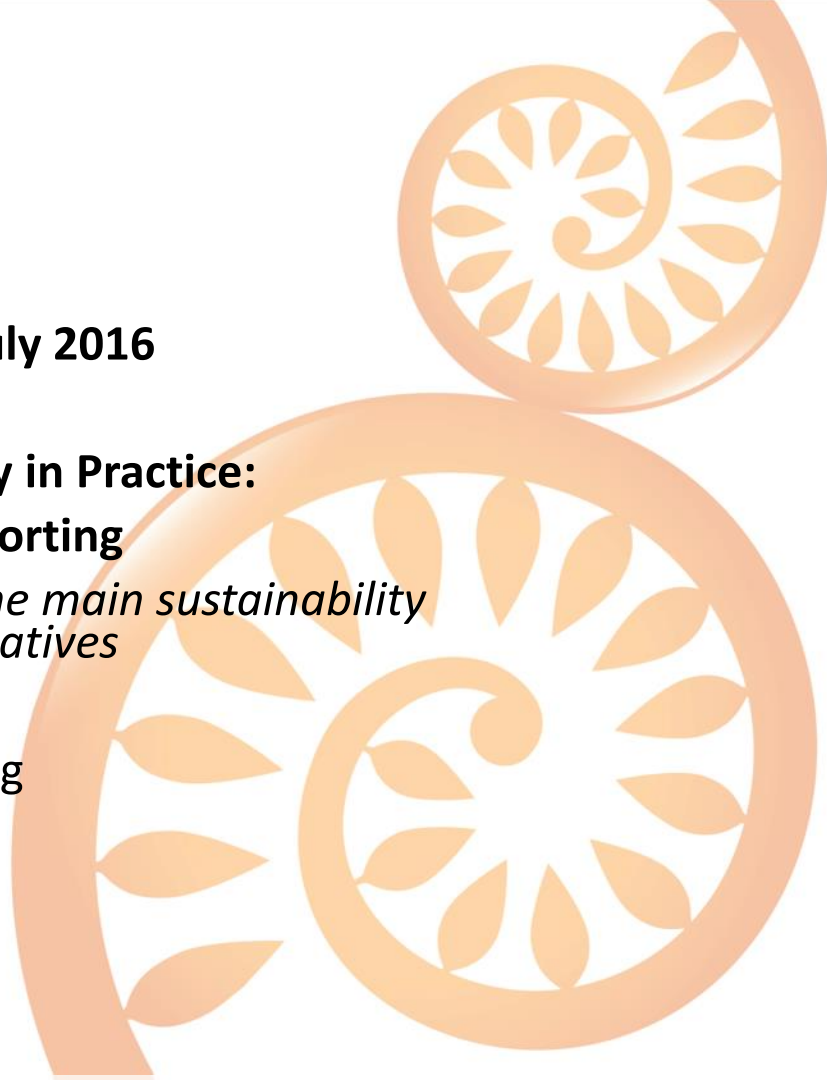**IEMA Webinar – July 2016**

Corporate Sustainability in Practice:

Strategy and Reporting

A whistle-stop tour of some of the main sustainability schemes and initiatives

Phil Cumming

A bit about me

- 18+ years professional experience in environment and sustainability
    - 8 years consultancy
    - 9+ years in-house (London 2012, Kingfisher plc, M&S plc)
- Multi-sector international experience
- Non-Executive Director for Julie's Bicycle and Resource Futures
- Associate Lecturer with Birkbeck College
- Chair of BSI's Sustainable Resource Management Committee
- Professional bodies:
    - IEMA Strategic Advisory Council & GACSO Advisory Group
    - Founder Member – Institute of Corporate Responsibility & Sustainability (ICRS)
    - Certified Sustainability Associate – International Society of Sustainability Professionals (ISSP)

IEMA Webinar: Corporate Sustainability in Practice: Strategy and Reporting

A whistle-stop tour of some of the main sustainability schemes and initiatives

*Considerations on their respective **role**, **suitability** and **use** as part of **developing** and **delivering a sustainability strategy***

IEMA Corporate Sustainability Developments:
Beyond the Perfect Storm & New Skills Map

Management frameworks (1)

BS 8900 Parts 1 & 2

- First published in 2006 and revised in 2013

- Aims to provide practical guidance for integrating sustainability in organisations

- Principles based approach

- Includes Part 2 as a framework for assessment against Part 1

Key points:

- Might be useful for understanding where your organisation is

- Very light on detail…
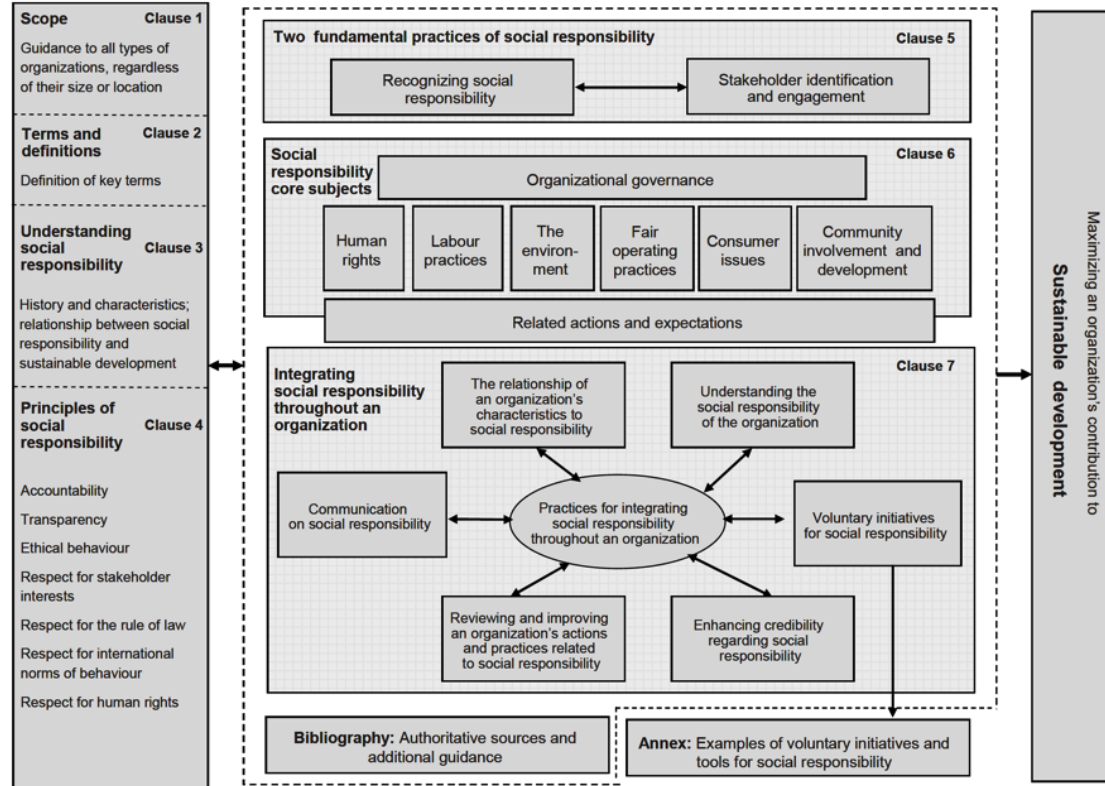
Management frameworks (2)

ISO 26000:2010

- Guidance on underlying principles of social responsibility

- Says sustainability is a societal issue and <u>not</u> a concern of specific organisations

- Not intended to be auditable

Key points:

- Useful for issue identification

- Not really about sustainability

Source: BS ISO 26000:2010 'Guidance on social responsibility (2010)

Management frameworks (3)

BS 65000

- Provides guidance on building organisational resilience

BS 11000 Parts 1 & 2

- Framework specification to help organisations collaborate more effectively
- 8 stage approach from concept to disengagement
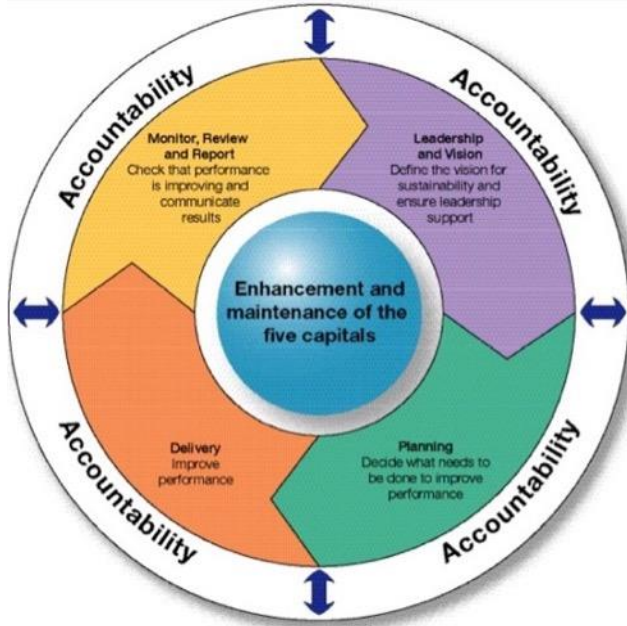- Sustainability covered within scope

Key points:

- Useful frameworks to know about
- BS 11000 may need to be adapted for non-commercial sustainability collaborations
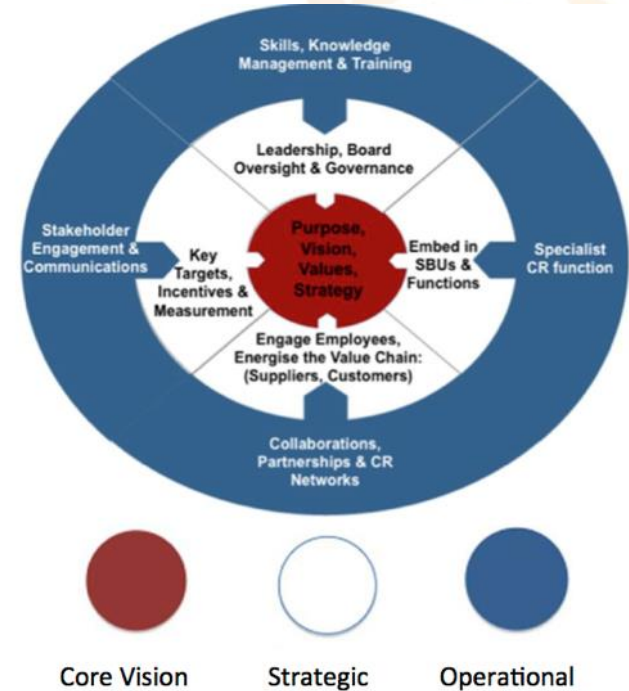
Management frameworks (4)

SIGMA Guidelines

SIGMA Management Framework – SIGMA Guidelines (2003)

Doughty Centre:
Embedding Sustainability Model

Core Vision   Strategic   Operational

Global Goals (aka UN SDGS)

- Global 'to do' list – agreed in September 2015

- 17 goals & 129 targets by 2030 (supported by 230 indicators)

- Inform future investment & public policies

Key points:

- Useful for issue identification

- Can help / contribute including through collaborative working

- *Main difference between MDGs and SDGs is the recognition of interlinkages between the sustainability of the environment, economic development and poverty eradication – MDGs made no mention of economic development*
- *http://sdgcompass.org - Guide to business action on SDGs*
- *https://www.project-everyone.org - Project Everyone*
- *http://www.stakeholderforum.org - Stakeholder Forum*

9

Advocacy initiatives (2)

UN Global Compact

- World's largest initiative of its type
- Over 8,000 companies in 170 countries
- Requires an annual Communication on Progress

Key points:

- Advocacy initiative <u>not</u> compliance based
- Useful for issue identification
- Well respected & key for investors / certain ratings
- Maybe useful for internal buy-in
- Counts towards community investment
- Good local network and global platform opportunities

Advocacy initiatives (3)

OECD Guidelines for Multinational Enterprises

- Recommendations addressed by governments to MNCs operating in or from 44 territories (e.g. UK, US, etc)

- Non-binding principles and standards for responsible business conduct

- Covers human rights, industrial relations, environment, anti-bribery, taxation...

- National Contact Points promote and handle enquiries

  - Complaints can also be raised to the NCP too

Key points:

- Useful for issue identification and to be aware of

- Helpful for human rights

OECD Guidelines for Multinational Enterprises

2011 EDITION

OECD
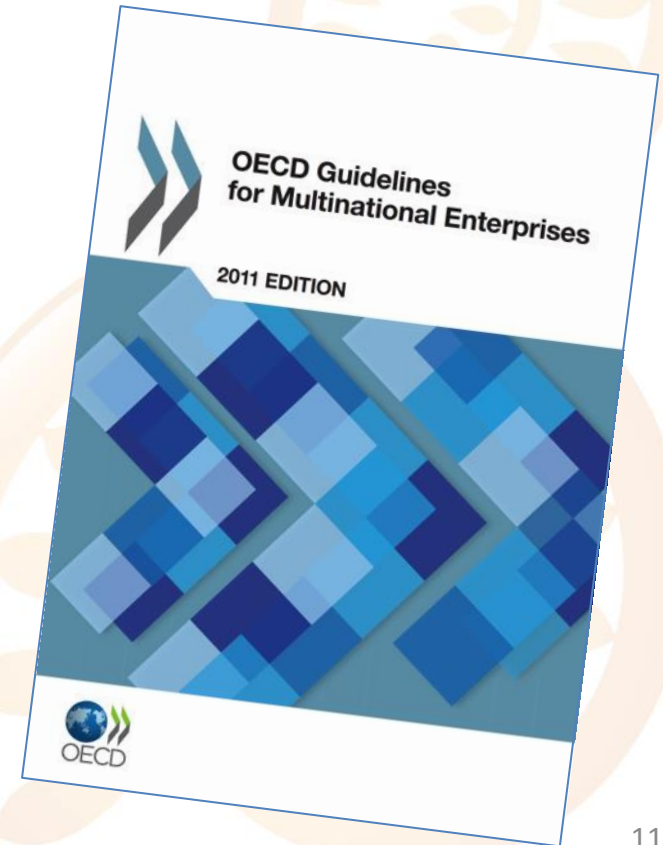
Reporting standards (1)

Global Reporting Initiative (GRI)

- Network-based organisation in the Netherlands

- Framework developed through consensus-seeking dialogue

- G4 Guidelines – latest release…

- G3 / 3.1 Guidelines no longer available

- Sector Supplements

  - Airport operators
  - Food processing
  - Construction and real estate
  - Media
  - Electric utilities

  - Mining and metals
  - Event organisers
  - NGOs
  - Financial services
  - Oil and gas

- Principles for defining reporting content

  - Stakeholder inclusiveness
  - Sustainability context
  - Materiality
  - Completeness

- Principles for defining report quality

  - Accuracy
  - Balance
  - Clarity
  - Comparability
  - Reliability
  - Timeliness

GRI – Transitioning from G4 to GRI Standards

- G4 is an 'in accordance' standard
- GRI G4 Guidelines currently evolving into GRI Standards
    - 3 'Universal' Standards
    - 33 topic-specific Standards
- Changes mostly involve improving structure and format of current G4 content
- More explicit in what's 'required' vs what's 'advisory'
- Material issues should be immediately apparent
- Three claim options:
    - Comprehensive <u>or</u> Core
    - SRS Referenced
- Full set of draft GRI Standards available for public comment until 17 July 2016
- Standards proposed to be required for all reports published on or after 1st January 2018 (G4 remains in effect until this date)
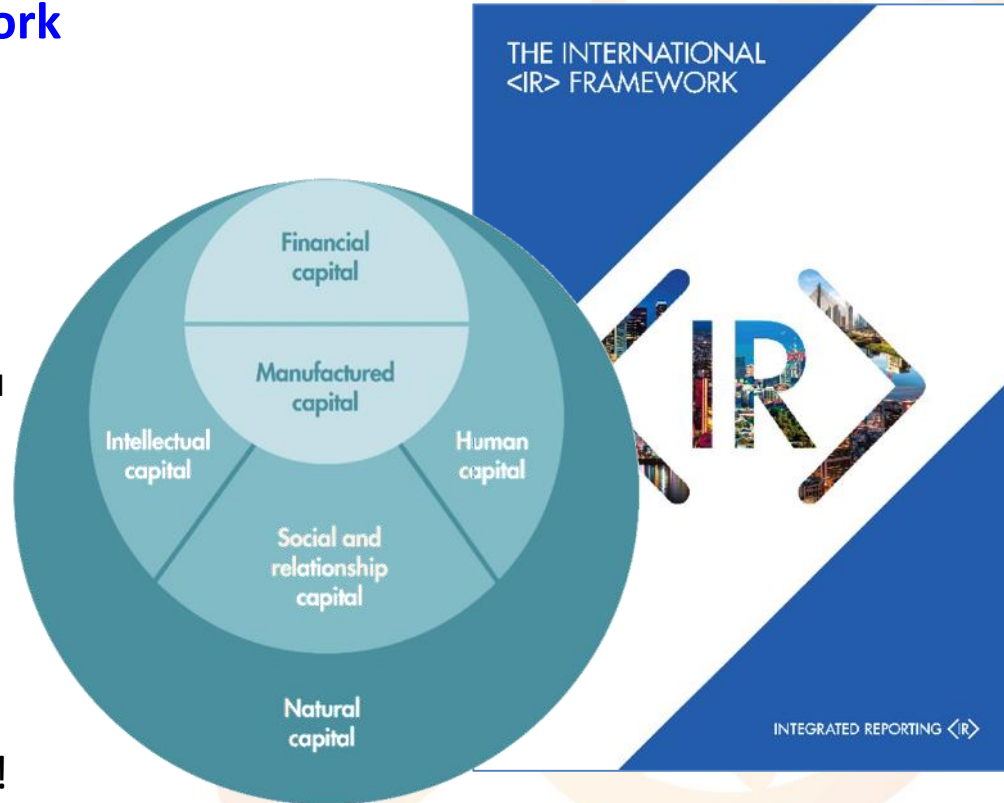

GSSB — Global Sustainability Standards Board

Universal Standards

Foundation	General Disclosures	Management Approach
SRS 100	SRS 200	SRS 300
Starting point for using the GRI Standards	To report contextual information about the organisation	To report the organization's management approach for material sustainability topics

Topic Specific Standards
Select from these to report specific disclosures for each material topic

- Economic — SRS 400
- Environmental — SRS 500
- Social — SRS 600

Reporting standards (2)

Integrated Reporting <IR> Framework

- Published in December 2013
- Fundamental concepts:
    - Value creation for organisation and others
    - The capitals – all things a business needs to be successful
    - The value creation process
- Objectives of <IR>:
    - Offers providers of financial capital an integrated presentation of key factors material to present and future value creation
- Sustainability Reporting is key to a company's integrated thinking:
    - Provides input into identification of material issues, strategic objectives, ability to achieve objectives and create value over time

Key points

- 'More integrated reporting' ≠ <IR>!!!

THE INTERNATIONAL <IR> FRAMEWORK

Financial capital

Manufactured capital

Intellectual capital

Human capital

Social and relationship capital

Natural capital

INTEGRATED REPORTING <IR>

Reporting standards (3)

Other reporting standards

- **Sustainability Standards Accounting Board (SASB)**
    - Independent US non-profit
    - Developed accounting standards for c80 industries in 10 sectors
    - Designed for the disclosure of material information in mandatory filings in the US

- **Climate Disclosure Standards Board (CDSB)**
    - International consortium of business and environmental NGOs
    - Climate change reporting framework

Key points:

- New kids on the block – may provide useful insights
- CDSB recent report worth a look: *'Mapping the sustainability reporting landscape'*

Indices & Benchmarking initiatives (1)

CDP

- UK based global transparency initiative
  - Climate change
  - Forestry
  - Water use
  - Supply chains
- Any organisation can participate

Key points:

- Recognised by investment community and certain stakeholders
- Can be useful to drive / maintain internal buy-in
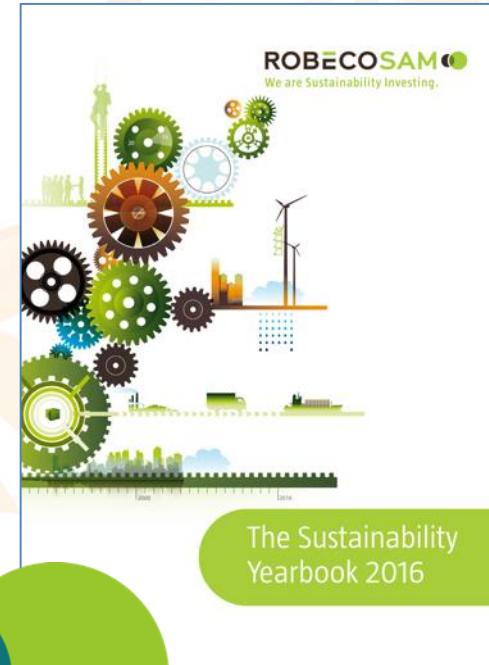- Read the scoring methodology!!!

Indices & Benchmarking initiatives (2)

Dow Jones Sustainability Index

- First global sustainability index and attempts to follow a best in class approach
- Economic, environmental & social questions
- Either listed or not – plus
  - Sector leaders highlighted
  - Sustainability Yearbook
- Companies do get deleted
- Non-listed orgs can be benchmarked for a fee

Key points:

- Recognised by investment community
- Useful for issue identification / emerging themes
- Challenges to responding (e.g. scope)
- Can be useful to drive / maintain internal buy-in
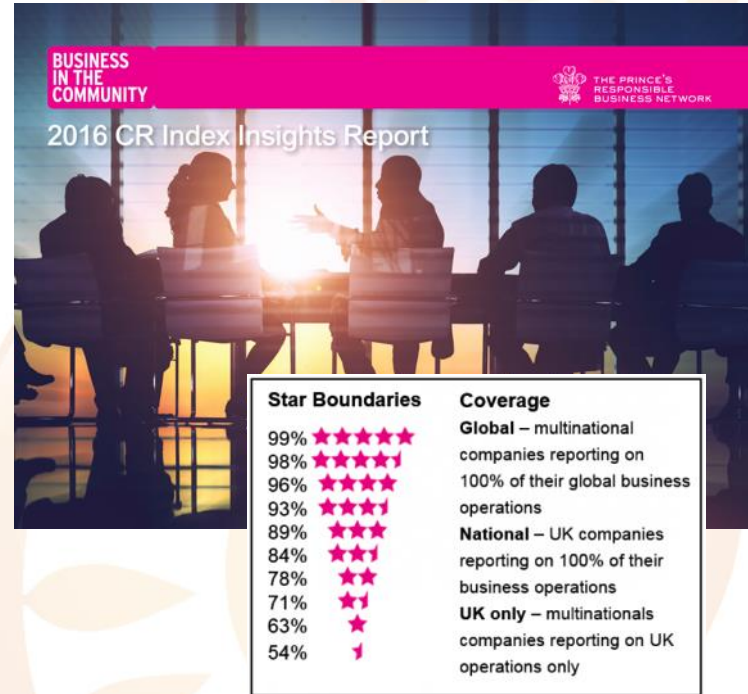- Not as transparent as it could be…

Indices & Benchmarking initiatives (3)

BITC CR Index

- First launched in 2002

- Aims to help companies measure, manage and integrate responsible business practice

- Covers community, employees, suppliers, products and services and environment

- Option for supported submission

- Feedback report

- Do not need to be a BITC member to participate (but costs more)

Key points:

- Might be useful benchmarking tool to consider

- Can be useful to drive / maintain internal buy-in

- Initiative appears to be running out of steam…

BUSINESS IN THE COMMUNITY
THE PRINCE'S RESPONSIBLE BUSINESS NETWORK
2016 CR Index Insights Report

Star Boundaries		Coverage
99%	★★★★★	**Global** – multinational companies reporting on 100% of their global business operations
98%	★★★★⸍	
96%	★★★★	
93%	★★★⸍	
89%	★★★	**National** – UK companies reporting on 100% of their business operations
84%	★★⸍	
78%	★★	
71%	★⸍	**UK only** – multinationals companies reporting on UK operations only
63%	★	
54%	⸍	

Indices & Benchmarking initiatives (4)

Other investor SRI Ratings e.g.

- Ethibel / Vigeo
- Oekom
- FTSE4Good

Other stakeholder led initiatives e.g.

- Business Benchmark on Farm Animal Welfare
- Corporate Human Rights Benchmark

Key points:

- All invite only or 'no choice'
- Level of transparency / openness is key
- Provide useful insights
- Number of stakeholder profiling initiatives increasing

Topic specific (1)

UN Guiding Principles on Business & Human Rights (known as 'Ruggie')

- Framework produced in 2008 & endorsed in 2011
    - Protect
    - Respect
    - Remedy
- Aim to address gap between law and practice
- Covers business, community and supply chain
- Supporting reporting guidance (not 'official')

Key points:

- Essential for development of any strategies and plans on human rights
- Useful 'gap analysis' of approach to human rights
- Reporting guidance introduces concept of 'salience'

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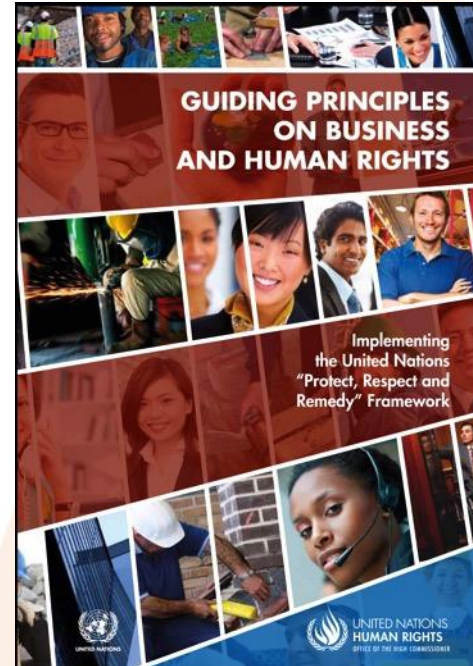
Topic specific (2)

London Benchmarking Group

- Global standard for measuring corporate community investment
- Help you measure and understand your inputs, outputs and impacts

BITC Community Mark

- Recognises leadership and excellence in community investment
- All commercial UK businesses can apply
- Aligned to LBG and asks how community investment is measured

Key points:

- Often a surprise at how much you are doing in the community
- Shift in focus away from financial investment to alignment with business objectives & social value

Topic specific (3)

Natural Capital Protocol

- Attempting to standardise how impacts and dependencies on natural capital are measured and valued

- Applicable to all business sectors across all geographies

- Aims to support decision-making, reduce risk and identify new opportunities

- Draft Natural Capital Protocol issued for consultation in November 2015

- Final version due in July 2016

Key points:

- Useful for issue identification across value chain

- Work started on ISO 14008 monetary valuation
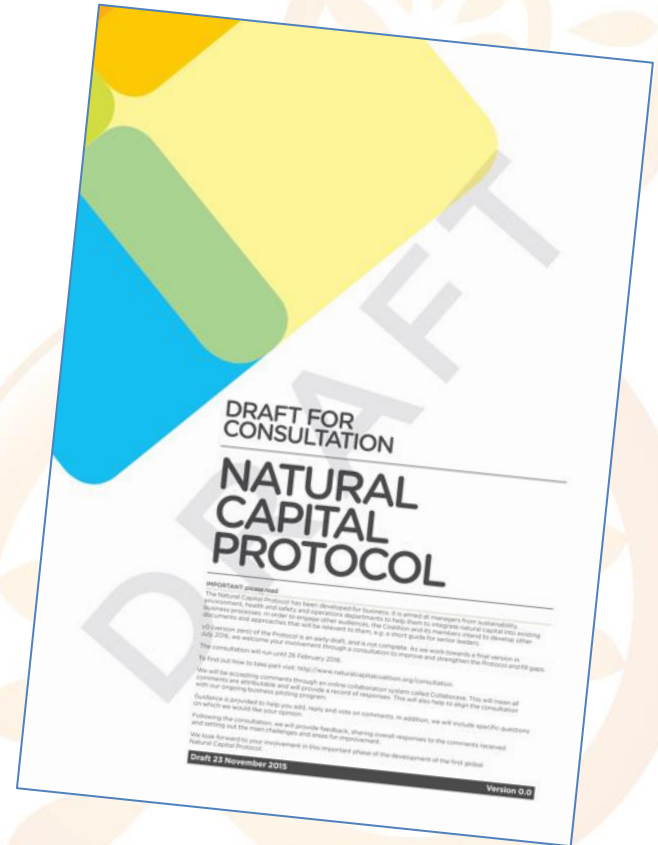
Goal-orientated initiatives (1)

Net positive

- Businesses put back more into society, the environment & global economy than it takes out

- Concept still in its infancy & little agreement over what it means in practice

- Forum for the Future, WWF UK and Climate Group convenes a Net Positive Group

- 12 principles identified that characterise a net positive approach

Key points:

- Concept has been heavily criticised

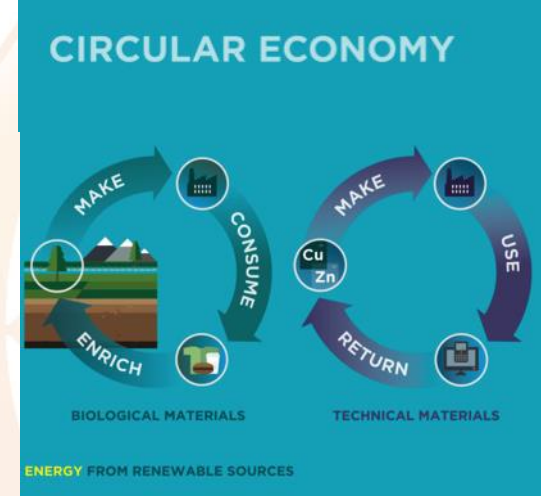- Useful to reflect on level of ambition

Goal-orientated initiatives (2)

Circular economy

- Not a new concept – blends multiple schools of thought

- Waste centric approach to resource efficiency no longer sufficient

- Waste does not exist

- Macro concept understood – but need to be able to turn into practical action

Key points:

- Lots of talk and confusion!

- BS 8001 'Framework for implementing the principles of the circular economy in organizations' in development


CIRCULAR ECONOMY

MAKE · CONSUME · ENRICH

BIOLOGICAL MATERIALS

MAKE · USE · RETURN

Cu Zn

TECHNICAL MATERIALS

ENERGY FROM RENEWABLE SOURCES

Goal-orientated initiatives (3)

Future-Fit Business Benchmark

- Current approach to sustainability progress is not good enough

- Attempts to help measure absolute progress towards a desired future state

- Identifies future-fit principles, goals (and Key Fitness Indicators)

- Science-based

- Co-created and is open and free

Key points:

- Excellent framework for issue identification, goal setting and reflecting where you are
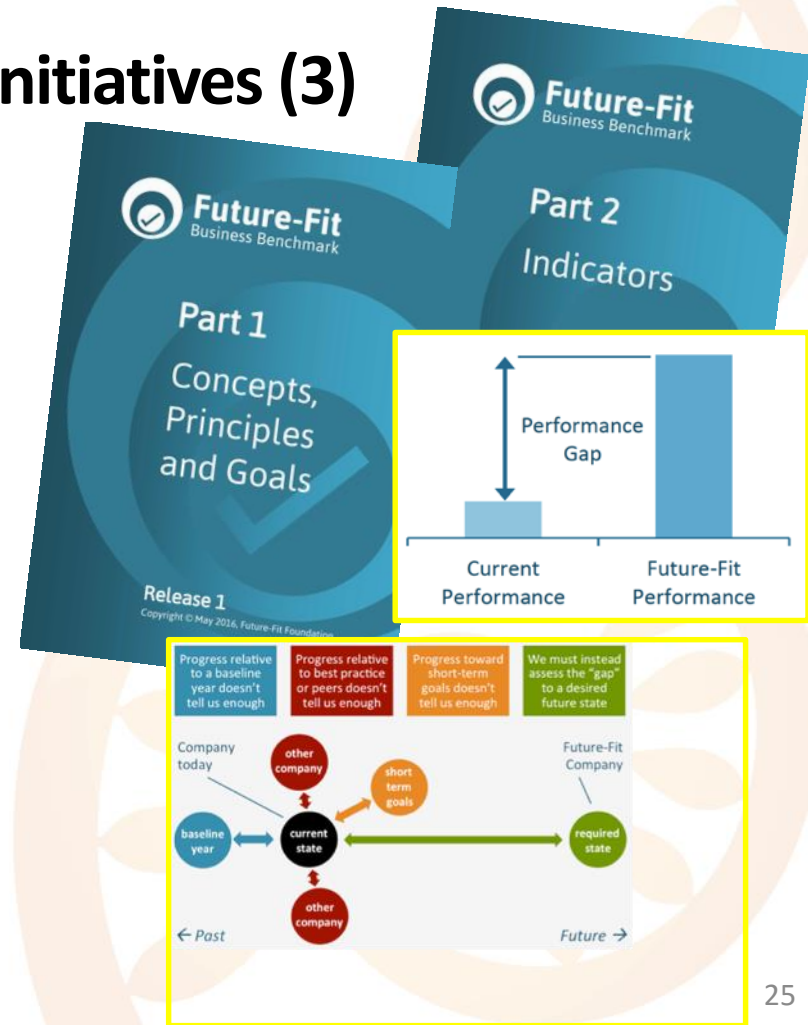
B 'Benefit' Corporations

- Launched in the UK in September 2015

- Only commercial organisations are eligible

- Over 90 businesses in UK certified – over 1,700 across 50 countries and 130 industries

- Alternative vision for mainstream business in society - to qualify:

  - Performance Test – covers questions on governance, workers, communities, environment and your business model

  - Legal Test – commitment to sustainability in governing documents (e.g. new Objects clause written into revised Articles of Association)

Brought to you by the community of

Certified

B
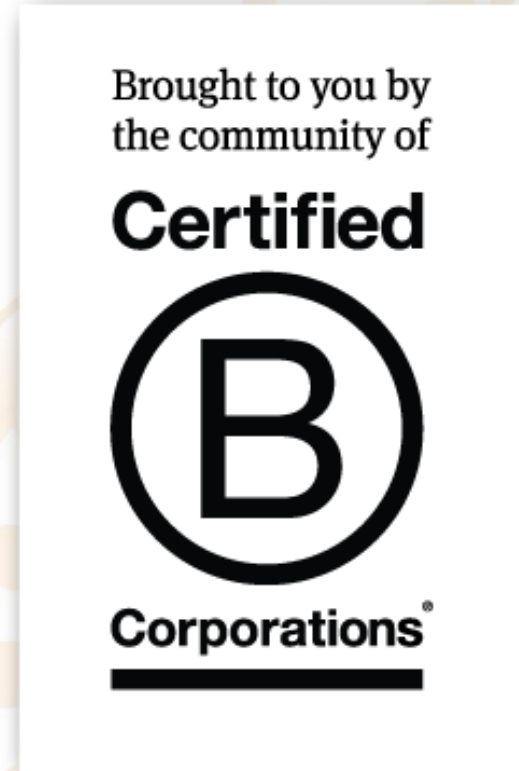
Corporations®

Summing up

- Corporate sustainability landscape is incredibly cluttered

- Imperative that you understand _why_ you are using or participating in a particular scheme or initiative

- Reporting against a strategy _and_ ensuring certain standards (e.g. GRI) are met may conflict

  - Reporting should not be underestimated and should be considered alongside the development of strategy and associated goals

  - Knowing what is definitely required versus what is perhaps only a 'nice to have' or not required at all will avoid a lot of waste time and resources down the line

- Sustainability challenges are simply too complex for any one organisation or sector to solve

  - Requires collaboration across the value chain each partner brings unique skills and strengths

Thank you