



The Business Case for Sustainability

Training Module

Time to read: 25min

Overview

In this module, we will learn:

- What do we mean by sustainability
- The business case for sustainability
- Stakeholder interest in sustainability
- How to tell the sustainability story to:
 - Investors
 - HR and talent
 - Customers and vendors

What We Mean by Sustainability

There is no universal definition, but in 1987 the World Commission on Environment and Development defined the concept of “sustainable development” as **“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

As it relates to business activities, **sustainability** refers to **environmental, social, and governance** dimensions of a company’s operations and performance.



Sustainability and Business

Sustainability is not simply a buzzword or a single tactic—it's a way of operating. Environmental adaptations can offer business advantages.

In response to climate change, businesses are assessing environmental risks and examining operating practices. Many businesses believe addressing environmental and social issues comes with high adaptation costs. Although there are initial change costs for any sustainability endeavor, these investments can lead to multifaceted benefits in the medium & long term.

We'll show you how your business can reduce operating costs, strengthen risk management, and attract and retain top talent through sustainability practices.

Today, more than 90 percent of CEOs state that sustainability is important to their company's success

Stanford Social Innovation Review 2022*

Drivers of Sustainable Business Momentum

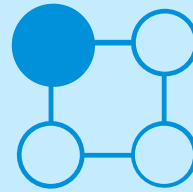
1. Intensifying environmental and social issues

Climate change is impacting daily life and businesses around the world.

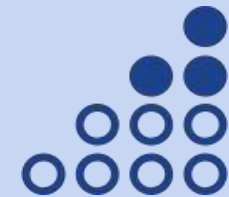
Changes to temperature, rainfall patterns, sea levels, storm conditions, and human migration require adaptation strategies to meet basic needs. These issues result in raw material shortages, logistics hurdles, and environmental regulation across the global economy. This is not only a manufacturing issue. Professional services firms will encounter increased costs of doing business, more rigorous contractual requirements, and unexpected risks that result from these changes.



Extreme weather events impact **70%** of economic sectors*



The U.S. economy could lose \$520B across 22 sectors linked to global temperature rise**



Nearly **3 in 10** organizations report operational disruptions related to climate disasters**

Additional Drivers of Sustainability Momentum

2. Increasing demand for public transparency on environmental impacts

Your key stakeholders want sustainability information now more than ever before.

Expectations among consumers and investors for sustainable products and services, coupled with increased scrutiny and reporting on corporate responsibility, means that companies must be **clear** and **transparent** about their environmental performance.

Sustainability practices need to be shared and communicated—even if your company is new to sustainability.

In early 2022, the U.S. Securities & Exchange Commission proposed rules **requiring** climate-related disclosures for public companies, including greenhouse gas emissions, which have become a commonly used metric to assess a company's risk exposure.*



Stakeholders Request Sustainability Data

Transparent reporting brings accountability

Over 2,000 companies have approved science-based targets for reducing GHG emissions—with more expected each year.

Environmental reporting can be done on many platforms, and luckily there are structures and guidance for best practices freely available.

Reporting to large, public sustainability sources (e.g., Dow Jones Sustainability World Index or Task Force on Climate-related Financial Disclosures (TCFD)) sends a signal that you are addressing sustainability as a risk management strategy.

Thousands of companies publish sustainability reports on widely-read platforms like EcoVadis, Carbon Disclosure Project, Global Reporting Index, or list their commitment to science-based targets with the Science Based Targets Initiative.



Customers, Investors, and Suppliers Expect Sustainability

Make the case within your own business



Building the Business Case for More Sustainable Practices

Now that you know what is driving sustainability in business, let's outline how you build the case for sustainability within different parts of your business. We will step through three key areas where sustainability can help both the bottom and the top line.

The Financial Story

Reduces overhead costs and/or improves efficiencies

Broadens appeal to investors and shareholders

Improves risk profile

The Workforce Story

Sustainability as a recruitment and retention tool

Brand differentiation

HR and talent attraction

The Customer Story

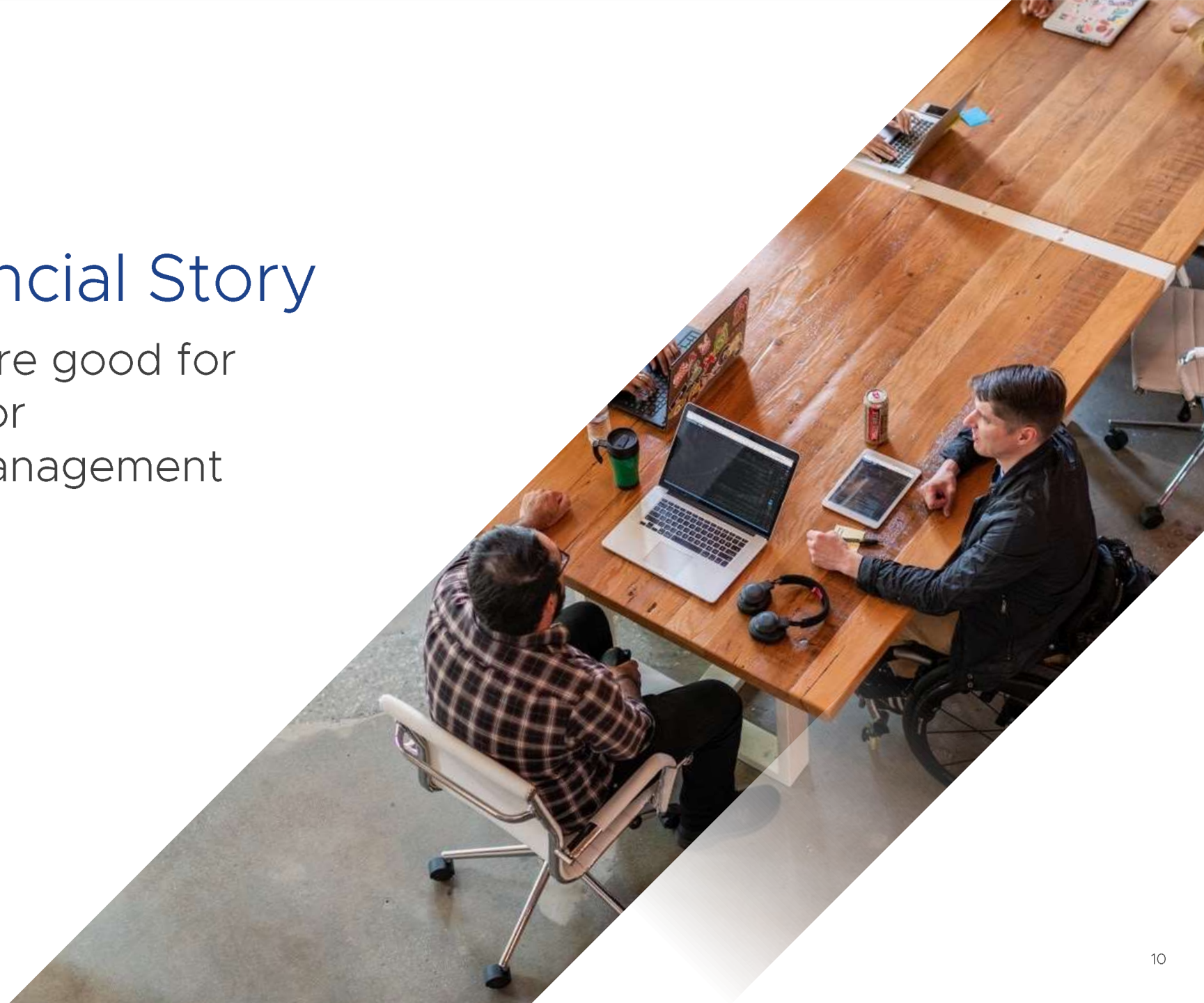
Sustainability as a customer acquisition and retention tool

The brand “halo” effect

Catalyst for innovation

Telling the Financial Story

Sustainable practices are good for the bottom line, investor confidence, and risk management



Sustainable Business Reduces Overhead while Increasing Efficiency

Operations can be the first place to look for ROI

Shifting to efficient energy resources, reducing water usage, and reducing waste are initial steps

- Cost of operations rises alongside fossil fuel prices, water scarcity, and waste disposal regulations and expenses
- Efficiencies protect against price increases – and offer the benefit of choosing better environmental options each time you optimize
- Upgrades to major systems and renewable energy purchases may qualify your business for tax incentives and/or rebates

Upgrading or replacing older technology improves energy efficiency and processes

- Upgrades in technology can improve logistics, process flows, and improve operations—all of which can have an environmental ROI
- Energy efficiency from deployment of hardware, software, and operational practices that streamline daily activities reduces bills and costs
- Rebate programs exist for technology and facilities improvements in most states

Appealing to Investors and Shareholders

Environmental and social issues are moving to the forefront of investment considerations

Sustainability reporting frameworks (e.g., Dow Jones Sustainability Index, Global Reporting Initiative, and Carbon Disclosure Project) are important tools for making informed investment decisions

- Historically, companies in market-based economies have focused on maximizing their own financial performance
- Today, however, investor requirements are changing
 - Old mindset: Does a company live up to our values?
 - New mindset: How will a company's sustainable practices impact ROI?

Superior long-term financial performance and organizational resilience are important to investors. Companies that have sustainability practices in place have an edge when it comes to investors.

A record \$649 billion poured into sustainability-focused funds worldwide, up from \$542 billion in 2020. ESG funds now account for 10% of worldwide fund assets.

Refinitiv Lipper 2022**

Addressing Risk Management

Sustainable practices help protect against climate volatility

Wildfires, tornados, hurricanes, and floods impact business and result in supply chain chaos. Enacting sustainable supplier programs makes your value chain more resilient, which your customers and distributors will appreciate.

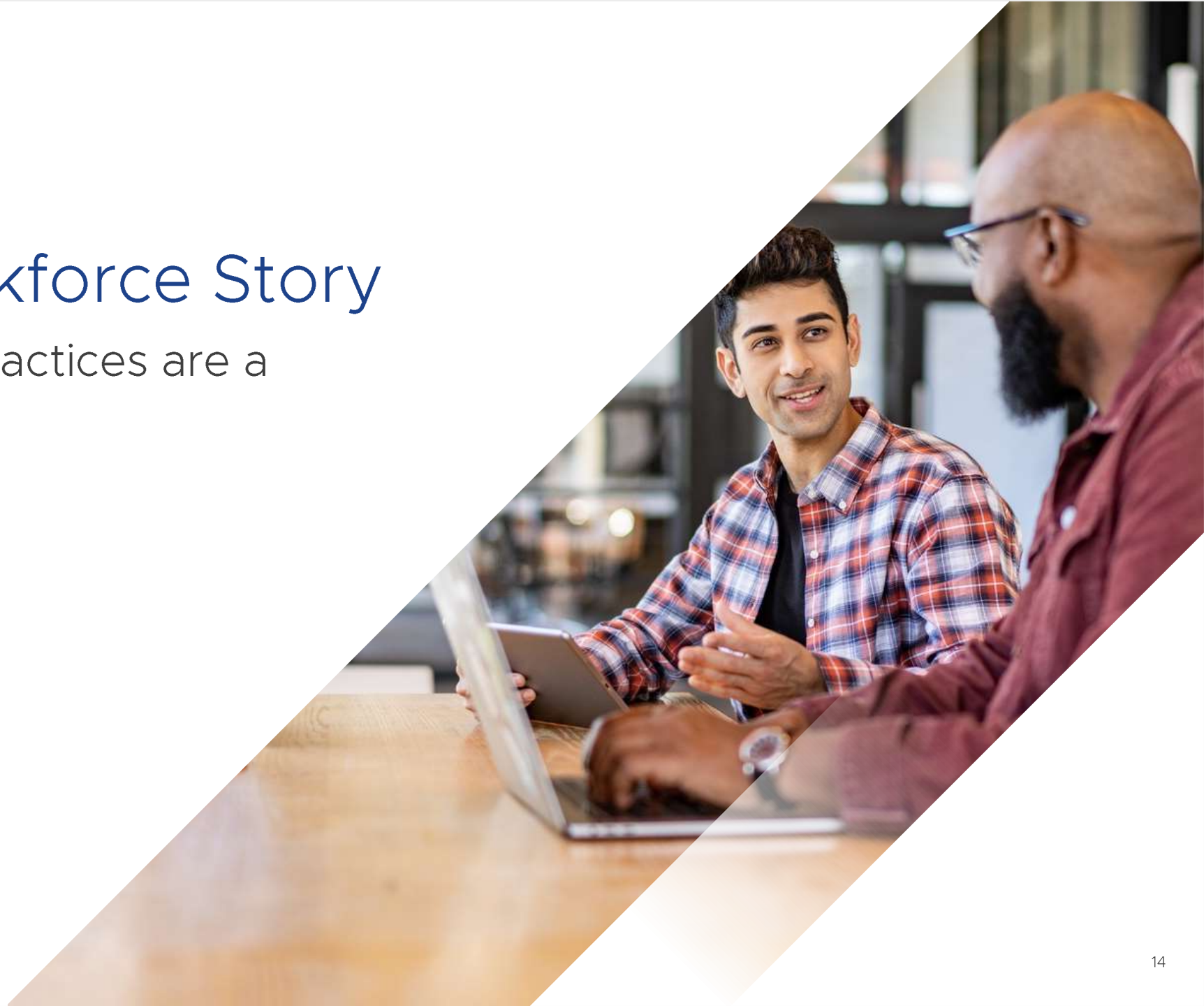
- A sustainability review can identify potential threats to manufacturing plants, resource crops, distribution nodes, and upstream suppliers of all kinds. Being agile in procurement is essential to manage a changing baseline due to climate impacts.
 - A shift to broader, more transparent upstream/downstream value chains helps secure access to scarce resources and supports business continuity
 - There is correlation between sustainable supply chains and reduced brand reputation risk

Regulations are expected to tighten. Implementing sustainable practices now can prepare your company for regulatory changes ahead—especially in emerging markets or places with more risk from climate impacts (drought prone areas, for example).



Telling the Workforce Story

Sustainable business practices are a recruitment tool



Recruiting and Retaining Top Talent

Attracting top talent is a costly challenge. Visible, sustainable practices create a “halo” effect, attracting workers with sustainability expectations and incentivizing them to stay

Companies with sustainability commitments see a 25% to 50% reduction in turnover and up to 13% increase in productivity*

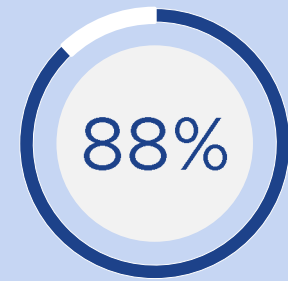
- Visible sustainability initiatives demonstrate that you care about more than just the bottom line. A strong sustainability story has been proven to boost morale and instill pride in workers.
- Generation Z and younger Millennials increasingly seek out companies with sustainable practices.



Of millennials would change jobs if a company didn't offer sustainable practices



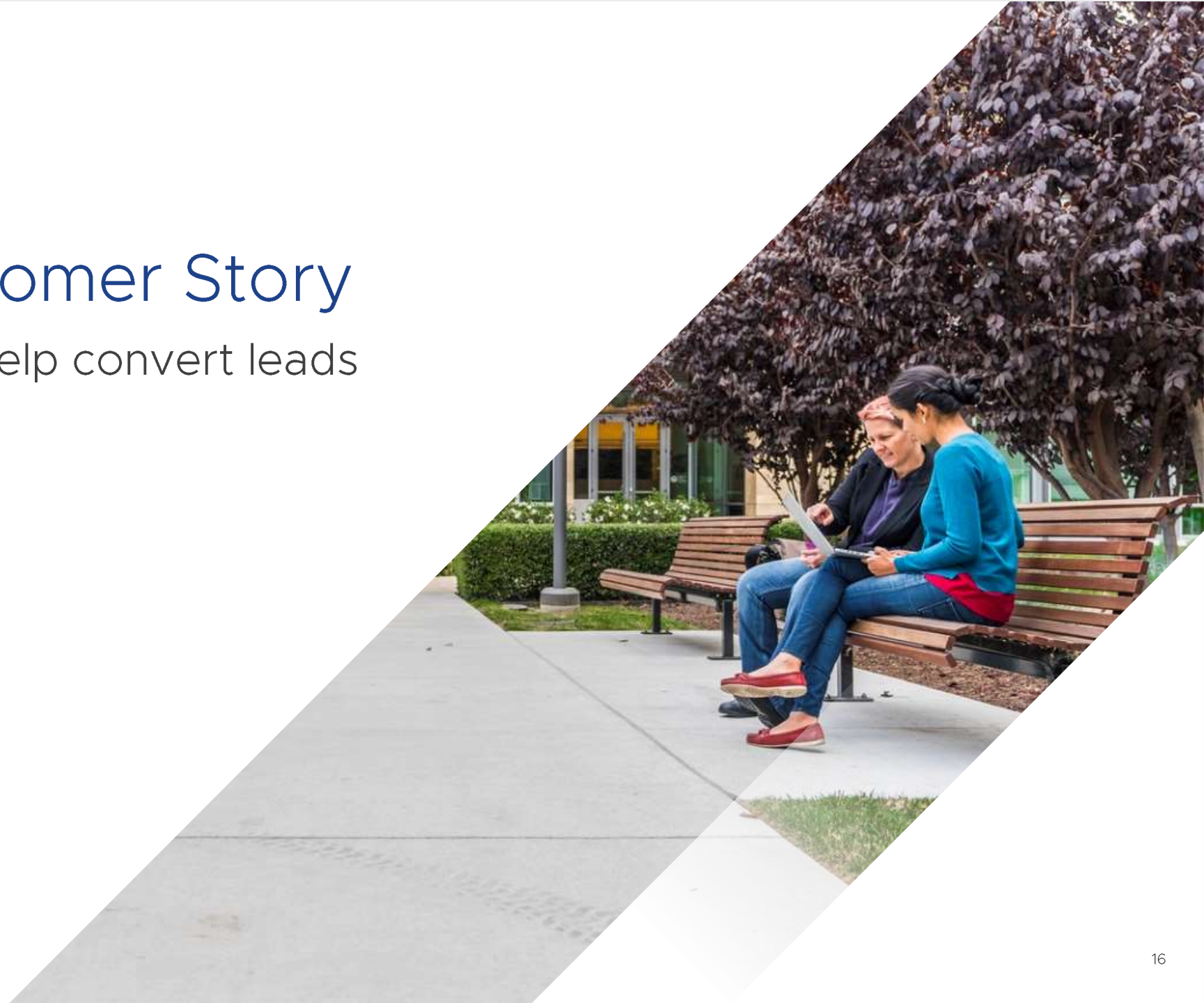
Of workers aged 18-24 will take a lower-paying job with a socially responsible company



Of young professionals consider an employer's sustainability programs when considering a job offer

Telling the Customer Story

Sustainable practices help convert leads into wins



Build Customer Acquisition and Retention

The “halo” effect can also bring in business

Gen Z and younger Millennials are vocal about supporting sustainable businesses. Those same values are being incorporated into the **vendor selection process**.

- Increasingly, enterprise-level organizations require vendors to have sustainable practices in their contracts
- Climate change is impacting supply chains. Vendors making sustainable changes are better equipped to attract and retain clients
- Increasingly, it is common to lead sales engagements with sustainability attributes
- A significant percentage of government contracts are reserved exclusively for organizations with established, demonstrable sustainability programs in place

Momentum is building every day in this area—suppliers are asked more and more for sustainability practices, reports, and compliance. Sustainability expectations are accelerating across the value chain.



Catalyst for Innovation

Becoming more sustainable requires change, which leads to business opportunity

Creating a more sustainable organization is a chance to reinvigorate business, products, and solutions

- Your sustainability review may identify constraints on existing processes. This is your chance to streamline and identify ways to leverage sustainability in the market
- Design for the future. Certain resources will be less available in the future, driving up costs. New markets are being created all the time – find ways to position your products or services in a resource-constrained market
- Companies have created new product lines or services as they pursue sustainability, e.g., the electric car. Products and services that help others leverage their own sustainability efforts easily help build new markets
- Upgrading or replacing older technology improves access to tools needed to innovate
 - Sustainability investments span the organization. And when cross-functional teams work on more sustainable products, innovation is possible.



Organizations Can Make an Impact on the World

Making the business case for sustainability means speaking the language of business. High-cost areas like **operations**, **talent**, and **sales** are strengthened by sustainability investments and transparency.

Learning what levers you can pull in each of these areas helps you build a stronger case for sustainability for your business.

Expectations are changing fast. No matter where your company starts with sustainability, the time to act is now.



We Learned:

There are two key drivers for the sustainability momentum we see in business: intensifying environmental issues and greater expectations for transparency.

Building the business case for sustainability means telling the sustainability story as it relates to high-cost areas like finance, HR and talent, and sales and customer service.

Making the case successfully means connecting the benefits of sustainability to key areas of your business.