A New Normal in Sustainability

Like it or not, corporate sustainability performance reporting is here to stay. Nations and states are writing sustainability into regulation, stock exchanges are integrating sustainability into reporting requirements, institutional investors are expecting greater sustainability disclosure, and large institutional customers are requiring sustainability information from suppliers. Whether public or private, large or small, companies responding credibly to sustainability questions will become the norm in 2016. Grandiose claims will no longer suffice. Goals, targets, and quantified (and verified) data are quickly becoming the standard.

Some leading privately held companies, such as Southwire and GOJO, are taking advantage of customer interest and turning sustainability programs into new business opportunities and a competitive advantage.

We've seen it before: a large, publicly traded, multinational corporation develops and implements a sustainability program; measures, manages, and publicly reports its sustainability performance; assesses the impacts, risks, and opportunities in its supply chain; implements a supplier sustainability program; and seeks some level of sustainability disclosure from suppliers, both publicly traded and privately held.

One of the most interesting and forward-thinking examples in this common pattern comes from Intel. A shareholder resolution from the New York City Comptroller sought greater disclosure from technology sector companies *and* their suppliers. Intel took the initiative to invite 75 key suppliers to sustainability training. Again, these were not just publicly traded companies but privately held firms, and they were Intel's biggest suppliers by spend.

Intel offered these suppliers an internationally certified sustainability course and had a captive audience of suppliers trained on how to identify, measure, and report on their most material environmental, social, and governance (ESG) issues. Not only did this exercise benefit Intel's own supply chain management interests, but it also helped the entire industry and interested shareholders, including the New York City Comptroller. Public *and* private companies in the supply chain started reporting on sustainability, which in turn helped those same suppliers address other customers (and shareholders and stakeholders) who were asking similar sustainability questions.

Turning Demand Into Advantage

As the stock exchanges increase their efforts and shareholders do the same, the top-down demand for transparency will eventually affect every company. Whether public or private, large or small, your company has stakeholders who will question your sustainability efforts and demand specifics about your overall ESG performance. In fact, a lack of public transparency on sustainability is increasingly triggering audits of suppliers and will increasingly be a competitive differentiator.

This issue is becoming even more relevant as a growing number of public agencies (i.e., universities, cities, counties, states, and nations) implement sustainability programs and begin to look at their own supply chains. For instance, the White House Council on Environmental Quality now features the Federal Supplier Greenhouse Gas Management Scorecard on its website. This list includes the supplier name, contract amount, and whether it discloses its greenhouse gas (GHG) emissions and has set emissions targets. This information is available for everyone to see and use, including interested customers (nations, states, corporations), shareholders, and stakeholders. It demonstrates the U.S. government's commitment to looking at these issues in its own supply chain and uses publicly reported GHG data to highlight leading and lagging suppliers.

This type of customer demand for information is creating the most powerful business case for sustainability, and it provides the opportunity for companies not only to address the growing interest in sustainability but also to differentiate themselves from competitors.

While privately held companies don't have the same market pressures driving them to measure, manage, and report on sustainability performance, they do have customers. Some leading privately held companies, such as Southwire and GOJO, are taking advantage of customer interest and turning sustainability programs into new business opportunities and a competitive advantage.

By looking at the "point of sale" (whether shares of stock or goods and services) and mapping it to sustainability demands, you can make the strongest case while also helping your company stay ahead of emerging compliance requirements. —*Mike Wallace*