

A photograph of an industrial facility, likely a paper mill, with several workers wearing yellow hard hats and high-visibility vests. They are standing near large green machinery. In the foreground, a conveyor belt is moving a large volume of paper, which is blurred due to motion. The background shows more industrial equipment and a staircase.

Moving from risk to resilience

A practical step-wise approach

Julian Walker-Palin

bsi.  **resilience
series.**

#Risk2Resilience

 **ETANTE**

My experience is varied spanning ~20 years



ETANTE: 3 yrs – Managing Director

- Sustainability & Corporate Affairs consultancy delivering practical support to brands, third sector & others
- Clear ethos and focus on driving profitability and lowering risk through sustainability & world-class communication



Current & previous non-Exec & other positions

- British Land: Member of Sustainability Advisory Panel reporting into the CFO who's responsible for £19bn of assets
- PEFC: NED of PEFC International in Geneva advising on strategic decision making for global certification
- Guest lecturer: University of Leeds both post-graduates & under-graduates



ASDA: 7 yrs - Head of Corporate Sustainability

- Created and ran Sustainability Department including responsibility for Asda's strategy and policies
- Responsible for external engagement with governments, NGOs, media & internal alignment from Board to stores



Co-opted to support Walmart activity

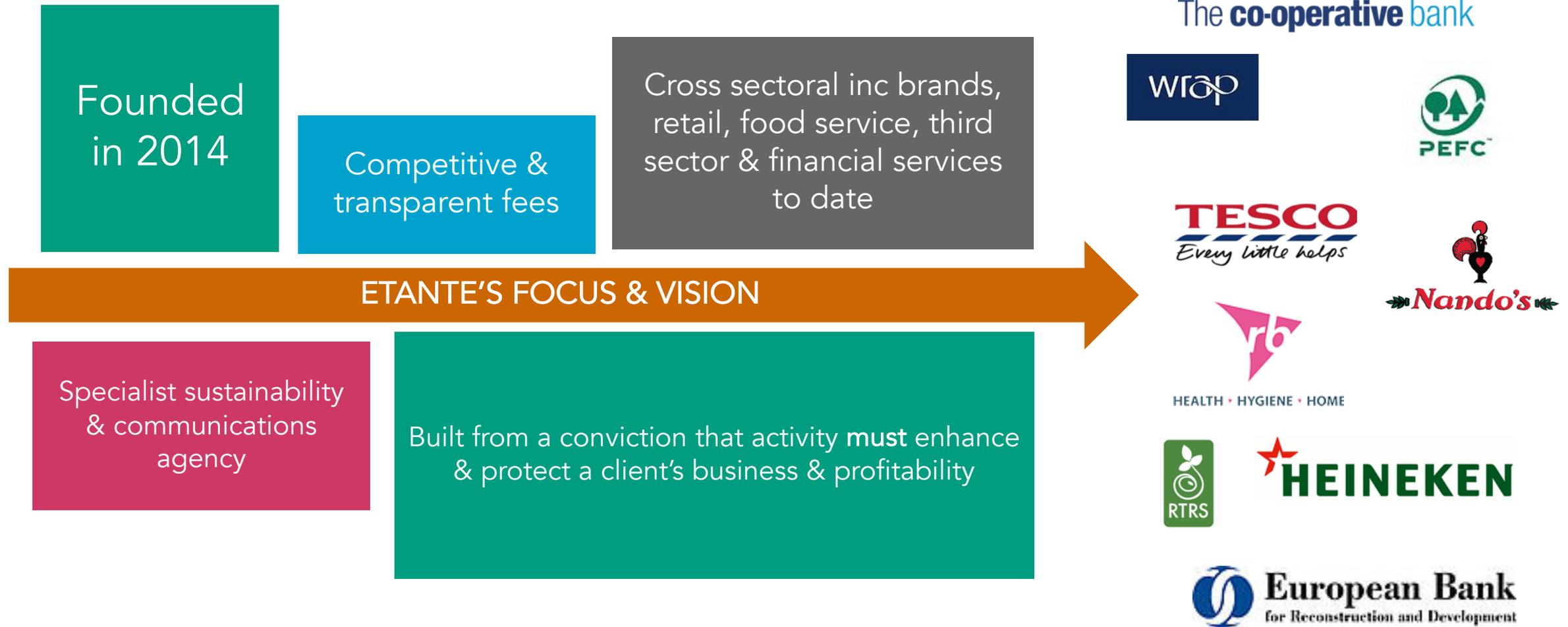
- Created and co-directed the Global NGO Management Network
- Wrote policy and delivered global sustainable palm oil procurement & subject matter lead on timber & wood



Tesco: 10 yrs - Head of Regional Corporate Affairs

- Led Tesco's local engagement across a third of the UK & responsible for all local stakeholders – MPs, Councils etc.
- Media spokesman & crisis management

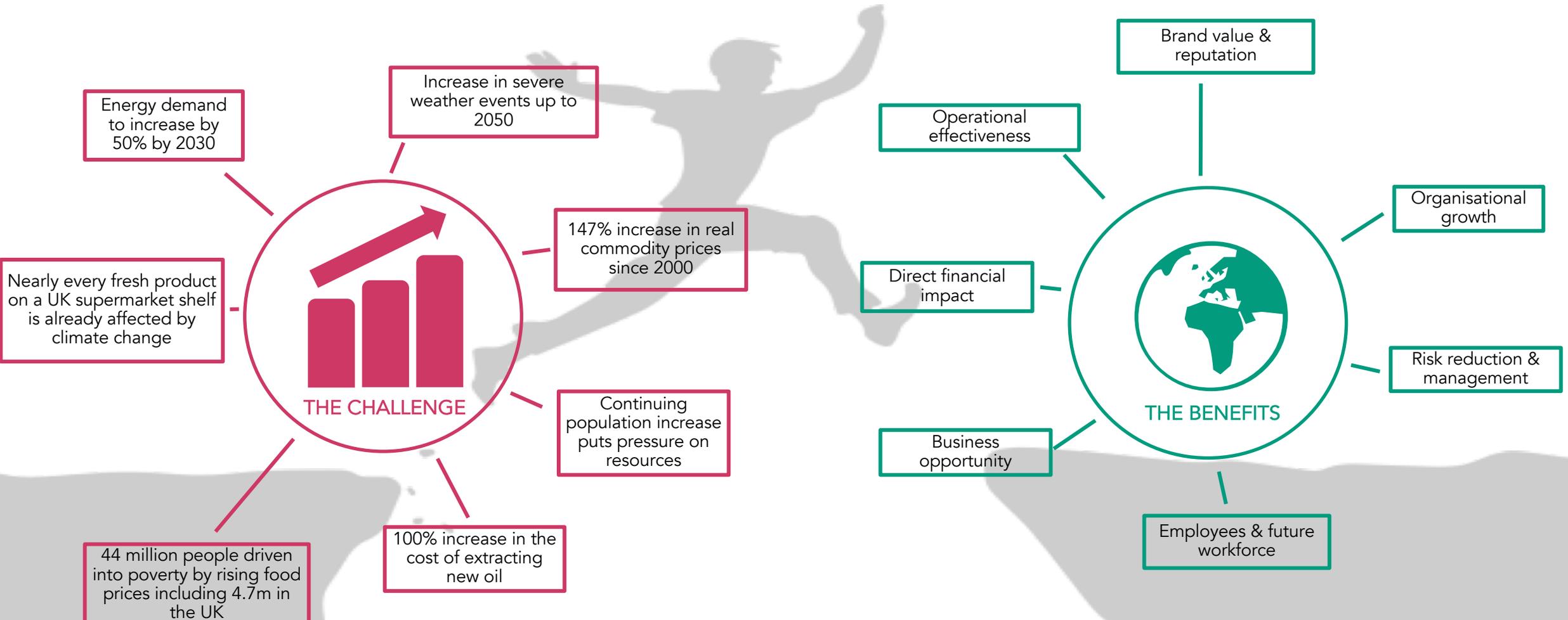
ETANTE's ethos aligned to enhancing resilience



A man in a dark suit and tie is captured mid-air, jumping over a gap between two large, dark, textured rocks. The background is a bright blue sky with scattered white clouds. The man's arms are outstretched, and his legs are bent in a jumping motion. An orange semi-transparent rectangular box is overlaid on the center of the image, containing the text "4 point approach to risk" in white. Two thin white horizontal lines are positioned above and below the text within the orange box.

4 point approach to risk

Quick recap on some key issues identified today



Adopt a four point approach

It can be challenging to identify risk

Adopting a 4-point approach ensures future activity is focussed on key areas

An internal review will allow you to understand and so better manage these risks



Let's look at each of these areas in more detail and explore a corporate who's done this well

What tools can you bring to bear to reduce uncertainty and build resilience?

1: Operational risks – where to start

Most businesses start with operational risk when building their first sustainability plans

It's a 'no-brainer' as sustainability = efficiency = lower costs

The challenge is to make sure you are measuring widely enough

Business in the Community (BiTC) have a framework of three areas to ensure your plans cover all the key impacts



1. Ensure effective resource use

2. Value & nurture ecosystems

3. Tackling climate change

Identify your key raw materials & minimise waste

Understand your direct (& also indirect) impacts on local ecosystems

Measure your carbon emissions & set plans to reduce the level

For a manufacturer there will be significant cross-over with raw material sourcing too

Often the simplest things can make a difference – cleaning & maintenance schedules, efficient kit etc.

2: Supply chain – adopting collaborative approach

Supply chain relationships have historically been short-term – Spanish weather event shows this must evolve

ASDA in 2012 created the Sustain & Save Exchange – biggest supply chain resource efficiency programme in the UK

They identified clear benefits to bottom line and sustainability

- Closer supplier relationships allow them to identify and manage resilience risks
- Encouraging suppliers to share best practice means they all become more efficient
- Shows commitment to their suppliers – Commercial Team fund it & free to use

Has it worked?

- ASDA argue it's becoming a key reason suppliers see them as a preferred partner
- Suppliers have saved >£4m and invested over £8m as a result of the SSE
- Trust has increased >40%

Tesco, M&S, GSK and others all adopt a similar approach

Even an informal collaboration network can be powerful – suppliers know how to manage issues better than buyers!

The screenshot shows the ASDA Sustain & Save Exchange website. The header includes the ASDA logo and the text 'ASDA Sustain & Save Exchange'. Below the header is a navigation menu with options: GROUP HOME, BROWSE, JOIN IN, CALENDAR, MEMBERS, and ABOUT. There is also a 'CLOSED GROUP' indicator. The main content area features three featured articles: 'Reducing energy consumption of blast chillers at 2 Sisters' (35% ENERGY SAVINGS), 'Tips for getting the best deal from your Water Supplier' (ARE YOUR BILLS CORRECT), and 'Waste Segregation and Minimization: Tips from Cranberry Foods' (SEE HOW THEY DID IT). To the right, there is a profile for Nick Donoghue, Community Manager, with options to 'Invite my Colleagues', 'Ask the Group', 'Add a Document', 'Add a Video', and 'Add a Link'. Below this is a 'PINBOARD' section with several posts, including 'Supply chain collaboration in action: How Asda is working with 2degrees', 'Asda Exchange: Resource Saver Tool Launch Video', and 'P&G needs help with renewable materials challenge'. The bottom of the page shows a 'LATEST POSTS' section with a post titled 'Employee engagement tips for a small business' by Mick Ryan, Compoppers Ltd.

3: Customers – enhancing brand trust

Unless your business is retailing it can be challenging to engage with consumers directly, i.e. your end customer

However, often for a manufacturer the majority of your sustainability impacts – and so risk – are in the user phase

For Unilever 68% of their environmental impact is in the user phase versus just 3% in manufacturing

This has meant that the Unilever Sustainable Living Plan must focus on consumers if it is to make a difference

At the same time consumers continue to care more about sustainability and the provenance of products

A focus on consumer, or customer, engagement can offer a real advantage against competitors in brand value

At the same time it can mitigate potential future NGO concerns or legislation



UNILEVER
SUSTAINABLE
LIVING PLAN
SMALL ACTIONS. BIG DIFFERENCE.

HELP
1 BILLION
PEOPLE IMPROVE
THEIR HEALTH
& WELL-BEING

HALVE
ENVIRONMENTAL
FOOTPRINT OF
OUR PRODUCTS

SOURCE
100%
OF AGRICULTURAL
RAW MATERIALS
SUSTAINABLY

4: Staff – positive engagement

The biggest asset of any business is its staff and sustainability provides an ideal focus for activity

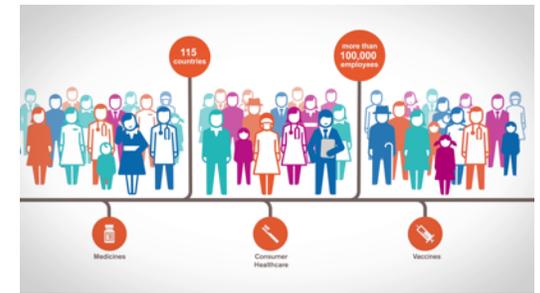
GSK in their Responsible Business strategy include a dedicated section on staff ('Our people')

They state that "Investing in our people and communities helps us to ensure the long-term sustainability of our business" as this encourages them to develop their capabilities & achieve their best and so business success

This approach also helps them to recruit the most talented & motivated people

They focus activity in four key areas

1. Health Enabling healthy, safer lives at work & at home
2. Volunteering Create positive change in communities
3. Development Future Leaders Programme to identify & train talented potential leaders of the future
4. Inclusion Ensuring that everyone irrespective of background, gender or orientation can achieve their best



A person in a dark suit stands with their back to the camera on a rocky peak. They are looking out over a vast valley with rolling hills covered in green trees. The sky is bright blue with scattered white clouds. An orange semi-transparent rectangle is overlaid on the center of the image, containing the title text.

'ABCD' plan to build
resilience

Why strive for resilience?

Resilience is simply short-hand to describe a process to ensure future success

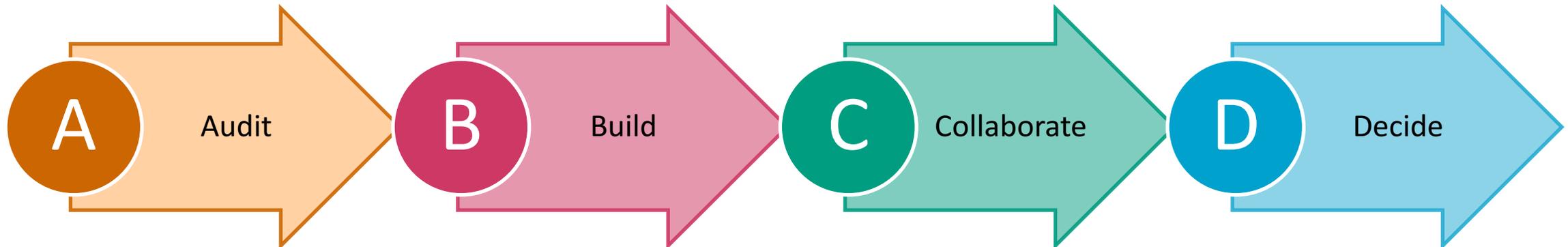
- Understand the key issues in your operations or supply chain that will change the way you do business in the future
- Identify the hot spots that are likely to lead to material scarcity or increased costs
- Put in place plans to mitigate key impacts and risks
- Over time adapt how you do business to take into account the 'new normal'

This should be integrated into business planning not left to a Sustainability Team alone

Every team across your business needs to be engaged

But, it can easily become highly complex and confusing to identify real risks versus 'noise'

ETANTE recommends adopting an 'ABCD' framework to build resilience



Step 1: Audit your impacts

Embrace the adage 'You can't manage what you don't measure'!

Initial steps might involve simply looking at where you spend the most & target those areas

- Challenge each Department Head to produce an annual top 5 of areas they consider might evolve into a material risk
- Amalgamated these issues into a corporate-wide risk map & prioritise action
- Engage the Board quarterly to review progress towards mitigation of identified risks

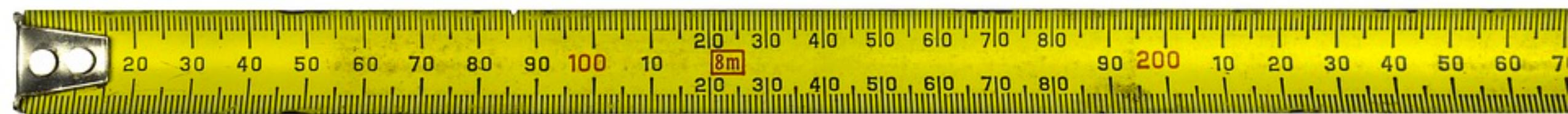
Follow on with a hotspot analysis or lifecycle assessment to provide an even more robust framework

Leading businesses are adopting a science-based approach to goal setting and future activity

- Take a look at sciencebasedtargets.org set up by WWF, CDP, UN Global Compact & WRI

At the very least awareness of future risks will allow more robust business planning

It might even lead to new product development or identification of a new market opportunity



Step 2: Build transparency

Customers and consumers are increasingly looking for greater transparency

For corporates:

- Enables them to comply with legislation like the Modern Slavery Act that require greater knowledge of their supply chain
- Supports their own resilience activity in identifying hot spots
- Many corporates are now increasingly looking for closer trading relationships with like-minded lower risk customers

For customers:

- Sustainability is increasing in importance – see ASDA's 20,000 insight panel where 93% care & 26% care very much
- Transparency can drive sustainability and so differentiation into products they want to buy

Not everyone will want to publically report activity and many take a tiered approach

- Step 1: Report annually in a CSR report or supplement to Annual Accounts as a minimum
- Step 2: Report using the GRI G4 criteria and assure your data
- Step 3: Use a framework like CDP to show how you are making progress

Leaders are increasingly engaging NGOs and inviting them to critique activity

Sustainability Advisory Boards can be useful to identify opportunities in a safe and internally focussed way

Businesses that embrace transparency will realise higher levels of trust & better identify future risks



Step 3: Collaborate for good

You are not alone! Other businesses may already be tackling that risk! Leverage their energy!

Benefits of joining existing groups or schemes are significant

- Be in the pack and collaborate to find solutions
- Out-source technical requirements & know how
- Use a third-party to monitor activity on your behalf
- Robust response to NGOs to protect your reputation
- Show tangible action to customers & staff



Identify groups to join or to encourage to collaborate on finding solutions

- Industry groups Such as Consumer Goods Forum, Automotive Industry Action Group, International Federation of Pharmaceutical Manufacturers & Associations etc.
- NGO activity Identify most relevant to your issue, like WWF roundtables, in-country programmes such as Oxfam etc.

Certification schemes may also be an opportunity to outsource knowledge & solutions

- Environmental Product focussed (MSC etc.), environmental management systems (ISO 14001) or best practice / benchmark sustainability requirements (LEAF, SAI etc.)
- Social Identify the best fit for your needs, such as local issues (inc. Neighbourly etc.) or global issues (inc. Fairtrade etc.)



Step 4: Decide to go circular

Circular Economy or Cradle to Cradle are the new buzz words for sustainable business and increasingly governments

This is a tough nut to crack

- It will mean operating in an entirely new way
- It is highly complex to fully understand – technical components versus biological components?!

What do we mean by Circular Economy?

- A system that designs out waste and maximises the use of renewable materials keeping resources useful for as long as possible
- Opposite to the linear 'Make, Take, Dispose' current approach

Benefits are potentially extremely significant according to Business in the Community (BiTC)

● Material savings ~£15-18 billion pa

● Over 100,000 UK jobs

● Food waste offers profits of £113 per tonne of UK waste, ~£1 billion pa

● Potential of 50-90% reduction in product's environmental footprint

Summer 2017 new BSI Standard will be available – BS 8001



Benefits can be substantial

There is no down side to taking action today to drive resilience even if you feel insulated from current risks





Thanks for listening – Q&A

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