

COMPANIES MUST RESPOND TO ETHICAL GREEN CONSUMERISM OR RISK FINANCIAL AND REPUTATIONAL DAMAGE

Singapore, October 12, 2017: Companies that fail to respond to the rise of ethical green consumerism in Singapore risk suffering reputation and brand damage as well as financial loss, a new paper has found.

According to a paper developed by the Singapore Environment Council (SEC) with its knowledge partner KPMG Singapore, a wrong judgement call in just one aspect of a company's activities can have a negative impact on its reputation and financial future.

The paper titled *Ethical Green Consumerism – Our Responses* will be distributed for discussion at the inaugural SEC Conference Day on 13 October.

The paper identifies three main risks caused by not acting ethically and sustainably at all points in a company's supply chain:

1. **Environmental risks:** These can take a variety of forms such as pollution or environmental degradation, waste disposal and recycling, water use in areas of water scarcity and compliance with environmental regulations. For example, in 2015 the National Environment Agency (NEA) began legal action against companies it believed to be behind the burning causing the haze.
2. **Regulatory risks:** Every country has its own regulations, so when companies are entering into supplier contracts across the globe, they can suddenly be in a regulatory compliance minefield. Regulatory changes have a significant impact on the ability to export, import, manage and track goods and services.
3. **Reputational risks:** Companies are placed under further pressure as a result of scrutiny by consumers. With the active presence of social media, news related to issues in supply chain can travel fast and mobilize public reaction.

The paper found many of these risks are caused by companies seeking to cut costs by using cheaper and more flexible suppliers. Failure to manage these risks can result in fines, insecurity of supply, higher insurance premiums or even reputational damage.

Ms Jen Teo, Executive Director of SEC said, “Increasingly, consumers in Singapore are refusing to buy products made in a way that is damaging to their health or the environment.”

“However, there are still consumers that have not embraced ethical green consumerism, because of a lack of visible eco-labelling in some direct consumer product segments, with the exception of building materials. Examples of these segments include packaging, electronics, food and toys.

“The companies which embrace sustainable and ethical practices will do better in the long run as more Singaporeans choose their products and services over their competitors.”

“To avoid the potential for reputational and financial damage, SEC encourages companies to ensure their supply chains are sustainable and ethical at every point. They can establish their credentials by obtaining Green Label certification for their products and publishing sustainability reports,” Ms Teo said.

As an example of ethical green consumerism in action, the report cites the response of Singapore consumers to the haze in 2015 when the nation experienced the worst air pollution on record. Companies being investigated for their involvement saw their products pulled off shelves by major retailers.

HOW COMPANIES CAN RESPOND TO THE RISKS

In order to grow further, businesses have to respond to changing consumer needs and preferences as well as differentiate themselves from a crowded marketplace. Businesses also respond to ethical green consumerism through managing sustainability issues and performance in their supply chains.

To pre-empt the risk to a company’s reputation, a responsible procurement policy that demands suppliers adopt green practices should be put in place.

The paper recommends companies take the following steps to make their supply chains more ethical and sustainable in order to avoid a backlash from ethical green consumers:

- **Set a criteria for evaluating suppliers:** Companies can prepare environmental and social criteria in the evaluation and selection of their suppliers. Environmental considerations could include prevention of pollution, management of hazardous and non-hazardous waste and actions to reduce energy consumption.
- **Develop supplier codes of conduct:** Many multi-national companies now have codes of conduct for their suppliers that cover aspects such as environment, chemicals and waste management, health and safety, fire prevention, wages, working hours, and freedom of association.
- **Engage with suppliers:** In some situations, companies understand that their suppliers, especially those operating in developing markets, are not ready to comply with the required environmental and social standards. They can engage with them through a dialogue to understand the barriers they are facing and work with them on an action plan for them to come up to the required standards within a reasonable timeframe.
- **Conduct audits:** Companies can consider conducting environmental and social audits of their suppliers either through their in-house teams or employ third parties for such audits. Consequences of findings from the audit could either be a requirement to develop a corrective action plan or in instances of severe non-compliance, the supplier relationship could be terminated.
- **Incentives for responsible conduct (or penalties for non-compliance):** Companies can also consider establishing incentive mechanisms for suppliers to pursue sustainable production methods.
- **Disclosing list of suppliers:** In a bid to make their procurement more transparent, companies can publish a complete list of their suppliers in the public domain along with their location and business contact details.

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ABOUT THE SINGAPORE ENVIRONMENT COUNCIL

Established in 1995, the Singapore Environment Council (SEC) is an independently managed, non-profit and non-government organisation (NGO). We influence thinking on sustainability issues and coordinate environmental efforts in Singapore.

We are also an approved charity and offer tax exemption to donors. SEC continuously engages all sectors of the community by formulating and executing a range of holistic programmes, such as the Singapore Environmental Achievement Awards, Asian Environmental Journalism Awards, School Green Awards, Singapore Green Labelling Scheme, Project: Eco-Office, Project: Eco-Shop and Project: F&B. In addition, we build a pool of committed volunteers under our Earth Helpers programme. Our Training and Education arm provides the people, public and private sectors with the opportunity to develop awareness, knowledge, skills and tools in order to protect and improve our environment for a sustainable future.

Strong partnerships with corporations, government agencies and other NGOs are valued by us. These partnerships are vital for sustaining our programmes, leading to positive action and change. Over the years, SEC has given strength and direction to the environmental movement in Singapore.

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