



How sustainability standards can drive business performance

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How can standards bring consistency and scalability to sustainability programmes?

The UK business community has long used standards to improve the quality and performance of its products, reduce risk and support reputations. Standards, which can be defined simply as 'agreed ways of doing things', have provided firms with guidance to help them create repeatable procedures to minimize risks and operate more efficiently.

Particularly in sectors highly regulated at UK and EU level, standards have been key agents in consistently preventing pollution, meeting regulatory compliance and supporting good stakeholder relations. Standards, including rules, guidelines and definitions, have also become recognized indicators of quality and safety.

Since the headline issue of sustainability contains facets of risk management, operational excellence, environmental and stakeholder management, how are businesses using standards to support sustainability? And what is the potential of standards to help make UK businesses more sustainable?

To answer these questions, we commissioned independent analyst firm Verdantix to undertake an independent, anonymized phone survey with 150 sustainability executives in the UK. Respondents spanned 20 industry sectors and came from firms with more than £350 million in annual revenues. We probed respondents about what sustainability means for their business, how it is managed at their firm and how they are leveraging standards to support it.

Firms need to connect sustainability to business performance

Over the past decade, UK corporates have been building sustainability programmes to manage their environmental impacts, reduce resource use and improve their social responsibility. As many large firms move into the second decade of their sustainability programmes, how far are sustainability visions translating into meaningful and effective actions?

- The primary finding of this survey is that, although sustainability is highly relevant for most large firms in the UK, the uniformity of responses to high-level questions hides an underlying variety. Companies differ in their approach, maturity, interest from executives and resources available for sustainability.
- Long gone are the days when sustainability equated to cost reductions and a CSR team operating in a silo. This is illustrated by the fact that 70% of the survey respondents told us that executives at their firm view sustainability as a driver for growth (see Figure 1). Firms are also investing in internal teams to manage

and deliver sustainability; 81% of the respondents said they have more than five staff members dedicated to sustainability at a programme management office at HQ level (see Figure 2).

- Clearly the majority of firms see sustainability as a driver of growth, but does this mean sustainability is now seen as a component of overall financial and business performance? Despite the majority of firms saying sustainability is well established in their business (70%), only half of the respondents believe that sustainability issues will impact their firm's financial performance over the next two years (51%) (see Figure 3). The rest of the firms have yet to establish a direct and immediate connection between sustainability and business performance. They see sustainability as impacting performance against non-financial metrics such as energy, environment and social responsibility (36%), or as a long-term business viability issue (13%).

Figure 1

What best describes what sustainability means to your business?

N=150

Sustainability is well established in our business and is recognized by our top executives as a driver for innovation and growth

Sustainability is considered as a growth driver by only a limited number of executives and is not integrated within the overall business strategy

Sustainability is regarded as a minor reputational issue and receives little executive attention

Sustainability is a new concept for our business and we are still trying to understand what it means for business performance

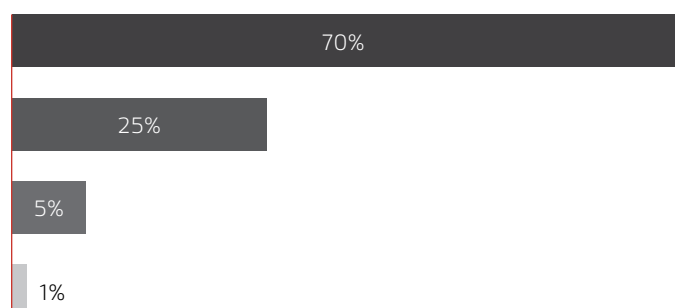


Figure 2

Thinking about how your firm manages sustainability, which of these organizational elements does your firm have?

N=150

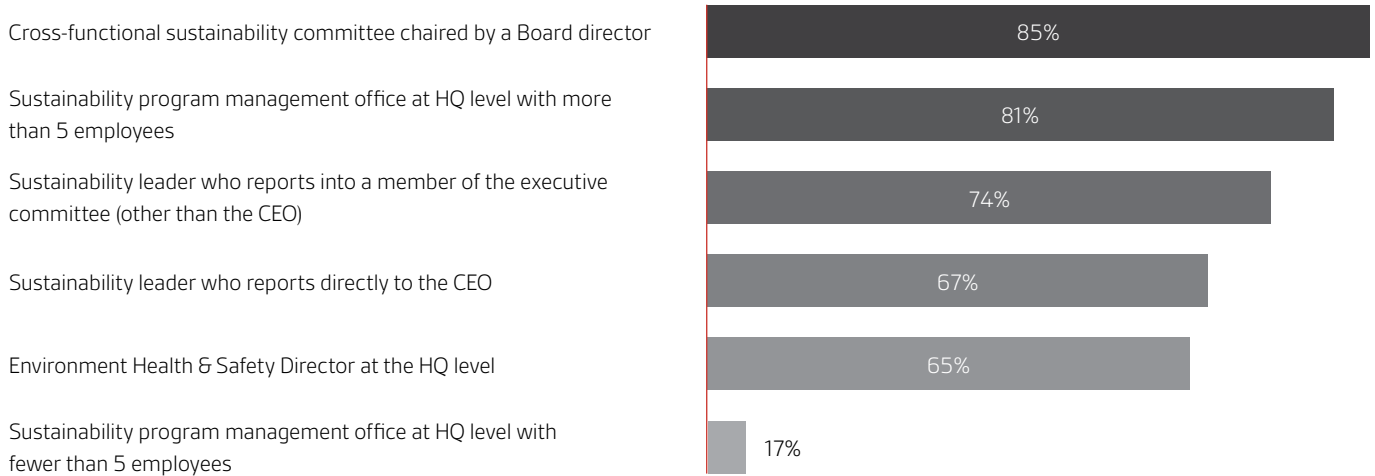
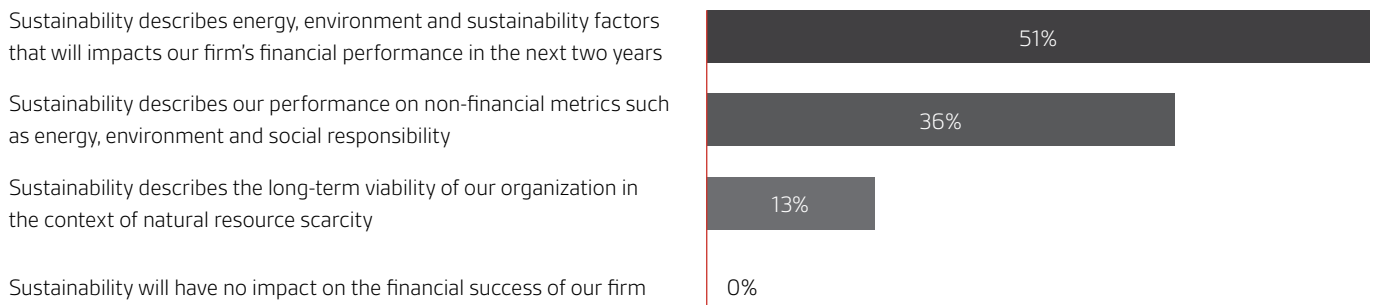


Figure 3

How important is sustainability to the financial success of your firm?

N=150



- The real indicator of commitment to sustainability is how many resources firms are putting behind management plans and programmes. We heard from 37% of firms that sustainability spend will remain flat in the next financial year (see Figure 4). The rest of the firms are confident of budget increases: 31% said they expect an increase of up to 5%; 23% predict an increase of 5–10%; and 1% believe there will be an increase of 10–30%. Some firms (7%) were unsure what would happen with budget sizes. With sustainability budgets mostly looking set to remain flat or experience single digit growth, sustainability executives have to be smart about how to deliver on corporate goals related to energy, water, waste and resource consumption. One of the principal ways to make progress has been to embed sustainability metrics or KPIs into the entire business management.

- Most firms are also allocating resources to enable more comprehensive and accurate reporting on sustainability performance. Sustainability reporting is now standard practice for large UK firms: 100% of the surveyed firms said they plan to publish a sustainability report in 2014, and 91% will integrate financial and sustainability data into their annual report (see Figure 5). The most commonly reported sustainability data will be carbon emissions (99% of firms plan to report on this), energy (98%), and social responsibility (93%) (see Figure 6). A good majority will report on waste (77%), water (77%) and other greenhouse gas (GHG) emissions (77%). These results are to be expected as there has been a mandatory GHG disclosure requirement for listed firms since October 2013.

Figure 4

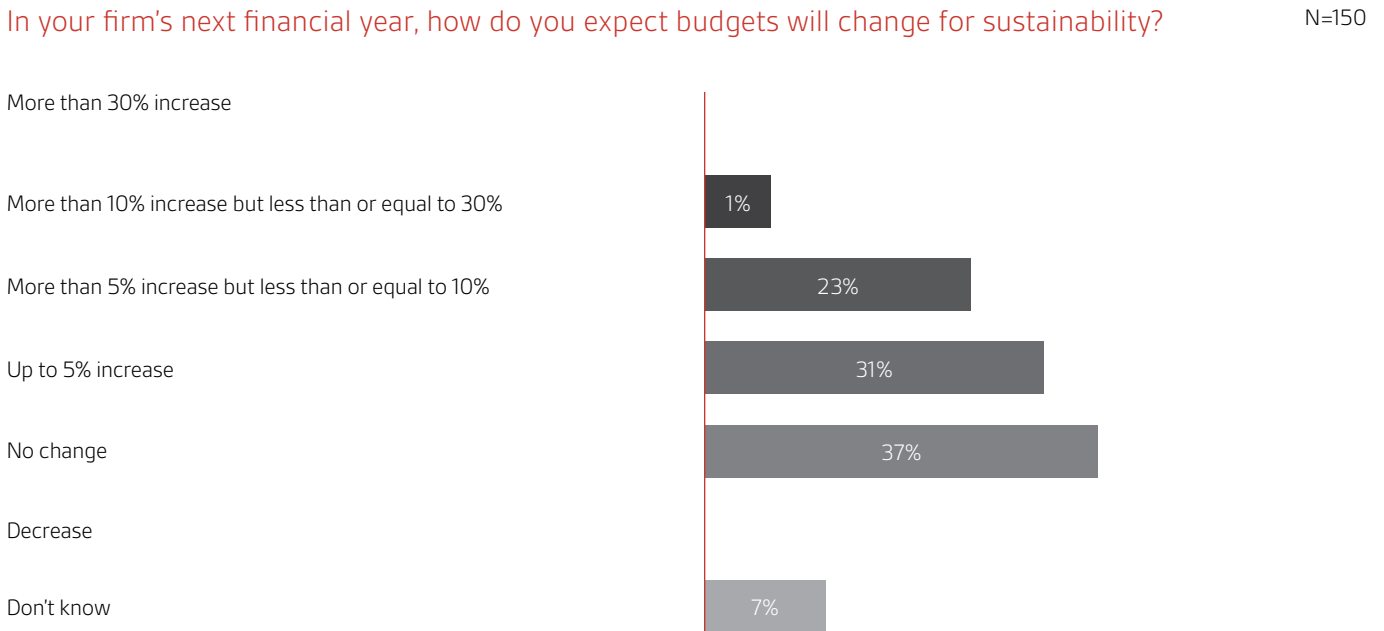


Figure 5

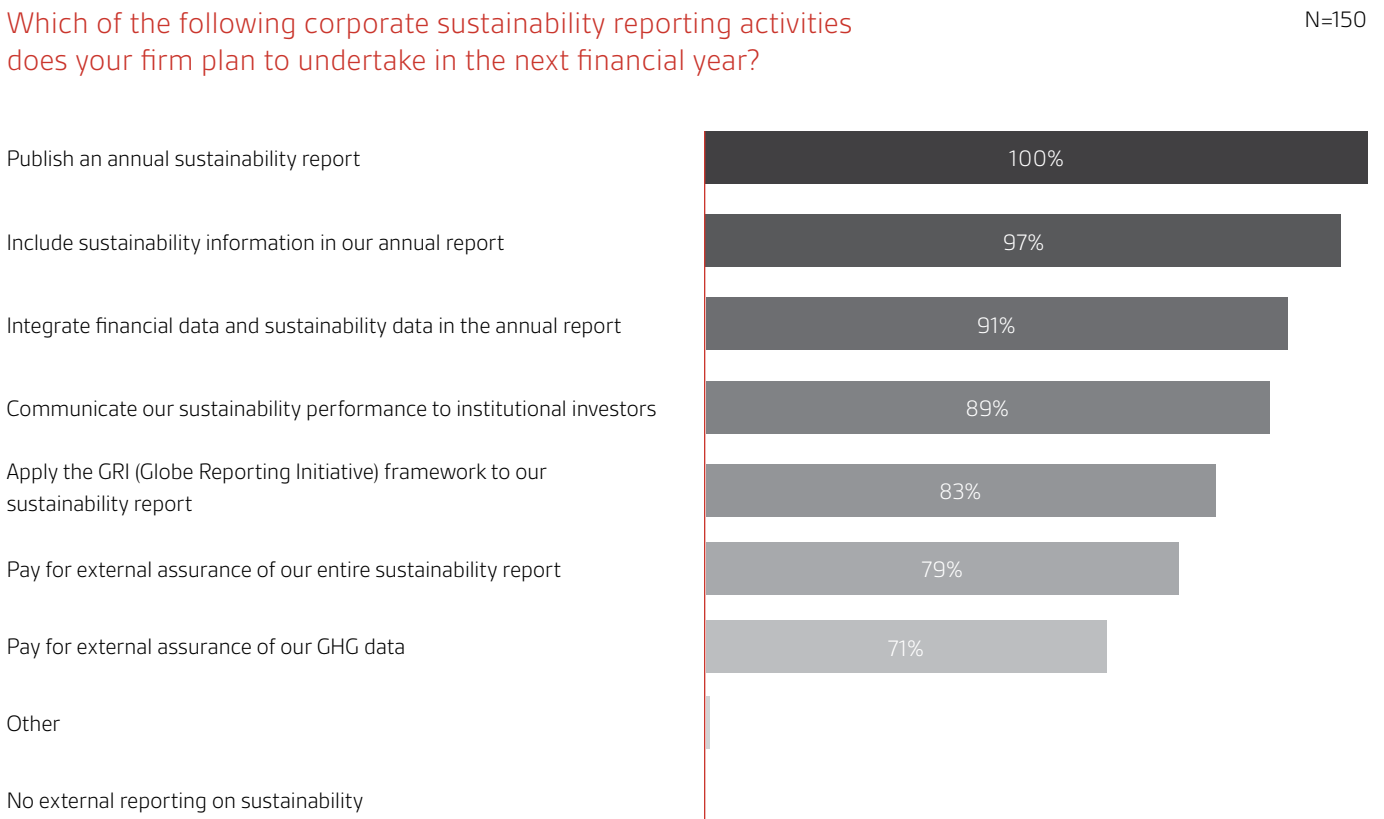
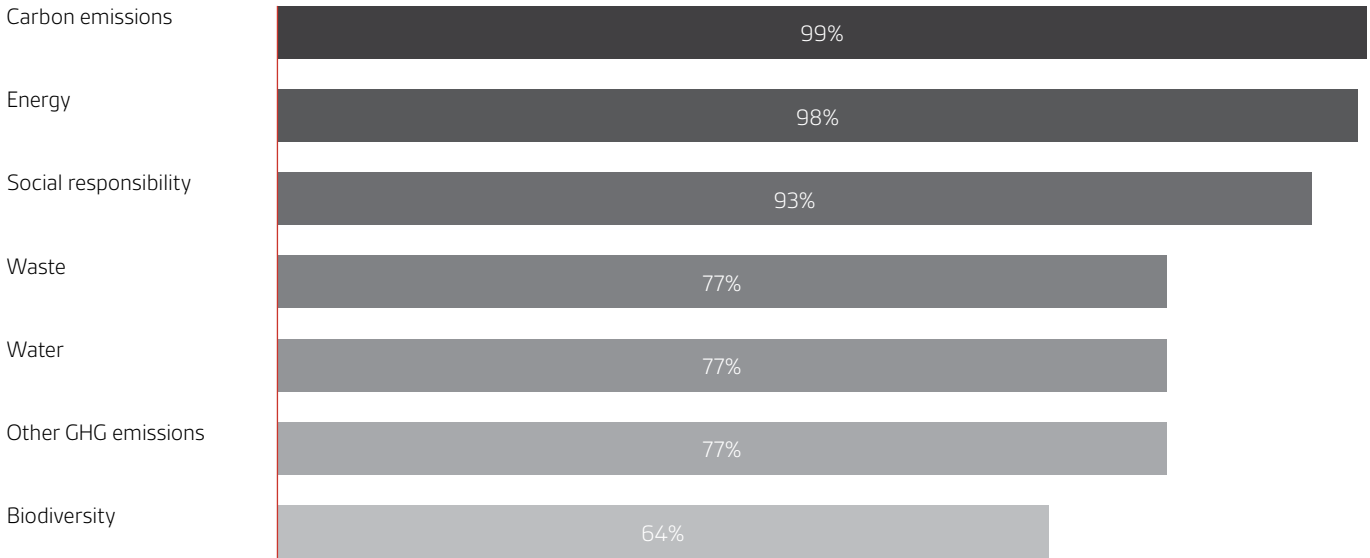


Figure 6

What types of sustainability data do you report on publicly?

N=150



The results of the survey show a broad acceptance among businesses that sustainability is a relevant issue. Most firms have dedicated sustainability teams and are reporting performance on sustainability metrics such as energy, carbon and social responsibility. While most firms began their sustainability journey over a decade ago, they have plenty more to do before sustainability becomes business as usual. Our interviews showed that firms have not yet converged onto a set of standardized best practices, but are at different stages of maturity, which can broadly be grouped into:

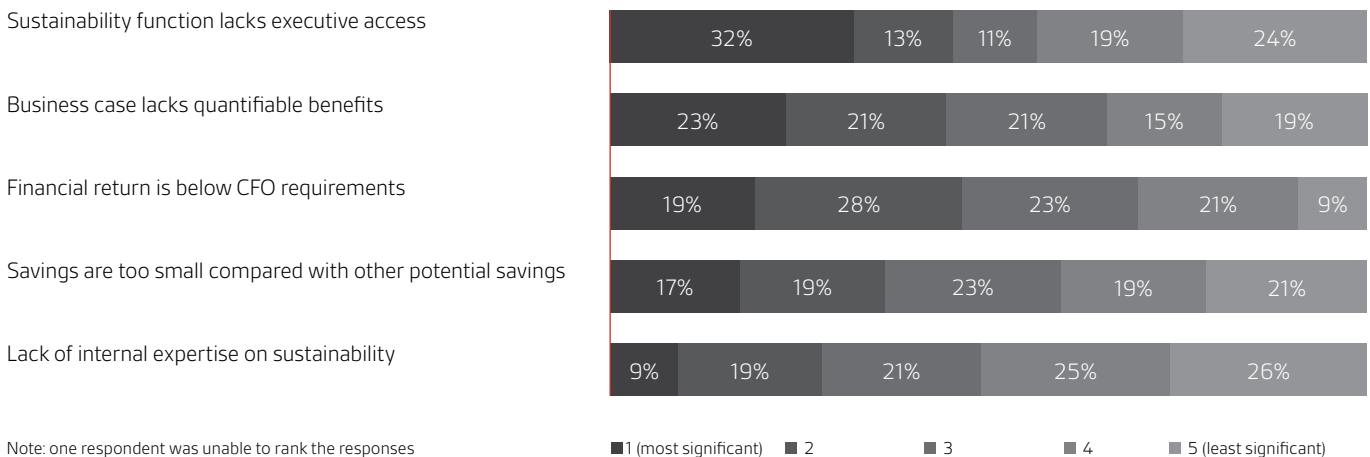
Sustainability leaders

A few notable firms, such as BT, HSBC and Marks & Spencer have widely publicized, bold sustainability agendas and ambitious plans to try to align commercial performance with sustainability. These firms often take long-term approaches in their sustainability strategies, and are prepared to invest beyond the quick wins such as lighting upgrades. Hallmarks of leadership are high executive access for the sustainability departments, long-term sustainability plans and high budgets for sustainability. Out of our survey-base, a small sample (9%) of the respondents saw the CFO financial hurdle as an insignificant barrier for investments in sustainability (see Figure 7).

Figure 7

Please rank the significance of the following barriers to investing in sustainability initiatives at your organization

N=149



Sustainability opportunists

Our survey found there is a group of firms where green practices are limited to those that are low cost, low risk and little disruption. They are looking to sustainability to drive cost savings and boost their reputation. This view of sustainability was common among our respondent-base. When we asked respondents to tell us the significance of six investment drivers for sustainability at their firm, 40% ranked reputation benefits in first or second place; and 39% of firms put cost savings in first or second place (see Figure 8).

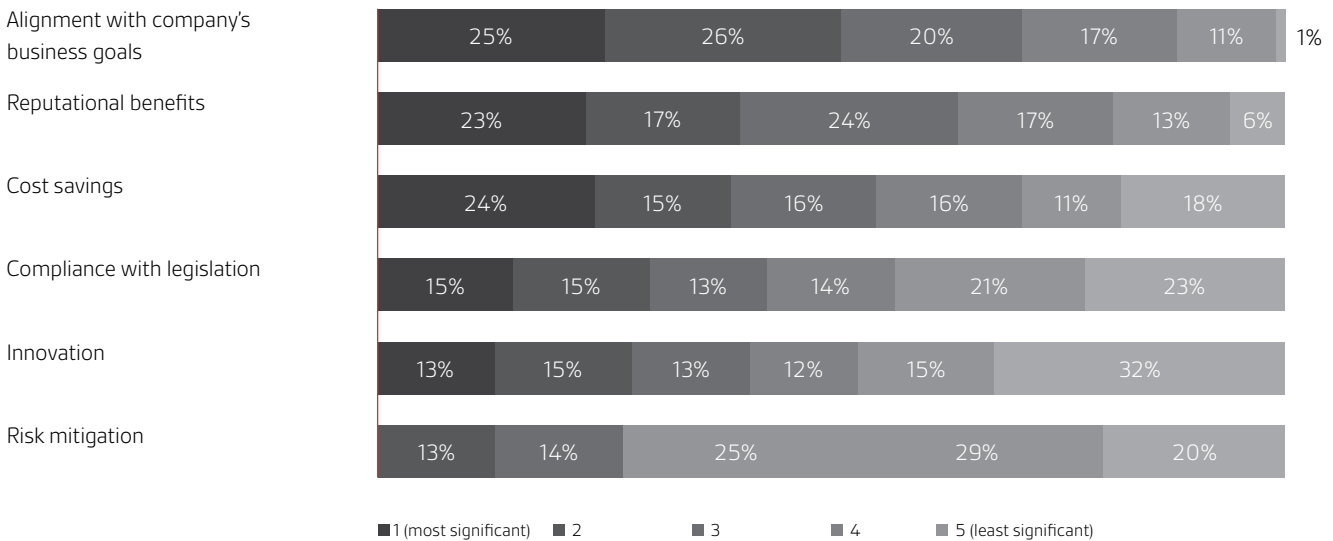
Compliance-centric firms

An analysis of the survey results finds there is a further group of firms with compliance-centric approaches to sustainability. They typically use sustainability measures to ensure they meet legal obligations, and avoid risks of a bad reputation due to a poor environmental record. Sustainability officers for these firms often lack executive access and this prevents sustainability programmes from maturing. Out of our respondent-base, 32% of firms identified the sustainability function lacking executive access as the most significant barrier to building out sustainability programmes.

Figure 8

Please rank the importance of the following factors for your organization when looking to invest in sustainability initiatives?

N=150



Standards have been agents of change for environmental and product quality management

As firms try to make progress on the pathway to sustainability they will face many challenges. Often, limited budgets and executive interest are the barriers to action, along with a lack of clarity about the steps businesses should take to make themselves more sustainable. This highlights the potential of standards to improve sustainability performance and efficiency through repeatable procedures and processes. So how exactly are UK firms leveraging standards to support sustainability programmes?

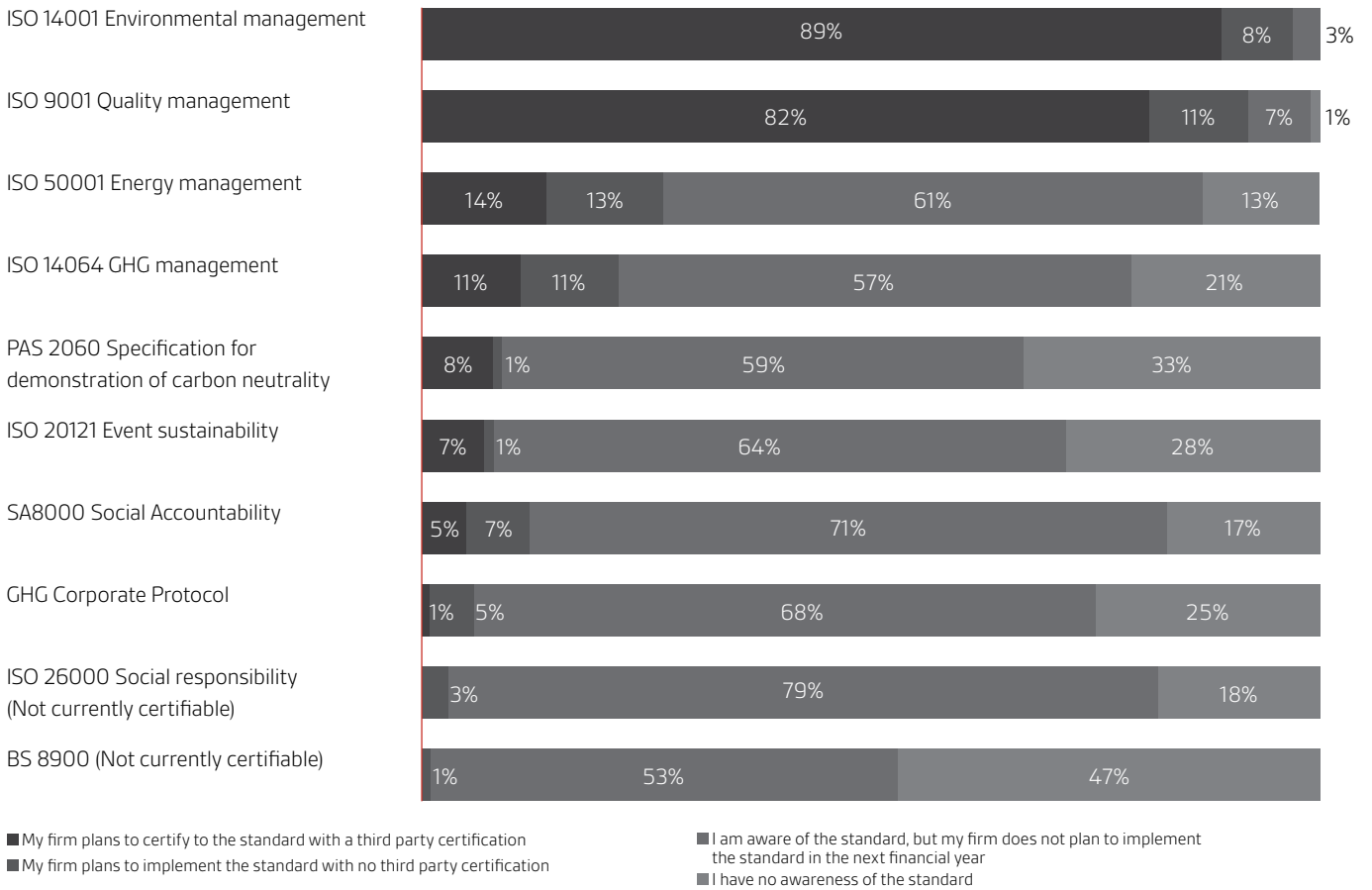
- It was clear from speaking to the 150 sustainability executives that there are two ubiquitous standards related to sustainability: ISO 14001 for environmental management and ISO 9001 for quality management. In 2014 almost all the firms we interviewed (97%) will implement the ISO 14001 environmental management system standard which was first published in 1996, in response to concerns about environmental degradation (see Figure 9). Firms told us this standard was particularly useful to keep on top of compliance. As one respondent told us: 'for our firm, using environmental standards is a requirement to make sure we are not deviating from the rules'.

- But what about plans beyond these two widely recognized standards? A review of our survey results finds industrial and technology firms will lead the uptake in the much newer ISO 50001 energy management standard in 2014. This is unsurprising given that energy-intensive sectors have more to gain from driving consistent energy management processes into their multiple business units and supply chains. Despite good levels of awareness, very few of the firms we spoke to plan to implement the BS 8900 standard for managing sustainable development. This standard, recently updated by BSI in 2013, provides a systematic approach for companies to manage sustainability and a framework for embedding sustainability into everyday decision-making.
- We heard that firms are using standards to reach compliance levels, but also go significantly beyond. We asked the sustainability executives: 'What benefits does your firm gain from implementing sustainability standards?' Responses highlighted four types of benefits: 1) improving business and sustainability performance; 2) creating formal processes to implement sustainability; 3) supporting compliance with legislation; and 4) meeting requirements from clients.

Figure 9

To what extent will your organization invest in the following sustainability standards in the next financial year?

N=150



UK firms should use standards to raise the operational effectiveness of their sustainability programmes

Widely adopted standards such as ISO 14001 and ISO 9001 have been important drivers of change in promoting environmental management and better quality management across industry. But other standards related to sustainability, such as BS 8900 for sustainable development, have not yet achieved widespread implementation. Here are our top recommendations on how corporates can use standards to put sustainability into operation:

- **Leverage standards for integration and consistency, not isolated campaigns**

Large firms have multiple layers of complexity, from distributed and varied facility types, to different strategic business units that need to engage with a single narrative on energy, environment and sustainability. For example, IT services firm Dimension Data, which operates four offices and a data centre in the UK, needs to involve various divisional leads to incorporate sustainability management into its operational excellence plan. The repeatable processes and procedures that follow from the implementation of standards provide the underlying structure for all the different business units to be able to implement and report on the KPIs derived from the single corporate vision on sustainability.

- **Use certification to demonstrate best practice to stakeholders**

Mounting pressure from regulators, stock exchanges, customers, competitors and not-for-profits means almost all of the responding firms in our survey are now disclosing data on environment, energy,

governance and social issues. Certification to standards, such as those developed by BSI or the International Organization for Standardization (ISO), is a recognized way to demonstrate commitment to continual improvement across areas such as environment, quality, sustainability and supply chain. It is particularly important for firms selling sustainability services, such as property consultancy GVA Grimley, to communicate this commitment externally.

- **Use management systems to move from compliance to optimization**

Firms operating in heavily regulated sectors, particularly basic resources, chemicals, construction, oil and gas, and utilities, have often used standards to put in place internal practices to reduce the risk and cost of operational mishaps. Building on this, these firms should look to use standards above local compliance requirements and target improving the environmental efficiency of their operations. With sustainability performance also creeping into requests for proposals (RFPs), clients increasingly will require firms to go beyond regulation-specific compliance towards strategic, globally consistent offerings that integrate new ideas such as the use of renewable energy.

Standards can form a key pillar for firms at all stages of sustainability

Most large UK firms now have a decade of sustainability management under their belt. They are now grappling with how to progress their sustainability programmes and translate sustainability into business value. Our experience shows that standards can support the progress of sustainability for firms at all stages:

- **Sustainability leaders can leverage standards to deliver sustainability at scale**

Given the dynamic nature of what sustainability means to business, what constitutes a leader is always changing. Even firms leading the way must continue to look for the next step. A classic problem is how to follow up a series of pilot projects to reach sustainability at scale. This can be facilitated by using standards to drive alignment and consistency. This has been demonstrated by Marks & Spencer's leveraging of the BS 8903 sustainable procurement standard to support its clear firm-wide vision of sustainable procurement embedded throughout the business.

- **Opportunists can put in place procedures and a systematic approach for sustainability**

Our survey found that the majority of UK firms are cost-benefit opportunists when it comes to sustainability. These firms should look to the guidance provided by management systems to help drive efficiency improvements. For example, the ISO 50001 energy management system, which uses the 'plan-do-check-act' continuous improvement methodology, drives energy management up the corporate agenda and encourages firms to think more strategically about energy management – all in order to identify much greater savings, and consistency of performance.

- **Immature firms can use management systems to meet legal requirements consistently**

Firms with a compliance-centric approach to sustainability can use management systems to ensure they meet legal obligations, and avoid risks of a bad reputation due to a poor environmental record. For example, the ISO 14001 environmental management system makes organizations ready to respond to the environmental compliance issues they face. It also helps firms put in place targeted initiatives for reducing raw material use, energy consumption and disposal costs.



Jaguar Land Rover

Jaguar Land Rover (JLR) is the UK's largest automotive manufacturer and it employs 26,000 people worldwide. In the UK it has a corporate headquarters, three manufacturing facilities and two product creation/testing facilities. JLR also has an engine plant under construction, which is due to commence operations in 2015.

Sustainability strategy

JLR's strategy focuses on reducing its environmental impact across the life cycle of its products from creation to use to disposal. JLR's carbon reduction plan primarily aims to reduce operating CO2 emissions and improve fuel consumption of new vehicles.

Sustainability management systems

ISO 14040, ISO 14044 and ISO 14062

JLR uses these three product design standards to complete full Life Cycle Assessments (LCAs) for new vehicle lines to better understand how to improve environmental impacts. Building on this, JLR has developed a Rapid LCA tool to include additional impact categories, such as the creation of acid rain, rate of resource depletion and water consumption.

JLR Quality standard (JLRQ)

JLR has developed a supplier performance monitoring system which requires all new and existing strategic suppliers to achieve third-party certification to ISO 14001. Suppliers must comply with REACH (the EU's regulation on restricted chemicals) and follow guidelines on the use of renewable and recycled materials. Suppliers also have to pass a series of sustainability criteria when they undergo a manufacturing site assessment.

Global sustainability standards are a framework for all manufacturing sites

JLR is rolling out international sustainability standards as a framework for all its manufacturing sites worldwide. Since 1998 environmental management systems have been certified to ISO 14001. All JLR sites are certified to the international health and safety certification standard OHSAS 18001.

Business benefits

Enhanced insight into product environmental impact informs design process

Findings from product LCA studies, which leverage guidance from product design standards ISO 14040, ISO 14044 and ISO 14062, are helping JLR to design vehicles which have less impact on the environment. For example, JLR has used LCA to make its most recent Jaguar XJ have a 10% smaller environmental impact and its new Range Rover emit 14% less CO2 over its life cycle compared to the previous model. These results have been audited and approved by the Vehicle Certification Agency (VCA).

Reduced waste production

JLR's environmental management system ensures best practice in recycling is followed throughout the firm's operations. By implementing recycling facilities that accept mixed waste, introducing more accurate measurement of waste and encouraging employees to improve waste segregation, JLR cut total waste to landfill 54% per vehicle compared with 2011/12.

Enhanced brand image

By helping drive reduced GHG emissions and improved fuel consumption, and guaranteeing the environmental standards of suppliers, JLR's sustainability management initiatives help JLR demonstrate a commitment to its sustainability agenda. Business in the Community recognized JLR with its award for Responsible Business of the Year 2013.

Case study

GVA

GVA is an independent commercial property consultant, providing a full range of property related services to all sectors across the UK. The company operates from 12 offices in the UK.

Sustainability strategy

GVA's sustainability initiatives focus on minimizing environmental impacts in areas directly relevant to its day-to-day office activities, with a particular focus on managing its largest environmental impact, energy. It has a growing emphasis on delivering service lines that improve the sustainability performance of client properties, investments and operations.

Sustainability management systems

Integrated management systems

In 2013 GVA was certified to six standards, including ISO 9001 for quality management, ISO 14001 for environmental management and ISO 50001 for energy management. As certification to various management systems can result in duplicate procedures and no overall measure of management performance, GVA operates a PAS 99 certified integrated management system (IMS). The scope of the IMS includes the management and best practice requirements of all ISO standards met, including quality, health, safety and environment.

ISO 14001

The day-to-day running of GVA's environmental management system is the responsibility of an in-house Sustainability team that oversees corporate procedures. GVA's environmental management system is certified to ISO 14001.

ISO 50001

During 2013 GVA incorporated ISO 50001 into its IMS. The asset register for ISO 50001 has increased GVA's awareness of two of its biggest areas of energy usage – PC use and server rooms – which the firm historically had not monitored.

Business benefits

Cost savings through better use of energy-consuming assets

Increased visibility of energy usage, highlighted by ISO 50001, led to GVA investing in PC power management software to reduce energy waste from idle computers. The investment in PC power management software has generated £7,800 annual savings with a 22-month return on investment anticipated. GVA have seen an 18% reduction in total office energy consumption (kWh per m) between 2012 and 2014.

Waste and recycling savings

GVA is targeting a 5% reduction in waste produced per full-time employee. Its environmental management system helped GVA to identify solutions for improving recycling in its London offices. These changes resulted in a 71% reduction in waste operating costs from 2010 to 2012.

Sustainability credibility

GVA believes that compliance to ISO standards is an opportunity to demonstrate best practice across quality, health, safety and environmental management. ISO 14001 and ISO 50001 certification underlines GVA's sustainability credentials as a property consultancy, enabling the company to have more credibility in engaging with clients on the sustainability performance of their buildings. An increasing number of clients are asking for evidence of a certified environmental management system.

URS

URS is a global provider of engineering, construction and technical services with more than 50,000 employees and offices in nearly 50 countries. URS has more than 30 offices in the UK. Its internal operations require energy, water, paper, and other natural resources.

Sustainability strategy

URS's sustainability initiatives focus on delivering sustainable solutions for clients on its projects, as well as reducing the environmental impacts of its internal business operations. URS has established Green Teams – comprised of volunteer employees – to support the management of internal sustainability initiatives in offices across the UK.

Sustainability management systems

ISO 14001

Environmental performance is tracked and analysed through formal environmental management systems (EMS). All UK offices are ISO 14001 certified.

Safety management system

URS has developed a safety management system, which is tailored in reference to local legislation, to help deliver on its target of zero accidents. Its health and safety management systems establish formal procedures that provide direction on health and safety matters to employees.

Quality management system

URS integrates sustainability into its quality management systems, which cover project planning and execution. URS plans to identify the best practices that have been successful in integrating sustainability principles into the quality management process within the organization.

Business benefits

Formal system for tracking environmental performance

The ISO 14001 EMS establishes a formal system to track performance related to compliance with environmental regulations.

Foundation for developing a comprehensive set of environmental and sustainability metrics

Building on its established EMS based on ISO 14001, URS is looking to capture a broader range of environmental impact metrics and activities into this system.

Standardizing environmental, health and safety (EH&S) procedures to achieve best practice

With environmental criteria starting to feature in request for proposals (RFPs) for EH&S projects, firms with a good internal performance on sustainability will be in a better position when bidding for major contracts in both the public and private sectors.

Dimension Data

Dimension Data plc is an ICT services and solutions provider headquartered in South Africa. Its UK footprint includes eight UK offices plus data centres.

Sustainability strategy

Given that emissions from air travel and IT comprise a substantial element of the carbon footprint of most global firms, Dimension Data's sustainability initiatives focus on server virtualization and cutting business travel. In 2011 Dimension Data launched a set of sustainable solutions for its clients, focused on helping clients reduce their travel and energy consumption using IT solutions.

Sustainability management systems

Environmental management system

Dimension Data has developed an EMS based on ISO 14001, and it is rolling this out across operations globally. At the end of 2013, 23% of Dimension Data's office space was certified to ISO 14001, including offices in Australia, Japan, South Africa and the UK.

ISO 14064

This standard provides organizations with the tools to monitor, quantify, report and verify their GHG emissions. Dimension Data implements ISO 14064 to quantify its GHG emissions from all business travel and energy usage.

Business benefits

Standardizing EH&S practices across global operations

The ISO 14001 standard provides guidance for monitoring environmental metrics and understanding local-level environmental legislation. This supports Dimension Data in standardizing internal environmental management processes for its global operations, and expanding the scope of environmental projects into programmes at the business unit or national level.

Better prioritization of sustainability investments

Dimension Data's EMS has helped it to identify, prioritize and manage the aspects of its operations which have the biggest environmental impact and are of the highest cost to the business. As a result of Dimension Data's EMS, it has focused its sustainability spend on substituting business travel with video conferencing.

Performance in RFPs

With sustainability performance creeping into the RFPs for major IT projects, service providers must be able to demonstrate commitment to sustainability internally. Having certification to an internationally recognized standard, such as ISO 14001, gives customers confidence that a firm has procedures in place for the prevention of pollution, compliance with legislation and continual improvement of the EMS.

More information

BS 8900-2 sets out the requirements necessary for organization leaders to take ownership and drive the management of sustainable development on a continuing basis. It maximizes the value of existing approaches such as management systems and reporting. In this, it provides for the formulation of high level sustainable development objectives.

There is a wide range of additional standards and guidance available from shop.bsigroup.com

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