BEYOND THE PERFECT STORM

THE CORPORATE SUSTAINABILITY CHALLENGE

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INTRODUCTION

Transforming the world to sustainability requires organisational leadership, skilled professionals and a desire for change. Concerns that were once viewed as distant and risks that were uncertain are now increasingly having an impact on businesses, economic prosperity and communities, health and wellbeing. Climate change, population growth, threats to nature, resource concerns, and global development pressures all combine to herald a 'perfect storm'.

Sustainable development is the goal many businesses and governments are working towards. Innovating and resolving the sustainability challenge, rather than balancing and trading off impacts between environmental, social or economic conditions, is essential. Sustainability and environment professionals are central to this agenda.

Some companies are collaborating, innovating and engaging with stakeholders across their value chains on sustainability. Leading organisations are renewing and rebuilding their business models and opening doors for change locally and across continents.

In Preparing for the Perfect Storm, published in 2014, IEMA outlined the key environmental risks and challenges affecting businesses and the role of skilled environment and sustainability professionals in helping organisations to adapt. *Beyond the Perfect Storm* updates these risks, opportunities and dependencies, providing a vision of corporate sustainability and a review of practitioner insights on the challenge of transforming organisations for sustainable development.

UPDATING THE STORM WARNING

> The only safe ship in a storm is leadership'

Faye Wattleton
President of Planned Parenthood Federation of America

> The greatest threat to our planet is the belief that someone else will save it'

Robert Swan
Polar explorer and advocate for protection of Antarctica

> Education is the most powerful weapon you can use to change the world'

Nelson Mandela
Freedom fighter and former president of South Africa

> All human beings are born free and equal in dignity and rights'

Article 1
UN Declaration of Human Rights

Water
An estimated 1.8 billion people are drinking water contaminated by faeces; between 1990 and 2012 2.3 billion people gained access to improved drinking water

Human rights
An estimated 35.8 million people globally are defined as modern slaves

Poverty
One person in five in developing regions earns less than $1.25 a day; in 'rich' countries there has been a net increase of 2.6 million in the number of children in poverty since the 2008; 76.5 million children live in poverty in the 41 most affluent countries

Climate change
In 2015, global warming reached 1°C above pre-industrial times for the first time; 1.6 billion people live in countries and regions with absolute water scarcity – with climate change this is expected to rise to 2.8 billion by 2025

Education
57 million children worldwide are not in school, half of them in conflict-affected areas; 103 million youth (more than 60% of them women) lack basic literacy skills

Health and wellbeing
2.5 billion people globally lack access to basic sanitation; millions have no access to soap and water to wash their hands, denying a basic act that would empower them to block the spread of disease

Pollution
Global output of chemicals increased 84% between 2000 and 2010; 4.9 million deaths worldwide were attributable to exposure to chemicals in 2004; plastics weighing 191 times that of the Titanic are dumped in oceans each year

Biodiversity
Species loss is estimated to be between 1,000 and 10,000 times higher than the natural extinction rate

Population
Global population will grow from 7.2 billion to 9.7 billion by 2050; global middle class will grow from 2 billion to 4.9 billion by 2030; in the next 40 years we have to produce as much food as over the past 8,000 years

Resources
The circular economy represents a net material cost saving opportunity of between $340bn and $380bn a year to the EU

Statistics sourced from the UN, UNICEF, WHO, The World Bank, WWF, The Global Slavery Index, UNEP, Ellen MacArthur Foundation, OECD and Reuters.

THE FUTURE OF BUSINESS

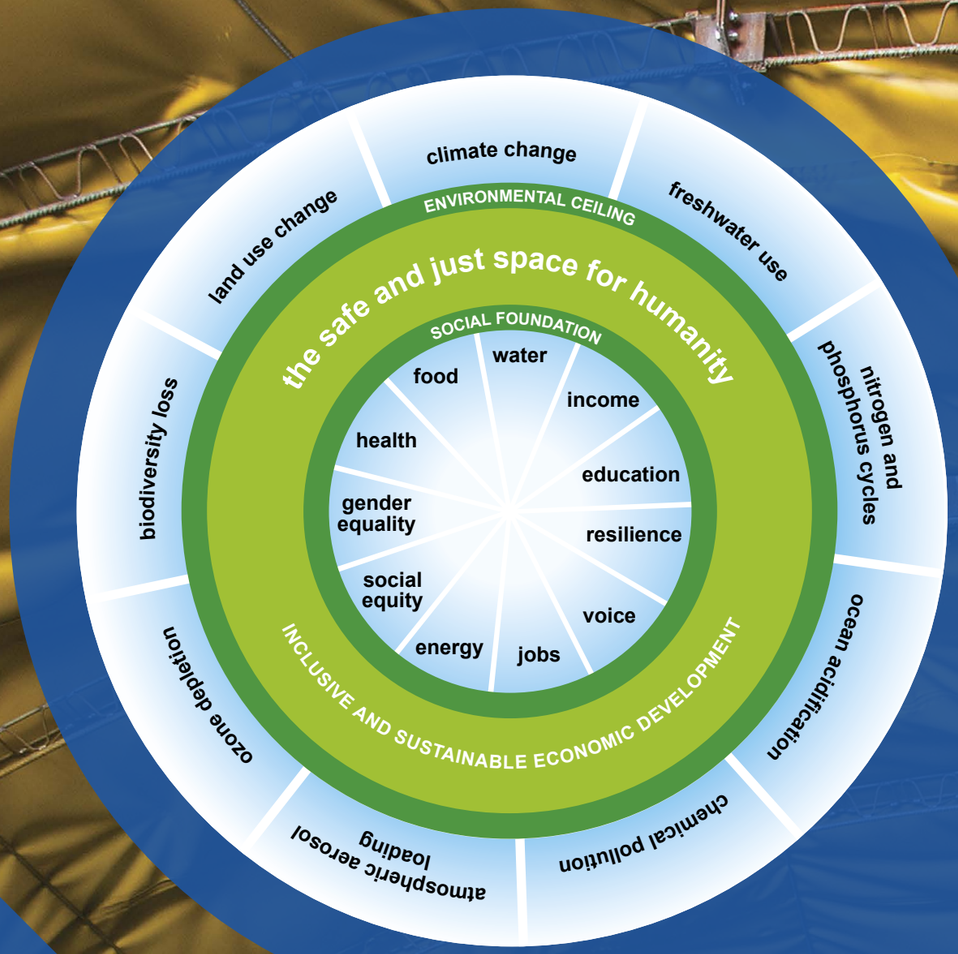
The 1987 report from the World Commission on Environment and Development, *Our Common Future* (also known as the Brundtland Report), defined sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. As a challenge for organisations and environment and sustainability professionals, its implications are far-reaching. They include:

- The rights and responsibilities of current and future generations.
- Environmental limits in meeting current and future needs.
- Social value and social protection floor.
- The resilience of society and the economy.
- Human values, ethics and quality of life.
- Dependencies and mega-trends.
- The need for new economic and business models.

The priority for businesses and governments is to resolve rather than to balance or trade off this challenge. Population growth, development pressures and business-as-usual are driving us towards, and in some cases past, the planet's environmental limits. Social boundaries are under greater pressure as populations grow and critical impacts continue to be 'traded off' between the environment, social conditions and the economy. IEMA's ambition is to innovate, collaborate and resolve our future development – to transform to sustainability.

> "I would encourage anyone interested in corporate sustainability, from chief sustainability officers to HR professionals, to read this briefing. The sustainability landscape needs focus and agreement – GACSO and IEMA are well placed to catalyse this debate and to provide clarity around the role sustainability professionals play in supporting long term business success'
>
> **Francis Sullivan**
> GACSO founding member and HSBC deputy head of global corporate sustainability

The graphic is representative of responses by environment and sustainability professionals to the question: What concerns do you see as most pressing in relation to the challenge of sustainable development?



K Raworth (2012) *A Safe and Just Space for Humanity: can we live within the doughnut?*, Oxfam discussion paper, Oxford: Oxfam International.

FRAMING SUSTAINABILITY

Economist Kate Raworth's diagram, 'doughnut of planetary and social boundaries' (above), helps to frame the sustainability challenge. The ceiling consists of nine planetary boundaries beyond which lie unacceptable environmental degradation or tipping points. The social foundation consists of 11 priorities, identified by world governments, below which lies unacceptable deprivation, such as hunger, ill-health and income poverty. Between the social and planetary boundaries lies an environmentally safe and socially just space in which humanity can thrive.

DENIER › **COMPLIER** › **RISK MITIGATOR** › **OPPORTUNITY MAXIMISER** › **CHAMPION**

TIME HORIZON: short-term	long-term
FOCUS: current shareholder value	current and future stakeholder value
OUTLOOK: inside-out	inside-out and outside-in
TRANSPARENCY: as little as possible	naked
RELATIONSHIPS: short-term, transactional	long-term, shared destiny
COLLABORATION: few/limited range partners	extensive/eclectic
BUSINESS MODEL: take, make, waste: linear	borrow, use, return: circular

STAGES OF MATURITY

The position of a business in the various stages of maturity depends on various elements, such as its focus, outlook, time-horizon, approach to transparency and relationships, collaboration, and business model. This in turn influences business purpose, strategy, organisation, policies and practices, and ultimately performance. Maturity models, such as the one above from the the Doughty Centre for Corporate Responsibility at Cranfield University, can help organisations to transform by providing a concpetual tool to scope where a business is, where it would like to be and to stimulate thinking about how to get there.

Reproduced from R Ainsbury and D Grayson (2014) *Business Critical: Understanding a Company's Current and Desired Stages of Corporate Responsibility Maturity*, Cranfield University.

VIEWS FROM THE FRONTLINE

IEMA research shows that leading businesses recognise real benefits from embedding and developing a sustainability approach. It also finds that the corporate sustainability role is developing to reflect higher maturity stages and to assist genuine business transformation.

However, professionals seeking sustainability outcomes face many barriers. Return-on-investment rules are a longstanding challenge and sustainability professionals stress that overcoming them requires positive engagement with finance colleagues. Developing and achieving the business case is another key challenge, requiring creative work across the organisation and often with external stakeholders.

Nonetheless, practitioners indicate that they are now receiving a more positive than negative response to their work. Thirty percent reported an even mix of both support and barriers; 25% indicated general support; and 9% said the response was 'largely negative'. This is an encouraging picture and is a reflection of greater 'maturity', with organisations increasingly valuing their sustainability professionals and recognising that sustainability can deliver real business benefits.

Ethical business, environmental management, corporate reputation and lifecycle thinking are common terms professionals say are helpful in furthering an understanding of corporate sustainability. An ambitious and progressive view emerges from the survey findings, with ethical concerns leading. Business-critical factors, such as corporate reputation, are prominent. Taking a long-term view and approaches that address lifecycle considerations are also important.

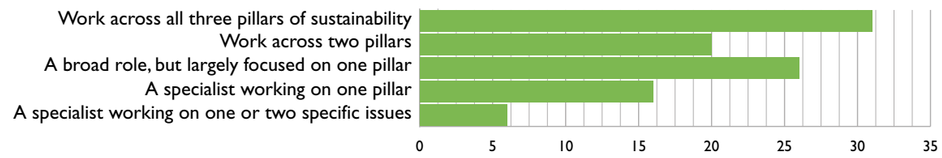
> Sustainability is multi-dimensional, including the environment. Effective solutions can be achieved through collaboration, working across disciplines, professions, sectors and issues'
>
> **Paul Toyne**
> Group head of sustainability at Balfour Beatty

> A sustainable approach to economic development protects the planet's life support systems and delivers a decent quality of life for all stakeholders, not just a fortunate few'
>
> **John Hill**
> Chair of IEMA East of England regional network

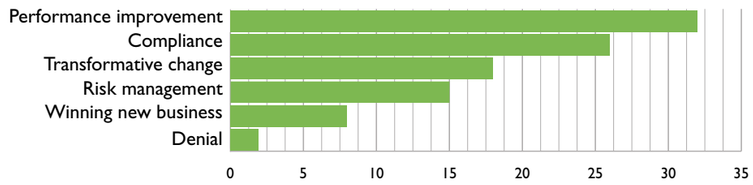
MAIN DRIVER FOR YOUR ORGANISATION'S INVOLVEMENT IN SUSTAINABILITY

VISIBILITY OF ORGANISATION'S COMMITMENT TO SUSTAINABILITY

WHAT IS THE MAIN FOCUS OF YOUR ROLE?



WHAT IS THE MAIN PURPOSE OF YOUR ROLE?



‘The **3** main reasons for organisations engaging in sustainability were to **improve reputation**, **address client expectations** and **transform the business**’

7%

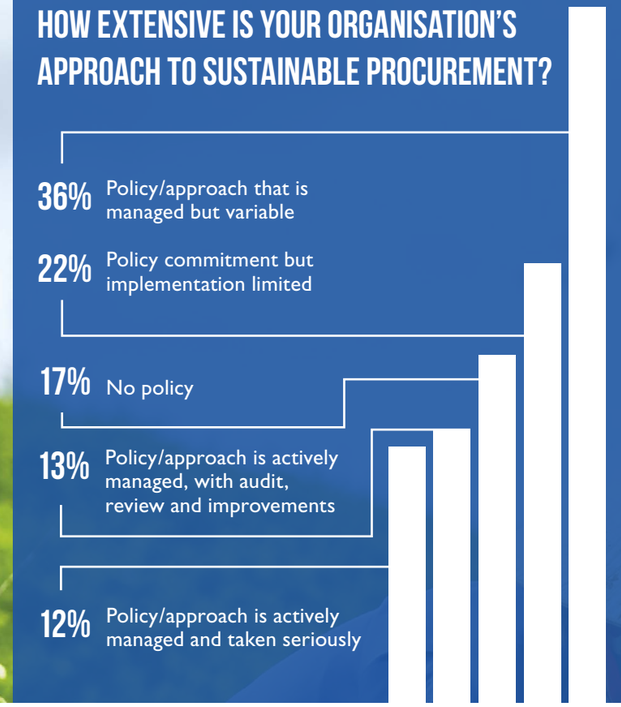
‘Only 7% of professionals surveyed said that “sustaining the business model” is their organisation’s primary motivation for engaging in sustainability’

“

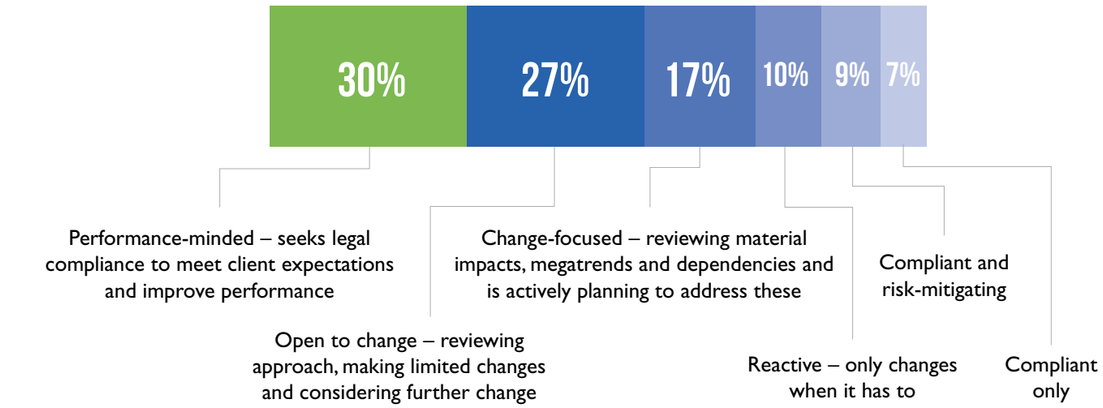
We cannot create more business value through sustainability without involving the supply chain, which is where, for many, the majority of risks and opportunities lie. This is one of the most important sustainability interventions we can all make’

Phil Cumming
Director, Koru Sustainability

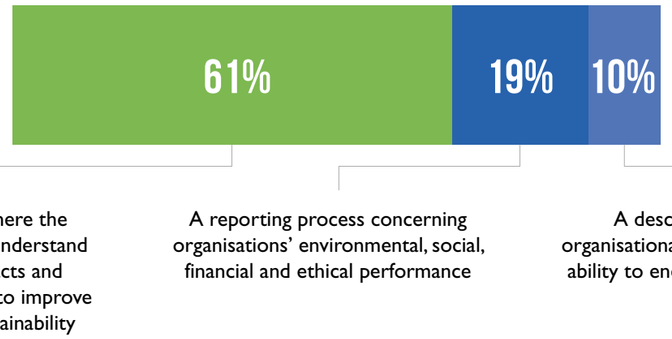
HOW EXTENSIVE IS YOUR ORGANISATION’S APPROACH TO SUSTAINABLE PROCUREMENT?



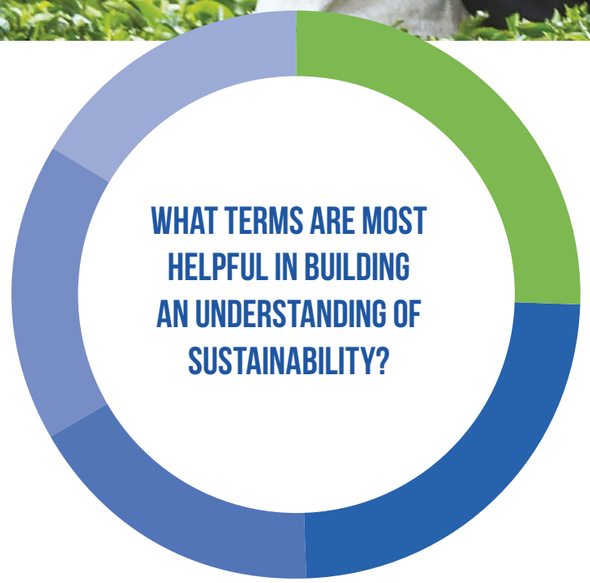
YOUR ORGANISATION’S APPETITE FOR CHANGE



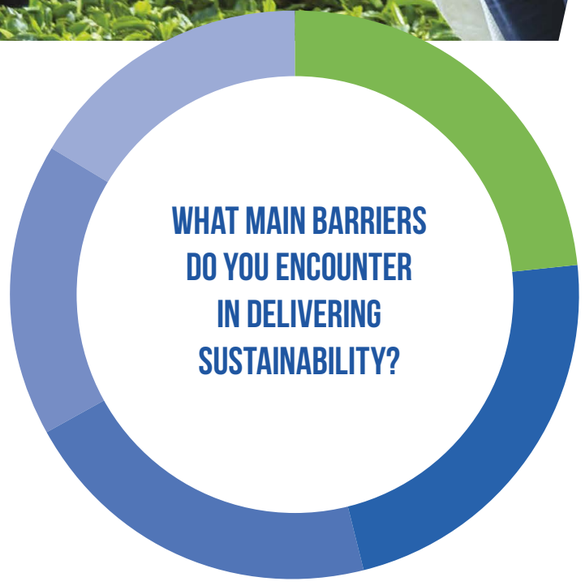
YOUR UNDERSTANDING OF CORPORATE SUSTAINABILITY



WHAT TERMS ARE MOST HELPFUL IN BUILDING AN UNDERSTANDING OF SUSTAINABILITY?



WHAT MAIN BARRIERS DO YOU ENCOUNTER IN DELIVERING SUSTAINABILITY?



SUSTAINABILITY IN PRACTICE

MARKS & SPENCER

If a business wants to contribute to a sustainable future, it must look upstream and downstream and address social and environmental impacts beyond its direct operations. 'Soft' commodities, such as cocoa, cotton, sugar, soybean, palm oil and wood fibre, are particularly challenging. These are the 'workhorse' items many retail businesses rely on and are often produced by a large number of farmers, with a high prevalence of smallholders from regions with poor governance.

Retailer Marks & Spencer has been trying to address these challenges for many years and believes that direct engagement alone is insufficient: leadership is needed along with culture change and collaboration.

Palm oil is one issue on which M&S showed early leadership. Members of the Consumer Goods Forum (CGF) are committed to ending deforestation in commodity supply chains and M&S became co-chair of the palm oil working group, developing sourcing guidelines for 400 of the world's largest retail and manufacturing organisations. CGF recognises that it could not succeed without addressing governance issues so it is developing strategies to broaden its influence. Meanwhile, the Retail Palm Oil Group is a collaboration of global retailers with an aim of promoting sustainable palm oil. M&S leads the group's development of innovative approaches to engage upstream suppliers. M&S also sits on the board of the Roundtable on Sustainable Palm Oil, the standard-setting organisation, providing the industry voice and an opportunity for deeper understanding of challenges facing suppliers and retailers.

WILES GREENWORLD

Already a 'green' business, office supply and solutions firm, Wiles Greenworld is now actively addressing financial and social issues, with a focus on opportunities for change.

Its transition to zero-carbon operations has included installing more than 80Kw of solar PV panels on the roof of the firm's main office in Greenford, west London. The array will fully return the financial outlay in seven to eight years. Certified to the international environmental management system standard ISO 14001 since 2004, the company became an early adopter of the 2015 revision. It has developed a service to share its experience and solutions with customers and stakeholders.

The company aims to make a difference to both people and the environment. Working with one of its customers, the charity Childreach International, Wiles Greenworld successfully tested a pilot project, called 'Litre of light', to provide zero-carbon lighting free to 100 households in Tanzania. In rural parts of the country lighting is provided by kerosene lamp. The project replaced these lamps, addressing health issues from the smoke, and releasing money spent on the fuel. Children can now do homework in the evenings.

Wiles Greenworld is almost unique in that it holds stock in London rather than relying on distribution centres hundreds of miles away from customers. This 'business adaptation' provides it with an advantage on service levels and reduces disruption risks, as well as environmental impacts.

ARCELORMITTAL

ArcelorMittal's iron ore-related operations stretch from the border with Guinea to the shore of the Atlantic Ocean and through three of Liberia's 15 provinces. The company has been in the country for ten years and at the height of the Ebola outbreak in 2015 employed almost 3,000 people. Many subcontractors declared *force majeure* because of the health emergency and departed, but ArcelorMittal did not.

The company is one of Liberia's largest investors and a founding member of the Ebola Private Sector Mobilisation Group, a business body collaborating to protect people, companies and entire communities from the disease.

Given its footprint – direct and indirect employees, their families, their extended families, and their communities – ArcelorMittal touches the lives of tens of thousands of people. During the Ebola crisis, that meant the company's health and safety protocols did as well, which helped to save untold lives.

EY

EY's purpose is to build a better working world, and the company believes strongly that the services it provides to clients, the way it manages its business, and the opportunities it gives staff go a long way to fulfilling that purpose. Through programmes and collaborations, EY works with organisations worldwide to better connect and create impact where it operates. These opportunities allow EY to better understand its business and create shared value in these communities.

The EY Vantage Program sends top-performing company professionals abroad for six weeks to provide free support to high-impact entrepreneurs in emerging markets. Since its launch in 2005, the programme has provided more than 60,000 hours of support to nearly 250 entrepreneurs in 30 countries. This equates to more than $23m in value.

A collaboration between EY and Youth Business International (YBI) has racked up more than 500 days of pro bono support, which has helped transform YBI's performance management and accountability structure. YBI is a global network of organisations helping young people to start and grow businesses.

EY is also involved in S4YE: Solutions for Youth Employment, a World Bank initiative launched in October 2014 which seeks to accelerate the employment of young people aged 15-24 through transformative and scalable solutions, linking them to governments, civil society and business. S4YE's target, set last year, is to support 150 million young people across the world by 2030.

BUILDING IN CHANGE

In 2014, IEMA and GACSO worked closely with leading professionals to produce the white paper, *Defining Corporate Sustainability*. After further sessions with members from both organisations the descriptions of sustainability in the report were developed and refined. Although the outcomes do not aim to restrict professionals to the use of a single set of definitions, they support a shared understanding by businesses and practitioners.

Sustainable business or organisation
A sustainble business or organisation is not one that simply endures. Instead, it is viewed as 'directional' and clearly on a journey of change towards the goal of sustainability. In this context, a sustainable business would continue to adapt and evolve, and is very likely to be changing. Ultimately, it will reach a position of creating value without undermining the capacity for humans and other life to flourish on Earth indefinitely. Typical characteristics include:

- economic viability or profitability;
- seeks environment and social value as well as commercial gain;
- public commitment to sustainable development;
- objectives may include seeking social and economic value within environmental limits;
- demonstrates progress to minimise impacts and maximise value;
- a bold vision of what the future looks like;
- commitment to the future – for example, circular economy, Future-Fit benchmark, net positive or other approach;
- a strategy and plan to get there;
- resilience and responsiveness to risks, dependencies and megatrends;
- ability and commitment to change;
- demonstrates long-term thinking;
- exceeds legal requirements;
- sustainable development visible in governance and business strategy;
- transparent, innovative, collaborative and inclusive;
- engages with stakeholders; and
- self aware – unlikely to publicly refer to itself as sustainable.

Corporate responsibility
Corporate responsibility is a values-based approach to addressing an organisation's current responsibilities to its wider stakeholders, particularly in addressing and transparently reporting performance and progress on social and environmental impacts.

For example:

- being fully compliant with statutory and regulatory requirements;
- owning, or at least addressing, its wider impacts on society and the environment;
- seeking to reduce harm and increase positive value; and
- improving its stakeholder relationships.

Some will further distinguish corporate responsibility (CR) from corporate sustainability (below) by associating CR with the current state and impact of the business within a shorter time horizon, such as the next one to four years. Corporate responsibility may also be referred to as **corporate social responsibility** (CSR). It will often focus on maintaining a 'licence to operate' and building reputation. It can be regarded as a stage or prerequisite step towards corporate sustainability, with governance and reporting important elements.

Corporate sustainability
This is a cross disciplinary, corporate values-based approach to identifying and responding to the critical social, environmental and economic risks, opportunities and dependencies faced by the organisation and its stakeholders – now and in the future. It is likely the organisation would reference sustainability in its mainstream business strategy and also in its governance, values and principles. Key aspects include corporate sustainabiity being:

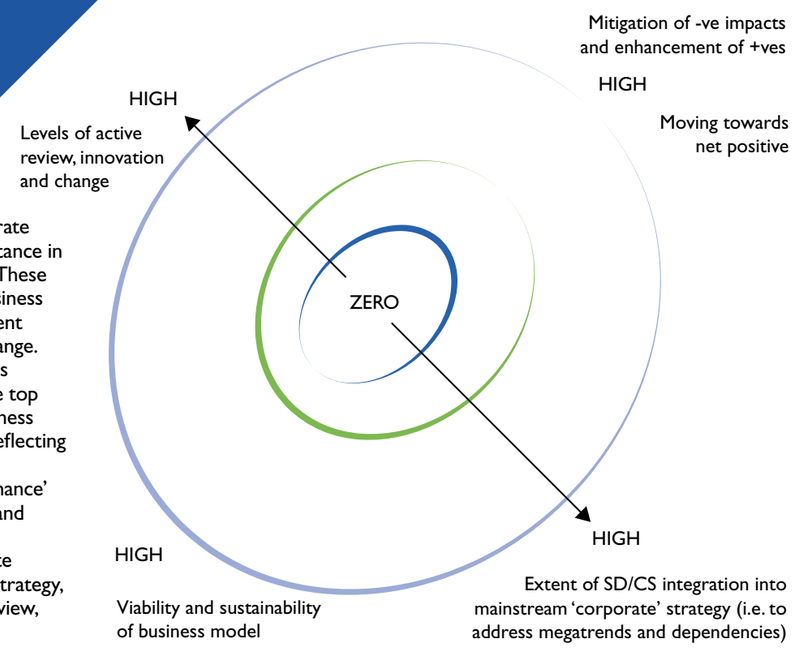
- business-critical and relevant;
- a process tailored to the organisation;
- supportive or involving a change process;
- an holistic view – for example, of interactions across the wider value chain;
- able to address the longer-term horizon – for example, more than five years;
- collaborative and innovative with review;
- supportive of coherent and robust integration across the business;
- transparent, with progress (usually) reported; and
- transformational and responding to megatrends, risks, opportunities and dependencies.

In defining corporate sustainability, the word corporate is used in a broad context so can include any organisation, including those in the third and public sectors.

ESSENTIAL COMPONENTS

This diagram illustrates two essential corporate sustainability (CS) variables and their importance in contributing to change and transformation. These are the degree to which the mainstream business strategy incorporates sustainable development (SD) and the level of ongoing review and change.

Here, the **compliant business** performs relatively low on all variables. It skews to the top right, courtesy of legislation to mitigate business impact and slightly towards the lower left, reflecting short-term profitability. The **responsible business** performs better on both 'performance' directions due to its strategic commitment and active review. The **sustainable business** is performing best due to embedding corporate sustainability into the mainstream business strategy, combined with a committed approach to review, learning, innovation and change.



TRANSFORMING ORGANISATIONS

In transforming to sustainability there is an increasingly understood list of core ingredients: leadership, listening, engagement, collaboration, innovation, systems thinking, long-term view, strategy, influence, procurement, value chain, review, skills. The understanding is clear that organisations can transform and mature towards the ambition of the truly sustainable business. With critical dependencies bearing down on all organisations the urgency is clear. So too is the opportunity, with real business benefits for those in the vanguard.

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TRANSFORMING THE WORLD TO SUSTAINABILITY

IEMA is the membership body for more than 15,000 environment and sustainability professionals worldwide. It supports individuals and organisations in setting and achieving globally recognised standards for sustainable practice, in turn driving the development and uptake of sustainability skills. It adds value for members by providing the knowledge, connections and recognition necessary to lead change at all levels in organisations.

IEMA is independent and international. It applies the combined expertise of its members to provide evidence and to influence decision-making, working towards a vision of transforming the world to sustainability.

GACSO – the Global Association of Corporate Sustainability Officers – joined IEMA in 2014.

Survey details: results based on an IEMA (with support from ISSP and BSi) poll in 2015 of 327 sustainability and environment professionals.

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