STEWARDSHIP INSIGHTS 2019

STEWARDSHIP ASIA ROUNDTABLE
MEETING OF MINDS
STEWARDSHIP COMMONS
JUNE 2019
About Stewardship Asia Centre

Stewardship Asia Centre is a non-profit organisation established under Temasek Trust, committed to working with partners to uplift stewardship and foster effective governance across Asia.

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As part of the 2019 Temasek Ecosperity Week in June this year, Stewardship Asia Centre (SAC) hosted its signature Stewardship Asia Roundtable, held its Meeting-of-Minds session and curated a new platform known as Stewardship Commons.

4 June 2019 · 200 business leaders and thought leaders from over 146 organisations came together to mutually learn and share about stewardship and its bearings on tomorrow’s business context. Themed “Business Future: (Re)Discovering Stewardship”, the participants of Stewardship Asia Roundtable 2019 hailed from over 20 countries across Asia. Amongst them, 45 per cent were new attendees, signifying a growing community.

6 June 2019 · SAC, together with the Global Commons Alliance, hosted the Stewardship Commons session. Bringing together the public sector, private sector and civil society, the event was attended by 91 participants across 12 countries. Participants actively discussed key strategies and developed sustainability action plans to safeguard the global commons — shared resources that are central to life — to enhance value creation for businesses.

This report captures the insights gleaned from the various platforms.
EVOLUTION OF ROUNDTABLE THEMES

This year marks a significant milestone for the Stewardship Asia Roundtable as it crosses its fifth year. Beginning in 2015, the theme for the inaugural Roundtable was “Stewardship: Building on Asia’s Strengths”. It explored ways in which stewardship could resonate with Asian business and leadership culture. The intent was to increase awareness concerning the imperative and relevance of stewardship as well as the difference steward leaders could make to their organisations.

In 2016, “The Stewardship Edge” examined how stewardship could become a source of competitive advantage — especially in the areas of innovative practices — notwithstanding the disruptions, dilemmas and pitfalls that may accompany its implementation.

In the following year, “Enduring Principles in Changing Times” sought to influence investment practices by highlighting the importance of stewardship principles to all stakeholders along the entire investment value chain.

Themed “Stewardship in a Disruptive World”, the 2018 Roundtable critically examined how stewardship principles could guide organisations, especially family businesses, in navigating the complexities of a new world order that had become a mainstay in our economy.

Building on last year’s topic, this year’s Roundtable continues to set sights on the future of our businesses, which looks to be both promising and tumultuous. Centred on the theme of “Business Future: (Re)Discovering Stewardship”, we asked ourselves thought-provoking questions of how businesses, including owners, the board and management, could create wealth responsibly without impinging on the welfare of our communities and future generations.
Over the years, many eminent speakers have graced SAC’s “Inspiring Stewardship” lunch session. Mr Masamoto Yashiro, Former Chairman of Shinsei Bank, spoke about the importance of bringing diverse views to the board and the difficulties of pursuing long-term strategies. Mr Teo Chee Hean, Senior Minister and Coordinating Minister for National Security, Singapore, underscored the importance of making hard decisions today to put us on a better path in the future. Mr Jaime Augusto Zobel de Ayala, the seventh-generation leader of the Ayala Group, shared his experience of upholding the social contract with the community his business operates in. Ms Ho Ching, CEO of Temasek Holdings, urged businesses to re-think their bottom lines in a more encompassing way to include sustainability, people-centric and community-related considerations. This year, Mr Heng Swee Keat, Deputy Prime Minister and Minister for Finance, Singapore, shared his thoughts on the key global trends that could impact the way we steward our businesses and how we could continue to be good stewards of our future.

**DYNAMISM AND RELEVANCE**

To inject dynamism, SAC has refined its approach and format to the Roundtable from time to time. From 2017, the event was held in conjunction with Temasek Ecosperity Week — a cluster of sustainability and stewardship events — which gave a boost to SAC’s outreach efforts. In the same year, a fringe meeting, known as “Meeting of The Minds”, was held after the “Inspiring Stewardship” lunch series to provide participants with an intimate platform to engage more deeply with the various issues of the day. Through this platform, participants exchanged ideas and refined the collective understanding of current hot button topics. These insights were captured and culminated into a series of stewardship principles. With the launch of these principles via a range of engagement activities across geographies and sectors, SAC had made attempts to advance stewardship from being a theoretical concept to an implementable reality.
In the spirit of innovation, SAC has been experimenting with new ways of engaging participants during the Stewardship Asia Roundtable. For the past three years, participants could engage in a free-flow discussion held over a duration of two sessions. For this year, the first session was replaced by a panel discussion where four eminent panellists were grouped into two pairs to provide differentiated insights and perspectives on the theme. Each panellist was given ten minutes to present their thoughts and thereafter, each pair convened and interacted with the moderator. For the second session, the format of free-flow exchange was retained. Participants were free to either build on the content of the panel discussion or engage with the panellists further.

Another maiden attempt by SAC to enhance interactivity was the introduction of a mini survey. Participants of the Roundtable were encouraged to respond to questions regarding organisational agility and innovation. The results were shared before the closing of the event. A video to commemorate SAC’s fifth year, which incorporated the highlights of the day, was also shared with the audience. By curating these new experiences, we hope to further enhance the depth, breadth and spontaneity of the exchanges.

In addition, for the first time, SAC forged collaboration with the Global Commons Alliance to deliver a workshop on “Stewardship Commons” during the Temasek Ecosperity Week. An international network, the Global Commons Alliance brings together the public sector, private sector, and civil society to mobilise action to reverse negative trends in Earth ecosystems. During the workshop, there was cross-pollination of ideas on how companies could set science-based sustainability targets to safeguard our Earth’s resources. In this year’s report, SAC has also shared the insights arising from this inaugural workshop.

**MOVING FORWARD**

The five years of SAC Roundtable and related platforms have been purposeful. Evolving over the years, our stewardship discourse has gradually shifted from the “why” and “what” to the “how” of stewardship matters. Additionally, the scope of discussion has expanded to include the inter-relationship between business activities and the broader environment in which they are embedded in.

Moving forward, SAC will continue to forge collaborations with like-minded partners to seed, foster and scale the understanding and implementation of stewardship across Asia.
Being Future-Ready: Stewarding Purposeful Companies

In his opening address, Mr Lim Boon Heng, Chairman of Temasek Holdings, addresses the obstacles which arise from change, and the importance of stewardship in taking on these challenges.

THE UBIQUITOUS EFFECTS OF TECHNOLOGICAL CHANGE
Increasingly, challenges faced by businesses today are converging with the challenges confronting our wider society. People are living and working longer. As businesses and communities, we are conscious of the obligations we have to ensure levels of workforce participation, dignity and care for those who are advancing in years. All the more so for those who may not have benefitted from the upside of economic growth.

Disruptions arising from technological change is not just a competitive threat for a business. It is also creating serious social pressures, because the disruptions we see in business are magnified throughout our communities now, in almost every respect. And we see that reflected in the politics of many countries around the world today.

STEWARDSHIP AS AN ANCHOR AGAINST DISRUPTIVE CHANGE
At the core of stewardship is the concept of trust, which anchors business leaders against the landscape of momentous change. While industries will vary and the size of enterprises will be different, a common feature is that they run businesses that are integral to the societies which they are part of.

GIVING BACK TO THE COMMUNITY — A PURPOSE FOR BUSINESSES
There are two letters in this year’s theme — R, E — “Re” in (Re)Discovering Stewardship. In the 1980s, productivity was highly discussed. In Japan, the Productivity Centre promotes the concept that what was gained through productivity should be shared by all stakeholders. Not just the stakeholders, but the employees, the sub-contractors of the business, and the community at large. This is very much in line with what we think of business today — that we do business for the benefit of the societies we are part of.

“Being a steward requires us to look beyond ourselves and our businesses. We accept broader responsibilities in order to earn and maintain the trust of the wider community.”
- Mr Lim Boon Heng, Chairman, Temasek Holdings
BEING FUTURE-READY
As business leaders, the way we look at our people must recognise the impact these changes have on them. We need to make our businesses more future-ready by ensuring our people are themselves future-ready. A lot of work and resources are required, and for which we may not have enough.

The roles of upskilling and reskilling are so much more important in an environment of rapid change. Functions once considered manual, or blue collar, are progressively being automated, and some of these tasks are being taken over by machines. It’s not just manual and blue collar jobs, even service sector jobs today have to worry about being disrupted.

Our obligation is not simply to cut costs by adopting machines in place of humans. It is to find ways of transitioning those who are impacted by these changes into other meaningful ways to contribute to our businesses, and to society as a whole.

SHARED RESPONSIBILITY
Leaving people behind is not an option. That would be leaving our customers behind. They won’t have money, they will not be employed, they won’t purchase our goods and services.

Being a steward requires us to look beyond ourselves and our businesses. We accept broader responsibilities in order to earn and maintain the trust of the wider community. As we set about creating a sustainable path for our businesses, we need to also create a sustainable path for our people. This is the role of stewardship.

It is simply not possible for the individuals, the employers, or the governments, each working alone, to equip communities for big changes. Businesses, civil society groups, labour organisations, individuals themselves and governments must collectively share those responsibilities.

BEING A GOOD STEWARD
That is why at Temasek, we see the United Nations Sustainable Development Goals as ones for the whole community, and for businesses in particular. Climate change, social inequality and skills are just some of the challenges that the Goals can help us tackle.

Rather than seeing these challenges as a burden, a stewardship mindset will open the business opportunities that come from doing good. The good that we do is good for our businesses.

At Temasek, we have often spoken of our own role as a trusted steward. In this role, we are inspired to do good, enabling our community to come together for a better life for all of us. Our role reflects one of the three pillars of our Charter — the others being an active investor and shareholder, and a forward-looking institution. We see ourselves as trustees — of our portfolio, and in a broader sense, of our wider community. That is why, when we do well, we seed endowments to support programmes in our community. These programmes are structured around three main areas: building resilience, fostering goodwill in our region, and advancing science and nature.

Our society benefits from our investments today, even as we hold their trust as stewards of our portfolio well into the future. And as we all know, business can only thrive when the societies in which they exist thrive.
RESPONSIBLE WEALTH CREATION

The world has witnessed unprecedented growth amid an onslaught of challenges. In tandem with prosperity, there are worrying trends of growing inequality, environmental degradation and business disruption. To address these challenges, businesses may hinge on stewardship to recalibrate their trajectory. Says Mr Ong Boon Hwee, CEO of Stewardship Asia Centre, at the opening remarks of the Roundtable, “Businesses can and must take a lead, through stewardship, to draw on the energy and dynamism of entrepreneurship for a better capitalism, and be willing to play their part in responsible wealth creation, now and for future generations.”

At its heart, stewardship is the responsible and wholehearted management of entrusted assets, so as to be able to pass them on in a better condition to the next generation. The key to such responsible wealth creation entails enhancing wealth not just for the shareholders, but stakeholders as well. Ultimately, the outcome of wealth creation should benefit the well-being of the society. Bearing in mind this symbiotic relationship between individuals, businesses and the larger society, our wealth creation system is more likely to flourish if we see ourselves as an interconnected system.

THE NEED TO (RE)DISCOVER STEWARDSHIP

Although the concept of stewardship is not new, it is often shrouded in ambiguity and obscurity. As Ong describes it, stewardship is akin to the “elephant in the room” as the notion involves a whole slew of difficult issues which people are not inclined to delve deeply into. It is also akin to “grey elephants”, as stewardship often deals with complex dilemmas which are not clearly demarcated as black or white but involves choices between viable alternatives, like needing to tackle both long-term and short-term perspectives. As stewardship means different things to different people, discovering stewardship is often likened to the parable of “seven blind men touching an elephant”, where people may unwittingly hold a compartmentalised or myopic view of a systemic concept.

“Businesses can and must take a lead, through stewardship, to draw on the energy and dynamism of entrepreneurship for a better capitalism, and be willing to play their part in responsible wealth creation, now and for future generations.”

- Mr Ong Boon Hwee, CEO, Stewardship Asia Centre
UNPACKING STEWARDSHIP

Stewardship is undergirded by three main elements — will, time-connectivity and interdependence. Fundamentally, individuals and companies would need to have the intrinsic motivation to create, unlock and sustain value over time in a responsible way. Stewardship also acknowledges the interdependence of our economic, social and environmental needs, and the need to connect the past, present and future. With these three elements as foundation, stewardship can flourish when these elements are translated into the following five concepts: sense of ownership, purpose, long-term perspective, relationships and community. Businesses should demonstrate ownership mentality, discharging their obligations as though they are owners. Fulfilling a moral purpose, such companies nurture their relationships and take into consideration the needs of the community. They also adopt a long-term outlook, thinking about intergenerational equity.

As a unifying concept, stewardship can potentially congeal the whole system of wealth creation into one that better serves human purposes.

“The world has seen huge social improvement and technological progress. We have experienced unprecedented economic growth and lifted millions of people out of poverty. We are benefitting from life-changing digital revolution that could help solve our most pressing social and environmental challenges... Yet, despite these successes, our current model of development is deeply flawed. Signs of failure and imperfections in today’s markets are everywhere.”
- Business and Sustainable Development Commission 2017
Corporate Stewardship: Embracing a Company-centric Governance Model

Panellists:
- Professor Mervyn King, Chair Emeritus, International Integrated Reporting Council
- Ms Tan Hooi Ling, Co-Founder, Grab
- Professor Steen Thomsen, Center for Corporate Governance, Copenhagen Business School
- Mr Dilhan Pillay Sandrasegara, CEO, Temasek International

Moderator:
- Mr Mark Goyder, Founder, Tomorrow’s Company

The panel discussion started with Professor Mervyn King outlining the importance of moving towards a company-centric governance model, which in his opinion would be predominantly led by the board of the company. He also spoke about going beyond financial reporting to actualise integrated reporting for better value creation.

PITFALLS OF SHAREHOLDER PRIMACY
The conventional way of conducting business is based on a shareholder-centric governance model with the goal of maximising the wealth of the investors and owners. This form of shareholder primacy, which glorifies trading and profiteering behavior, means shareholders and managers are often focused on short-term financial returns and less so on the long-term health of the company. In reality, shareholders have limited liability and rights, and may not possess the ability to manage the assets and finances of the company. As such, shareholders should not be depended upon to bear the responsibility of looking after the company’s well-being.
“Stewardship is an ethic that embodies the responsible planning and management of resources.... The most important steward in the architecture of the company is the board, and the conscience of the company depends on the conscience of its corporate leaders.”
- Professor Mervyn King, Chair Emeritus, International Integrated Reporting Council

BOARD AS STEWARDS
Challenging the prevailing myth, King advocated for the corporate world to shift their focus away from shareholder primacy. Instead, businesses should re-calibrate their strategies and embrace a company-centric governance model. To him, the modern company is an incapacitated entity, likened to an individual who has neither mind nor soul. Therefore, the conscience and moral conduct of corporate leaders play a crucial role in determining the corporate culture and character of the company. The key to a company’s long-term success is conscious corporate stewardship, and King opined that the most important steward of a company is the board. The board, being the most informed individuals of the firm, needs to exercise its discretion to determine the direction of the company. Their responsibility is not only to be accountable to the shareholders, but also to make decisions that are aligned with the best interests of the company. To achieve this, it is essential to have a diverse board which can present unique insights and bring varied perspectives to help solve complex problems facing the company.

ECOLOGICAL OVERSHOOT
Businesses encounter immense challenges today, particularly on the issue of resource scarcity. One of the problems associated with unbridled consumerism is ecological overshoot, a phenomenon whereby natural assets are being depleted quicker than the rate of regeneration. Consequently, companies are facing the pressure of creating more products with fewer resources. In tandem, the growing emphasis on intangible assets such as reputation also means that companies need to manage the outcomes of their inputs judiciously. Citing the example of how the violation of human rights in a company’s supply chain can undermine organisational reputation and its legitimacy of operations, King urged companies to steward their tangible and intangible resources responsibly for current and future generations.

AN INTEGRATED APPROACH
Due to the intricacies of the value creation process, financial reporting is no longer adequate to enable a board to discharge its duty of accountability. It is also futile for companies to see financial and sustainability reporting as separate entities. Instead, businesses need to exhibit integrated thinking, embedding corporate social responsibility into their business models, and not just on top of it. They should actively engage in responsible investments and formulate an integrated approach which helps them attain the sustainable growth of the company as well as the larger community. The inception of integrated reporting is a response to the new need to articulate the value creation process. This mechanism requires businesses to actively monitor, measure and report on the inputs and outcomes of the six capitals — financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. More importantly, this shift from a financial lens to value creation lens should be accompanied by a mindset change, especially at the levels of board and senior management.

In closing, King reiterated that good stewardship is about conducting businesses in good faith, adhering to good corporate ethics by acting with intellectual honesty and steering the company towards its best interest. While doing so, companies need to place their emphasis on understanding the process of sustainable value creation rather than revenue generation. They will need to manage stakeholder relationships and risks, as well as adopt an outcomes-based approach to reporting, planning and governance.
The second panellist to speak at the Roundtable was Ms Tan Hooi Ling, the co-founder of one of Southeast Asia’s biggest ride-hailing transport services, Grab. In her presentation and interaction with participants, Tan illustrated how Grab utilises technology to mitigate daily problems plaguing the region.

FORWARD-LOOKING ECOSYSTEMS
Southeast Asia is on the cusp of pivotal transformation. It is estimated that the region’s internet economy would be worth US$240 billion by 2025. Amid the boom, both the e-commerce and ride-hailing sectors are projected to see the most significant growth. This fast growing pool of internet and mobile users therefore presents opportunities for companies to tap on technology to plug gaps during this inflexion point.

As a springboard, technology can help companies exercise stewardship more effectively, alleviating social and economic problems in the region. Recognising this, Grab sets up a digital ecosystem to help solve everyday problems at scale. For example, Grab serves as a response to the challenge of severe traffic congestion, leveraging digital platforms to reduce the opportunity cost that traffic congestion brings to the economy. However, as technology rapidly advances, Tan cautioned that it is important that we know how to use advanced technology such as Artificial Intelligence (AI) responsibly.

“We are here to be servant leaders to serve others, to serve our customers ... And it’s that concept of using whatever we can, particularly when it comes to technology, for good. That is what ingrains us.”
- Ms Tan Hooi Ling, Co-Founder, Grab
SERVING SOCIETY AS A DRIVING FORCE
Grab puts the welfare of citizens, customers and the ecosystem at its centre. Instead of perceiving its service to society as independent of its operations, Grab embeds such corporate responsibility into its business model. Driven by the purpose to serve others, it aims to use technology to uplift communities. It strives to empower micro-entrepreneurs from less privileged backgrounds and provide a safe means of transport for women.

Underlying this business model is the belief that businesses are a social force for good, and the key to actualising this intent is to first understand the needs and the mental model of the community that a business is serving. Citing the millennials as example, Tan pointed out the growing community cares about “purpose” and it is therefore an imperative for companies to act upon this social change. After all, it is the consumers who will ultimately decide which companies will succeed.

To serve societal needs better, Grab fosters a nurturing culture that is tolerant of mistakes. This is so as it believes mistakes tend to push one’s boundaries, leading to continuous improvement. Nonetheless, this acceptance of mistakes comes with the condition that one has to reflect upon the lessons learnt and not repeat them in future.

BEYOND THE FOUNDERS
History has shown us that an organisation’s purpose may shift during leadership change. To sustain its organisational value beyond its current ownership, the Grab founders place high emphasis on the selection of leaders. Tan pointed out that “cultural, ethical and leadership alignment” are of paramount importance for stewardship values to outlive the founders.

When asked about the future ownership of the business, Tan articulated that one could look to other companies such as Amazon for inspiration to overcome the threats of diversified ownership and short-termism. During its Initial Public Offering (IPO), the retail giant made it clear to deprioritise the short-term while prioritising the long-term, thus increasing its odds of finding the right shareholders. This gives Tan the confidence that it is possible for Grab’s new shareholding model to be aligned with the founders’ intent, which is to adopt a long-term view and invest back into the region.

Additionally, benchmarking systems can perpetuate an organisation’s mission. Internally, Grab has started the journey to measure the different social dimensions that they care about. Examples include harnessing data from internal metrics and third-party reports on safety, engagement and its contribution to the various economies to understand its performance.

To conclude, Tan argued for the importance of being a customer-centric company, serving the needs of the community. To do so, a business should place this aim at the centre of its business instead of perceiving it as an additional responsibility. At the same time, she demonstrated how technology and an environment that encouraged innovation could serve as enablers in achieving a higher purpose.
Rooting Stewardship in Long-term Ownership

The third panellist is Professor Steen Thomsen. He presented a viewpoint that owners can and should play a vital role as stewards of their companies. Sharing his insights on enduring businesses around the world, Thomsen underlined the merits of ownership mentality and indicated that long-term owners have a special role to play in a world that is characterised by short-termism.

OUTLINING THE OWNERSHIP LANDSCAPE

Stewardship remains elusive in the corporate world and is practised differently across a wide range of owners. Financial investors such as hedge funds and high-frequency traders are fundamentally more short-term oriented due to their short investment horizon. They constantly reshuffle their portfolio to take advantage of short-term returns. In contrast, institutional investors typically have a longer shareholding period of up to five years before relinquishing their equity. On the other side of the spectrum, family businesses, foundations, mutual and state-owned enterprises tend to be long-term owners who hold their assets much longer, sometimes for more than 10 years.

The business life cycle of the company may also shape a company’s strategic focus. A founder of a start-up may not be focusing on stewardship during the initial stage as the prime concern is more on the survivability of the firm.

Additionally, there are a multitude of reasons why short-termism has prevailed — populism, business scandals, climate change, business disruption, volatile shareholding, quick CEO turnover, and credit bubble, just to name a few. Diluted shareholding, prevalent in some listed companies, also meant that dispersed shareholders tend to have little impact and incentive to effect company change, inadvertently breeding the problem of free-riding and exacerbating the issue of short-termism.

Due to such diverse business objectives and persistent presence of inhibitors, not all owners or controlling shareholders are stewards.

“We cannot have stewardship located at the board without having it rooted in the ownership. We need secure foundation for our stewardship practices.”

- Professor Steen Thomsen, Center for Corporate Governance, Copenhagen Business School
RESPONSIBLE OWNERSHIP
The route towards actualising long-term ownership is arduous. However, being an important element of sustainable growth, a stable ownership structure can offer a strong foundation for owners to practise stewardship. There is more propensity for ideals and values to take root in the company. Responsible long-term owners are committed to developing and influencing the company’s business direction for the long run. They have the motivation to battle against short-termism; as well as the discretion and capability to act fast to capitalise on growth opportunities.

STEPPING UP TO THE CHALLENGE
To capitalise on growth opportunities, companies need to be agile. Companies could draw inspiration from the concept of contrarian investing, a financial approach that defies prevailing investment trends to invest in under-valued assets. Likewise, companies can go against the grain to invest their energy in under-explored but promising sectors. However, while doing so, Thomsen cautioned that businesses must not fall into the entrapment of opportunism. Long-term owners need to ensure businesses uphold ethics and integrity in their business conduct. Good governance is key in ensuring long-term owners can fulfil the potential of attaining sustainable growth for their companies.

To stay on course the path of long-term wealth creation, Steen argued that businesses need a “more radical solution” than just anchor ownership. To “reinvent ownership”, long-term owners have to embrace the ownership mentality where they can identify with the company, be it intellectually or culturally, and give their best to stewarding it towards success. Besides that, steward leaders and owners cannot be self-serving. They not only have to think about the interest of the company, but also the interest of stakeholders and the wider society. To illuminate this, Thomsen cited the example of IKEA. A world-renowned retail company, IKEA has placed customers at the centre and established a reputation of catering quality and value-for-money household items and furniture to (ordinary) customers.

In essence, stewardship is about taking responsibility and ownership in the company’s affairs. Steward owners need to stay agile in a fast changing world while taking a long-term view towards value creation.
The disruption to businesses looks set to intensify. Mapping out the business landscape of the future, our fourth panellist, Mr Dilhan Pillay Sandrasegara, CEO of Temasek International, pointed out that the fourth industrial revolution had resulted in changes to our consumption and production patterns. Driven by the advent of a digital world, threats such as cyber risk and job displacement have become more pervasive. As a result, businesses find it increasingly daunting to stay relevant. They have to re-think their responses to new developments that may undermine their future viability. This session was guided by two thought-provoking questions: What is the role of the corporation in a digital world? How can companies continue to build a sustainable business model?

ROLE OF BUSINESS IN A DIGITAL WORLD
The role of business has evolved over time. As the pace of change accelerates, businesses have to reshape their business models in shorter time frames than before. They have to conduct more scenario planning and lead organisational design, especially in the areas of job creation and re-creation. Facilitating the skilling, upskilling and re-skilling of workers has become an imperative.

However, such long-term value-creation strategies are often neglected amid the climate of short-termism. Driven by the need to maximise shareholder value, more boards are thinking short-term, and more capital has been channelled...

“We should think of ourselves as inter-generational leaders, not just inter-generational for the employees within our group, but also for the communities that we serve, to be relevant to the communities from time and time again.”

- Mr Dilhan Pillay Sandrasegara, CEO, Temasek International
into activist funds. Such a mental model and practice, as Dilhan argued, are departures from the original intent of why companies are set up in the first place. Companies do have a more encompassing goal, which is to be “purpose-driven organisations” to create opportunities for communities. In addition, according to the United Kingdom’s Company Act 1948, the role of the directors is to act in the best interest of the company as a whole. A more holistic interpretation of the act would mean that the board would have to look at both long-term and short-term interests; as well as to expand their stakeholder base to include employees and its community.

Turning our attention to local shores, Dilhan highlighted that Singapore’s governance context goes beyond that of the board of companies. Adopting a systemic view, the city-state underscores the importance of tripartitism, where the government, companies and union work together to address the issues brought forth by the new wave of industrial revolution. Working in concert for the collective good, the three entities have to be well-attuned to the threats and opportunities out there in the field and come together to provide relevant programmes for workers.

BUILDING A SUSTAINABLE BUSINESS MODEL
Drawing inspiration from Klaus Schwab, the founder of the World Economic Forum, Dilhan suggested that we should:

1) Ensure the benefits of our wealth creation system are distributed more widely, not leaving people behind.

2) Understand and manage the risks and externalities of the industrial revolution, which includes looking at things like sustainability in a wider context.

3) Acknowledge that the fourth industrial revolution must be human-led and human-centric.

As stewards, it is vital to put people at the centre and bring them along as they grapple with the inevitability of change. This outlook echoes the thoughts of Hamdi Ulukaya, the founder of Chobani yogurt. In his famous TED talk, the Anti-CEO Playbook, Ulukaya downplayed the role of CEO and called for companies to prioritise their most important asset — people. The people in a company embody dignity in work, strength of character, and tenacity of human spirit. When the human purpose of business is being taken care of, meaningful innovation will flourish and long-term value creation can be realised and shared.

ROLE OF CITIZENS AND COMMUNITIES
Related to the human-centric perspective, citizens and communities have the right to determine what kind of life they want, and seek to influence the outcome of that, not just in the political, but also in the economic arena.

On the other hand, companies have to think about the kind of companies they should be to address the needs and aspirations of customers and communities, not only on a day-to-day basis, but also longitudinally across generations. We can take a leaf from the long-standing companies in Germany, where they strive for convergence of interest in uplifting businesses and communities. Locally, for Temasek Holdings, the organisation aims to do well as an investor, do right as an institution and do good as a steward. The underlying message is that if companies are purpose-driven, they will be leading the way to create wealth responsibly, benefitting the community without the need for shareholders to advocate for such changes. With such internal drive as a bedrock, companies can better serve humanity in this disruptive age.
Consolidating Perspectives, Encompassing Stewardship

The panel discussion provided a myriad of enriching perspectives that gave participants much food for thought and stimulus for discussion. Notwithstanding the diversity in the panellists’ nuanced expositions, there were commonalities that cut across the viewpoints.

BOARD AND OWNERS AS LEVERS OF CHANGE

Our current system of wealth creation, while effective in many ways, has brought some severe repercussions. Businesses need to think beyond profit maximisation and lead transformative changes. This argument was consistently embedded in the propositions of all panellists. Where they differed might be their vantage point on the levers of change. In a complex world with many simultaneous moving parts, who or what should we focus on to increase our odds of realising a better business future?

To Professor Mervyn King, under a company-centric governance model, the board would provide the much-needed strategic guidance, infusing incapacitated companies with moral consciousness. On the other hand, Professor Steen Thomsen placed more emphasis on the role of long-term owners, whom he argued would exercise psychological ownership to act in the best interests of the company and accelerate changes that would take into account the interest of stakeholders and the wider society.

Mr Simon Israel, Chairman, SingTel and Director, Stewardship Asia Centre, acknowledged the fact that the board would be selected by the owners and thus, any misalignment between the owners and the board on time horizons, expectations and objectives would result in dire consequences. Mr Mark Goyder, Founder of Tomorrow’s Company, offered a possible way forward. He pointed out that if the boards had defined for themselves a clear mandate, they would be more likely to forge alignment amongst the different actors. A living document, a mandate sets out the expectations that the board has of itself and articulates the expectations that shareholders and other key stakeholders have for the board and the company.

A WORLD OF ECOSYSTEMS

Calling for a more encompassing governance model, Mr Dilhan Pillay Sandrasegara illustrated a systemic framework where the government, employers and union would work in concert to fulfil the aspirations of people. Similarly, Ms Tan Hooi Ling, Co-Founder of Grab, also adopted the ecosystem view, where she prioritised the needs of community by harnessing data meaningfully. While lauding Grab’s effort to empower the community, Israel added that in a data-led world, boards would need to have more conversations on how to steward the use of data responsibly. Issues regarding ethics, values, privacy, transparency and trust would require careful deliberation in order to safeguard the interests of the masses.
A PRO-SOCIAL VIEW

Despite the diverse views, the panellists converged along the line that businesses exist to serve others, and not themselves — a pro-social view that resonated with the principle of stewardship.

Drawing from his personal experience, Mr. Hsieh Fu Hua, Chairman of Stewardship Asia Centre, gathered that it was a sense of purpose that drove people to sustain their motivation to operate for the public good. This was counter-intuitive to him during his early career days. He observed that in today’s climate, this purpose-driven mentality to serve others is more accentuated than before. Millennials are increasingly placing purpose at the heart of their decisions and they believe that a higher purpose will eventually lead to profits.

In a nutshell, there are more synergies than contradictions that we can distil about the role of stewardship in helping businesses to cope with the future. All panellists unanimously rejected the outmoded view that companies exist only for profit and to serve the needs of the shareholders. Be it owners, board, regulators, employees or customers, as stewards, these entities would need to think about the interdependency of the world we are living in. They need to have the will to find the “sweet spot” of meeting the needs of business, people and community. Everyone along the stewardship value chain has a role to play. Boards can be stewards if they have the will to ensure that they are the most informed. Owners can be stewards if they have the will to think beyond entitlements. Regulators can be stewards if they have the will to work with others who are on the ground. Employees and customers can be stewards if they voice out their concerns and act accordingly, albeit within their locus of control. Fundamentally, companies that are able to connect the dots to integrate stewardship culture along their value chain would be more poised to chart a favourable future. ■
A stewardship mindset can inspire businesses and the market system as a whole to undergo positive and significant transformation so as to better manage and grow what has been entrusted to them. Drawing insights from our participants, the following section outlines an array of building blocks and pitfalls to exercising stewardship.

VIRTUOUSNESS, MORAL COURAGE AND STRUCTURAL REFORMS

Virtuousness, moral courage and structural reforms are essential ingredients for ethical stewardship. It is important to choose the correct calibre of people who believe in stewarding in a virtuous and ethical manner as they would be the keepers of a company’s value and culture. However, there is a potential danger of romanticising virtues. Being virtuous is a complex issue. It entails more than just lending credence to current hot button issues such as ensuring diversity and adopting a people-centric view. For example, a company that sharply focuses on creating quality products may be creating more social value than those that advocate virtues. In addition, being virtuous does not guarantee wealth creation in an efficient manner, just as there is no universal blanket truth that can be translated into a business operating strategy that will lead companies to guaranteed success.

However, we still need moral courage to make the tough decisions needed to run a well-stewarded business. Though needed, moral courage by itself often comes at great personal and professional cost to those who espouse it. At the same time, it is not feasible to wait till disasters strike or for whistleblowers to come forward to institute change. Moral courage must be reinforced by structural reform before issues escalate into a fiasco. The structural change should then enable more to take stewardship actions without high opportunity costs. Leaders on the board will have to be the frontrunners to establish a favourable stewardship climate.

DRIVING SOCIAL GOOD

Companies can exercise Corporate Social Responsibility (CSR) by giving back to the society. CSR in practise often entails companies dedicating a certain proportion of their profits to enhance the well-being of society, in hopes of creating societal value in the process. However, the sustainability of CSR initiatives is dependent on whether the outlook of shareholders, fund managers and companies are aligned. Another way for organisations to practise CSR is via foundations. Through this vehicle, companies can create sustainable programmes that are geared towards fulfilling the long-term objective of uplifting communities. A more fundamental way to practise CSR is to integrate both the social and economic objectives more seamlessly. That is, companies can be at the core of the action by providing the much-needed products or services to serve societal needs directly.
Drawing from a broader perspective, companies that pursue a business model that does not create value, or worse, create adverse impact on other areas such as the environment, are on the whole, destroying instead of creating value. This stands true even if they have dedicated a certain proportion of their profits to CSR initiatives. As an example, in one state, the jurisdiction requires companies that are registered on the Stock Exchange to invest 2 per cent of their profits before tax for a social purpose. This quickly devolved into a box-ticking exercise where companies exploited numerous loop-holes to achieve this stipulation. When viewed holistically, CSR when done as a box-ticking exercise does not necessarily create much value for society.

**DATA MANAGEMENT AND STEWARDSHIP MEASUREMENT**

In a data-driven world, it is important for companies to interpret and translate data into well-stewarded actions that can propel the long-term health of the companies. However, quality data is hard to come by. In general, companies face three common challenges when it comes to data management. The first challenge is the obsolescence of data in a fast-changing environment. The second is data overload. Although a vast amount of data is available, they are often of poor quality. The third is the prevalence of outdated paradigms that dominate businesses thinking. Companies tend to focus on the traditional measures of financial returns. Yet, the emphasis on hard numbers does not offer insights regarding companies’ returns on social capital or their social license to operate.

The way forward is to focus more on quality rather than quantity of data so that businesses can use them to make decisions with a stewardship focus. One conceptual way to achieve this is through systems engineering. Originally used in engineering, this field of knowledge is now being used in business processes and policy-making to enable users to make informed and hence, better choices. It can potentially promote the establishment of common goals and thought processes amongst stakeholders by encouraging the community to adopt logical and systems thinking.

As a universal measurement might not be able to cover the bases for all the sectors in every industry, industry-specific standards or measurements may provide a better way of measuring and regulating stewardship practices. Companies should identify an area where business action could be taken.

For example, a company that aims to measure its social impact can pinpoint a specific social dimension that it cares about. It then monitors and measures the impact and improvement it has brought to those identified areas. The metrics should also consider the welfare of the stakeholders at both the upstream and downstream of the value chain.

**CODIFYING STEWARDSHIP**

Stewardship when implemented well can promote business sustainability. This is seen writ large in countries where the structure promotes better stewardship — these tend to have more long-lived businesses than other countries where stewardship is not widely practised. For example, Japan has over 50,000 businesses that are over a hundred years old.

One of the ways which countries can encourage stewardship is by having the government, state-owned entities or institutional investors to promote stewardship codes (or principles). These tools should promote honesty and transparency; a good succession plan; a purpose beyond profit; and responsible wealth creation — all of which can help promote corporate longevity. Taking Korea’s National Pension Service as an example, it is now a major player in implementing the stewardship code in Korea to make the business environment more stewardship-friendly.

By understanding the spirit underpinning stewardship, members of the value chain can overcome the human tendency to compete and move towards working together to co-create a different future where everyone is a steward.
In this year’s “Inspiring Stewardship” series held during the Roundtable Lunch, Mr Heng Swee Keat, Deputy Prime Minister and Minister for Finance, Singapore, addressed the changing global trends, and how businesses could respond through advancing stewardship solutions.

Mr S Dhanabalan
Chairman, Temasek Trustees Pte Ltd and
Member of the Council of Presidential Advisers

Mr Lim Boon Heng
Chairman, Temasek Holdings

Ms Ho Ching
Executive Director and CEO, Temasek Holdings

Mr Hsieh Fu Hua
Chairman of Stewardship Asia Centre

Mr Ong Boon Hwee
CEO, Stewardship Asia Centre

Distinguished guests, ladies and gentlemen

A very good afternoon to all of you. And let me first thank Fu Hua for your very kind remarks.

Now, I’m very happy to join everyone at the Stewardship Asia Roundtable 2019 today. And to our overseas guests who have travelled to Singapore, a very warm welcome to all of you.

GLOBAL TRENDS
The Stewardship Asia Centre brings together like-minded leaders of companies to share and learn from one another, and promotes effective stewardship and governance across Asia. Many business leaders, ranging from family-based businesses to MNCs and institutional investors are gathered here today. The theme of this roundtable conference, “Business Future: (Re)Discovering Stewardship” is timely, amidst a changing economic and geopolitical landscape. So let me first share my thoughts on three key global trends that can impact the way we steward our businesses.

“As good stewards, leaders have to continuously invest in innovation, people and the community.”
- Mr Heng Swee Keat, Deputy Prime Minister
TECHNOLOGICAL ADVANCEMENTS
The first trend is the rapid emergence and convergence of new technologies. We are in the midst of Industry 4.0. New technologies such as artificial intelligence and the Internet of Things are transforming our lives. It has the potential to solve some of the most pressing problems we face today, such as climate change and healthcare.

Two weeks ago, I attended the Pujiang Innovation Forum in Shanghai. Singapore participated as a country of honour. At the forum, participants actively explored opportunities for strengthening collaboration in various fields. In April, I was in San Francisco. Various business leaders and innovators shared how cutting-edge digital technologies are enabling new businesses and social models. However, these advancements in technology also bring about other challenges, such as changing the nature of jobs and a growing digital divide between the “know” and the “know-nots”.

GLOBALISATION AND ITS IMPACTS
The second trend is the decline in support for globalisation. Some are questioning its value as the fruits of globalisation have not been shared equitably. This has manifested in many ways around the world. For example, the current US-China trade friction and the slow progress in global negotiations on trade liberalisation.

Globalisation has also enabled companies with competitive strengths to scale across markets. It has allowed greater competition for skilled talents among these companies, leading to greater wealth accumulation at the upper end. And the decade of expansions post-global financial crisis also appears to be coming to an end. The IMF has downgraded its global growth forecast for 2019 three times in the past year. So taken together, people are frustrated, their wages are stagnating, political systems are malfunctioning and their lives are not improving.

THE RISE OF ASIA
The third trend is the growing economic and strategic weight of Asia. I just returned from a Nikkei Conference held in Japan last weekend. Participants recognise the potential of Asia. Asian economies’ share of global GDP is projected to double from 26 per cent in 2000 to 50 per cent by 2050. And in particular, ASEAN has bright economic prospects. The ten economies of ASEAN are projected to become the fourth largest in the world by 2030. And Asia is expected to account for nearly 900 million of the next one billion of new entrants into the middle-class globally. It is projected to generate more than half of global middle-class spending by 2030.

Now I should add that at the Nikkei Conference, I also warned that none of this is a given. The Asian Financial Crisis happened after we said that this is the Asian Century. There are many things that we need to do — the prospects are promising, but to go by these nice projections and assume that the world will go that way is a dangerous idea. We need to work together to realise this potential and not get carried away.

HOW TO BE GOOD STEWARDS OF THE FUTURE
Now where do we go from here? I think these trends have implications on how we steward our organisations. So please allow me to share three ways in which we can continue to be good stewards of our future.

First, invest in innovation. Second, invest in people. Third, invest in the community.
INVEST IN INNOVATION
First, businesses should invest in their future through innovation. As technology advances, and with global economic and strategic weight shifting towards Asia, supply chains will reconfigure. Businesses have to be quick to innovate in order to stay relevant and competitive. Leadership is key in steering our companies to innovate and transform. Leaders need to take ownership by charting a path of future growth through innovation and energising their teams around it. Companies need to make the effort to understand new developments in technology in their fields, consider how this can be adopted and integrated into existing business practices and create new value.

In the past, the key assets of companies were largely tangibles such as fixed assets. Today, companies compete through the generation of ideas and enhancing value through intangibles such as intellectual property and brand recognition. And these are made possible through innovation where companies create new products and services through new processes. And this also entails redesign of jobs and work processes. And in turn, workers can stand to earn higher wages from better jobs and improve their lives.

The relationship between companies and workers is synergistic. More competitive companies provide better jobs and highly skilled workers make companies stronger, more productive and more competitive.

During the process of innovation and transformation, there will be trade-offs between short-term returns, which drive many shareholder decisions, and long-term growth. Companies must be prepared to plan and invest in innovation for the long term. At the industry level, the Government actively supports innovation and economic restructuring with the industry transformation maps. To date, we have launched 23 industry transformation maps covering about 80 per cent of Singapore’s economy — focusing on driving innovation, promoting internationalisation and raising the productivity and skills of our workers in each of these 23 industries.

INVEST IN PEOPLE
Continuous innovation and technological advancements mean that the jobs of tomorrow will be different from the jobs of today. So this brings me to my next point, which is to invest in people. People are our most valuable resource and investing in them is of utmost importance.

The World Economic Forum — Future of Jobs 2018 Report estimated that advanced technologies could result in a loss of 75 million jobs worldwide by 2022. At the same time, up to 133 million new jobs, almost double what might be lost, may be created by the same technologies. So to keep up with the fast-changing environment, we must empower our workers to develop an attitude and spirit of continuous and life-long learning. Life-long learning must be more than just a slogan. The long-term growth of our businesses is only as good as the capabilities and skills of our workers. Leaders can facilitate this by promoting upskilling and reskilling among workers and utilise the skills that workers have learned or retrained. This is so that technological advancements will help workers do their jobs better, smarter and not replace them.

In recent years, the Singapore Government has also stepped up our efforts in life-long learning. I announced in this year’s Budget that the Government will spend 3.6 billion Singapore dollars over the next three years to help our workers thrive amid economic transformation. Efforts like the Skills Future and Professional Conversion Programmes have helped our workers to pick up new and relevant skills and put them into practice in an increasingly technology-intensive work environment.

Apart from raising capabilities, investing in people also means that companies should look after the health, safety and welfare of our workers. Companies can adopt progressive employment best practices and promote fairer and more progressive work-places.

INVEST IN THE COMMUNITY
As we invest in innovation and develop our people, we must not forget about the larger community which we belong to. And so the third point I want to make is to invest in our community. Each of us plays a part in building a caring and giving society and takes care of the needy and vulnerable. Companies should not just do well, they should also do good. Companies have an integral and multiplier role to play by offering their expertise and resources and mobilising employees to create impactful and sustainable corporate social responsibility, or CSR, initiatives.
Leaders’ emphasis and active participation in the CSR activities are essential to lead the giving moments within organisations. To build a supportive environment for sustainable giving, leaders can also encourage and empower employees to take charge and be the catalyst for change themselves.

There are many areas that businesses can contribute to. For example, in line with the partnership between Stewardship Asia Roundtable and the Temasek Ecosperity Week this year, businesses can engage in initiatives that support environmental sustainability. To achieve more impactful outcomes, businesses can also work together in closer partnerships with one another and with non-profit organisations. Large companies often have more established CSR practices or capabilities that small companies may not have. At the same time, smaller companies can also build upon the CSR practices of larger companies by bringing in new insights and networks.

In Singapore, the Company of Good is a very good initiative to recognise that people are at the heart of every company. The actions of people are what will create a Singapore where every organisation is giving back in one way or another. Through collective efforts, we can achieve more with less resources to build a better city, a better world.

To complement these efforts by companies, the Government will continue to enable and catalyse community efforts. For example, to support corporate volunteerism, we introduced the Business and Institutions of a Public Character Partnership Scheme, or BIPS. So under BIPS, businesses enjoy a 250 per cent tax deduction on qualifying expenditure incurred when they send their employees to volunteer and provide services to institutions of a public character. In addition to existing tax deductions on qualifying donations, we rolled out the Bicentennial Community Fund this year, which will provide dollar-for-dollar matching on donations made to institutions of a public character.

Singapore is commemorating the 200th anniversary of Sir Stamford Raffles’ arrival in Singapore. The Government has also launched the SG Cares movement to promote active volunteerism, bottom-up initiatives and everyday acts of kindness across Singapore. Ultimately, a caring and cohesive society requires everyone, including businesses, to come together to do good for a more sustainable tomorrow.

**CONCLUSION**

As Mr Hsieh Fu Hua puts it, stewardship at its crux is about engaged, responsible and meaningful value creation over the long term. This focus on the long-term is important, especially when change is happening ever faster. Equally, the focus is not just on the company itself, but the benefit to the larger community.

As good stewards, leaders have to continuously invest in innovation, people and the community. So let me thank Stewardship Asia Centre for bringing us together for the 2019 Roundtable. I hope the Roundtable will once again inspire all of us to take concrete steps to steward your businesses for the future. I wish you success ahead. Thank you.
At the Meeting-of-Minds session, SAC surfaced a draft discussion paper titled Stewardship and Long-term Ownership to 42 distinguished individuals from 11 countries representing the investor community, family businesses, state-owned entities, academics and think tanks. A summary of the paper and discussion is being presented in this article.

A POSSIBLE REMEDY TO THE ILLS OF SHORT-TERMISM

Driven by the relentless focus on profit maximisation, excessive risk-taking behaviours and inadequate emphasis on sustainable growth, the trend of short-termism has begun to hurt innovation, brand equity, human capital and investment returns in the long run. On a broader level, it has resulted in negative social and environmental externalities, eroding public confidence in the system of wealth creation. All these perils underline the importance for businesses to have a stewardship mentality to build a more inclusive society for sustainable development.

“You need to unify the rational and the emotional. You need the mindset and ‘heartset’. If leaders have these, they will do their best to make sure that their business will succeed over time.”

- Mr Peter Ward, Chairman, Telos Partners Group

The trend of short-termism can be attributed to a confluence of factors. One notable factor is the extreme fragmentation of ownership in many corporations today. The absence of a controlling owner in widely-held companies makes it hard for the board and management to congeal voices of multiple shareholders and stakeholders. Moreover, dispersed shareholders have inconsequential stake to make a discernible impact on the company's long-term performance and are thus...
less inclined to engage in the firm's value creation process. In other words, these asset owners are not acting like real owners who care about the long-term well-being of the company; they are merely shareholders without an ownership mentality.

Another issue that may further confound the relationship between stewardship and long-term ownership is the business cycle of companies. Businesses that are at its infancy stage may be more concerned with survival than handing over their tangible and intangible assets in a better condition in the long run. On the other hand, established companies that are already doing financially well tend to have the economies of scale that allows them the flexibility to look beyond just being financially successful. Although the stage of a company’s life cycle may be a proxy indicator of its readiness to redefine success in broader terms, it should not, in any way, preclude owners from practising stewardship.

Responsible long-term asset owners can create an incisive impact in the long-term value creation of businesses. They have high stakes in the business and have more propensity to invest for the future. They can become catalysts who can effect cogent changes for long-term value creation. The stable nature of long-term ownership also provides the security and sustained support needed for endeavours that can only pay off in the long-run. This helps to mitigate sustainability-related risks and build well-functioning markets, buttressed by strong governance and a sense of social responsibility.

Three ownership groups that have demonstrated potential and responsibility to become long-term owners are identified: state-owned entities, family businesses, and (long-term) institutional investors. As a community of large asset owners, they are influential forces that can deliver beyond financial outcomes and shape societal outcomes.

“As long as institutional investors are beholden to short-term benchmarks, they will not have psychological ownership of companies. They will be short-term in focus, they will only worry about their alpha, relative to a benchmark, their returns will not be for the medium to longer term.”

- Mr Munib Madni, Founding Panvestor/CEO, Panarchy Partners
TRAITS OF LONG-TERM OWNERSHIP
We thus define long-term ownership as “the longitudinal commitment of controlling shareholders to accept the responsibility for fulfilling their legal and psychological obligations for the sustained success of the entities they are stewarding”. Ideally, they embody the following traits: long-term orientation, sustainable wealth creation, and value commitment.

Owners with a long-term orientation have farsightedness in ensuring agility and adaptiveness, and build patient capital to endure downturns. Second, long-term owners emphasise sustainable wealth creation by nurturing both tangible and intangible assets. They recognise that companies are part of the society and establish closer and trustworthy long-term relationships with their stakeholders. They invest in research and development as well as leverage technology for scaled growth. Finally, long-term owners with a stewardship mindset are committed to organisational and social values. When operationalised, it translates into internal accountability to ensure the founding philosophy continues to be inscribed as the company grows. These long-term owners possess psychological ownership. They are emotionally connected to the company and will channel more energy towards stewarding it.

To enable long-term owners to exemplify these qualities, four broad stewardship principles are drawn up for long-term owners’ consideration.

PRINCIPLE 1: STAY FOCUSED ON STEWARDSHIP
Long-term owners should promote sustained coherence between their businesses’ purpose, goals and strategies. Having a stable ownership enables long-term owners to be better poised to focus on long-term value creation in a challenging business environment. Long-term owners are afforded a longer lead time to transform organisational culture and ethos; as well as to sustain the fidelity of policy implementation. To ensure sustained coherence, long-term owners have to be ambidextrous by taking care of both the organisation’s short-term needs and long-term developments. This helps build a coherent narrative that serves to filter external distractions so as to allow concerted efforts amongst owners to fulfil the goal of long-term value creation.
PRINCIPLE 2: BUILD LONG-TERM CAPACITY
Moving towards long-termism requires a deliberate shift towards long-term capability building. Long-term owners should take ownership initiative in building critical competencies that enable them to have a nuanced understanding of the pertinent contexts, identify any existing competency gaps, and distil evidence-based information to get buy-in from stakeholders. They must avoid complacency and continue to grow their capacity for further progression. Essential steps for deepening human and intellectual capital include the retention of talents to ensure management continuity, adoption of conservative financing strategies, use of long-term benchmarking strategies, as well as continual investment on people development; not forgetting research and development.

PRINCIPLE 3: CREATE AN OWNERSHIP CULTURE
Long-term owners should strive towards building a culture that fosters co-ownership amongst key stakeholders. Co-ownership can realise shared growth where benefits accrued from businesses will be cascaded down to all stakeholders and the society. Collective accountability is cultivated, reducing the temptation for businesses to disregard (potential) business risks in pursuit of short-term gains, and less tendency for shareholders to sell shares for quick gains. More importantly, ownership mentality and shared growth can overcome organisational inertia for change and pave way for a more compassionate society that thrives on equitable progress.

PRINCIPLE 4: BE ENGAGED
Long-term owners should harness engagement as a mechanism to address industry issues such as information asymmetry and poor disclosure. Effective engagement can encourage owners to strike a productive partnership and sound governance framework with other company stakeholders to steer organisations in a unified direction. To put stewardship into action requires the adoption of a systemic approach. By leveraging the whole value chain, long-term owners can work with other actors, in particular, the board, to enable cultural shifts. A stable ownership composition serves as a good governance mechanism that can enhance engagement efforts in the long run. These engagements in turn could provide improved accessibility to information about the company’s health, which helps build trust and reduce animosity among all parties.

Ideally, all groups of long-term owners, be it family businesses, state-owned entities or institutional investors need to unify both the rational and emotional facets to ensure businesses can succeed over time. They ought to forge long-term relationships with their stakeholders to engender a more sustainable approach for their companies to deal with challenges in a disruptive world.

A full version of the final report, including case studies, will be made available at a later date.

“We are not talking about just having an individual firing away. We are talking about collaboration — collaboration within family, collaboration within the company, within business, within individuals, within governments. And I think that the word ‘collaboration’ really takes on a whole new meaning when we start putting it towards stewardship.”
- Ms Liz Davis, Chief Executive, Self Storage Australia
As part of the Temasek Ecosperity Week 2019, 91 participants from family businesses, private businesses, professional associations, academic institutions, think tanks as well as charity and community organisations converged at the Stewardship Commons 2019. Jointly hosted by the Stewardship Asia Centre (SAC) and Global Commons Alliance, the participants hailed from 12 countries across various regions, including Europe, United States and Asia-Pacific. They brought a diverse range of viewpoints to the discussion on our collective responsibility to steward the global commons.

BACKGROUND OF THE TRANSBOUNDARY ALLIANCE

With an exponentially growing population of around 8 billion people, the earth’s shared pool of resources is rapidly diminishing. A more sobering trend, studies have shown that human activities are jeopardising the viability of critical planetary life-support systems at an unprecedented scale. With such unsustainable population growth, it is the responsibility of humankind to safeguard and steward this pool — our global commons. There is a need for a shared vision and well-coordinated actions to engender the transformation of our business and economic systems. With this as a background, the Stewardship Commons 2019 aims to bring together scientists and business leaders to deliberate on the issues; and to encourage more businesses to commit to adopting Science Based Targets (SBTs) — a clearly delineated pathway to sustain or promote growth by specifying how much and how quickly companies need to reduce their greenhouse gas emission.

The Alliance for the Global Commons, launched in 2019, is an international network that brings together the public sector, private sector and civil society to mobilise action to reverse negative trends in climate, biodiversity, oceans and other Earth ecosystems. The Alliance is organised into four units: the Earth Commission — a team of scientists to synthesise the latest research on resilience of Earth systems and climatic tipping points; the Science-based Targets Network — a group of international NGOs that help companies and cities to translate scientific insights into achievable sustainability goals; the Earth HQ — a media portal to communicate the “big picture” of how Earth ecosystems are performing; and Systems Change — a platform for organisational leaders to build partnerships for long-term sustainability.
By partnering with the Global Commons Alliance, SAC aims to bring together two intricately-linked notions of stewardship and sustainability. Through integrating the two spheres of knowledge, the organisers aspire to influence climatic actions by marrying mindset, concepts and practices. For this event, SAC provides the platform for corporate leaders to meet and learn from one another on how to be stewards of our natural assets so that we can manage these entrusted assets in a wholehearted and responsible manner, handing them over in a better condition to our next generation, a philosophy that resonates deeply with stewardship. Much of the work at the Global Commons Alliance revolves around ensuring sustainable intergenerational transfer of natural assets that have supported human civilisation for over 12,000 years. Thus, the synergistic convergence of interests between the two organisations is palpable.

The key speakers for the Stewardship Commons event include: Mr Ong Boon Hwee, CEO of Stewardship Asia Centre; Dr Will Steffen, Councillor, Climate Council of Australia; Mr Sunny Verghese, Co-Founder and Group CEO of Olam International; Ms Naoko Ishii, CEO and Chairperson of the Global Environment Facility; Professor Peng Gong from the Department of Earth System Science & Dean, School of Sciences at Tsinghua University; and Mr Kevin Moss from the World Resources Institute & Science-based Targets Network. The participants also broke out into smaller groups to develop their sustainability action plans following the keynote sessions. The key takeaways from the event are highlighted below.

THE CRITICAL NEXUS

Despite the proliferation of calls for climatic actions across the globe, none is really gaining the adequate level of traction needed to move the needle. There is a need to forge a common language and understanding so as to motivate individual action and unite stakeholders towards aligned action on climate change.

A variety of conceptual nexus, which are highlighted in the keynote address, can possibly act as a holistic frame of reference for businesses to think about how to create wealth responsibly. These linked concepts are: “Environment, Economy and Society”, “People, Profit and Planet” as well as “Stewardship, Sustainability and Governance”. Nevertheless, each points towards a nexus that the human purpose should be at the heart of business decisions to drive sustainable growth. Business can, and should, be a force for good, creating value not just for the present, but for future generations too. This will require businesses to mitigate some of the externalities they have imposed on the environment and communities they operate in. The rumination of this nexus also means that businesses need both the intrinsic motivation and regulatory governance for sustainability actions to scale. Relying on corporate governance alone merely generates a compliance-based response. On the other hand, a motivated, action-oriented response towards changing business behaviour is likely to generate only small pockets of successes.

To fundamentally change the system, businesses need to move from intent to impact. However, methods to keep companies and their key stakeholders firmly on a purposive path other than profit making are still lacking. There is a need to develop tools or persuasion strategies which can help organisations inject and maintain purpose. Clear and measurable goals, such as SBTs, would be useful for stewardship. It provides a common framing of knowledge and allows companies to keep track of their implementation milestones.
COMPLEXITY OF ISSUE
As mentioned, SBTs can provide businesses with the much needed strategic guidance to work towards a certain goal. Typically, companies are unsure of how many environmental initiatives they should undertake to offset the adverse environmental impact. With SBTs, companies will be able to understand their ‘Safe Operating Space’, that is, the degree to which human activities will not permanently destabilise the environment. This tacit knowledge can become a competitive advantage for businesses as they can use their resources more sustainably.

As an example, the most pressing global system which requires change is the food and agricultural system, which currently uses excessive water and land area, and emits great amounts of greenhouse gases. In an attempt to transform the current situation, a multi-stakeholder platform known as the Tropical Forest Alliance was formed. It brings important stakeholders such as the business sector, smallholder farmers, local and national governments together to inspire change. It is estimated that to turn the dire trend around, a radical transformation is needed in many aspects — food production technologies, waste reduction, and dietary shift. This signals the complexity of the issue on hand. SBTs can help companies demystify the whole process and enable them to take more concrete steps towards tackling the problem.

AGENDA FOR THE FUTURE
During the brainstorming session, participants tinkered with ideas for businesses to thrive in a resource-strapped future. In summary, businesses can enhance the following areas: 1) Traceability and transparency; 2) Integrative infrastructure; and 3) Correct valuation of goods and services.

Traceability and Transparency
It is important for businesses to enhance the traceability and transparency of supply chain when stewarding our global commons. The advent of sophisticated technology such as the Internet of Things (IoT) and blockchain technology can bolster businesses’ capability in this aspect. Additionally, instilling a culture of public disclosure by companies helps in ensuring the accountability for decisions made and sets the foundation for SBTs to be developed. When companies want to know how much they can save when they meet their reduction target for greenhouse gas emission, the supply chain can be analysed, providing data for pathway implementation, sustainability reporting and effective policy making.

Integrative Infrastructure
To increase the efficacy of infrastructures, companies can consider adopting the approach of integrative infrastructure which harmonises land use for transportation and agricultural purposes. The integrated transport system optimises all forms of transport to increase efficiency and reduce agricultural spoilage resulting from bad transport scheduling. Mixed-use buildings such as restaurants housing their own urban farm will enable customers to eat fresh produce at lower carbon footprints. Mixed land use plantations can integrate conservation areas from otherwise unproductive farmland. This could increase revenue for smallholders through ecotourism and be potentially used for carbon credits. Vertical farming can save a significant amount of water compared to traditional farming. In short, there is a need to develop new food systems and urban environments that can better serve human needs without impinging on the environment excessively.

Correct and Accurate Valuation of Goods and Services
At times, the positive values or negative externalities associated with the management of our global commons can be overlooked. To reduce the risk of such occurrences, the baseline of basic human needs should be mapped with science-based parameters. Thereafter, products and services can be redesigned to better meet the needs of stakeholders in a more efficient manner. The plausibility of asset sharing can also be more accurately factored into the resource planning process. More radically, global tax can be used as a transnational mechanism to regulate business activities so that the social and environmental costs of economic activities can be internalised. This can gain traction if the investors of these companies vote responsibly in favour of green policies and that there is a governing body that can oversee the implementation. Thus, science can provide an evidence-based view on resources needed while taxes can account for the negative externalities, redistributing money to affected communities or those in need. Both ideas allow companies to value goods and services accurately for more effective decision making related to our global commons.

WAY FORWARD
The shift from setting planetary boundaries to corporate boundaries requires businesses to “Deliberate”, “Decide” and “Do”. Companies should deliberate about their own performance goals; decide their SBTs and execute plans and monitor progress. To put a stake on their ground, companies can pledge their interest, enhance methodologies and join the growing network. The important thing is to start, however small, on the journey to steward our global commons, and to turn negative externalities into positive externalities by creating transformational impact collectively. To find out more, please refer to our full report on Stewardship Commons which will be made available online at a later date.

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