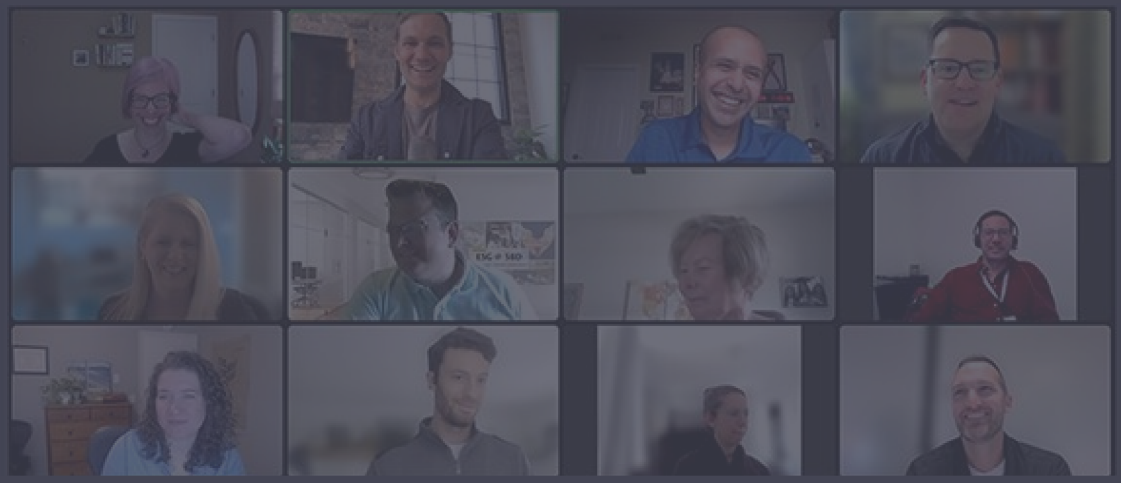
IDEABOOK:

Sustainability Beyond Data

May 2023



Founders

Gautam Muralidharan

Amy Dritz

ecocrumb

facilitated by

POPUPTHINKTANK!

IDEA 1: Engagement

How do you engage your colleagues to integrate sustainability into business processes, planning, and decision-making?

When it comes to engagement, clear communication and customized messages are key. Know and understand the priorities of the groups you are engaging with.

Making the business case.
Integration starts with engaging leadership and making the business case for sustainability. Most importantly, your enterprise strategy must tie back to your business strategy. Some participants said they have found success by integrating sustainability into financials and isolating ESG as a business risk.

Other tips include:

- use data to unlock sustainable risk strategy
- apply the same principles as finance
- be policy-oriented
- be realistic about what the company can commit to
- prioritize based on the economic environment
- engage risk managers and operation teams to support your agenda

Turn adversaries into allies.
Implementing your strategy requires understanding the needs and priorities of different business units, functions, and roles. Spend some time learning what your colleagues do so that you can share how sustainability affects them. Help them see how their work rolls up to support big company goals. Then they can alert you to potential issues or tradeoffs in their own goals and work.

Additional ideas for engaging others in your strategy:

- ask them what are the top 5 things on their mind
- tie ESG reporting metrics to KPIs for business leaders; then they will need to assign resources, collaborate and learn from the ESG team, and question data integrity
- use a hub and spoke model - set clear roles for responsibility and tap into SMEs for knowledge

"As an ESG leader, I connect dots between functions."

IDEA 2: Transparency

How are you preparing for more transparency and accountability around ESG?

ESG is increasing the need for transparency across the business. People are being asked to share information they've never thought about before. This raises a lot of questions about what a company should disclose. What frameworks are best? What are my peers doing? What is the market talking about? What are my investors asking for?

Getting internal alignment.
The first step is to make sure your board and executive leaders agree on the risks and actions the company wants to take. One good thing about the SEC proposals is that it has gotten the attention of leadership.

"We are having good discussions about what should go in our sustainability report and 10-K. These will continually become one."

Putting in controls.
Requests for 3rd party assurance are expected in the next few years from the SEC and large customers like Walmart. Setting the expectation that this data will be audited helps you slow down and do things right, rather than just collecting data.

Even limited assurance can help provide transparency - Scope 1 & 2 emissions are a good place to start.

Expect change.
Assumptions, calculations, and reporting requirements are continuing to evolve. It is unlikely that everything will coalesce into one standard anytime soon (if ever). This can cause frustration with colleagues when goals and priorities shift due to new guidance or regulations.

Additionally, companies can have multiple ways to calculate the same metrics. Without shared assumptions and agreed-upon calculation methods, it's hard to compare and get to the same conclusion. This can lead to multiple versions of "truth" across a company's websites, 10-K's, articles, etc.

"It shouldn't matter which framework we use, but rather that we're doing something."

IDEA 2: Transparency (continued)

How are you preparing for more transparency and accountability around ESG?

Streamlining for efficiency and consistency.

Here are a few tips shared by our participants!

- Compile your efforts throughout the year.
- Your annual report should become a hub of all your sustainability.
- Reuse the information in your report for your website
- Put a link to the CDP and 10-K
- Focus on materiality - prioritize by what you're really accountable for

Dealing with nuances.

Every company and industry has its own challenges and priorities.

- Small companies have challenges with transparency. Do things apply to us and should the board have oversight? Resourcing is a huge challenge for small companies.
- Industry-specific “gaps” can leave a company feeling inadequate and not wanting to be transparent. For example, banks don’t have a large "E" presence.

Communicating clearly.

Sustainability terms and concepts can be confusing, especially to the uninitiated. Try to get rid of jargon and terms that don’t mean a lot.

Ideas for educating internal stakeholders:

- Do a "one term a week" campaign for the enterprise
- Host Lunch and Learns based on ideas from the sustainability committee or solicited from employee groups
- Use less jargon and more images when presenting

For external stakeholders:

- Explain why something like "B-Corp" matters and how it ties to your purpose and mission
- Show carbon or other impacts on product labels/packaging
- Talk about your suppliers or farm the products and where the raw materials come from

IDEA 3: Let's think bigger!

What did we miss? Participants dug deeper and asked new questions!

What should an ESG team look like? How do we create a more integrated function?

- We need to move away from "sustainability" as a separate thing and a separate team. Sustainability should be integrated into all business decisions. We need to consider the impact on the environment and the risks that climate change poses to our business.
- The ESG/Sustainability team should provide expertise and support, but the line of business still owns the goals and processes and implements their piece. It should operate more cross-functionally like Finance, HR, PR, and Legal.

What tools are needed or what could be better?

- Automated tools for utility data processing and analysis
- Automated data collection and reporting - this is still a problem
- Want all the data in one platform that is specific for sustainability
- Most tools are not able to take in the amount of data required. Models are huge.
- Make technology approachable
- Tools need to give people confidence - must provide credible, reputable information that can be confident in - especially if someone is taking on sustainability as an additional responsibility.
- A lot is spent on marketing analytics. Why not use similar techniques for climate reporting and engagement?
- Huge need for better, more precise data for companies. New breaking research is coming out every day. Scientists are doing amazing work with new tools and models, but businesses don't have access to these.
- ChatGPT will solve everything! (just kidding)

IDEA 3: Let's think bigger! (continued)

What did we miss? Participants dug deeper and asked new questions!

What are the gaps?

- Too much focus on carbon emissions and greenhouse gases. There are so many other areas of concern - biodiversity, water scarcity, plastic pollutants. Would love to see a broader strategy.
- Need to put value to things that we haven't yet to make a better business case. Build out climate scenarios that are 10 years out so we can see the bigger picture. What is something that we weren't counting on but could have a significant impact?
- Need to have a seat at the table on ESG legislation or policy that will affect us (like Extended Producer Responsibility)
- Feels like there is so much emphasis on output, but need to focus on what are the inputs.

Short vs longterm thinking

- ESG is long-term risk mitigation. It can be hard to show the ROI and economic value in a culture that is wired for short-term thinking.
- Show why doing something now (before it is required) makes good economic sense. For example, a spot price on virgin plastic material might be cheaper now, but recycled content could give us an advantage when oil prices spike. Show the cost reduction.
- Bridge the short/long term benefit - investing more now is a short-term disadvantage but has a much bigger long-term advantage.

"We want to share 'goodness'. How do we share the bad? Are companies ready to have that level of transparency?"

CHALLENGES WORTH EXPLORING

Some unique challenges and questions surfaced that we think deserve more attention. Perhaps there is an opportunity to dig a little deeper in future think tank discussion!

There seems to be a heightened requirement in sustainability for scientifically-backed, hyper-specific numbers and calculations. Sustainability projections face far more scrutiny than other operational forecasts. For example, budgets flex, and carbon numbers cannot.

Why do you think this is? Are people less comfortable with these topics? Are the risks not well-known or understood? What would a more flexible approach look like?

Companies are already getting accused of greenwashing on the “good things” we report. How do we transparently communicate not-so-good news (like missing sustainability targets)?

How do you explain setbacks openly and honestly? Are the expectations set too high? How do you stretch for big goals and without fear of greenwashing accusations?