored that the WBA can be critical and crucial in filling the gap for a comprehensive rating system that establishes how companies are progressing on the SDGs. He stressed that benchmarks are not the solution but rather, are part of the solution.

After these inspiring introductions, the concept of the WBA was further discussed with the roundtable participants, focusing on three questions:

- How can corporate SDG benchmarks be designed to ensure they create value for stakeholders as well as the companies being assessed?
- What are the critical intersections between SDGs and the industries for the Asia-Pacific region?
- What kind of global and regional institutions need to be part of the alliance to help ensure the WBA is credible and legitimate? And what value does the WBA need to create in return for these institutions?

These questions were explored in smaller groups, allowing participants to have in-depth discussions with other stakeholders on the challenges and opportunities presented by corporate benchmarks, particularly in relation to the Southeast Asia region. Below is a summary of the main discussions and themes that emerged from those discussions.
One of the critical observations raised by participants was the need to take a systemic approach to SDG implementation given the complexity of the framework. Industry benchmarks were cited as a key component to addressing this complexity by focusing on all the key players within an industry - including both large multinational companies (MNCs) and regional and local companies. Such an approach, participants agreed, would enable benchmarks to change the perception of both what opportunities exist for companies to have an impact, as well as which companies are expected to drive this impact. While it is important to raise the bar for global companies that have significant influence within their industries, this is not enough to create systemic change; we also need to raise the floor to ensure that challenges on the regional or local level can still be addressed and enable smaller companies to catch up with their larger peers.

Building on this distinction, the discussion then sought to explore how small- and medium-sized enterprises (SMEs) can be supported to raise the floor of their performance relative to the benchmarks. Recognition of the reality that some private companies or SMEs have much larger impacts on a local level than MNCs, particularly within the Asia-Pacific context, was also a key point of discussion as the perspectives and innovations of local players will have an enormous
impact on contributing to the SDGs. Participants saw this as a crucial but highly complex process, noting the need for a cultural shift in how companies collaborate with one another within their respective industries. To add value and ensure credibility when gauging SDG performance, participants emphasised the need for the WBA benchmarks to account for the fact MNCs and SMEs are differently equipped to perform in regard to governance capabilities, motivation for engagement, and capacity to transform. It is important, therefore, to ensure that benchmarks compare like for like among small, medium and large corporations. Although the WBA will likely focus on large companies, smaller companies can still benefit from a benchmarking process that identifies leaders within their industry. In addition, as methodologies will be developed through a multi-stakeholder process, this can provide smaller industry players with a clear path forward.

Collaboration within industries was viewed as a crucial element to addressing these resource and capacity gaps. Benchmarks were seen as a promising avenue through which to facilitate a discussion where all perspectives could be heard. Participants also saw the WBA as an opportunity to create a broad-based coalition of global, regional and local players to enable the systemic change called for by the SDGs.
Size matters – differentiating between MNCs and SMEs

The need to differentiate between MNCs and SMEs steered participants towards discussing how a company’s size might affect the value it can derive from a benchmarking process. For MNCs and publicly listed companies with a global reach, the benefits arise mostly from reputation and brand management as well as access to additional capital. For SMEs, or family-owned businesses that rely less on external capital, incentives will likely centre around talent acquisition and retention. Participants discussed shifts in human resource practices and noted that, while a decade ago companies were framing benefits in terms of salary and position, there now appears to be a much stronger link between people’s willingness to work for a company and whether or not that company’s values are aligned with their own. In such a context, benchmarking provides an opportunity for SMEs and privately-owned companies to publicly display their values.

Another benefit participants explored centred on opportunities for capacity building, including the fact that a benchmarking process that facilitates knowledge transfer from MNCs to SMEs on how to deal with sustainability issues would be extremely useful. Participants noted that while MNCs would derive value from global recognition of their progress and commitments, SMEs might find more value in the flow of resources – both in terms of financial and knowledge transfers. Considering that the WBA benchmarking process will focus on larger companies, the resource flow between companies of different sizes will be especially important. This was viewed by participants as specifically important for Asian companies as improvements in knowledge, technology transfer and capacity building is often considered essential to perform at the same level as their global peers. Participants also noted the importance of community engagement and awareness building around the SDGs to drive

“Report on impact not output – that is what is important to the footprint of a company”
engagement from SMEs and smallholder farmers in Asia. This would require prioritising innovation, technology, and community empowerment – including through tools like mobile development and brand alignment – to drive performance.

Participants also discussed universal values that could be relevant to both MNCs and SMEs, including giving the private sector a voice on global issues that is on par with that of multilateral organisations such as the Asian Development Bank. An additional concern highlighted was the reporting burden faced by companies. While participants highlighted the need for a much stronger emphasis on non-financial reporting, they also noted the importance of ensuring the benchmarking process represents a return on investment for corporate sustainability reporting. A benchmark or an alliance that would streamline the reporting process would be highly valuable to companies of all sizes, particularly if this streamlined process were aligned with the SDG agenda. Participants noted that such a process would enable reporting to become more focused on impact rather than output, allowing stakeholders to better understand the footprint of a company. Some participants noted that outcomes-based benchmarks are more impactful than outputs-based ones, while others noted that reporting on fewer, more relevant indicators might be more useful in assessing corporate performance and impact.
The role of the individual was also discussed, along with the added value they can derive from benchmarking. One essential element in that regard is how benchmarks can empower individuals to align their investments with their values. In the case of institutional investors such as pension funds, for example, it is important to explore what avenues people have to exercise their influence over such funds. Using benchmarks, individuals are able to reflect on how institutional investors invest their money and whether or not this is aligned with their personal values. Benchmarking companies in a way that is public and transparent encourages more people to be involved in this conversation because they are empowered with the information they need to engage and drive change. Participants agreed upon the need for a standardised way to communicate data to people. Participants also considered how the WBA might contribute to raising awareness around the SDGs and whether it might be feasible to create a ‘universal brand’ for the SDGs that the general public could understand and embrace.
Identifying critical intersections between SDGs and industries for the Asia-Pacific region

Participants identified several themes and industries critical to the SDGs in the Asia-Pacific region and stressed that, despite the fact that the SDGs are universal, different regional levels of development might require different priorities and solutions. Such national and regional differences should be taken into account when developing benchmarks.

Some participants questioned the extent to which companies can impact particular SDGs or whether they should be the main responsibility of governments. In general, they noted that there seems to be a lack of clarity in the region on “who is taking care of the SDGs” and who the key players are. Examples of SDGs where the role of business was less clear for some participants included SDG 1 (no poverty), SDG 2 (no hunger), SDG 3 (good health and well-being), SDG 4 (quality education) and SDG 10 (reduced inequalities). Participants considered SDG 1 and 2 as key priorities for Malaysia and Indonesia, and agribusinesses - both for crops grown by smallholder farmers and on large plantations - was mentioned by several as a sector that can play an important role in driving action on these SDGs. Palm oil was cited as an example of a commodity that can increase the incomes of smallholder farmers as it typically generates more income per hectare than other crops. Other agricultural products highlighted included fruits (pineapples and bananas), rubber, coconut, coffee and cocoa.

In addition to agribusiness, several industry themes were highlighted as relevant across the Asia-Pacific region:

**ICT and the Internet**
Software, services and telecommunications were highlighted as key industries in the region, and participants noted that more could be done to harness social media for development as Southeast Asia is among the regions showing the most rapid growth and uptake of social media. As social media is currently mostly used for social interactions however, participants felt more could be done to harness the potential of these networks and platforms to address and tackle socioeconomic issues in the region.
Lack of consistent Internet connectivity was raised as another important issue. Although the enormous potential of ICT solutions in the region is clearly recognised, many potentially relevant products are currently designed for high-bandwidth networks. There is a risk of over-engineering solutions, and delivering products that cannot scale easily across significant parts of Asia due to technical incompatibility. Participants noted that overcoming these connectivity barriers and designing technological solutions tailored to low-bandwidth realities could contribute to development goals and the achievement of specific SDGs. Smallholder farmers, for example, could benefit from improved weather forecasts or easily accessible market price information through mobile solutions, which could, in turn, help to improve productivity and incomes of smallholder farmers.

**Water ownership and access to clean water**
Participants also highlighted the recent challenges related to ‘water ownership’ in the region concerning life (seafood) and non-life (extractives) below water. Increasing commercial activity by foreign actors in territorial waters was seen as an issue that could impact local communities, businesses and achievement of the SDGs. The issue of inequality in access to clean water and sanitation, including in informal settlements, was also raised as an important challenge in the region.

**Ageing populations**
Another challenge that was recognized was the ageing population in the region. Whereas families used to have an important responsibility in elderly care, this dynamic is now changing in Asia, requiring significant changes in healthcare systems and infrastructure.

**Air pollution and clean energy**
The Asia-Pacific region disproportionately suffers from the burden of outdoor pollution. This has serious effects on health, including cardiovascular illness and premature deaths. Investments in clean energy such as solar energy, reducing the use of coal and increasing the share of electric vehicles in the car fleet were mentioned as important steps to tackling this challenge and advancing action on the SDGs.
Participants discussed a number of institutions within the Asia-Pacific region that they felt were key to involve in the WBA’s mission. In categorising the types of stakeholders that would need to be involved, they drew upon the Indonesian National Developing Planning Agency’s identification of relevant stakeholder groups to SDG implementation, which includes business and philanthropy, civil society, government, and academia. The media was also highlighted as an undervalued but critical actor in this process, and participants recognised a need to align messaging in order to ensure that the mission and value of corporate SDG benchmarks resonated with the general public.

Participants identified a number of key global institutions that would be integral to this process, including UN agencies such as the WHO, FAO, UNGC, UNCTAD, ILO, UNICEF, and UNDP, as well as the World Bank and the IMF. Within the Asia-Pacific context, ASEAN and APEC were viewed as being important regional institutions. Other regional institutions participants believed were crucial were research centres CSIRO and ACIAR, as well as regional development banks such as the ADB and the IDB.

Academia was also seen as an important stakeholder group for consultations, although some participants noted that academia does not necessarily always have the same level of influence as other actors. With regards to the NGO community, a number of consumer associations and professional societies were identified as key, including ILSI, IRRI and Crop Life Asia. Participants were clear in the need to address different priorities within the NGO community, and an important question discussed was how to ensure common goals within the sector despite varying issue areas, metrics and outcomes, and partnership philosophies.

For the alliance to be successful, participants highlighted the need to achieve a balance between stakeholder consultation and engagement, while highlighting the urgency for action. With only thirteen years to deliver the SDGs, a wide number of stakeholders with competing priorities could limit the potential for impact. On the other hand, these partnerships could also help to catalyse a shift and ensure actionable steps are taken to advance the agenda.
When participants were exploring broader benchmarking considerations, the distinction between MNCs and SMEs continued to play a central role in the discussion. Participants noted that SMEs that do not have a global footprint and mainly operate in domestic and regional markets often lag behind when it comes to sustainability. Part of this was attributed to the lack of public awareness and scrutiny around these companies. Whereas large companies frequently make the headlines, mid-section companies and SMEs often ‘fly under the radar’ of the media, sustainability initiatives or international benchmarking efforts. Filling this gap was considered essential given the critical role these SMEs have in driving economic growth and development, and thus in delivering the SDGs in many countries and regions. It was recommended that consideration should be given to the role of SMEs, particularly when they play a dominant role in an industry or issue.

When discussing the SDG-industry intersections in more detail, some participants expressed concerns around imposing a particular set of SDGs to a given industry. Since companies cannot opt in or out of a benchmark, some participants noted the risk of sustainability becoming a box ticking exercise. This would limit companies in addressing issues that are closer to their core business or culture. Along with holding companies accountable for their impact – both negative and positive – some participants recommended that benchmarks should also be seen as an opportunity to recognise companies for what they aim to achieve. They also noted holistic approaches might be required to account for systemic contributions, such as when a company’s actions create impact beyond its own industry or when innovations spill over to other industries.

Finally, it was stressed that benchmarks can only be valuable if they create mechanisms to ensure that companies cannot game the system. This includes through aligning metrics for measurement of performance so that benchmarks are meaningful, credible and understanding of the sectors being benchmarked. While regulatory frameworks and their incentive structures will be critical mechanisms to creating enabling environments for corporate performance, participants also noted that it will also be essential to account for the differences across political systems, governance structures, and drivers for change.
Next steps

The Jakarta consultation – the first formal regional consultation held – provided key initial inputs and ideas on the WBA concept, including its added value, institutional and governance considerations and priorities in terms of SDG benchmarks. Key considerations that arose from this roundtable included:

- Benchmarks should compare like to like companies but give consideration to the important role of regional and local SMEs in driving economic growth, development and SDG achievement in many countries and regions.

- In order to create systemic change, it is important to raise the bar for global companies while also raising the floor for regional and local players.

- Incentives for private and family-owned companies to contribute to the benchmarking process are different from listed multinational companies.

- The process of non-financial reporting needs to be streamlined so that we can place a stronger emphasis on outcomes such as impact and alignment with the SDGs, rather than output.

- Benchmarks can empower people to link their personal values to the impact they can have on the companies they interact with.

Over the course of the next six months, the WBA will build on the insights generated from the Jakarta consultation as it continues to convene regional and global consultations with key stakeholders around the world.

**Continued feedback is welcome.** We look forward to comments, questions and suggestions to ensure that the World Benchmarking Alliance consultation is inclusive and builds on stakeholder input.
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