

SBC Member Review 2017-2018



Member review at a glance

Every two years, we review how members are tracking against the SBC member commitments. Of 80 companies reviewed, 42 had sustainability reports and/or public accounts to review against our criteria.

What we found

- Reporting on sustainability is more integrated into overall business reporting.
- Businesses are reporting on more sustainability topics, including megatrends, ethics, human rights and labour issues.
- Gaps still remain about strategy, future objectives and outcomes.
- Further work is needed to engage stakeholders in a meaningful way that can help an organisation identify its most material issues.
- More partnerships and collaborations are being set up, and the value of these is being communicated to investors and consumers.
- There are not many good examples of reporting from smaller businesses, or from professional services firms.
- Reporting on emissions measurement and reduction measures is more visible and extensive, and is often combined with an emissions reduction plan.
- There is little disclosure of risk from climate change, or how risks are integrated into strategy and management.

Best practice

Suggestions to improve sustainability reporting

- Connect sustainability issues in New Zealand with the business' overall purpose.
- Connect megatrends such as climate change, shifts in consumer expectations and technological change with how they affect their business.
- Include the impact on all aspects of the value chain, from suppliers to consumer use and disposal.
- Consider how the sustainability story can be told for a range of audiences, including infographics, interactive online reports and videos.
- Engage stakeholders in both developing sustainability strategy and reporting on it.
- Include approaches to increase diversity and inclusion, transparency and good governance.
- Consider how business strategy is aligned with the United Nations Sustainable Development Goals.

SBC can provide support to help members address the areas where they want to improve.



Introduction

Every two years, we review how members are tracking against the SBC member commitments¹. This is the third member review.

We gather information from reports, websites and anything else the member sends us to demonstrate their sustainability strategies, activity, performance and communications.

The review gives us the opportunity to identify leading practice that can be showcased to other businesses and check that our members are acting on their sustainability plans, not just talking about them.

The member review is also a good opportunity for us to gain a broad view of trends and patterns across the membership, and gives us insight into emerging issues and challenges facing the business sector.

Having this overview helps us identify members' most critical areas of need and support, and the most important trends and issues members need to be aware of.

Trends and patterns in member sustainability activity and reporting

Of the 80 member companies reviewed against the SBC member commitments, 42 members had reports and/or public accounts of their sustainability that we could review against criteria such as sustainability context, integrated thinking, governance, measurement and performance, and balance.

Member reports that demonstrate leading practice in one or more of these criteria are noted in this summary.

The format of reports is evolving

Reporting itself, and methods of telling a sustainability story, have evolved markedly since the first SBC Member Review in 2013. Reporting formats are becoming more fluid and have moved away from solely stand-alone accounts of sustainability that were retrospective and project-based, to more comprehensive reporting of sustainable business practice that is founded on stakeholder engagement and materiality. Businesses are getting better at using the reporting process as an opportunity to review who they are communicating with, and which channels they're using or want to start using.

The reports cover more topics

A wider breadth of topics was covered in the 2017-2018 reports, and integrated reporting is more common, which shows that sustainability is increasingly becoming more embedded across the business. But there is still a way to go to get to integration at a strategy level – current reports still have information gaps about strategy, future objectives and outcomes.

¹ The full list of SBC member commitments is at the end of this report.



Storytelling is coming to the fore

With the change in topics covered and different channels and formats used, some members are developing good narratives for multiple audiences that the reports assess, starting to link megatrends with why it's important to their business, and how they are responding.

This increasing emphasis on storytelling is visible through a shift towards web-first and interactive formats such as sustainability microsites, such as Lion's,² or interactive online reports, and videos. Examples of reports that had a good narrative flow, or that were easy to navigate easily include those by Air New Zealand³, Vector⁴, Countdown⁵ and Z Energy⁶.

Stakeholder engagement is being talked about in more depth

Members' stakeholder processes are becoming more central to a business's sustainability strategy and reporting, with more detail provided in report commentary about stakeholder needs.

Reports such as those from Contact Energy⁷, Mercury⁸ and Toyota NZ⁹ provided information not only on which stakeholder groups were engaged, but also how the stakeholder groups were engaged and what their interests were.

There is still a lot of work ahead for our members to engage stakeholders in a meaningful way that can help an organisation identify its most material issues, however, examples of leading practice in this area are the reports from Sanford¹⁰ and SKYCITY¹¹.

More collaboration and partnerships are happening

More collaborative work and initiatives are being set up between different organisations to achieve similar outcomes, but they're not always called 'partnerships' or 'collaborations'.

We questioned whether we were seeing more partnerships and collaborative work, or just more reporting of it. After looking at the fundamental nature of the relationships being established, we concluded that more collaborations and partnerships are being set up, and businesses are understanding the importance of communicating to investors and consumers about the value of these relationships and their aims and objectives.

Reporting on megatrends remains rare

Many businesses still do not communicate the regional or global marketplace issues and trends that could impact the value of their business. Of the businesses that do communicate this, the top three megatrends mentioned are climate change, shifts in consumer expectations and technological change.

² [Lion sustainability microsite](#)

³ [Air New Zealand 2017 Sustainability Report](#)

⁴ [Vector 2017 Annual Report](#)

⁵ [Countdown 2017 Corporate Responsibility Report](#)

⁶ [Z Energy Annual Report 2017](#)

⁷ [Contact Energy 2017 Full Year Report](#)

⁸ [Mercury 2017 Annual Report](#)

⁹ [Toyota NZ 2017 Sustainable Development Report](#)

¹⁰ [Sanford 2017 Annual Report](#)

¹¹ [SKYCITY Entertainment Group 2017 Annual Report](#)



Good examples from member companies, that include commentary on what was hard and will need to change, as well as highlights and successes, include Contact Energy¹², SKYCITY¹³, Spark¹⁴ and Z Energy¹⁵.

Some types of businesses are better at talking publicly about their sustainability than others

We were pleased to see that members are continually evolving their report format and content. In two segments of the member base – SMEs with less than 10 staff, and professional services firms – there is a lack of strong examples of reporting or having a public account of their sustainability activity or strategy. 3R¹⁶ is an example of good reporting by a smaller business.

Global vs local

For our members who are part of a global company, with a head office in a different country, measuring and reporting New Zealand sustainability activity and plans remains difficult and complex. Some members are influenced by the changes to the NZX guidelines that will require a 'comply or explain' approach to disclosing non-financial risk, and starting to re-align reporting processes and frameworks to be able to publicly disclose non-financial risk.

Emerging Issues

Human rights and labour issues

Many more businesses are visibly including ethics, human rights and labour issues in their supply chain policies, guidelines and criteria. These policies, guidelines and criteria are becoming easier for investors or members of the public to find on businesses' website and/or in their reports.

Need to look at the whole value chain

Where value chain is considered, the main focus remains on impacts and value in the upstream supply chain; it is still rare to read or see information in reports about how organisations are looking at consumers use their products and disposal of them in the downstream.

Examples from members communicating their value chain well in report commentary or infographics include Lion¹⁷, DB Breweries¹⁸, The Warehouse¹⁹ and Toyota NZ²⁰.

¹² [Contact Energy Full Report 2017](#)

¹³ [SKYCITY Entertainment Group 2017 Annual Report](#)

¹⁴ [Spark ESG report 2017](#)

¹⁵ [Z Energy Annual Report 2017](#)

¹⁶ [3R Sustainable Development Report 2017-2018](#)

¹⁷ [Lion Sustainability Report 2017](#)

¹⁸ [DB Breweries Sustainability Report 2017](#)

¹⁹ [The Warehouse 2017 Annual Report](#)

²⁰ [Toyota NZ 2017 Sustainable Development Report](#)



More reporting on inclusion, transparency

Diversity and inclusion, and transparent governance are becoming more widely accepted as fundamental elements of good business practice.

Reports that include comprehensive commentary about different approaches to increase diversity and inclusion, include Contact Energy²¹, Countdown²², Ports of Auckland²³, and Westpac NZ²⁴.

Businesses that have included comprehensive commentary on transparency and good governance, such as the role of the Board in a company's sustainability, include New Zealand Post²⁵ and Z Energy²⁶.

Emissions the main reported environmental issue

Reporting on environmental factors has shifted markedly towards emissions measurement and reduction measures.²⁷ This shift in focus hasn't totally eclipsed commentary about waste, water and biodiversity, but it is much more visible and extensive.

And there is robust evidence and substance behind this reporting of emissions - third-party support and certification for GHG emissions, coupled with an emissions reduction plan, is becoming more common for SBC members, across businesses from different sizes and sectors.

However, while there is increasing reporting on the impacts of climate change, there is still little disclosure of actual risk, or how risks are integrated into strategy and management. Sanford set a precedent by gaining external certification of both financial and non financial risks.²⁸

Connecting to the bigger picture

Commentary about what sustainability means for New Zealand as well as the business is more frequently included in reports. But, apart from a small handful of members, it is not yet written about in a meaningful way that connects this broader context to the company's narrative about its purpose or aims.

Examples of businesses providing clear information about how sustainability in New Zealand connects with their company purpose and goals included Air New Zealand²⁹, IAG³⁰, New

²¹ [Contact Energy Full Report 2017](#)

²² [Countdown 2017 Corporate Responsibility Report](#)

²³ [Ports of Auckland 2017 Annual Review](#)

²⁴ [Westpac NZ Sustainability 2017](#)

²⁵ [New Zealand Post 2017 Integrated Report](#)

²⁶ [Z Energy Annual Report 2017](#)

²⁷ For examples of how businesses measure and report on emissions, see [SBC's Quick Guide: Emissions Management and Measurement](#)

²⁸ [Sanford 2017 Annual Report](#)

²⁹ [Air New Zealand 2017 Sustainability Report](#)

³⁰ [IAG 2017 Annual Review Sustainability Report](#)



Zealand Post³¹, Ports of Auckland,³² and Sanford³³.

Connecting to the SDGs

We can see different levels of business engagement with the United Nations Sustainable Development Goals (SDGs), and there isn't a "one-size-fits-all" approach. Businesses currently have a great opportunity to work out how the SDGs work for them and we look forward to seeing how these different approaches have developed by the time of the 2019-2020 review.

Examples of how businesses are integrating the SDGs, each one taking a different approach, are Fonterra³⁴, Meridian Energy³⁵, Sanford³⁶ and Vector³⁷.

³¹ [New Zealand Post 2017 Integrated Annual Report](#)

³² [Ports of Auckland 2017 Annual Review](#)

³³ [Sanford 2017 Annual Report](#)

³⁴ [Fonterra 2017 Sustainability Report](#)

³⁵ [Meridian Energy 2017 Report](#)

³⁶ [Sanford 2017 Annual Report](#)

³⁷ [Vector 2017 Annual Report](#)



Full list of reports mentioned

3R - Sustainable Development Report 2017-2018	https://3r.co.nz/our-story/sustainability-2/
Air New Zealand 2017 Sustainability Report	https://indd.adobe.com/view/ba876813-8fcc-4c0a-bff9-bd8dae07b0aa
Contact Energy 2017 Full Year Report	https://contact.co.nz/aboutus/media-centre
Countdown 2017 Corporate Responsibility Report	www.countdown.co.nz/media/8686/countdown-cr-report-nov-2017.pdf
DB Breweries Sustainability Report 2017	www.dbsustainability.co.nz/reports/DBSustainabilityReport2017.pdf
Fonterra 2017 Sustainability Report	https://view.publitas.com/fonterra/sustainability-report-2017/page/1
IAG 2017 Annual Review Sustainability Report	www.iag.com.au/sites/default/files/Documents/Results%20%26%20reports/2017-annual-review-sustainability-report.pdf
Lion Sustainability Report 2017 & Microsite	www.lionco.com/content/2017-Sustainability-Report-FINAL_1.pdf https://sustainability.lionco.com/
Mercury 2017 Annual Report	https://issuu.com/mercurynz/docs/mcy_fy2017_annual_report?e=25554184/52397429
Meridian Energy 2017 Report	www.meridianenergy.co.nz/assets/Investors/Reports-and-presentations/Annual-results-and-reports/2017/Meridian-Energy-Integrated-Report-for-the-year-ended-30-June-2017.pdf
New Zealand Post 2017 Integrated Annual Report	www.nzpost.co.nz/sites/default/files/uploads/shared/annual%20reports/2017-nzpost-integrated-annual-report.pdf
Ports of Auckland 2017 Annual Review	www.poal.co.nz/media-publications/resultsandreviews/2017%20Annual%20Review.pdf
Sanford 2017 Annual Report	www.sanford.co.nz/investors/reports-1/company-reports/2017/2017-annual-report/
SKYCITY Entertainment Group 2017 Annual Report	www.skycityentertainmentgroup.com/media/1764/skycity-annual-report-2017_web.pdf
Spark ESG report 2017	www.sparknz.co.nz/content/dam/SparkNZ/pdf-documents/SPARK_ESG_Report_2017.pdf
The Warehouse 2017 Annual Report	www.thewarehousegroup.co.nz/investor-centre/company-reports
Toyota NZ 2017 Sustainable Development Report	www.toyota.co.nz/globalassets/about-toyota/2017_tnz_sdr-report.pdf
Vector 2017 Annual Report	https://vectorwebstoreprd.blob.core.windows.net/blob/vector/media/vector-regulatory-disclosures/annualreportvec173_ar2017_web_final.pdf
Westpac NZ Sustainability 2017	http://westpacsustainability.co.nz/
Z Energy Annual Report 2017	https://investor-centre.z.co.nz/investor-centre/assets/Uploads/Z-Energy-Annual-Report-2017.pdf



How we support members

The SBC Member Review is vital to help us identify leading practice and gaps in members' capability that we can address through its events and work programmes. Below are the trends and areas of needs identified in the previous and current Member Reviews, and how we provided support or are planning to provide support.

2016 trends/ areas of need	SBC support (delivered)	2018 trends/ areas of need	SBC support (planned)
Value chain	Development and launch of SBC Value Chain Guide, with case studies and links to resources. www.sbcvaluechain.org.nz	Sustainable procurement	<ul style="list-style-type: none"> Workshops on sustainable procurement, including different categories, new supplier versus existing, ethics and human rights in the supply chain "Quick Guide" to sustainable procurement services and tools available to NZ businesses Profile members' leading practice in this area
Governance	<ul style="list-style-type: none"> Continue to work with other NZ organisations on board diversity and sustainability disclosure. Setting up a group of Directors active in sustainability. Profile exemplars in these areas. 	Reporting <ul style="list-style-type: none"> The trend towards web-first reporting. How (and what on) small businesses can report Professional services firms' reporting 	<ul style="list-style-type: none"> Profile members' leading practice in this area Workshop on the evolution of reporting Refreshed 'SBC Brilliant Basics' webinar on reporting fundamentals and getting the most value out of it

2016 trends/ areas of need	SBC support (delivered)	2018 trends/ areas of need	SBC support (planned)
Megatrends in a NZ context	<ul style="list-style-type: none"> • Deliver a more focussed workshop on megatrends and considerations for business strategy. • State of CSR launch 2015 	GHG emissions	<ul style="list-style-type: none"> • Science-Based Targets workshops (delivered February-June 2018) • Refreshed SBC "Brilliant Basics" webinar on GHG measurement and reductions • An SBC "Quick Guide" to carbon measurement services and tools available to NZ businesses • Profile members' leading practice in this area
		Leadership and governance	<ul style="list-style-type: none"> • A Good Corporate Governance Checklist and Scorecard for directors and CEOs about integrated thinking and sustainability governance • Professional development courses to enhance members' resilience and leadership skills, including the Future Leaders Programme and the Sustainable Leadership Programme • Business breakfast for Directors and CEOs to build understanding and strategic oversight, management and disclosure of sustainability and emerging ESG issues in the Boardroom
		Sustainable Development Goals	<ul style="list-style-type: none"> • Profile members' leading practice in this area • An event on how to "Push Go" on the SDGs, and how to go further if you've already started

Sustainable Business Council member commitments

A member must seek to actively demonstrate business leadership in sustainable business and will commit to support the work of the SBC through making available in-house competence and appropriate human resources.

Members must share a commitment to the balanced pursuit of economic growth, ecological integrity and social progress and work towards achieving the outcomes listed in the SBC's Statement on Principles for Sustainable Development.

In addition, but not limited to, each member is required to:

- a) produce a sustainable development report, integrated report or public account demonstrating that member's progress on environmental, social and economic performance within 2 years of becoming a member;
- b) participate in at least one SBC initiative every two years;
- c) have the Chief Executive or director of that member, or a direct report to the Chief Executive, to attend at least one SBC meeting in each calendar year;
- d) prior to providing the SBC with a sustainable development report, integrated report or public account, members will provide SBC with an annual summary on that member's progress and plans in implementing sustainable business practices, including the areas covered by SBC projects;
- e) respond to any reasonable and relevant request for information from the Advisory Board that is not commercially sensitive;
- f) begin to measure and report to the SBC on that member's carbon footprint, within two years of becoming a member;
- g) report to the SBC on that member's plan to reduce its carbon intensity within three years of becoming a member;
- h) report to the SBC on that member's process for procuring sustainably within three years of becoming a member.



For information about SBC membership, and our member commitments, contact

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