

VinciWorks



Sustainability FAQs

The most frequently asked
questions companies have about
sustainability

We are entering a new era in sustainability. There are increasing regulations, stakeholders care more than ever about non-financial issues and you just want to know what you need to do. We gathered up what so many of you have asked and provided answers to everything we think you need to know.



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How do you get started on sustainability?

The first step is to put together a sustainability committee. Spend some time making sure you have the right people around the table, that you have board buy-in, and have a clearly defined output such as annual report pages or a specific sustainability report. Then start looking at the data you do have. Identify missing policies and procedures you should have in place. Figure out your social commitments and diversity measures, and decide how you are going to track and report on all this. It might start with a spreadsheet, but things will soon get more complicated and at that point, it would be time to think about a system like our sustainability reporting and tracking tool which can track and report on all this data for you.



What is ESG?

ESG – Environmental, Social and Governance – is an acronym that has been used in the corporate world to demonstrate a commitment to sustainability. The term crowded out the old CSR (Corporate Social Responsibility) approach in favour of a more holistic view that considers a broader set of topics and KPIs ranging from a company's carbon footprint to their health and safety data, diversity metrics and more.



What metrics can professional service firms use to meaningfully report on environmental impact?

There's plenty within just how the business operates to consider. Lighting, waste, recycling, cycle-to-work schemes, renewable energy, carbon offset travel, there are plenty of initiatives there that even an office-based firm can reduce their environmental impact. It's about looking through it from your own perspective and understanding where your business is and what to do next.



How is “social” sustainability measured today?

Most organisations will need to look at the side of their human resources, including employees, turnover etc, equality and diversity, training, health and safety, community involvement, policies, ethics and human rights. Then you can go down another level to understand what to measure. So you're measuring yourself against these things and then setting commitments to improve.

From a frameworks perspective, we have guidance on all these frameworks, but the World Economic Forum (WEF) can be a good fit for measuring social sustainability. There are also key elements of the Global Reporting initiative (GRI) that can be used. A lot of social measures are also going to be based on your own assessment. For example, you might have a strong volunteering programme in the organisation, and want to start tracking volunteering hours and reporting on those. Social sustainability straddles across things that are objective and subjective.



What is sustainability reporting?

Sustainability reporting is the mechanism through which a company shares its sustainability performance and sustainability initiatives with the public, in the same way that a publicly traded company would share financial data.

Sustainability reporting has become common practice for large companies. A KPMG survey in 2020 found that among 5,200 top-earning firms in 100 different countries, 80% were doing sustainability reporting. However, generating sustainability reports can be labour-intensive and costly. The internal data collection necessary often requires dedicated staff and consultants, making it prohibitive for smaller firms.

While sustainability reporting can be voluntary, some sustainability reporting has become mandated in the EU and in some individual countries. It's important to check whether your company or its subsidiaries are located in a country that has mandated sustainability reporting and meet its criteria for being required to report.



What is sustainability materiality assessment?

Materiality means that a particular sustainability factor has a significant (or material) impact on a particular company. Some sustainability issues might be material for companies in a specific industry (e.g. water stress can disrupt the operations of mining or beverages companies, which rely heavily on clean water in their production processes), but not for other sectors (e.g. water stress has little impact on media or financial companies).

Companies perform materiality assessments as a technique for distinguishing between important sustainability factors and non-important ones. This can then be used to guide strategy and help the organisation provide a complete and accurate accounting of its sustainability to investors.



What do sustainability reports look like?

Depending upon whether the reports are mandated or not, sustainability reports typically take one of two forms. Mandated reports can look like forms or can look quite similar to annual corporate reports. Voluntary reports can involve glossy, picture-laden publications, beginning with a letter from the CEO, that tout various sustainability initiatives.




When should you hire a sustainability consultant?

Sustainability consultants help companies determine what actions they should take to improve and build on their sustainability efforts. They can undertake risk assessments, due diligence and impact assessments, as well as help prepare reports and measure impacts.

But hiring a sustainability consultant is not enough in and of itself. A sustainability consultant who does not have the executive team's backing or does not have significant authority or resources to operate will not be successful. Indeed, hiring a sustainability consultant but doing nothing else to embed sustainability into the organisation could be a sign of "greenwashing," where companies spend time and energy in order to market themselves as sustainable but do nothing to actually change their practices.

In short, a sustainability consultant can be a good hire only if your business is ready to commit to making some changes.

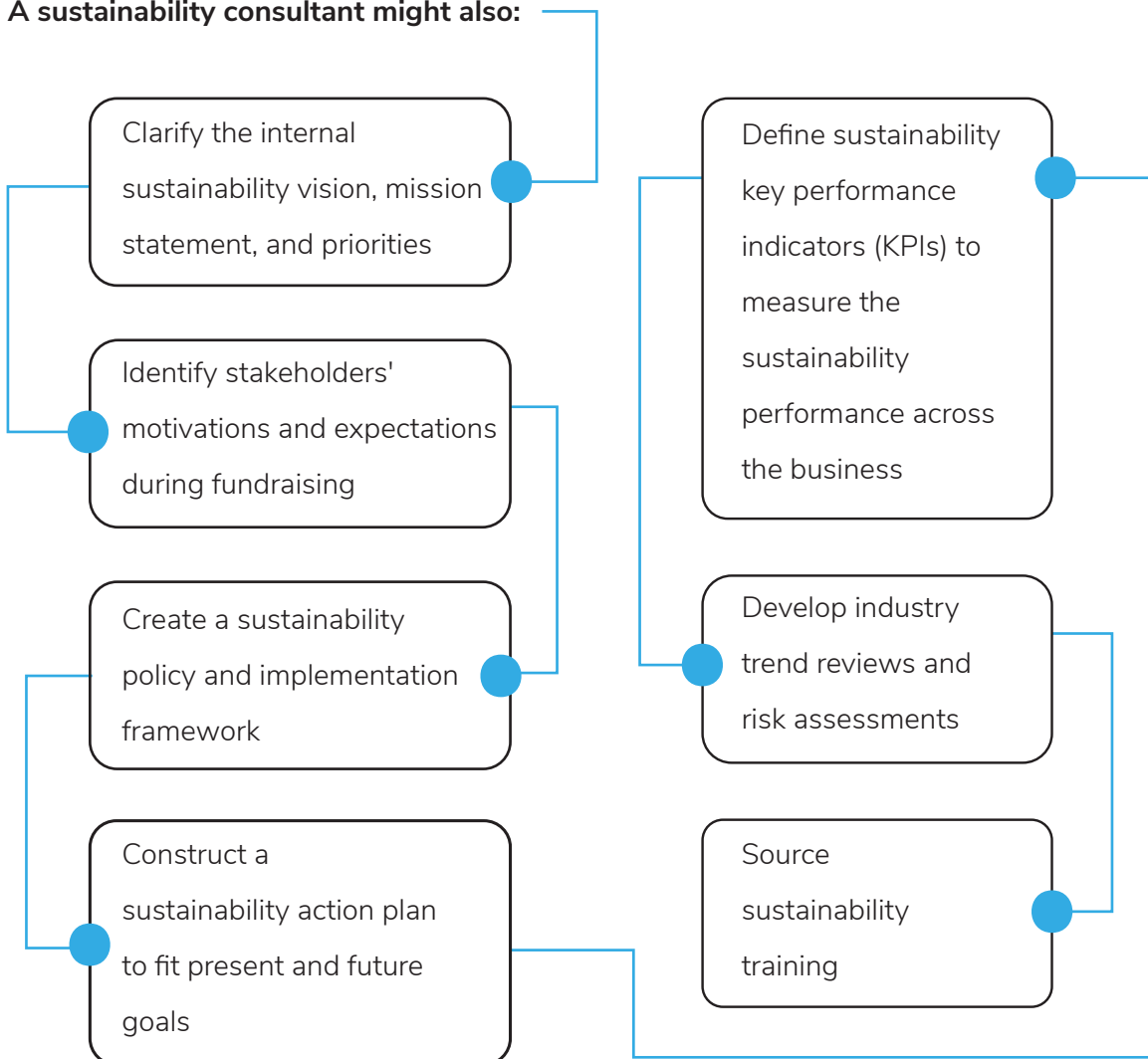


What does a sustainability consultant do?

Sustainability consultants are supposed to help your organisation understand sustainability, and crucially, work towards an end goal. This can be disclosures in an annual report, specific sustainability disclosures to a market or achieving required reporting.

Most, if not all, sustainability-related disclosures are or could be material. It's important that any disclosures be vetted using the same process as sharing profit and loss information. Ideally, sustainability disclosures should stand up to an audit review with identifiable sources, tracking and defined metrics.

A sustainability consultant might also:





What is the difference between ESG and CSR?

Social responsibility initiatives are not only good for the community, they build brand equity and reputation, and enhance client satisfaction. In the last few years, the term 'ESG' (environmental, social and governance) has somewhat eclipsed corporate social responsibility (CSR). This doesn't mean CSR is gone or no longer useful, but it can be helpful to consider CSR in the context of ESG.

Corporate social responsibility (CSR) tends to be about specific, discrete projects that a business undertakes within a community or socially. This might be donating to charities or running development programmes.

ESG is about assessing a company's total net positive impact in the world and taking concerted, defined and measurable action to improve it. It reflects a company's obligations to themselves, the world, and their customers. It impacts the way that a company looks at itself, and the way that others look at the company. And it is about a company's resilience to adapt to changing circumstances with minimal risk.





Are there any sustainability regulations in force?

The UK mandates sustainability with the Task Force on Climate-related Financial Disclosures (TCFD) for large businesses. In the US, the SEC requires all public companies to disclose information that may be material to investors, including information on sustainability-related risks, and has issued guidance and rules setting forth its disclosure expectations. The EU has the Non-Financial Reporting Directive (NFRD), requiring certain large companies to provide non-financial disclosure documents or sustainability reports along with their annual reports. This will soon be replaced in the EU by the Corporate Sustainability Reporting Directive (CSRD) which expands which companies are required to report and includes non-EU companies with large subsidiaries in the EU.

You can of course just do what is legally required. Only report on the emissions you are asked for, or don't do anything if you don't need to. Sustainability reporting is not regulated or required for all businesses.

But the reason to do something around sustainability is that it demonstrates the positive impact your business can have. It shows stakeholders, particularly clients and employees, that your business is a leader, and it makes you more attractive to the market and to investors. Sustainability began as an investment tool. It was about large financial houses finding the best investment and reducing their risk. An investment firm like BlackRock looks at two businesses, one who is doing something on sustainability and one who isn't. The business with the sustainability programme is almost always a better bet because they understand the environmental, social and governance risks that can impact their bottom line, and they are taking steps to mitigate the impact with clear commitments. Also it marks your business as a leader and to show that you are a business that can attract the best people to work for you.



What effect will an increased focus on sustainability have on offshore operations for an oil and gas operating company?

Oil and gas have a large environmental impact, so we would recommend a robust carbon emissions programme, alongside strong targets towards net zero. In addition, health and safety and strong governance procedures are also important, or material, in the oil and gas sector. Strong bribery processes are important, as are whistleblowing measures and a laser-like focus on health and safety at all levels. An accident on an offshore operation is likely to significantly impact an oil and gas business, therefore health and safety, alongside the environmental issues, are rightly key for that industry.



What are the challenges the Pharma industry is facing to implement a sustainability programme?

The pharmaceutical industry likely has a strong interest in health and safety issues, as well as supply chain issues. The health and safety of workers as well as patients and test subjects is likely the most material sustainability issue facing the pharmaceutical industry. The supply chain should also be properly investigated to make sure there are no issues of potential human rights abuses, and also any raw materials are sourced from sustainable places.



How can we explain the risks of sustainability failure to employees, management and the board?

Training is a critical part of a sustainability programme and should be one of the first things implemented. Ensure everyone is coming from a shared understanding of what sustainability is within the context of your business and industry. Then take things a level down; explore the key issues for your business within the environmental, social and governance areas. For example, how would a serious health and safety failure impact your business? Look at sustainability issues from a risk mitigation perspective and consider which are the important areas for your business.



Is there any special certification for sustainability professionals?

There are different sustainability certification opportunities available, alongside different sustainability frameworks which may have their own kinds of certification processes. There is no one-standard sustainability system or certification system that is universally accepted, so whatever kinds of sustainability certification someone wishes to undertake would only provide them with the skills offered in that course, not any kind of universal or accredited certificate.



How do SMEs stay compliant?

Even if there is no particular requirement on your business to undertake much to do with sustainability - for example you are too small to report your gender pay gap - it can still be a good idea to begin a sustainability programme.

The first thing to do is set up a sustainability committee. Bring together key leads across diversity and inclusion, health and safety, procurement and operations and ensure there is a board-level commitment to sustainability. Then review your organisation's gaps and record achievements.

Once that is complete, you will have the outline of a sustainability management programme to focus on addressing the gaps and mitigating sustainability risks through initiatives to improve your sustainability efforts.



How are smaller companies, and very “lean management” companies, supposed to cope with an ever-growing set of demands from large companies for data to support their sustainability requirements?

This is where having a comprehensive sustainability programme, including a sustainability committee to manage the process, could be helpful. While often the data required by large companies is frequently different between companies, there are ways to deal with that. Look at the key data you are frequently being asked to provide - such as emissions data, ISO certifications, or policy compliance - and use a single system or tool to manage that data. Then you will have a single source of truth for the information and can more quickly respond to tenders.



How can sustainability be used in assessing material risk and putting in place multi-actioning mitigation, bearing in mind that cultures evolve?


All areas of a business are looked at in a sustainability programme. If a root cause of an issue is cultural like in the Dairy Crest case, a robust sustainability programme should be able to identify those cultural issues and have mitigation measures in place to counter that such as whistleblowing, training, human resources, staff engagement surveys etc. This is why it is important to consider sustainability issues broadly and not focus on one narrow area in isolation.



Are we going to see some “real-world” consequences for misstatement/misrepresentation of sustainability disclosures?


I think we already are, in terms of the £27m in fines levied by the Environment Agency. The issue is partly that there are few accepted standards as yet. However, the US Securities and Exchange Commission is looking at putting some in place, and certain stock exchanges have already done so as a condition of their listing. It is piecemeal, but there are growing consequences for misrepresenting sustainability disclosures, and these are likely to be increasingly severe over time.





How can a company be transparent when there is a risk of fines if they have not achieved a target? Surely transparency with an explanation is better than not reporting what you say you will?

I'm not aware of specific fines for failing to achieve specific targets. Sustainability targets are generally self-set, unless related to something like an emissions reduction plan which is backed by the government or another entity. The important thing is to be honest and have valid data when reporting on sustainability progress, and not making up data. Certainly, progress towards a target is better than no progress at all.



What are the main global challenges today that we are facing? And what are our future challenges?

In regards to sustainability, the main challenges continue to be the lack of consistency of disclosure requirements. There is no one way to report sustainability information or a single system for tracking, comparing or managing sustainability information. There are over 600 sustainability frameworks which all offer or suggest different ways of managing data. This may become more streamlined in the future, but that has yet to be clarified. That's why it is best to start with sustainability from an internal perspective and consider what your business wants to do and why.



If I am a company going out to tender, how would I distinguish between potential vendors' sustainability strategies?

You could ask them a series of questions such as: do they have a sustainability programme? Do they have a sustainability committee? Have they published a sustainability report? And from there, understand their sustainability maturity and what efforts they are making, have made or plan to make in the future.



As an employee, how can I get my company to be more aware of sustainability issues?

The first step for most companies is to set up a sustainability committee if they don't have one. You can encourage them to set one up and volunteer to sit on it or help with sustainability initiatives.

The next thing is to encourage training. Training all staff on sustainability will help deliver a baseline of information that staff understand. You can also encourage the development of staff reference groups on particular sustainability issues such as recycling, diversity, or community involvement.



How do you share your good work and avoid greenwashing?

A specific sustainability report can be published which shows progress towards sustainability targets, alongside achievements and initiatives the business is undertaking. Alternatively, pages within an annual report can be given over to sustainability progress.

Avoiding greenwashing means being honest about the environment. Honest about your organisation's environmental impact, its energy use, its total emissions and what the plan is to tackle these and make the business more sustainable.





Who is responsible for generating a sustainability report?

Usually the sustainability lead, but a sustainability consultant can also produce a sustainability report or the sustainability committee might put it together or feed it up to the annual report lead.



Is training employees on environmental sustainability a legal requirement? Or will it be?

Sustainability training is not yet a legal requirement but it is certainly a worthwhile endeavour, and more training around environmental issues may become more expected in the future. It's a good idea to consider sourcing sustainability training or understanding if this is offered by your current training provider.



What counts as social sustainability?

Social includes things like health and safety, equality and diversity, the gender pay gap, anti-harassment, mental health, workplace ethics, human rights, promoting trade unions, fighting modern slavery, volunteering, charity work, donations and involvement in the local community.

The social data you might want to track and report on is the same. Accident statistics, your gender pay gap, diversity data, number of volunteering hours staff undertake, how much your business donates to the local community, partnerships with voluntary organisations, things like that. But also, do you have a code of ethics? Is everyone trained on the code? Do you have a human rights programme? Do you promote human rights in your supply chain? Do you promote and encourage staff to join a union? Do you have good relations with the union? Social is essentially about being a good employer and being a good corporate citizen.



What is sustainability Investing?

Sustainability investing is when investors, institutional or individual investors, make investment decisions based on sustainability factors. They are allocating their portfolio based on companies that are rated higher on sustainability than others. Those in the S&P ESG 500 index, for example, or those who publish a sustainability report alongside their annual report.



How do we demonstrate our sustainability compliance to our customers and wider prospects?

Probably the best way is to publish a sustainability report. This would really be a summary of what you're doing around sustainability, achievements you've already made and initiatives you might have set. Also, any targets you've set, and your progress towards those targets.

An annual or bi-annual sustainability report is a great way to get a picture of what you're doing around sustainability. Let's say you had a target to get to 40% women on the board within three years. You can regularly then report on how well it's going to identify potential candidates, put them through a training course for instance, invite more women for board interviews, have an all-female shortlist – whatever it is you're doing to get there.



Who do I need to prove our sustainability activities to?

For the vast majority of companies, sustainability is largely voluntary. But that is changing, and we're seeing more and more regulation. For example, modern slavery statements are mandatory for companies with over £36m in turnover, pay gap reporting is mandatory for many organisations, emissions data is required for larger businesses. Bribery compliance and sanctions compliance should be undertaken by every business because of the severe risks in fines and prosecutions if there are no adequate procedures to prevent bribery or if sanctioned entities attempt to do business with you. This is all part of a comprehensive sustainability programme, and is a worthwhile exercise to show investors, staff, and other stakeholders.



Where can professional services firms have the biggest sustainability impact?

I think it is easy for professional services to get bogged down in what are relatively small amounts of emissions. The bigger impact they can have is in the social sphere. Pro bono and volunteering hours. Giving advice to charities or to people who need it and otherwise can't afford it. Redirecting some of your spending towards ethical enterprises and investments. Something as simple as using recycled office furniture or donating equipment that you don't need to people who need it can have a great social impact. Also, in hiring and recruitment, actively going out to underrepresented communities. Building links with local schools and colleges, offering work placements and training opportunities to those who would otherwise not have them. Those are really attractive social initiatives because they demonstrate to stakeholders the positive good your business is having on the world. And you can be creative in these things – as long as the data is measurable. For example, you offer three work placements to a local college one year, five the next, and 10 the third year. Or have a five-year goal of 10,000 hours of pro bono work.

For professional services and for smaller or medium-sized enterprises, use the influence that you do have to make a difference.





How can you create consistency in compliance when the legislative/good practice landscape is changing at such a pace?

We recommend aiming for standards above the basic requirements of any regulation. Let's take modern slavery for an example. Companies with a turnover above £36m are required to publish a statement, but we would recommend all businesses do so. Same reason why a company might decide to sign up to a living wage pledge. They might be able to only pay the national minimum wage, but ensuring all workers are paid at least the living wage, then extending that out by requiring all your suppliers to affirm to paying the living wage as well, gets to the heart of what sustainability is all about. It's about showing the business as a force for good in the world, not a race to the bottom.



Sustainability in human resource management is complicated. What are we responsible for?

Human resources are likely responsible for a lot of the social and governance aspects of sustainability. Policy compliance is one area in making sure the business has all the correct policies in place and also in making sure everyone has access to those policies. You might use a policy tracker, for example, to ensure everyone reads and signs it once a year. Making sure everyone has a contract, everyone's aware of their basic rights and that people get paid correctly and on time. These are some of the critical areas to make sure you're getting right.

Then it's all about what you want to do to stand out from the crowd. Are you going to be the first in your industry to commit to a living wage, for example? Or are you going to commit to greater diversity across the business? Or you might work on providing more benefits to more employees, undertake engagement surveys, form an employee representative council if there isn't a union. There's a lot that human resources can contribute to sustainability but start with ensuring the basics are covered, and then you can think about how to go beyond that.

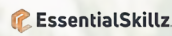
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