



Reporting Sustainability

What comes first: corporate sustainability or the corporate sustainability report?

By Chad Upham / Covive

Your company has a great track record of charitable giving and community involvement. Your environmental health and safety performance has met all regulations and is best in the industry. You've even redesigned a few products to eliminate toxins or trim packaging material.

At this point, an internal team might begin preparing a corporate sustainability report. Soon you discover that sustainability reports typically include metrics that you've never calculated before: carbon emissions, energy consumption, materials used by weight and volume and average hours of training per year. You might ask: "How much time and money will it take to gather all this data? Who's going to read this thing anyway?"

Let's step back for a moment.

Industrialization and globalization have changed the context of business, accelerating economic growth and intensifying social and environmental risks and impacts. Multinationals have great impacts, just by the scale and reach of their operations, while producers in their supply chains are even more susceptible to these impacts and risks.

Here's an approach for figuring out what this means for your company.

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A sustainability report is a snapshot of a sustainability program. A sustainability program is the sum total of corporate strategies, policies, goals and initiatives based on drivers of economic, social and environmental **risk, return, resources and reputation.**

Sustainability is an acknowledgement that amid environmental, social and even economic uncertainty, **an organization must adapt to remain viable for the long-term interest of the owners.**

Rather than sitting down to write a sustainability report, gather some of the top management across departments in your organization to look at **risk, return, resources** and **reputation** through a social and environmental lens.

Looking at Your Business Through the Social Lens

- ✓ What social (cultural, political, labor) **risks** do we face by nature of our operations and reach (strikes, human rights violations, cultural sensitivities, others)?
- ✓ Are we providing social **return** in the communities where we conduct business by increasing quality of life and making it possible for people (our current or potential customers) to meet their own basic needs?
- ✓ Are the people who contribute to the production, distribution and sale of our products (our human **resources**) treated fairly and gain opportunities for a better life as a result of their interaction with us?
- ✓ What is our **reputation** (even among a minority group) with regards to our labor and human rights practices (and those of our suppliers), and the social implications of the products and services we deliver (obesity, toxicity, debt, violence)?

Looking at Your Business Through the Environmental Lens

- ✓ What environmental impacts of our operations present current or future financial or regulatory **risk**?
- ✓ What external environmental **risks** do we face that might affect our business (e.g., climate change, resource scarcity)?
- ✓ Are our operations contributing to the depletion of natural **resources** at a rate greater than they can regenerate?
- ✓ Are we using limited non-renewable **resources** for our products and operations? How will our business survive when they increase in price or run out?

The Environmental Lens (continued)

- ✓ What are we doing to maintain and replenish the ecosystems that provide the renewable resources and ecological services (water cycle, carbon cycle, food chain, biodiversity) we rely on (environmental **return**)?
- ✓ What would be said (even by a minority group) about our **reputation** in regard to the direct and indirect environmental impact of our products and operations?

Once your management team has answered these questions, it's beneficial to extend beyond the internal perspective to hear what others think about your company's track record in these areas, and what they expect to see in the future. External perspectives may come from employees, suppliers, distributors, partners, shareholders, customers, institutional investors, analysts, media, government agencies, community groups and non-governmental organizations (NGOs).

Engaging these groups broadly for feedback is likely a new activity for your business. It's best to establish formal mechanisms for ongoing communication. This can come in the form of regularly scheduled meetings, regional workshops, online

Starter questions should be tailored appropriately for each stakeholder group, based on relationship to the company. **Be sure to record all responses, as they will help you prioritize initiatives.**



or paper surveys, hotlines, online discussion forums or e-mail correspondence.

Having assessed economic, social and environmental drivers, the management group should now look at how these drivers are, or should be, reflected in the core strategy of the business.

Building Sustainability into Core Business Strategy

- ✓ Given these constraints, are there new product, service or performance improvement opportunities?
- ✓ How might we expand or redefine our corporate mission to include social and environmental outcomes for long-term viability?
- ✓ What policies are in place or what is lacking to ensure that sustainability drivers are factored into management decisions and practices?

If you have come this far, you will have a long list of things to examine, spanning the organization from human resources to research and development. These initiatives should be cross-referenced with stakeholder concerns and prioritized. Some may be short-term projects, while others require long-term phased implementation.

Defining Priorities, Targets and Metrics

- ✓ What are the most significant, urgent outcomes that must be achieved when looking at priorities in the sustainability context (greatest negative impacts or opportunities for substantial results)?
- ✓ What are realistic long-term and mid-term performance targets in these areas (e.g., zero waste to landfill, 100 percent renewable energy by 2020)?
- ✓ What metrics are needed to gauge performance and create management incentives (e.g., number of tons of waste to landfill, percentage of energy from renewable resources)?

It is now up to management to make it happen. If new programs, infrastructure, equipment upgrades or training are needed, here are ways to justify expenses.

Valuing Sustainability Initiatives

- ✓ Identify the low-hanging fruit projects, particularly ones that are inexpensive or behavioral.
- ✓ Incorporate improvements into future projects that are inevitable, such as equipment upgrades, new facilities or regulatory compliance.
- ✓ Calculate economic ROI when possible.
- ✓ Determine value of current or future financial risk mitigated by new policies and practices.
- ✓ Factor into projects the goodwill (loyalty, social capital) they will bring among stakeholders.
- ✓ Minimize costs through efficiency innovations.
- ✓ Redesign products or processes to achieve sustainability outcomes.
- ✓ Utilize pilot projects to prove return before implementing broadly.

With sustainability values embedded in corporate strategy, the company will have results to report on an ongoing basis. The sustainability report answers the questions:

- Where are we going?
- What are we doing?
- What have we accomplished?
- What are outstanding challenges?
- What have we learned?

This is what we call *reporting sustainability*.

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Corporate-wide progress should be tracked over time against baseline numbers to determine the effectiveness of initiatives. These metrics should be communicated internally for management purposes, but should also be communicated externally to stakeholders for reassurance of progress and ongoing feedback.



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