TRAINING ON CORPORATE SUSTAINABILITY (III)

A BEGINNER'S GUIDE TO SUSTAINABILITY

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What is sustainability

1987 - Brundtland Commission “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

How did corporate sustainability take-off on its current form?

UN Compact (2015) set 10 Principles and 17 SDGs – high level aspirational targets

Countries and other institutions are involved

Companies in a clearly globalized world contribute to total revenues equivalent to 72% of the global GDP

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

Human Rights

1 Businesses should support and respect the protection of internationally proclaimed human rights; and

2 Make sure that they are not complicit in human rights abuses.

Labour

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4 The elimination of all forms of forced and compulsory labour;

5 The effective abolition of child labour; and

6 The elimination of discrimination in respect of employment and occupation.

Environment

7 Businesses should support a precautionary approach to environmental challenges;

8 Undertake initiatives to promote greater environmental responsibility; and

9 Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10 Businesses should work against corruption in all its forms, including extortion and bribery.

The UN Global Compact's Ten Principles are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

10 Sustainability principles

SUSTAINABLE DEVELOPMENT GOALS

WHAT IS CORPORATE SUSTAINABILITY (UN COMPACT)

IT IS A COMPANY'S DELIVERY OF LONG-TERM VALUE IN FINANCIAL, ENVIRONMENTAL, SOCIAL AND ETHICAL TERMS

The aim of the corporation

- Long-term sustainable success of the company, generating value for shareholders and contributing to wider society (2024 *UK Corporate Governance Code*)

Is corporate sustainability something new?

IMPACT ON STAKEHOLDERS

MATERIAL

IMPACT

STAKEHOLDERS

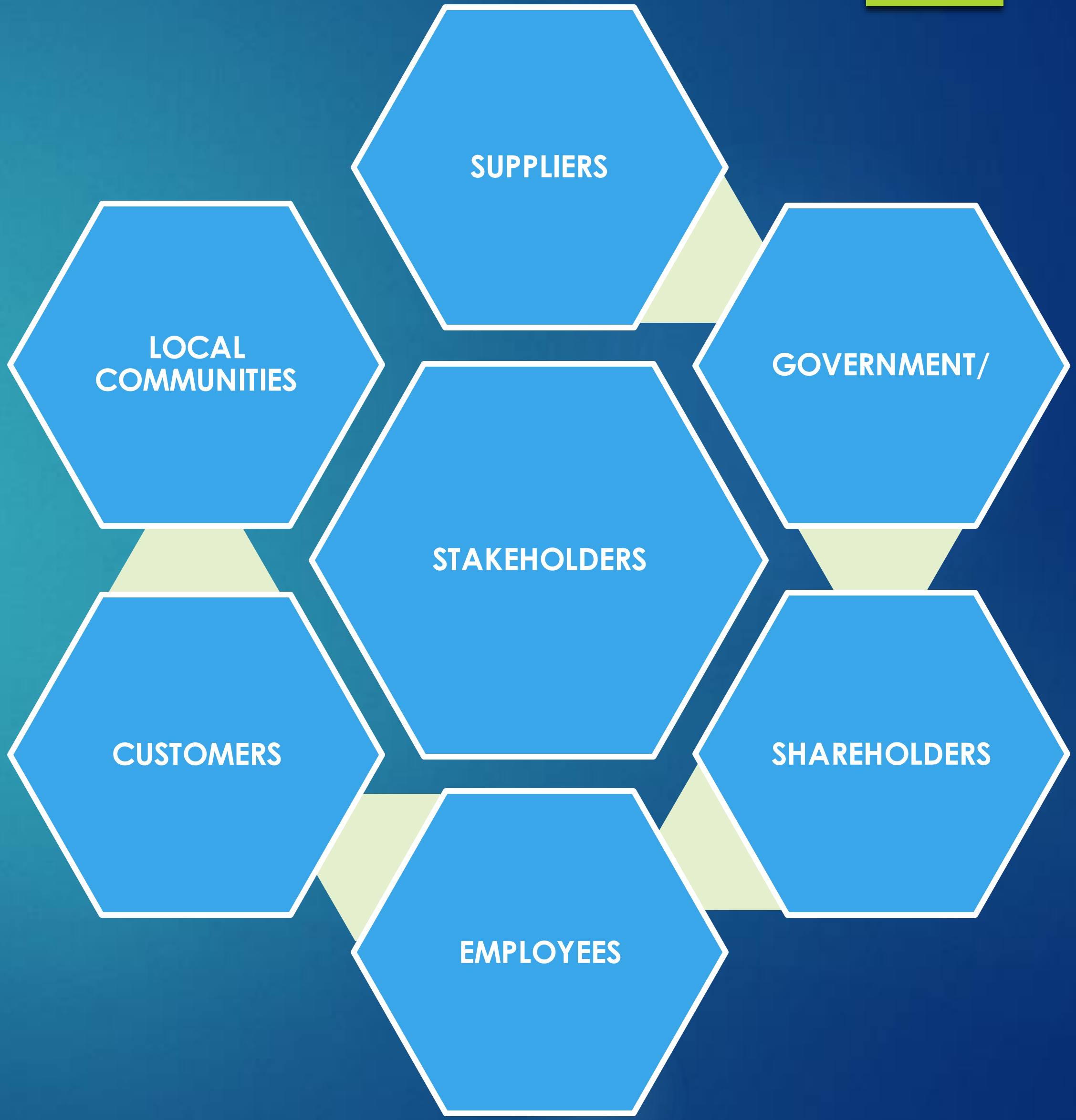
THE CONCEPT OF IMPACT

- The effect an organisation has or could have on the economy, environment, including effects on their human rights as a result of the activities or business relationships (*GRI 2021*)

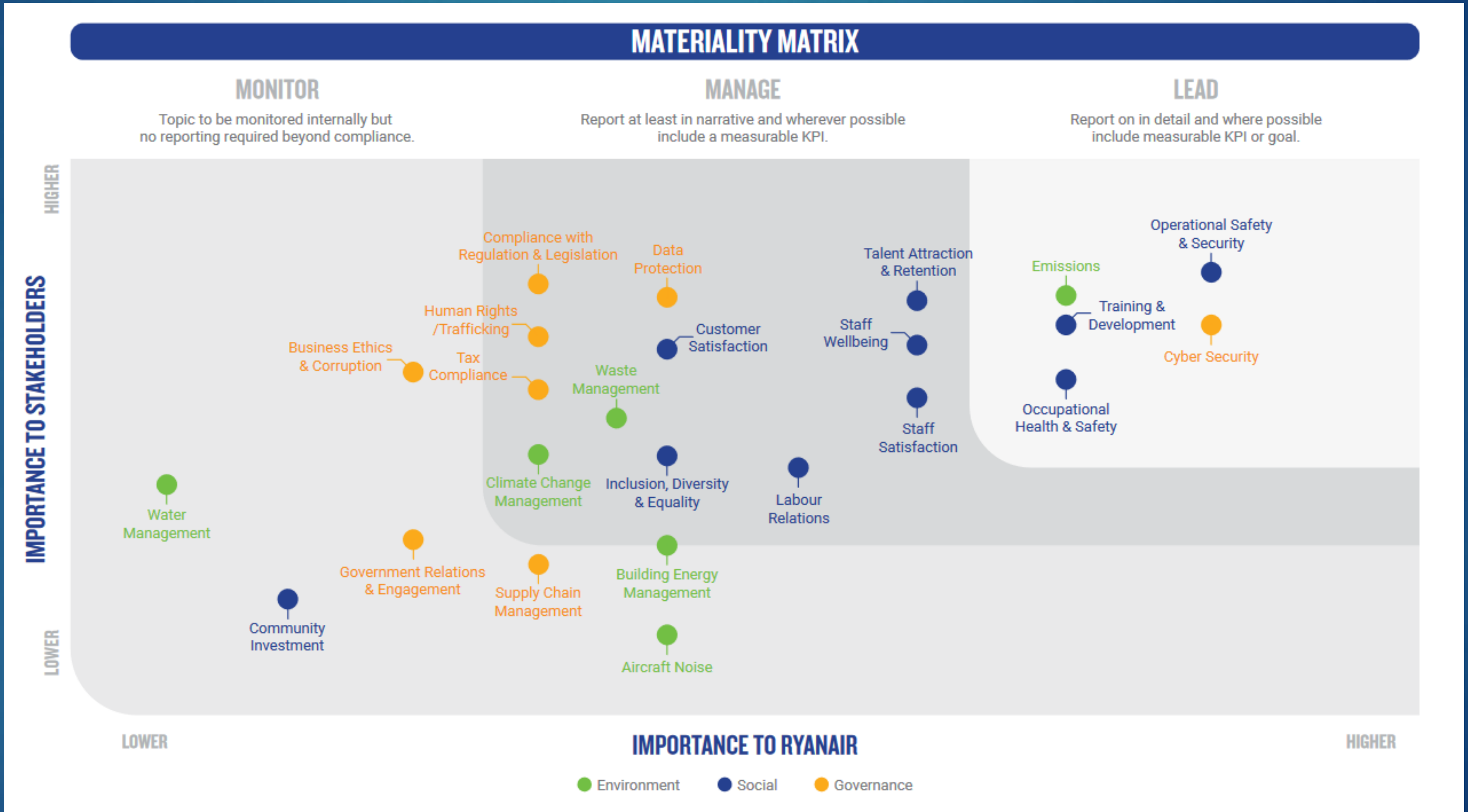
Stakeholders

- Individual or groups that have interests that are affected or could be affected by an organisation's activities (*GRI 2021*)

WHO ARE THE COMPANY'S STAKEHOLDERS



Materiality Matrix



Source: Ryanair Sustainability Report

SOME ADDITIONAL CONCEPTS

DUE DILIGENCE : Process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts (GRI 2021)

STAKEHOLDER ENGAGEMENT: Process by which companies engage in dialogue and consultation with its stakeholders to a sees and remediate corporate negative impacts (GRI 2021)

BUSINESS RELATIONSHIPS: relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services (GRI 2021)

SO WHAT IS SUSTAINABLE MANAGEMENT?

- IT IS MANAGING CONSIDERING THE IMPACTS THAT THE COMPANIES ACTIVITIES CAUSE ON STAKEHOLDERS

Sustainable management is NOT

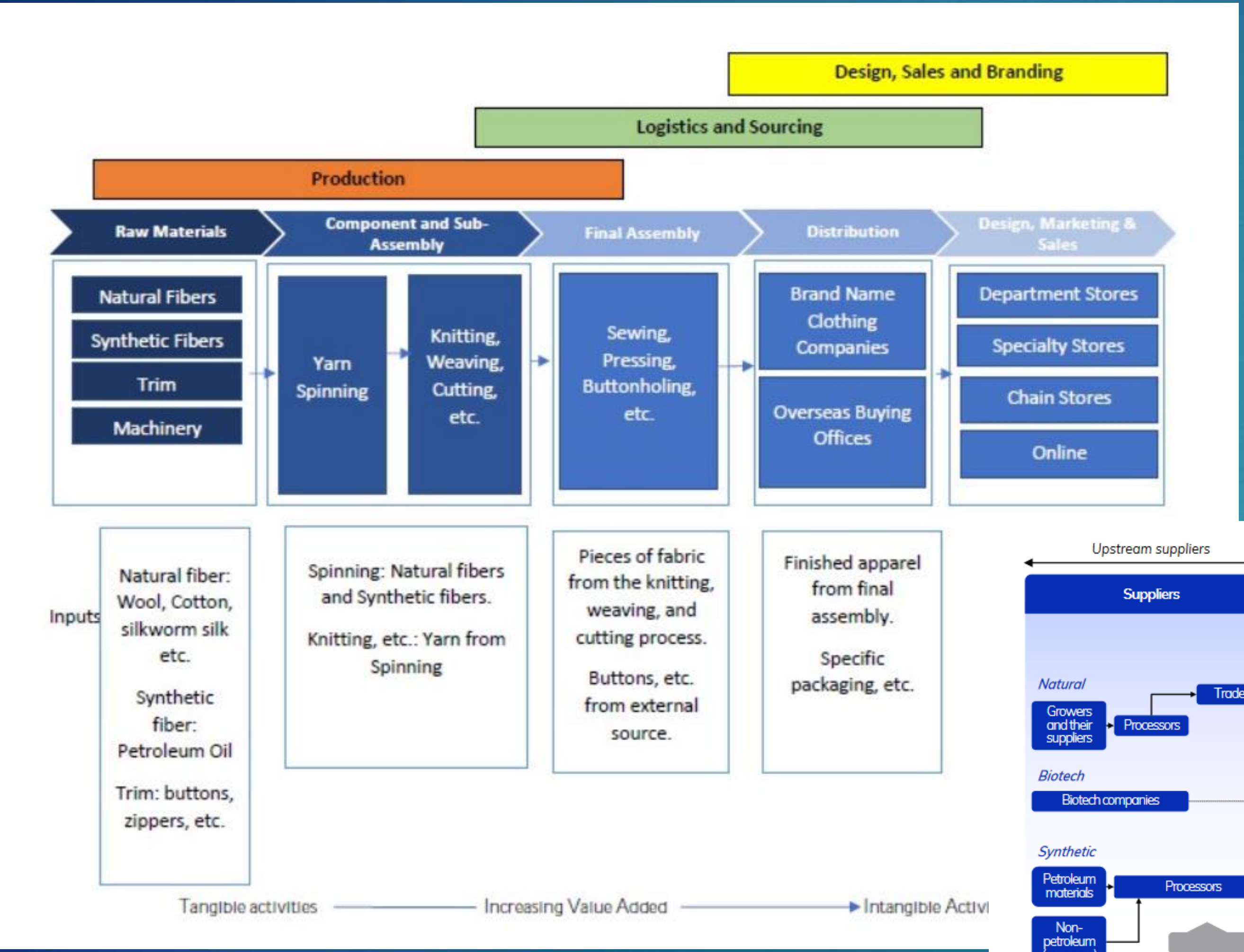
- Carrying some socially friendly initiatives – helping local schools
- Carrying out some environmental initiatives – Green Day
- Showing a diverse Board of Directors
- Looking at offsetting negative impacts by positive impact

Sustainability and businesses

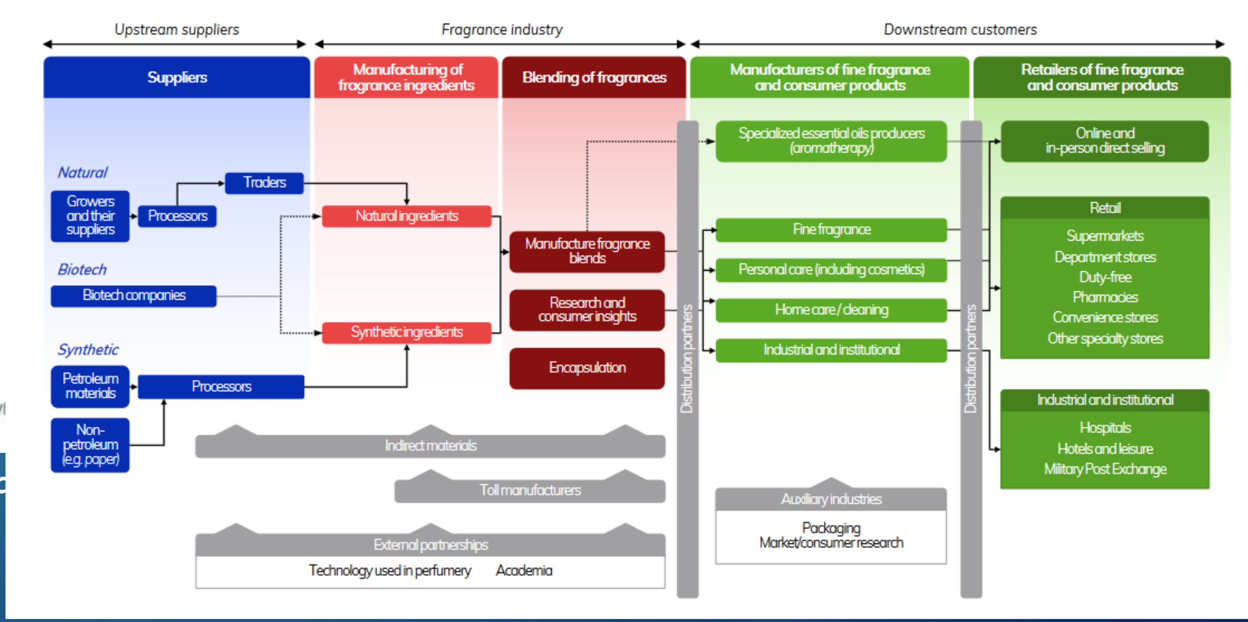
Sector-specific – need to understand the value chain

It affects all functions and levels of a business – there are not sustainable jobs anymore

Sector Specific - examples

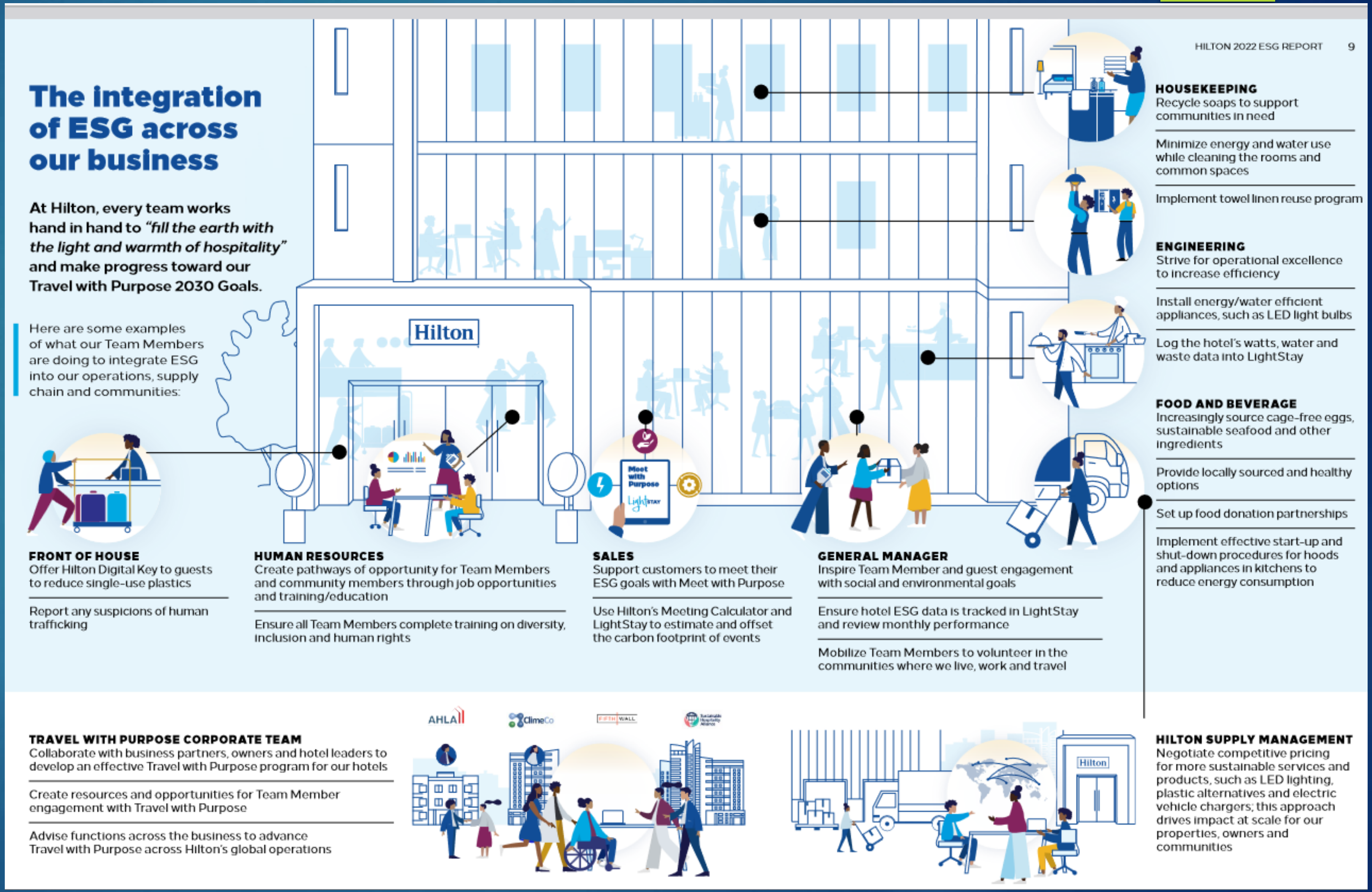


https://ifrafragrance.org/docs/default-source/policy-documents/value-of-fragrance---value-chain-overview.pdf?sfvrsn=cb7dce2b_0



Source: https://sites.duke.edu/sociol342d_01d_s2017_team-7/2-global-va

It affects all functions of a business - example



Source: https://esg.hilton.com/wp-content/uploads/sites/4/2023/04/Hilton-2022-Environmental-Social-and-Governance-Report.pdf

OK, SO WHAT IS IT REALLY?

- Assessing and devising policies that affect the company’s fabric in all its dimensions

LABOUR CHECK LISTS - EXAMPLES

Production
- No forced labour
- No child labour
- Safe working conditions
- Non-discrimination

Marketing
- Non-discrimination
- Consumer wellbeing

Human Resource
- Collective bargaining
- Non-discrimination
- Equal opportunity
- Employee training

Finance
- Monitor and evaluate performance

ENVIRONMENT CHECK LISTS - EXAMPLES

Production
- Water foot printing
- Cleaner/safer production
- Supply chain arrangements

Marketing
- 3R (reduce, re-use, recycle)

Human Resources
- Employee training and awareness

Finance
- Management systems
- Life-cycle assessment/cycle
- Risk and impact assessment
- Performancce targets/indicators

ANTICORRUPTION CHECK LISTS - EXAMPLES

Production
- Zero tolerance policy

Marketing
- Distribution channels
- Agreements with agencies, intermediaries

Human Resource
- Anonymous hotline for reporting corruption
- Sanction system for breaches
- Training and awareness

Finance
- Recording
- Monitor and evaluate performance

Some sustainability indicators

Environment

GHG Emissions

Air quality

Energy Management

Water & Wastewater Management

Waste & Hazardous Materials Management

Ecological impacts

Social Capital

Human Rights & Community Relations

Customer Privacy

Data Security

Access & Affordability

Product Quality & Safety

Customer Welfare

Selling Practices & Product Labelling

Human Capital

Labour Practices

Employee Health and Safety

Employee Engagement, Diversity & Inclusion

Business Model & Innovation

Product Design & Lifecycle Management

Business Model Resilience

Supply Chain Management

Materials Sourcing & Efficiency

Physical Impacts of Climate Change

Leadership & Governance

Business Ethics

Competitive Behaviour

Management of the Legal & Regulatory Environment

Critical Incident Risk Management

Systemic Risk Management

https://sasb.ifrs.org/

HOW COMPANIES CAN APPROACH SUSTAINABILITY

- TOP TO BOTTOM APPROACH
- BOARD OF DIRECTORS REPORTING
- AUDITING/FINANCE/COO
- COORDINATION AND STRATEGIC DECISION MAKING

TWO TYPES OF BUSINESSES

Existing Businesses	Due diligence and review of activities
New Businesses	Born sustainable, part of their business case from the outset?

SUSTAINABILITY AND REPORTING

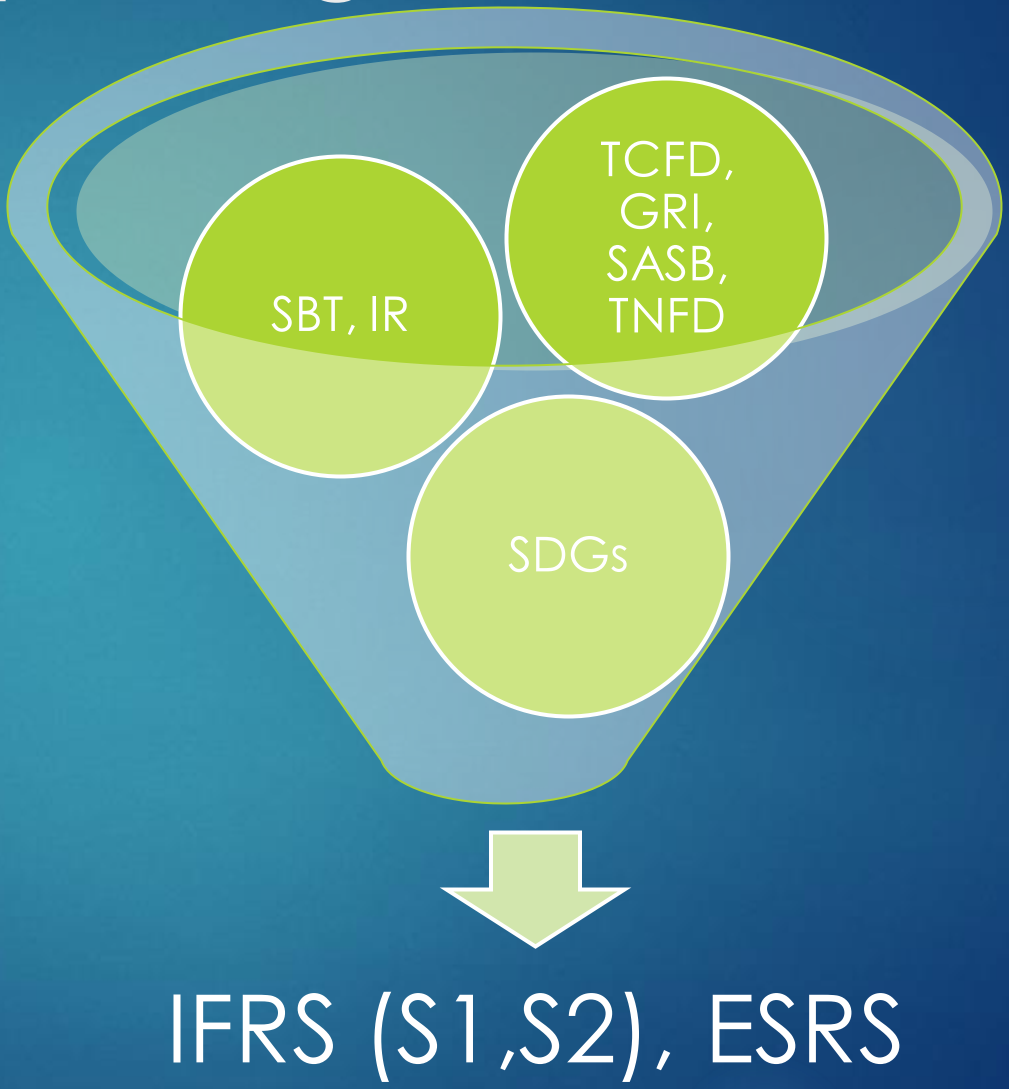
Does reporting drive a company to be sustainable?

Mainly yes as most of the reporting frameworks are in depth reviews of company's operations and practices

Specific reporting on a product certification might provide a patchy view of sustainable management and business practice.

Current state of reporting

- Progressive alignment of reporting frameworks
- Mainly voluntary but increasingly compulsory
- The big divide between self-reporting and certifications/assurance



Upcoming Trends

Increasing Legislation – from principles to rules – litigation risks

Biodiversity vs Climate

From greenwashing to greenhushing

Central role of the financial system

SUSTAINABILITY AND PROFITABILITY

Sustainability practices cause a financial impact through the concept of **stewardship**

Investors (shareholders) and other stakeholders might engage with the company on the basis of its sustainability practices.

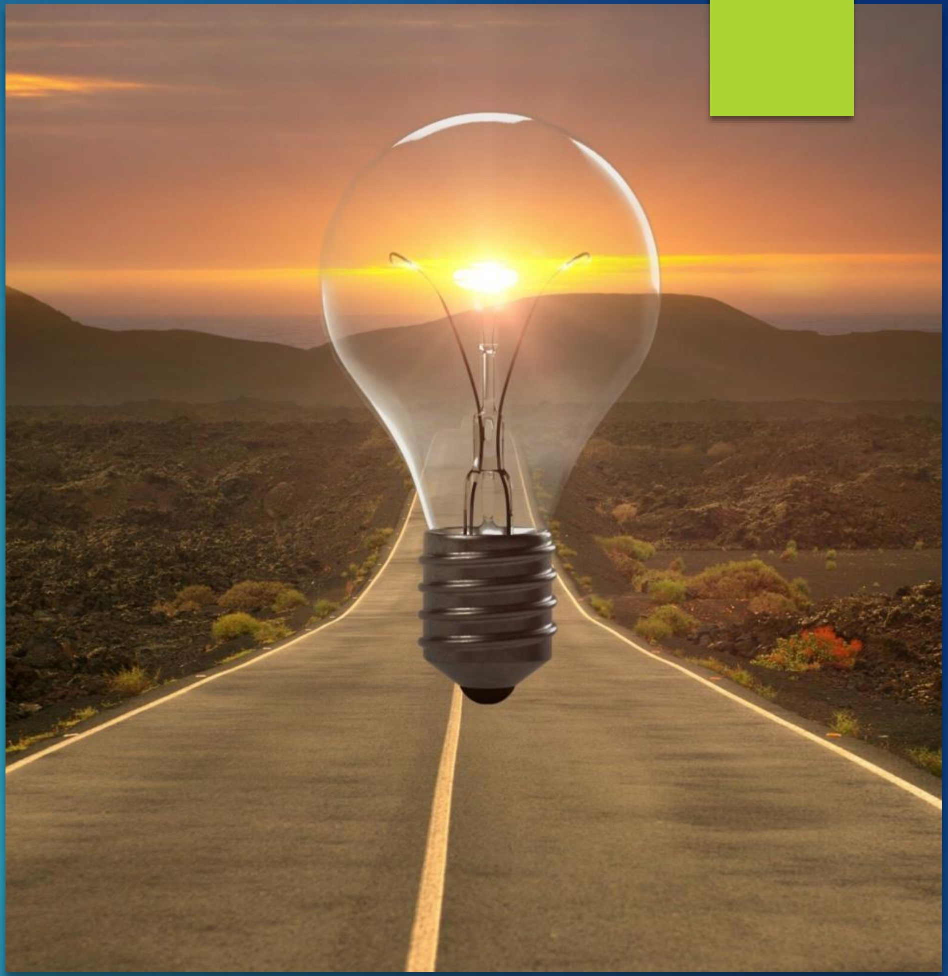
The economic impact on **small and medium** businesses

ARE SUSTAINABLE COMPANIES MORE PROFITABLE?

- THIS IS NO LONGER A QUESTION OF HOW MUCH BUT IT IS AN IF QUESTION – NON SUSTAINABLE COMPANIES HAVE A DIMINISHING CHANCE TO REMAIN IN BUSINESSES

A practical approach to sustainability

- Understand the **impact** of a business on the environment, society and economy
- Consider the **impact of climate on the business**
- Through engaging all **stakeholders**
- Consider the entire **value chain** and **business relations**
- Take a **top-down** approach which is also **cross-functional**
- Consider initiatives regarding both **avoiding negative impact** but also creating **positive impact – innovation**



QUICK GUIDE TO CORPORATE SUSTAINABILITY

PRINCIPLED	IMPACT	MATERIAL	STAKEHOLDER
DUE DILIGENCE	BUSINESS RELATIONSHIPS	TOP DOWN APPROACH	TRANSPARENCY THROUGH REPORTING

MANY THANKS!

ANY QUESTIONS?

Additional sources

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