

A word from Anne and her team...

Sustainability has become a key word in the boardroom, but what does it really mean?

Hello and a very warm welcome to my latest newsletter, the first one I am writing as a partner at FisherBroyles. For this edition of A Word from Anne and her team, I've decided to look at the concept of sustainability and what it means for businesses. It's a theory that, for so long, has its strongest connotation in the environment, but sustainability in its truest sense is not just an environmentalism. We must also think about social and economic resources, and the part they play in creating sustainable businesses.

My own area of expertise, of course, lies in using safety as a mechanism for sustainability and I will cover some of the key things about this within.

What exactly is sustainability?

When something is sustainable, it is able to be maintained at a certain rate or level. In this way, it is arguably the Holy Grail for businesses. Creating sustainability means creating longevity for businesses, something all leaders and businesses aspire to. Interestingly, a study back in 2016 by BCG/MIT, which interviewed a large number of business executives, found that 9 in 10 of them argued that sustainability was important, but that only 60% of companies incorporate sustainability in their strategy and just 25% have true sustainability at the heart of their business model.

What this looks like today is a point of debate, but one could no doubt argue that the events of the last 12 months have probably shifted sustainability firmly up the agenda. Given what we've all been through recently, and continue to do so, it makes sense to start by looking at sustainability through a Covid lens.

Sustainability in a Covid world

There are many questions that businesses will have been asking themselves as they emerge from the effects of the pandemic. Perhaps first and foremost is whether a

sustainable business requires its workforce to have had a vaccine; can a business truly provide a safe place of work if many of its employees have not been vaccinated? For those organisations that choose not to insist on their employees being vaccinated before returning to work, are there other tools they can use to create a safe place of work?

Of course, it's incredibly hard to answer these questions generically, because what is regarded as reducing the risk to As Low As Reasonably Practical (ALARP) will vary widely from industry to industry. Common sense dictates that there would be significant difference, for example, between an agricultural business whose workers mainly operate outdoors, to a manufacturing company where workers operate indoors and often in close proximity.

For some businesses, the risk is even more acute. Take a care home. If a carer refuses a vaccine, without a reasonable excuse, does that care home run the risk of a corporate manslaughter prosecution in the event of a death on its premises? If that should happen, and it feels like a real possibility, the knock-on effects could be significant. The care home will attract external focus and probably publicity, which could result in a lack of new residents and income, putting its ability to continue to trade in serious doubt. At this point, it becomes non-sustainable from a financial perspective.

The working from home movement

Much has been made about what the work environment will look like in the future. Many large corporations have already made the decision to fundamentally overhaul their requirements for where people work from. But beware the laws of unintended consequences. Post the emergency Covid era, how will the test apply to whether someone actually can work from home. Will it be the simple test that has been applied over the last 12 months; does the person actually need to be in the office? Or do businesses need to be considerate of the smaller nuances?

Can their employees' jobs be carried out at home as well and as safely as it can in the office?

The modern office, in the vast majority of cases, is designed for workers. That may well sound like a statement of the obvious, but what I mean is that many companies carry out reviews with their employees to make sure they remain physically well in the workplace. If those workers remain at home, are we storing up musculoskeletal issues, which may result in claims against businesses further down the line, again threatening their sustainability.

And what of mental health? An employee may want to return to the office, surrounded by the support mechanism that is absent at home, but if their employer insists, they have to work from home, this is likely to trigger anxiety. It really is a potential minefield we are entering into. These are all things that the truly sustainable business has to address in the coming months.

Safety as a tool to manage and grow businesses.

For some time, I have advocated that safety is far more than just an exercise in box-ticking. Yet my experience tells me that business approach to safety continues to be far too myopic; a mechanism for preventing fatalities. In their doctoral thesis of 2016, "What elements are required to achieve sustainable business change using health & safety as a lens", Aran Verling and Michelle Tilley argue that a business can utilise working capital earmarked for health & safety to also achieve extensive business performance improvement.

Their research unquestionably underpins the fact that improvement in health & safety is not standalone but is symbiotic with improved business performance. I could not agree more.

ISO 45001: Risks and opportunities with workplace safety

Whether it's irony, fate, luck, or a combination of all three, from the 31st March ISO 45001 is replacing OHSAS 18001, providing the first international standard comprehensive framework for management systems to address Occupational Health & Safety issues (OH&S).

Perhaps the most fundamental difference is the shift from managing internal issues and OH&S hazards which was the focus of OHSAS 18001, to an emphasis on the interaction between the organisation and its external business environment. It's a more holistic approach to the concept and its timing could not be more relevant. It's another reminder that effective health & safety management is essential when building a sustainable business.

Whose responsibility is sustainability?

Where does the responsibility for sustainability sit in an organisation's hierarchy. Whilst it would be helpful to provide a definitive answer, I don't think that there's a one size fits all approach. A good number of organisations choose to appoint a sustainability director/lead and there is certainly a lot to be said of this approach; I certainly think that, as a minimum, someone at boardroom level needs to have it as a key part of their role. But my experience tells me that sustainability, in its most successful implementations, is a function of everyone. All functions and all levels of roles can make an impact if it is given the airtime across the organisation that I believe it deserves. It requires effort and measurement, but the rewards are obvious.

Sustainability isn't easy

Of course, all the talk in the world about its importance doesn't make its implementation easy. It's a generalisation, but the more profitable a business is, the more it can afford to focus on sustainability. It's bit of a catch 22. I often use the example of a domestic sustainability set up to make my point. Recycling is often easier for those who are well-off; they have the space for the myriad of bins you need; they have a car to drive to the recycling centre; and they can afford to make purchasing decisions that look at things like single use plastic.

But I'd argue that most businesses can layer sustainability into their thinking and their actions. Even small amounts can make a big difference and you have to start the journey somewhere.

Sustainability beyond safety and the environment

Of course, sustainability is a concept that exists beyond environmental factors and those associated with good safety practice. I read recently, with interest, an article that was timed to coincide with International Women's Day authored by Beth Hart, McDonald's VP of Supply Chain and Brand Trust.

Beth argues, and I wholeheartedly agree, that true business sustainability must include diversity as a component part, as well as equality and inclusion. She talks about the need for businesses to challenge themselves to make workplaces as welcoming as possible to all types of people, highlighting that an organisation with people from a wide range of backgrounds who, no matter what commitments they have in their non-work life, are a valued part of the total business make-up.

Of course, these views are not particularly new ones. I'm reminded of a study by McKinsey in 2007 that presented evidence that better performance, results, perspective and thus sustainability can be achieved with gender-diverse views. However, and it's perhaps another statement of the obvious, my experience tells me that many organisations still do not give this the credence it deserves.

The investment perspective

One angle on sustainability that is increasingly prevalent in the world of business is the continual rise of Environmental, Social and Governance (ESG) Investing. ESG factors are non-financial considerations that inform investment decisions based on an assessment of the risks these factors pose to investments. ESG is not only about what a company manufactures or sells, but also how it goes about it.

ESG integration includes the consideration of ESG factors in investment analysis and investment decisions. ESG integration can be considered to be the analysis of all material factors in investment analysis and decision making.

Environmental, perhaps usurpingly, takes into consideration the impact companies are having on the planet today and in the future. Social looks at the impact companies are having on people in the world; issues such as human rights, workers conditions and corporate citizenship.

And governance looks at the interests of all stakeholders affected by the company's activities; covering things like business ethics, equality and diversity, fair treatment of labour and health & safety.

To give you some idea of the size of the market, a 2018 study by the US Forum for Sustainable and Responsible Investment found that more than \$1 of every \$4 under professional management in the US was classified as either socially responsible or one of its subsets, impact investing. Most people believe that this is only going to get bigger.

It is my belief that, increasingly, a demonstrable track record and transparent focus on sustainability will be a prerequisite for organisations who want to be successful. James Drummond, a former FTSE 250, Private Equity CEO and Chairman says: "Companies that don't have a strong focus on sustainability have but a half-life." It certainly provides significant food for thought for many boardrooms around the UK.

In conclusion

I don't think there can be any doubt that true sustainability is the great challenge for boardrooms at this point in time. From traditional environmental considerations, to those rooted in social and economic perspectives, sustainability represents a huge opportunity for most businesses and a threat for far too many. To complete the SWOT analysis, for those that take it seriously and apply rigour to how they manage it, it's a strength. And for those that don't, it is unquestionably a weakness.

No matter where you and your business currently sit in that quadrant, there can be little debate that it's something that has to occupy significant time around the boardroom table. Ironically, to be truly sustainable, the conversation on sustainability itself must be forever present.

I hope I have provided some ideas for you to reflect on. If you'd like to discuss how to use health & safety as a driver for sustainability in any more detail, then I'd be only too happy to do so.

I wish you all a Happy Easter and that you remain safe and well in these ever-challenging times.

With my very best wishes,



Anne Davies,
Partner

e: anne.davies@fisherbroyles.com
m: +44 (0) 7833 093 965