

Sustainability Update: The New GRI Guidelines, ISO 26000 SR Standards, and *The Sustainability Handbook*

By
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GRI Update: Why GRI Matters

- Growth of company sustainability reporting (KPMG, Jan. 2005)
 - 2/3 of Global Fortune 250 (1/2 as separate report)
 - Up 42% (16%) from 2002
 - Investor, UK, France, S. Africa initiatives
- GRI is best global consensus on reporting
 - Global multi-stakeholder initiative
 - 40% of G250 use GRI
 - 800+ GRI reporters



GRI Update:

New Reporting Framework (G3)

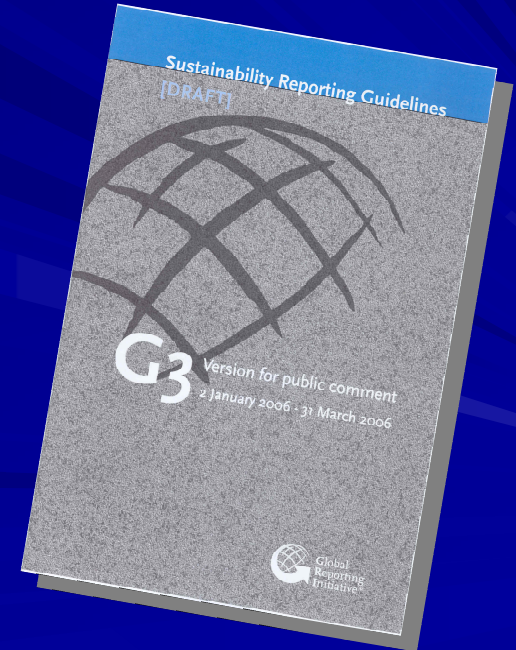
Objectives & Issues

- Respond to feedback (500 comments from global engagement and Stakeholder Council)
 - Improve clarity
 - More quantitative, comparable, auditable, performance-focused
 - Guidance on reporting process; improve flexibility
 - Tiered recognition
 - Reduce burden but not robustness/credibility
 - Develop a digital platform
 - Link with investor needs



GRI Update: New Reporting Framework (G3) Schedule

- G3 kick-off conference, October 4-6, Amsterdam
(registration at www.amsterdamGRIconference.org)
- Formal roll-out of G3 education programs; commencement of digital project



GRI Update:

Sector Supplements & Technical Protocols

■ Sector Supplements

- Final:
automotive, telecom, metals & mining, tour operators,
financial services, public agencies
- In development:
logistics & transportation, energy utilities,
apparel & footwear

■ Technical Protocols

- G3 draft: one for each indicator
- Currently: health & safety, energy use, water use, child labor



GRI Update: Opportunities for Company Involvement

- Become Organizational Stakeholder (fee based on revenue)
- Subscribe to monthly newsletter:
www.globalreporting.org/news/registernews.asp
- Ask to be involved: info@globalreporting.org
www.globalreporting.org



ISO 26000 Update: Scope & Issues

■ What it will be

- International “guidance standard” providing practical guidance on
 1. operationalizing social responsibility
 2. engaging stakeholders
 3. enhancing the credibility of SR reports and claims
- Complementary to other intergovernmental and global SR initiatives (e.g., UN, ILO, OECD, GRI)
- Applicable to all types and sizes of organizations
- Guidance emphasizing results and performance improvement

■ What it will NOT be

- A management systems (PDCA) standard
- A specification standard for certification
- A set of social obligations or expectations of the type properly defined by governments



ISO 26000 Update:

Content: Definitions; Principles

- Definitions of “social responsibility,” other terms
- SR principles
 - General, substantive and operational (the nature and quality of a process)
 - Accountability, transparency, materiality, boundaries, stakeholder inclusion, etc.

ISO 26000 Update:

Content: SR Topics/Categories

- Typical SR topics/categories (stakeholder, supply chain, economic cross themes to be integrated as appropriate)
 - Environment
 - Human rights
 - Labor practices
 - Consumer issues (including users of services and product responsibility)
 - Fair business practices (not limited to business)
 - Organizational governance
 - Community involvement/society development
- Covers relevance to SR, key references, key considerations, relationship to other SR issues, and examples



ISO 26000 Update:

Content: Implementing SR

- General guidance for organizations in implementing SR
 - Vision, strategy development
 - Stakeholder identification and engagement
 - Monitoring and measurement
 - Reporting and communication
 - Etc.
- Reference existing tools
- Management system elements??



ISO 26000 Update: Schedule

Mar. 06: 1st draft

Nov. 06: 2nd draft

Dec. 07: Enquiry draft to national ISO orgs. for
comment and preliminary vote

July 08: Final draft to national ISO orgs. for vote

Oct. 08: Final standard published



Corporate Sustainability Programs ?Question?

Why should a corporate EHS leader advocate the adoption of a company-wide sustainability initiative?



Creating the Sustainable Company: A Few Topics

1. Defining the vision
2. Strategic and tactical planning

Defining the Vision ?Questions?

- What do we want to achieve?
- How should we achieve it?



A Corporate Commitment to Sustainability

(A Sample Sustainability Policy)

It is within the best interests of our company and society as a whole that our company move along the path to sustainability. To that end, we will strive to achieve the following vision of performance:



1. Economic success: the wise use of financial resources

a. Company Economic Prosperity

Our business is positioned to survive and prosper economically.

b. Community Economic Prosperity

We are helping our community survive and prosper economically.

2. Social responsibility: respect for people

a. Respect for Employees

We treat our employees in a respectful, fair, non-exploitative way, especially with regard to compensation and benefits; promotion; training; open, constructive dialogue with management; involvement in decision-making; working conditions that are safe, healthy and non-coercive; rights of association, collective bargaining and privacy; employment-termination practices; and work-life balance.

b. Diversity, Fair Hiring Practices

We promote diversity and use hiring practices that are fair, responsible, non-discriminatory, and non-exploitative for our employees, board members, and suppliers.

c. Responsible Governance

We manage our risks properly, use our economic power responsibly and operate our business in a way that is ethical and legal.

d. Respect for Stakeholders

We are transparent, respectful and fair to local populations, investors, suppliers and other stakeholders outside our organization who may be affected by our operations. We work collaboratively with our communities to enhance the well-being of others.

e. Fair Dealing With Customers

We are honest and fair with our customers, competing fairly for their business, respecting their privacy, and providing them safe and effective products and services under the conditions we promise.



3. Environmental responsibility: respect for life; the wise management and use of natural resources



a. Resource Conservation

We conserve our use of natural resources to the extent practicable.

b. Waste Prevention and Management

We reduce to the extent practicable the volume and degree of hazard of the wastes we generate from our operations, and handle them in a safe, legal and responsible way to minimize their environmental effects.

c. Environmental Risk Control and Restoration

We minimize the risk of spills and other potentially harmful environmental incidents, restore the environment where damaged by us, and enhance it to better support biodiversity.

d. Supply Chain Impacts

We work with others in our supply chain to help assure environmental impacts and risks associated with our products and services are reduced and properly controlled.

e. Collaboration With Communities

We collaborate with our communities to protect and improve the environment.

Examples of Economic Topics

Sales

Profits

Dividends

Cash flow

R&D investment

Capital expenditures

Debt and interest

Wages

Market share

Retained earnings

Liabilities

Return on investment

Community donations

Taxes

Tax subsidies

Local purchasing

Credit rating

Brand strength

Examples of Social Topics

Ethics
Product usefulness
Product quality
Product safety
Union relations
Producer responsibility
Consumer privacy
Emergency preparedness
Child labor
Forced labor
Disciplinary practices
Flexible work options
Charitable donations
Antitrust practices
Occupational health
Bioterrorism
Indoor air pollution
Legal compliance concerning the above topics

Workplace safety
Corporate governance
Employee relations
Product labeling
Board diversity
Supplier diversity
Employee privacy
Non-discrimination policies
Community outreach
Employment
Transparent public reporting
Dependent care benefits
Bribery and corruption
Securities regulation
Industrial hygiene
Worker violence
Indigenous rights

Employee shared values
Employee work-life balance
Human rights (security policies, etc.)
Fair advertising and labeling
Impacts on local cultures
Employee diversity
Employee training and development
Employee wellness programs
Employee assistance programs
Employee turnover
Employee layoff policies
Anti-sexual harassment policies
Political contributions
Helping the disadvantaged
Food product nutrition
Support for community services
Access to healthcare by the poor

Examples of Environmental Topics

Waste disposal

Chemical spills

Water conservation

Pollution prevention

Packaging reduction

Natural habitat restoration

Animal rights

Precautionary Principle

Endangered species

Compliance with environmental laws and permits

Air pollution

Greenhouse gases

Energy conservation

Recycling

Soil contamination

Wetlands protection

Product energy use

Spill prevention

Soil erosion/depletion

Water pollution

Ozone-depleting substances

Natural resource usage

Biodiversity

Product take-back

Wildlife conservation

Customer disposal of products

Renewable energy and materials

Environmentally sensitive design

Some Observations About Business and Sustainability

- Sustainability is not about one thing.
- Sustainability is about informed holistic planning (and execution) for long-term survival and well-being to be achieved by focusing on resources and respect (2R's):
 - Resources: wise management of economic and natural resources, and
 - Respect: respect for people and other living things.

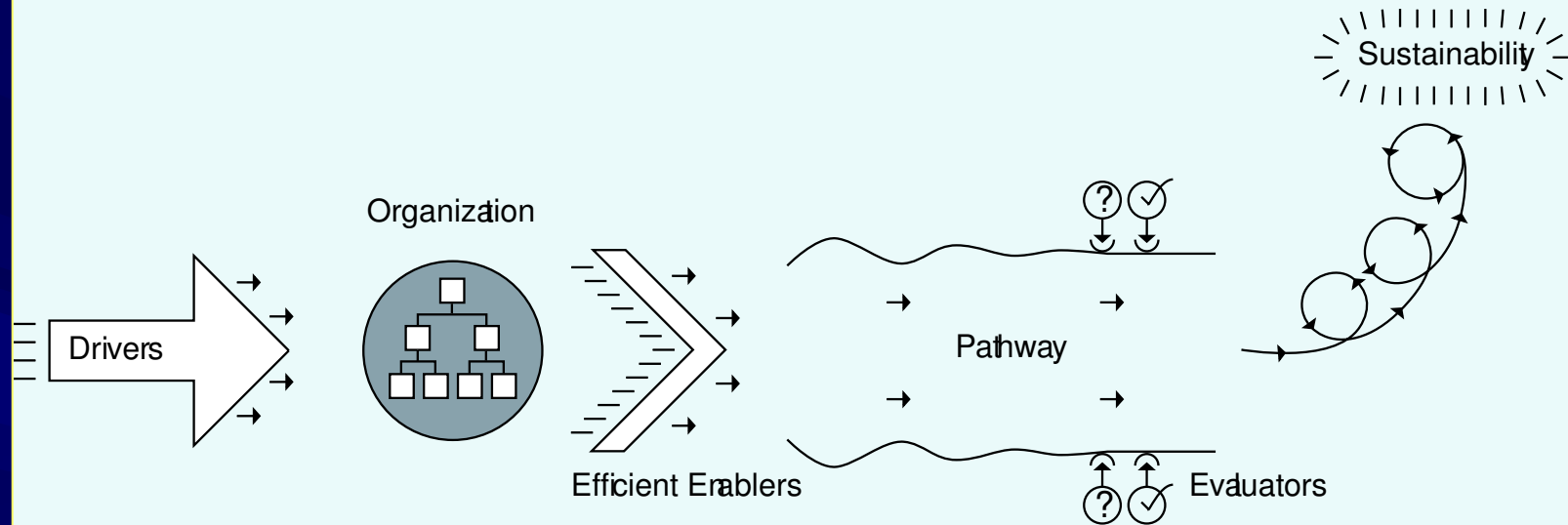
Defining the Vision ?Questions?

- What do we want to achieve?
- How should we achieve it?



The Sustainability Handbook– The Complete Management Guide to Achieving Social, Economic and Environmental Responsibility (order thru www.WBlackburnConsulting.com)

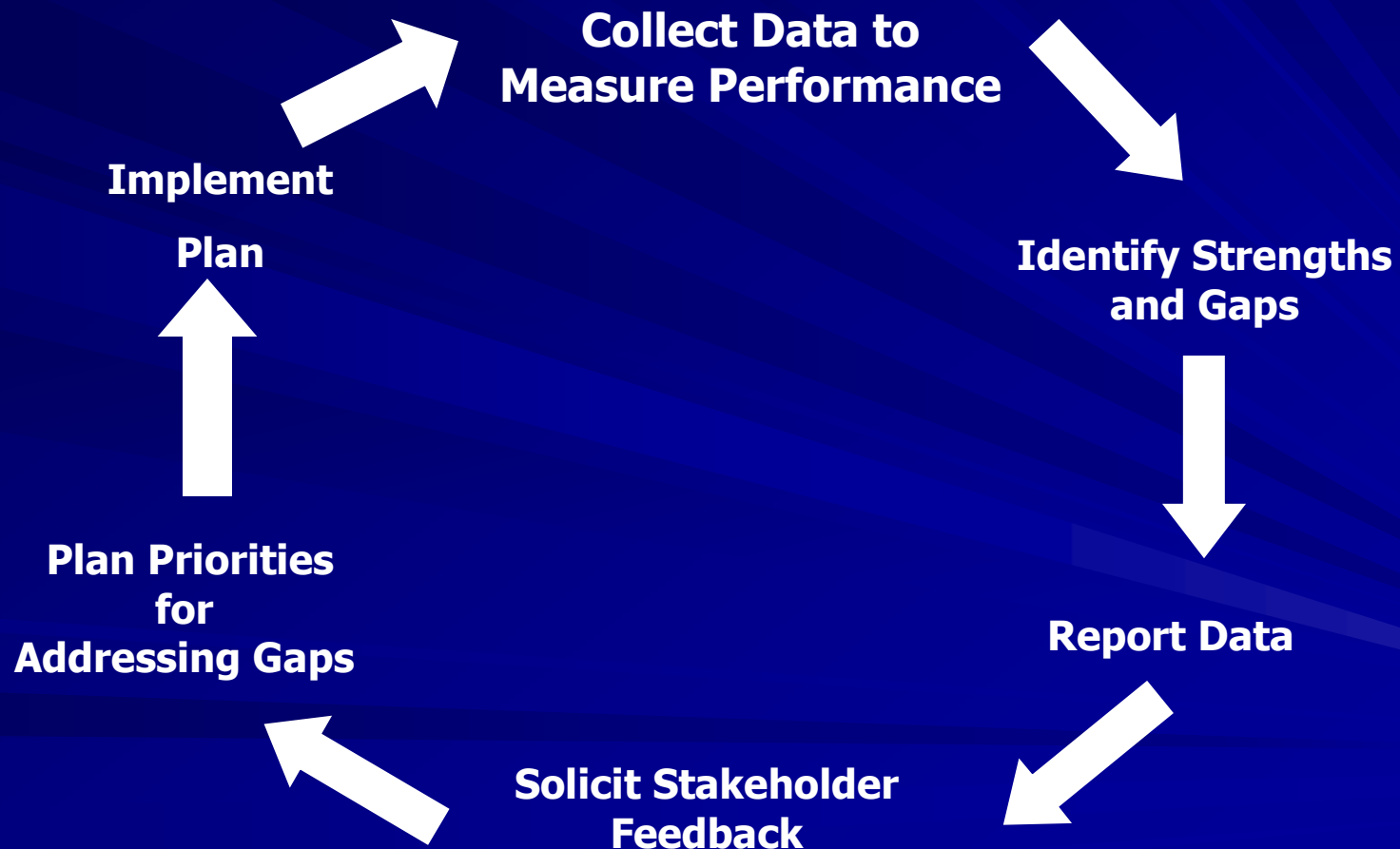
Figure 4.1 Sustainability Operating System (S.O.S.)



The Drivers.	The Efficient Enablers	The Pathway	The Evaluators
A champion/leader	Organizational structure	Vision and policy	Indicators and goals
Approach for selling management on sustainability	Deployment and integration	Operating system standards	Measuring and reporting progress
Accountability mechanisms		Strategic planning for aligned priorities	Stakeholder engagement and feedback

Continual Improvement Cycle

(Sustainable quantum leap in performance)



Strategic and Tactical Planning ?Questions?

- Who should be included in the planning process and how should they be organized?
- What information and processes should be considered in planning?
- How should the plans be designed?



Suggested Structural Elements

- Champion/leader: spokesperson; key promoter, coordinator, and organizer; chair of key teams
- Executive sponsor: coach for leader and teams, advocate among upper management
- Core Team: planning, promotion, education
- Deployment Team: internal rollout and feedback
- Report Distributors Network: external communication and feedback
- Board oversight committee: high level oversight of SOS performance and effectiveness

Groups to Consider

CORE TEAM

Business Planning
Business Practices/Ethics
Charitable Contributions
Communications
Community Relations
Environment, Health & Safety
Finance
Governance
Human Resources
Law
Purchasing/Supply Chain
A few key business units

DEPLOYMENT TEAM

Core Team plus:

Engineering
Manufacturing
Quality
Research & Development
Risk Management
Sales & Marketing/Distribution
Security

REPORT DISTRIBUTORS NETWORK

Business Development
Communications
Government Affairs
Investor Relations

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Pre-planning Activities

- Business performance and goals
- Sustainability performance review (goal performance, compliance, audits, risk assessments, etc.)
- Big picture review (sustainability risks and trends, industry projections, scenario planning, etc.)
- Stakeholder and management feedback
- Talent management review and planning

Planning Process

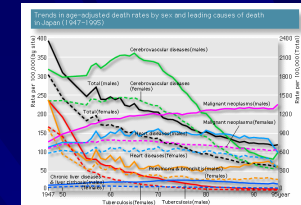
1. SWOT Analysis around sustainability trends; rank importance
2. Rank priority of sustainability topics, objectives and goals to company
3. Incorporate high-priority sustainability initiatives into company strat plan
4. Align planning horizontally and vertically



Common Business Threats & Opportunities

Threats	Opportunities
<ul style="list-style-type: none">-Legal-Financial-Reputational-Competitive-Operational	<ul style="list-style-type: none">-Productivity, cost-Employee relations-Reputation-License to operate, community appeal-Sales, new markets, customer appeal-Innovation, new products and services

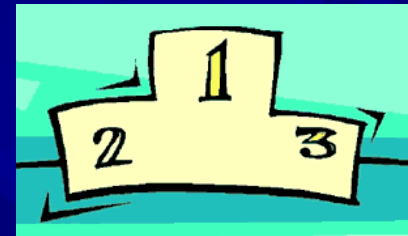
Sustainability Trends



- Growth in Global Business Competition
- Opposition to Globalization
- Speed of Communications/ Digital Divide
- Widening Prosperity Gap (Health, Income, Services)
- Population Growth
- Increased Immigration; Lower Fertility in Industrialized Nations
- Education Needs for the Disenfranchised
- Urbanization
- Over-consumption of Resources
- Fossil Fuel Depletion
- Climate Change
- Deforestation
- Threats to Biodiversity
- Fresh Water Depletion/Water Contamination
- Wetlands Destruction
- Fish Depletion
- Coral Reef Destruction
- Spread of Hazardous Pollutants
- Declining Soil Quality
- Ozone Depletion
- Declining Corporate Credibility
- Extended Producer Responsibility
- Green Products
- Green Marketing/Labeling
- Green Product Certification
- Obesity
- Rise in Socially Responsible Investing
- Investor Concerns about Corporate Governance
- Increased Demands for Transparency/ Public Reporting
- Growing Power of NGOs/CSOs
- Increasing Global Terrorism

Prioritization Factors for Risks, Topics, Objectives

- Importance to business success (controlling threats, seizing opportunities)
- Importance to management
- Consistency with company culture
- Public visibility/pressure to act
- Responsiveness to sustainability trends
- Extent of impact
- Ease of implementation



Sustainable Products & Services

1. Improve the efficient use of natural and economic resources along the product life cycle
2. Provide greater respect and accommodation for the needs of people and other living things along the product life cycle



Lessons on Sustainable Products

- Customers will pay more for added safety of food and hygiene- and health-related products, for a more natural living environment, and for lower life-cycle costs.
- Products and services for the poor must break barriers on cost/pricing either through low volume per unit or low-cost operations.
- Many customers will avoid products with a highly publicized social or environmental stigma.
- With those exceptions, a product's social and environmental advantages and cause-based marketing are differentiating factors, not primary factors, to most consumers.



Strategic and Tactical Planning ?Questions?

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Companywide Balanced Scorecard

Employee Objectives <i>Build the best global team in our industry</i>	Financial (Investor/Lender) Objectives <i>Deliver significant shareholder return</i>	Supply Chain (Customer/Supplier) Objectives <i>Create sustainable win-win customer relationships</i>	Citizenship (Community/Government) Objectives <i>Improve lives in local global communities</i>
Share talent and learning across the company to improve business results	Achieve profitable, sustainable, and capital-efficient growth targets in sales, earnings per share, cash flow and margins	Consistently evaluate and meet agreed customer and product-quality requirements	Establish the company as a community leader
Ensure frequent, open two-way feedback and communication	Invest targeted funds in R& D and capital projects to drive long-term sustainable growth while balancing short-term commitments	Continually identify unmet needs of current and future customers	Facilitate the participation of employees in their communities
Attract, develop and retain the best talent to achieve current and future results	Deliver superior shareholder returns that exceed the average for our industry	Develop and launch innovative products and services to meet customer, product-quality and financial needs	Reduce waste and achieve targeted improved efficiencies in energy, packaging and water use
Create an environment that motivates, develops and rewards individuals for living the company's shared values and achieving results	Improve cost efficiency by achieving targets for days sales outstanding, inventory turns, and costs of supplies and travel		Increase global access to our products so as to improve the quality of lives
Ensure safety in the workplace			Increase the number of foundation grants to new organizations, especially those in new locations

Alignment of Sustainability Issues With Balanced Scorecard Objectives

Sustainability Issues	Balanced Scorecard Objectives			
	Employee	Financial (Investor/ Lender)	Supply Chain (Customer/ Supplier)	Citizenship (Community/ Government)
Economic (Wise use of economic resources)		X		X
Social (Respect for people)	X		X	X
Environmental (Respect for living things; wise use of natural resources)			X	X

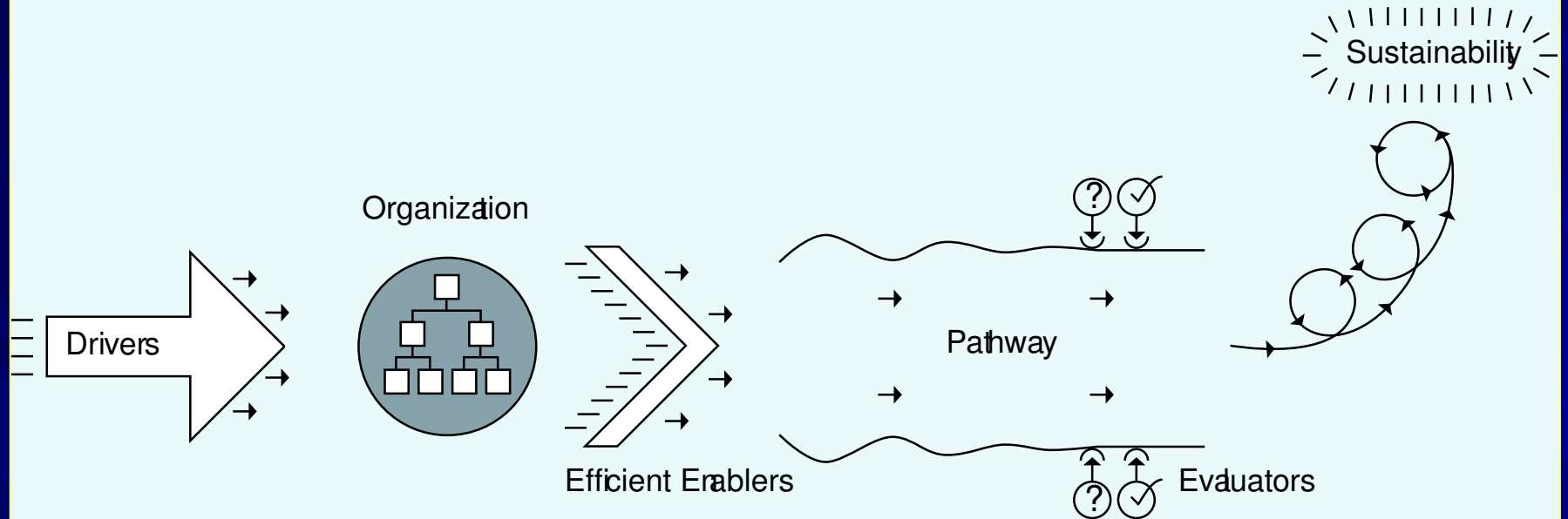
Environment, Health and Safety Balanced Scorecard

Employee Objectives <i>Build a more effective EHS program to better protect, develop and respect employees</i>	Financial (Investor/Lender) Objectives <i>Improve EHS operational excellence through a risk-based, value-focused approach</i>	Supply Chain (Customer/Supplier) Objectives <i>Anticipate and align EHS initiatives with the needs of external customers and suppliers to create better customer outcomes</i>	Citizenship (Community/Government) Objectives <i>Reduce the environmental impact of our operations and better engage our key external stakeholders</i>
More effectively share best EHS practices across the organization	Implement integrated EHS management systems consistent with ISO 14001 and OHSAS 18001	Strengthen processes for gathering and responding to input from customers on the EHS aspects of our products and services	Achieve targeted improvements in the eco-efficiency of operations regarding energy, water, hazardous and nonhazardous waste, and packaging
Strengthen the assessment and effectiveness of EHS training programs	Strengthen EHS risk management tools and programs	Improve processes and tools for considering EHS in product design and development	Enhance communications to and from internal and external stakeholders
Strengthen programs for developing EHS personnel	Improve speed and effectiveness of EHS processes for integrating new facilities/businesses	Strengthen compliance with European packaging and electronic take-back laws	
Promote a healthy work-life balance	Improve the EHS strategic planning process	Expand programs for assessing and improving supplier sensitivity to EHS issues	
Sustainably improve safety performance and culture to drive toward world class results	Help identify and achieve opportunities for business savings and improved efficiency (see env. objectives)	Improve fulfillment processes for material safety data sheets for supplies and company products	

EHS Tactical Plan

Strategic Objective	Tactic/Project/Activity	Responsible Team/Individual	Schedule
<p>Sustainably improve safety performance and culture to drive toward world class results</p> <p>GOAL: Less than 0.10 lost-time cases and 0.35 recordable cases per 100 full-time employees</p>	1. Improved health and safety risk assessment tools	Risk Assessment Team (Tom Blanco, leader)	<p>Tool development:</p> <ul style="list-style-type: none"> -Define needs- Feb 1 -Draft tool- May 1 -Final tool- July 1 <p>Tool deployment:</p> <ul style="list-style-type: none"> -Training mat'ls-Aug.1 -Pilot test-Sept 15 -Communicate final-Nov 1
		Region 1 EHS (Tanya Brown) Business Unit A EHS (Sue Green)	<p>Field implementation:</p> <ul style="list-style-type: none"> -Regional training- Dec 1 - Site assistance- 25% sites per quarter starting beginning of next year
	2. Review 6 top-opportunity sites against best safety practices	Corporate EHS (Sam Blue)	<p>Develop plan:</p> <ul style="list-style-type: none"> -Identify sites- Jan 15 -Develop review process- Mar.1 <p>Deploy process:</p> <ul style="list-style-type: none"> -Train regional and divisional reviewers- April 15
		Site Review Teams (team leaders to be identified by Sam Blue)	<p>Field implementation:</p> <ul style="list-style-type: none"> -Conduct site reviews- one per month July1-Dec 1

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