



20 reflections on sustainable practices

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Think Sustainability

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The following are extracts from my various blogs that reflect on sustainability in relation to business planning, management, process improvement and reporting. They may help to stimulate your thinking on what sustainability offers businesses and also to dispel some myths.

What does being a 'sustainable business' imply?

1. "Over the past 30 years there has been intense debate and a high degree of frustration on nailing the meaning of "sustainability". A quick online review indicates that there are now hundreds of diverse definitions of sustainability, further confounded by the highly interchangeable and undisciplined use of related concepts such as triple bottom line, ESG, CSR, corporate responsibility, corporate citizenship, shared value and so on. Sustainability is a term still very much bandied about in business circles, yet with such little common agreement on definition that it effectively undermines clarity about what it means to be a 'sustainable business'".
2. "I can't help but raise an eyebrow when I hear the well-worn catch-phrase from some corporate heads that *"sustainability is woven into the fabric of our business"*. My somewhat sceptical reaction is based on parallel conversations with sustainability managers and other employees elsewhere in that same business. I honestly believe that those executives who profess the "fully integrated" sentiment are not trying to take me for a ride, but rather genuinely want to believe that their business is being aligned with sustainability principles. They can point me to strategies and policies that seek to embed sustainability ideals, but somewhere between the boardroom and the office floor the enactment falls short. A McKinsey survey on integrating sustainability into business supported this reality, with respondents clearly indicating the challenges they face in execution, particularly in the face of the competing pressures of short-term earnings, the lack of performance incentives and the lack of broader internal accountability on implementing sustainable measures."
3. "The problem I have with 'enhancing our reputation' as a key business driver to be sustainable is that it skews the field in regard to what get prioritised in the company's sustainability strategy or agenda. If you consider a strategic approach to sustainability to be about identifying, prioritising and responding to key opportunities and challenges for the business in managing its impacts and externalities in the medium to longer term, then how do reputational considerations align with that? Reputation management has a high tactical focus around dealing with the here and now rather than focusing ten to twenty years down the road, which is where sustainability is able to deliver its true worth."
4. "We need to retain a healthy amount of caution in forming conclusions as to the extent to which sustainability is being prioritised in companies. We also need to accept that sustainability won't be seamlessly embedded just because the board and leadership team said "make it so" through directives, policies, and strategies. My experience of helping companies to infuse sustainable practices over the past 15 years strongly suggests that the desire to become sustainable must to be matched by a serious commitment of resources, leadership and accountability"

Is my business 'inclusive'?

5. "Inclusiveness is increasingly being recognised as not only a desirable trait of organisations, but an expected behaviour. Stakeholder engagement on its own is not inclusiveness, as many believe. Inclusiveness is more than just asking your internal and external stakeholders what's on their mind, or what's annoying them about your organisation. It's about looking to involve them in anticipating the future, identifying emerging issues, asking if they are interested in helping to identify solutions or, in fact, to be part of the solution – in other words, it is looking to establish a working relationship rather than hold a conversation."

Squeezing more out of materiality

6. "Materiality is the key link between stakeholder inclusivity and organisational accountability. Many organisations focus on applying materiality just to their reports, which is not wrong, but it does restrict materiality's potential to fully benefit the business."
7. "A 'best practice' sustainability report, at its simplest, should be about identifying and responding to the organisation's most material issues. If you have applied a materiality process to shape the content of your report then the outputs of that process (the material issues) are a rich source of information for other business management processes such as strategy development, risk management and business planning. Materiality actually has more in common with these organisational processes than it does with reporting."
8. "Materiality can be applied across the organisation where there is a need to cut through the clutter and uncover opportunities and risks. It has the added benefit of bringing an external perspective on issues and performance, something not typically inherent in internal planning and risk management processes. When taken beyond reporting to help assess how well management decision-making and response processes are working, materiality really does deliver on its potential."

Reporting on your sustainability performance

9. "The development of a sustainability report as a unique opportunity to collect, consolidate and compare quite disparate performance data, look for trends and patterns in that data, assess the relevance of that information to your organisation and its stakeholders in terms of its materiality, and realise that this is the opportunity, once a year, to look at a dashboard of sustainability-related data and see if and how it fits together. A lot of this thinking needs to be done for the report itself, but I often see that once the report is completed, this information and effort gets put aside and 'forgotten'. If you are subsequently developing or revising your business sustainability strategy, re-evaluating your risk management, or setting goals for the business, the information captured in the report offers the chance to holistically re-examine and reflect on recent organisational performance, helping decide what areas need more attention or resources in the coming year. It provides the extra return on investment made in reporting."
10. "Sustainability reporting also provides the opportunity to develop and publicly commit to meaningful sustainability targets designed to lift the organisation's performance around its material issues. Setting and disclosing clear and unambiguous targets for your reporting acts as a powerful tool to gain traction on key issues within the organisation. Performance targets should be circulated within the management and board for review, discussion and integration. Your stakeholders are looking for clear public commitments to change and expect your organisation to have a transparent agenda in responding to those targets you have identified in your report. This encourages a stronger focus on delivery against those targets and increases the likelihood that your organisation will actually improve in those areas."
11. "The usefulness of a sustainability report should not end with its publication. Its content (which is, after all, key information about the performance of the business in terms of its governance, economic, social and environmental responsibility) should be discussed at both board and management level, as well as in stakeholder forums and shareholder meetings. The report should be included in the welcome kit for new employees. Its key findings should become a core part of investor information packs, given the trend for investors, risk assessors and financial advisers to now look beyond the financial disclosures."

Credibility for your sustainability report through assurance and Global Reporting Initiative compliance

12. "As with the report itself, assurance and GRI compliance are simply a means to an end, rather than an end in themselves. If you are developing your sustainability report only to satisfy the GRI or your assurance provider, then you may want to rethink why you are reporting in the first place."
13. "The effort to produce a GRI compliant report and to prepare for, and undergo, assurance of that report has the potential to significantly enhance your business practices. Both processes bring additional discipline to reporting and record-keeping around data collection, completeness, traceability, reliability and accuracy. In addition, the information gleaned from assurance can be used not only to build public confidence in your report, but also to reinforce stakeholder confidence in the organisation, to identify improvement opportunities in your reporting processes, and to encourage change within your business around systems and management."

14. "Beyond the final assurance statement, the assurance process can (or should) deliver meaningful recommendations to the organisation's leadership team or senior management to enhance organisational accountability, management or performance. The work and effort needed to deliver the assurance statement simultaneously unpacks much about the underlying systems and processes that generate data, monitor performance, set targets and performance indicators, and manage risk."

Managing risk in your supply chains

15. "Over the past three decades, many iconic companies that have publicly professed to be leading practitioners of responsible behaviour have then been nailed to the wall over their ignorance, complacency or naiveté around what is happening in their supply chains. Some of the underlying causes of this include: a narrow interpretation of the boundaries around sustainability, accountability and organisational risk; a limited awareness of which suppliers represent the highest risks in terms of sector, location and product/service; risk management systems that struggle to acknowledge or deal with sustainability-related reputational risk in supply chains; and sustainability managers/departments that sit in isolation to other managers and departments within the very same company that are dealing with risk and procurement."

16. "Corporate supplier assurance schemes can be overly ambitious in what they are trying to achieve. Several years back I read with interest a major bank's elaborate plans to launch a supply chain assurance program involving multiple supplier audits in the first year. By the end of year one, they announced a grand total of one supplier had been audited (from the tone of their report I don't think they quite understood the actual message that outcome sent to the market). Most, if not all, companies have to rationalise their program scope and intent with their available resources, and not try to do it all at once."

17. "Many supplier programs are vague about their intended goals for the company and desired outcomes for the suppliers; ending up unfocussed, expensive and lacking performance measures. Are you trying to manage real risk in your supply chain or sending a message to the market about your commitment to responsible business behaviour? Being clear on this helps you to decide whether you should be going down a 'compliance' style approach setting minimum acceptable standards of supplier performance, or an 'encouragement' based approach supporting suppliers to progressively change their behaviour and go beyond compliance. If it is to be more compliance focused, will your approach be punitive (comply or else) or more one of 'gently' raising the bar over time (recognising your likely limited resources and that of your suppliers)? If you're looking to be 'supportive', you need to be clear on what are you prepared (and resourced) to do for your suppliers by way of helping them."

18. "Trying to design a supplier program in isolation from those who will apply it (internal stakeholders) and those who will be subjected to it (suppliers) is not particularly smart. Sustainable supplier policies, supplier codes of conduct, supplier questionnaires, and supplier audit models all need to be considered from both the user's and the recipient's point of view. Getting them engaged not only provides invaluable feedback on aspects such as relevancy of criteria, affordability, practicality and integration but also creates buy-in to the process on both sides. Suppliers should have a say in what you are asking of them. There is, for many suppliers, a high degree of discomfort with what can be perceived as a client essentially imposing their values and expectations on them. To then be held to account for something they had little or no say in developing can be particularly challenging for them."

19. "For your sustainable supplier program to be successful, all the elements need to integrate seamlessly. For example; your policy, code of conduct, audit tools and audit approach all need to be consistent and complete before you can confidently roll out the program across your chosen suppliers. The only way to gain this confidence is to test them in a controlled, contained and 'safe' manner. Running a pilot amongst a select group of suppliers or within one particular procurement area provides such an opportunity to demonstrate what works and what doesn't."

20. "Be smart about not painting all your suppliers with the one brush. Acknowledge and reward good supplier performance more often than berating those who fall short. Celebrate and promote their achievements to their peers in your supply chain – a particularly effective means to stimulate a response. A PwC survey some years back revealed that 81 per cent of businesses who rate sustainability as important favour collaborating with their suppliers to create a responsible supply chain footprint and procurement framework."