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PERSPECTIVES ON

# Sustainability - An Enterprise Journey

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**Sustainability is core to the mandate of GIC — where sustainability factors are integrated across investment and risk management processes, business operations, and organizational culture. This is reflected in GIC's Offence-Defence-Enterprise Excellence (O-D-E) approach. This article takes a closer look at these E efforts.**

## GIC'S ODE TO SUSTAINABILITY

GIC was set up in 1981 to secure Singapore's financial future. Charged with the responsibility of preserving and enhancing the international purchasing power of the reserves over the long term, thinking in long time horizons and ensuring operational sustainability are fundamental to how we fulfil this role. Sustainability is a key focus for us, given its long-term impact on consumer and business behavior, and the physical environment.

Our investment belief is that companies with stronger sustainability practices offer prospects of better risk-adjusted investment returns over the long term, and that this relationship will strengthen over time. Already we have seen increasing evidence of this in recent years with the outperformance of ESG (Environmental, Social and Governance) orientated stocks versus their comparative peer groups, as regulations and consumption behaviour evolved alongside the growing sustainability trend. This has persisted even through the Global Financial Crisis<sup>1</sup> and the COVID-19 pandemic<sup>2</sup>.

Accordingly, as a global organization, we integrate sustainability factors into our investment and risk management and make them core to our operations and culture. This is reflected in our holistic [O-D-E approach](#), where **O** refers to Offence when it comes to investment opportunities and **D** indicates Defence or risk management. There is also the **E** aspect, that is, the manner in which we need to constantly improve our organizational

operations and processes to achieve Enterprise Excellence. Various studies<sup>3</sup> have highlighted that a successful sustainability strategy requires various conditions, including top-level commitment, integration with all business activities, continued engagement with internal and external stakeholders, and ultimately an alignment in values, corporate culture and buy-in.

## CULTIVATING ENTERPRISE EXCELLENCE

GIC has identified several pillars to drive enterprise excellence in sustainability. This includes leadership commitment, strong governance, being responsible with our environmental footprint, advocating long-termism in the community, and fostering collaboration and an inclusive culture.

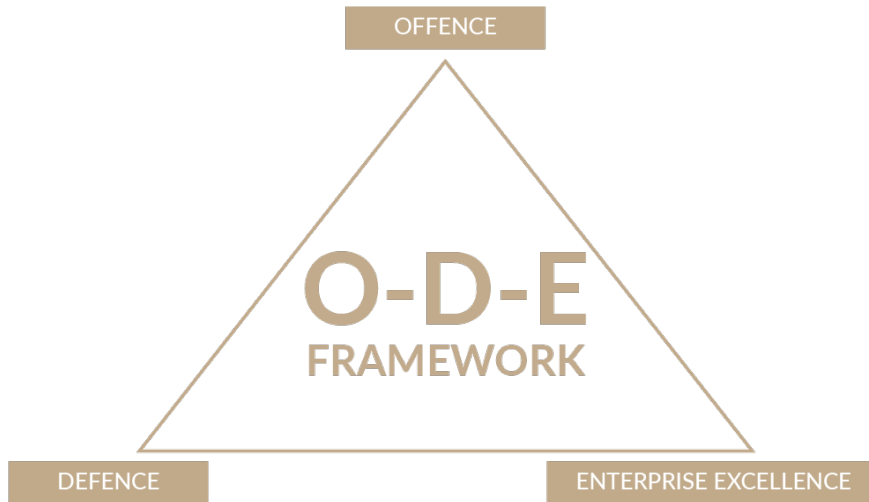
**Leadership commitment:** Sustainability is fully supported by senior management and the GIC Board. In 2016, we strengthened this commitment by formalising a Sustainability Committee comprising senior leaders from across the investment asset classes, risk and corporate functions. Currently chaired by our Chief Investment Officer for Fixed Income who is also a member of GIC's Group Executive Committee, the group is tasked to implement GIC's sustainability framework, support and promote sound stewardship, and monitor and respond to emerging trends and issues.

<sup>1</sup> Lins, K. V., Servaes, H. and Tamayo, A. (2016): "Social Capital, Trust, and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis," *Journal of Finance*, European Corporate Governance Institute (ECGI) - Finance Working Paper No. 446/2015, Available at SSRN: <https://ssrn.com/abstract=2555863>

<sup>2</sup> [Morningstar](#) reported that in 2020, three out of four sustainable equity funds placed in their comparable category's top half, and far more sustainable funds ranked in the top quartile (42%) than in the bottom quartile (6%).

<sup>3</sup> Polman, P. and Bhattacharya, C.B. (2016): "Engaging Employees to Create a Sustainable Business", *Stanford Social Innovation Review*, [https://ssir.org/articles/entry/engaging\\_employees\\_to\\_create\\_a\\_sustainable\\_business](https://ssir.org/articles/entry/engaging_employees_to_create_a_sustainable_business); Haugh, H. M. and Talwar, A. (2010): "How Do Corporations Embed Sustainability Across the Organization?", *Academy of Management Learning & Education*, <https://www.jstor.org/stable/25782025?seq=1>; Saylor Academy, "Primer on Sustainable Business" Chapter 9.3 - [Making the Sustainable Commitment](#)

**Fig. 1 GIC's O-D-E Framework for Sustainability**



Across GIC, the investment committees are responsible for assessing and managing the relevant sustainability-related risks and opportunities for their asset classes and portfolios, and ensuring compliance and integration of sustainability considerations in our investment process. The GIC Board and our other Board committees, such as the Investment Board and Risk Committee, also provide oversight for GIC's sustainability framework.

As steward of Singapore's foreign reserves, we ensure sound governance by requiring the highest standards of responsible and ethical conduct from our employees in all business dealings. In addition, we communicate clear expectations of responsible and sustainable business practices to our suppliers and conduct additional screening and due diligence. We do not procure goods or services from suppliers with practices that run against our sustainability principles, and prioritise partners who have embedded good practices within their organizations. Ultimately, we believe that good sustainability governance should extend beyond GIC's immediate operations into areas where we have influence, including our supply chain and business partners.

***Responsible management of our environmental footprint:*** As a global organization with 10 offices around the world, we view sound management of our carbon footprint as an important

responsibility. We have a dedicated team that tracks our carbon and energy consumption, and monitors global trends and solutions, with the view to reduce our environmental footprint. A few years ago, we cut down the use of non-recyclable materials, went paperless as much as possible in our processes, implemented technology and designed our offices to minimise energy waste, and actively encouraged behaviour change in our staff and their families. We also target to be carbon-neutral across our global operations by end March 2021.

***Advocating for sustainability and long-termism:*** As part of our strategy to engage the wider community on sustainability issues, we collaborate with like-minded organizations to inform market approaches and discourse. For example, we are a supporter of some of the most notable [climate-related organizations](#) and initiatives, such as Climate Action 100+, the Asia Investor Group on Climate Change (AIGCC), and the Task Force on Climate-related Financial Disclosures (TCFD), and support CDP's efforts to encourage TCFD-aligned disclosures by companies on its reporting platform. We also actively participate in initiatives such as FCLTGlobal and the International Forum of Sovereign Wealth Funds (IFSWF), contribute to research on long-term investment issues that we publish on [ThinkSpace](#), where we share GIC's perspectives on key long-term issues, and

[financial literacy programmes](#) in collaboration with schools and other organizations.

***Fostering an inclusive and giving culture:***

Becoming truly inclusive is an aspiration for many organizations, including GIC. In fact, we believe fostering an [inclusive culture](#) is a key factor for long-term success. At GIC, our staff share a common purpose in GIC's mission, PRIME values, and a sense of belonging. To achieve that, it is critical to have an enabling environment where diversity and inclusion are valued, and where individuals are willing to step up and make a difference.

We cultivate this at two levels: at the leadership level, where humility is emphasised as an important quality that will allow leaders to harness diverse strengths and leverage them in a complementary manner, and at the individual level, where high-trust relationships are valued and every staff is encouraged to practice candour when sharing feedback, assist each other, and respect the different perspectives every individual brings.

Further, we have been fortunate to have had several colleagues step up to lead various programmes, such as 'Differently Abled', which enables interns with physical disabilities to contribute their expertise alongside our teams, and 'GIC Sparks & Smiles', a youth leadership development programme that empowers Singapore youth from low-income households to positively influence others in their communities. Since its inception in 2015, over 700 students from different educational institutions have benefited from GIC Sparks & Smiles and collectively volunteered some 17,000 hours to mentor disadvantaged youth.

In 2020, as the global COVID-19 pandemic hit, we sought to provide additional support to local communities in places where GIC has operations. We created 'With Love, GIC', a global movement of ground-up projects where our staff would engage a community partner, identify needs, and plan a project to support those affected by the pandemic, supported with some funding from GIC. Many staff stepped up with some 75 projects committed over the last 12 months. In 2020, GIC was also named a Champion of Good in

Singapore in recognition of our community outreach and multiplier collaborative efforts through different stakeholders and non-profit organizations.

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***Wong Ai Chiat***

***Managing Director, Head of Corporate Administration & Infrastructure, GIC***

## **INTERNAL STAKEHOLDER ENGAGEMENT IS KEY**

As GIC strives towards achieving enterprise excellence, we believe that progress is only meaningful and effective if this conviction is aligned across the organization and integrated bottom-up.

To that extent, we devote significant effort to communicating GIC's sustainability developments and engaging our staff in various awareness and upskilling campaigns. Two notable efforts include:

***Sustainability Month:*** In the last two years, we have designated November as GIC's Sustainability Month, where a cross-department committee would plan a month-long campaign comprising awareness and educational activities, knowledge exchanges with institutions with best-in-class expertise and practices, and pledges that commit to action. The activities would cover investment topics, corporate processes, and practices that staff could employ in their personal lives. These activities are made available to all staff, and where wider sharing was allowed, they were encouraged to invite their families along to benefit from the sharing.

In 2020, we organized a sustainability edition of our flagship Speakers' Series, gathering experts from around the world to discuss pertinent sustainability topics, such as integration into investment decision-making and portfolio management, climate change, and ESG megatrends. Ten webinars involving 30 speakers from GIC and several other leading institutions were streamed across our global network. These sessions saw 3,600 participants, reflecting the keen demand for such insights. 2020's edition built on our inaugural effort in 2019, where we received close to 2,300 commitments to greener behaviour, cut down on disposables consumed in our Singapore headquarters by the thousands, and raised money for charity in the process.

***Sustainability Training Series:*** As part of the internal effort to equip all staff with the technical know-how, our enterprise strategy and learning & development teams designed a sustainability curriculum delivered by internal subject matter experts. Topics covered GIC's own frameworks and best practices, as well as thematic research on trending topics such as carbon and plastics. The speakers also shared about their own journeys for stronger engagement.

All these initiatives have proven to be effective catalysts in aligning the organization towards GIC's sustainability beliefs, and levelling up employees' knowledge on industry developments and trends. To sustain interest and action, we have also made many sustainability-related resources available to our staff, including a central e-learning portal that enables on-demand training and features tailored tools such as GIC's proprietary dashboards on climate policy, carbon emissions and green revenues, curated research, and newsletters covering the latest sustainability developments and analysis.

## CONCLUSION

2021 marks the 40th anniversary of GIC's founding. A key driver behind our long-term success has been our ability to build resilience in not only our portfolio, but also in our systems and people. In many ways, the **'E'** aspect of our O-D-E

framework plays this understated role, but when done well, it can help drive, reinforce and enhance the Offence and Defense aspects of the O-D-E framework.

**“AS GIC STRIVES TOWARDS ACHIEVING ENTERPRISE EXCELLENCE, WE BELIEVE THAT PROGRESS IS ONLY MEANINGFUL AND EFFECTIVE IF THIS CONVICTION IS ALIGNED ACROSS THE ORGANIZATION AND INTEGRATED BOTTOM-UP.”**

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