



Countering Sustainability Backlash Part 2: Create the Value Proposition

By Douglas Hileman, FSA, CRMA, CPEA

Sustainability professionals are struggling to hold their ground against Sustainability backlash. Stakeholders interested in any topic are feeling besieged. Douglas Hileman Consulting LLC (DHC) suggests this was predictable. DHC suggests that stakeholders have been ineffective in building their own case. It's time to step up, one KPI and one action at a time.

1. Nobody can be everything to everybody. Accept that Company X won't be everything to you.

It was 17 years from the first Earth Day to the UN Brundtland Commissions report that coined the term "Sustainability." President Bill Clinton had a Council on Sustainable Development in the 1990s. Climate Change was recognized as a threat to the planet more than a century ago¹. The first UN Framework Convention on Climate Change Conference of the Parties was held in 1995. Stakeholders were unable to coax regulations from governments. The Carbon Disclosure Project (now CDP) launched in 2000 with the hope that, with a common framework and portal, companies would voluntarily disclose their greenhouse gas (GHG) emissions. It worked, with over 23,000 organizations disclosing in 2023. CDP now serves as an available portal for GHG reporting, including on parameters inspired by COP 21 – the Paris Climate Accords. It took decades years for mandatory GHG emissions reporting to kick in, and it's still not there yet. This is just reporting, not reduction.



Meanwhile Companies began voluntary Sustainability reporting over 20 years ago. External stakeholders wanted information on water use, water recycling, recycled content in products, supply chain management, ethical sourcing of diamonds, conflict minerals, prevention and detection of bribery, human trafficking, workplace safety, executive compensation, renewable energy use – and scores more. Standard-setters and other bodies published a proliferation of reporting standards, resulting in the oft-lamented "alphabet soup."

Regulations have begun to specify reporting and disclosure topics. The European Sustainability Reporting Standards is one notable example. Still, companies do their own materiality assessment. Even with stakeholder input ("double materiality"), stakeholders will vary, reporting topics will vary – and someone will be left out. No company can be everything to everyone².

¹ "Coal Consumption Affecting Climate", in the Rodney and Otamatea Times; August 13, 1912; image accessed 8/16/2024 at https://commons.wikimedia.org/wiki/File:19120814_Coal_Consumption_Affecting_Climate_-_Rodney_and_Otamatea_Times.jpg

² If you think YOU can, try running for city council, or get on the board of a homeowner's association.



2. Communicate your actions directly to organizations where it will do some good. Early and often.

Douglas Hileman Consulting LLC suggests that Sustainability champions inside companies don't hear much about decisions and consequences (especially positive ones) that stakeholders make based primarily on Sustainability aspects. When was the last time you told them directly?



Research studies galore claim to correlate better Sustainability performance with better financial performance. But if Company A does everything well – including R&D, leadership, product/ service delivery, customer retention, cost efficiencies, and Sustainability – wouldn't you expect it to perform better than another company with stodgy management, and behind the times on everything. Including Sustainability. If you need a PhD to understand the answer to this question, you've lost.

DHC suggests there's a better way. Take your own action, and tell them about it.



Over 20 years ago, I heard a presentation by a Sustainability manager at a restaurant chain. The company had done a remarkable job in sourcing seafood. They had identified areas where overfishing is common and where fish habitats are threatened. They ensured their wild-caught fish came from elsewhere. My holiday gesture to clients was gift cards to this restaurant. I wrote to the presenter about it – and he replied. He had told his boss, the head of marketing, and the CEO. This was the first discrete piece of positive action he had received. I found it gratifying to make someone's day. However, it was sad that \$500 action was a materiality threshold for the leadership team to notice.

Have you taken a job (or not), purchased a product (or not), purchased stock (or not) or selected a company for your supply chain (or not) where Sustainability culture, commitments and performance was the deciding factor? DHC suggests that if you are committed to Sustainability, you really should – at least some of the time. Social media is fine, but there is still something to be said for informing the company directly of your decision. Include its financial impact when possible.

3. Write your own Sustainability report.

Writing a Sustainability report is hard. You'll scour the company and online sources for data and information. It may/ may not be available. You may/ may not know exactly what you're looking for. The information may simply not be there. You'll face the challenge of creating a structured report from unstructured data.



The days of Sustainability reports as a marketing puff piece are over. The report has to be complete and accurate. Data should be traceable and verifiable. There should be safeguards against misstatement and fraud.



You can get utility usage from electricity and gas bills. Do you weigh your trash? What percentage of the content you place in your recycling bin is actually recycled? Do you pay to offset CO2 emissions when you purchase airline tickets? You would likely start with data that is easy to obtain, and for areas that are important to you.

Now consider Sustainability efforts that might be important to key stakeholders. What percentage of your business's spend goes to minority- or veteran-owned businesses? What percentage of your net income goes to non-profits, and do they align with your mission? Do you decline Amazon's tempting offer for "free shipping", insisting on paying to enable living wages and health insurance for drivers, and to offset carbon emissions³? Topics important to a spouse, your children, a business co-founder, or neighbor may become important to you. Because they said so. This is "double materiality" in action.

Paul Martiz, a manager at Microsoft sent an email in 1988 with the subject line "Eating Your Own Dogfood", a quote also attributed to Scott Mcnealy, co-founder of Sun Microsystems. Translated: identify and commit to your purpose and values; act accordingly; collect data and information, and report on your efforts. The result was a more meaningful dialog with clients.



"Count your actions. And make your actions count."

Douglas Hileman

³ Spoiler alert: Your answer here will be "no" – because you can't. How much of the Amazon (rain forest, that is) would be saved if Amazon charged for shipping? Just saying ...