Business lifting the ceiling, government raising the floor
Executive Summary

Sustainability means success over the long term. As a country, we need to be strategic about the challenges we face in being sustainable, realistic about the potential outcomes, and decisive in taking action. We also have to accept the reality of our current situation and be willing to address issues which could put our long term success at risk.

Business is pivotal in helping to lead this change. Many Sustainable Business Council members recognise that there are hard conversations to be had and big decisions to be made to secure a sustainable future.

This pre-election briefing aims to share our members’ views of what business can do to shift the dial on sustainability, and how we can work with and inform the government formed after the election. This document outlines the principles we think will make a difference.

Our common goal is to have a good, strong vibrant economy, where innovation is the norm, where New Zealand’s clean, green image is intact and communities prosper across all aspects of life. Government needs to be an enabler in this process, recognising that the political cycle does not necessarily assist with long-term structural change.

Business is well placed to be at the table. The Sustainability Business Council’s members are ambitious and every day we see evidence of some of the largest and most innovative companies in New Zealand working to embed sustainability within their own organisations - and working together to share ways to improve.

Government can help by providing the framework to encourage business; considering the environmental and social performance of the goods and services it buys; supporting consumers to make more informed decisions; driving accountability and transparency; and ensuring easy access to authentic information.

Business is a powerful resource for problem solving and our members want to work more closely with Government to come up with solutions.

Creating an environment that supports sustainability is in everyone’s interests. All New Zealanders – businesses, communities and government – should be taking tangible steps towards a low carbon, resource efficient economy, with greater recognition of the social role that business can and should play.

Brett Tomkins
Chair of the Sustainable Business Council
Partner – Deloitte
Our Commitments

The Sustainable Business Council commits to:

- All members actively influencing the wider business community through sustainable procurement
- All members improving information sharing, transparency and accountability
- Providing a platform for businesses to collaborate across multiple sectors
- Focusing on understanding what drives consumer behaviour and what influences consumers to make decisions to buy sustainably sourced goods and services

- Sharing exemplar practice within our membership and brokering the business benefits of sustainable business practices to the wider business community
- Working with government to find ways to support and incentivise the transition to a sustainable future

Summary of Recommendations

For a resource efficient economy, within three years we want to see:

- Business and government collaborating to come up with a shared understanding of what a low carbon economy looks like, a clear plan for transitioning to a low carbon economy and the first steps underway
- More urgency in providing analysis and discussion on the role pricing should play to reflect the true value of resources, and subsequent action
- Government focusing on frameworks that encourage business to be more resource efficient, e.g. product stewardship and waste diversion schemes
- Businesses working strategically with government on issues of infrastructure and funding that incentivise sustainable freight and transport options

For greater recognition of the social role of business, within three years we want to see:

- Increased alignment of effort between government, Sustainable Business Council member businesses and the social sector on employing vulnerable young people and building greater resilience in sole parent families

To improve the environment while increasing export growth, within three years we want to see:

- Sustainable business leaders involved in regular forums with government leaders to plan and grow exports while improving environmental quality
- Regular independent, consolidated New Zealand environment reports with central government, local government and business leaders responding to priority issues identified

To enhance the role of government as enabler and consumer, within three years we want to see:

- Government partnering with business to make substantial progress on the big issues, including transitioning to a low carbon economy, retaining New Zealand’s reputation for a quality environment while increasing export growth and enabling more businesses to employ vulnerable young people
- Government introducing procurement guidance requiring government agencies to consider suppliers’ environmental and social performance, as well as cost
- Work with business leaders to identify policy levers to ‘raise the floor’ and deal with free-riding
- Work with business to improve business transparency and accountability
- Government reporting regularly against a wider range of measures, including natural and social capital
- Work across political boundaries to ensure long term certainty on climate change policy
About SBC

The Sustainable Business Council advocates a better way of doing business, one that helps create a sustainable future for New Zealand. It is the voice of sustainable business in New Zealand and connects and inspires New Zealand businesses to work together to come up with solutions. It is action-focused and currently coordinates a range of projects. It is the New Zealand global network partner to the World Business Council for Sustainable Development.

The Sustainable Business Council has 66 members, including many of New Zealand’s largest businesses across a wide range of industries. Our council members are senior executives and decision-makers. All members have made a commitment to the balanced pursuit of economic growth, ecological integrity and social progress within a business context and to report on their progress.

An important part of the Sustainable Business Council’s work programme is putting a long-term vision into action. The Action 2020 project aims to turn the aspirational global Vision 2050 document into actions that New Zealand businesses can achieve in the next six years.
About this briefing

This pre-election briefing focuses on the principles for how business and government can collaborate effectively to bring about change.

There are recent examples of where government and business have worked well together. Businesses have benefited from the Energy Efficiency and Conservation Authority’s (EECA) business programmes for reducing energy use. Equally, the Land and Water Forum demonstrates how focused collaboration between government and business can shift debate on key issues and concerns. The current government has also negotiated some of the roadblocks around improving housing affordability, helped by good engagement with the building and construction and finance sectors.

These are just some of the many areas where government and business have been collaborating and making tangible progress. Our members believe there is more we can do, recognising that businesses are diverse in their aspirations. As such, we need to work together to demonstrate a vision for a more sustainable future.

Over the past few months we have been talking extensively to member businesses about their own sustainability priorities, the priorities for business in general, and where they see the role of business and government in creating change. Our information is drawn from a survey of members and a series of workshops to further canvass our members’ views.

As a result, the Sustainable Business Council has committed to make a difference with business leading change. It has also identified further areas where business and government can work together more effectively to support each other’s goals:

- **The role of business in leading change:** Understanding the unique roles business and government can play in creating a better future for New Zealand. This will enable us to work more strategically together on the big issues
- **Creating a resource efficient economy:** This includes establishing a clear pathway for how to transition to a low carbon economy
- **Improving our environment while increasing export growth:** Prioritising export growth while supporting New Zealand’s reputation for a quality environment
- **Business with a social impact:** Recognising the important role business plays as an employer, taxpayer, and citizen in addressing how society meets the needs of its members
- **The role of government as enabler and consumer:** Procuring from suppliers with sustainable business practices – if businesses and government as consumers do this it will incentivise performance improvements across a range of businesses
1. The role of business in leading change

Each of our members has distinct priorities. Their focus is broad, ranging from solar energy initiatives or financial inclusion in the community to developing electric plug-in hybrid cars or finding more efficient freight solutions.

Despite their differences they have identified a number of common challenges and opportunities. New Zealand businesses are now collaborating to find solutions to issues including water quality and freight efficiency, improving biodiversity, identifying sustainable value chains and procurement, having a social licence to operate within communities and finding ways to make it easier for unemployed young people to enter the workforce.

Leading businesses are also changing the way they share information and report on progress to improve transparency and accountability. New Zealand Post Group developed this country’s first Integrated Report in 2013 that assessed progress against a range of different capitals: financial, manufactured, intellectual, social and relationship, human, and natural.

Business is well placed to take a lead role in driving the sustainability agenda in New Zealand. The strengths of business see them regularly collaborate to lead solutions across multiple industries, through strong innovation, the ability to take solutions to scale and measuring what works.

Our Action2020 work programme – which will guide the Council’s work over the next six years - aligns with a global business effort to change the way we operate. Our New Zealand priorities are likely to include improving our understanding of business dependencies and impacts on the environment, reducing our carbon footprint and supporting disadvantaged young people and sole parents into jobs, among others.

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Within three years, the Sustainable Business Council commits to:

- All members actively influencing the wider business community through sustainable procurement
- All members improving information sharing, transparency and accountability
- Providing a platform for businesses to collaborate across multiple sectors
- Focusing on understanding what drives consumer behaviour and what influences consumers to make decisions to buy sustainably sourced goods and services
- Sharing exemplar practice within our membership and brokering the business benefits of sustainable business practices to the wider business community
- Working with government to find ways to support and incentivise the transition to a sustainable future
2. Creating a resource efficient economy

Moving to a low carbon economy

In a recent survey, our members said moving to a low carbon economy is one of their top business priorities. Businesses are at risk if we cannot develop and implement a credible plan for transitioning to a low carbon economy. All Council members have committed to reduce their carbon footprint and over 10% are already carbon neutral. But ongoing uncertainty about the future of climate change policy is having an impact on the speed that businesses adopt sustainable practices. At the same time, businesses leading the drive for greater efficiency are often being placed at a disadvantage, bearing costs that other businesses are not.

We want to explore: the different approaches to transition to a low carbon economy (e.g. pricing versus social marketing), how a transition will affect New Zealand’s wealth and how to phase change. Government needs to provide long-term certainty by coming up with an approach that has cross-party support. This issue needs to be depoliticised.

Creating a resource efficient economy

Resource efficiency really matters to businesses. Our members believe New Zealand can become more resource efficient if the next elected government continues to develop stronger partnerships with business. EECA’s Business unit and the Department of Conservation are good examples of government agencies working effectively with business to achieve shared goals.

Over the next three years and beyond, our members want to see a stronger emphasis on addressing the role pricing can play to reflect the true value of things like carbon, water and waste. We know this is a hard conversation and there are challenges to be worked through.

We also want to explore with the next government how New Zealanders recognise businesses that are pushing the boundaries to reduce their impacts on New Zealand.

Within three years we want to see:

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- Government focusing on frameworks that encourage business to be more resource efficient, e.g. product stewardship and waste diversion schemes
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What we’re doing:

Resource efficiency

Members are working together to improve resource efficiency across water, waste, energy and transport (freight). Solutions include developing spatially based clusters of business (for example, around Auckland Airport).

Value chain mapping

SBC is providing practical advice for businesses on mapping their value chains – looking beyond arms-length transactions with suppliers and buyers.
3. Improving our environment while increasing export growth

Partnering with business on sustainable growth

New Zealand Trade and Enterprise’s promotion of New Zealand fisheries as a sustainable export business is a good example of how we can successfully promote export growth while actively protecting and improving the natural environment.

There is an opportunity for New Zealand to further increase export growth while maintaining and improving environmental quality. To achieve this, business and government will need to work together closely, particularly given the economy’s heavy reliance on food production and the ‘services’ from the environment that those sectors rely on. New Zealand needs to be more ambitious in how it embeds sustainability into the New Zealand growth strategy. Government and sustainable businesses can work together to identify where growth will come from so that environmental quality is maintained and ultimately improved.

Protecting and supporting New Zealand’s “brand”

Increasingly, New Zealand is being challenged on its clean, green New Zealand brand. While it remains widely respected internationally, members believe this reputation is now fragile and increasingly tested by export partners. This brand is critical for many New Zealand businesses, particularly in the export and tourism industries. It needs to be actively protected and championed by government and business. That means government actively introducing policies that support New Zealand’s reputation for having a quality environment and all businesses being aware of how they can change the way they operate.

A number of SBC members said New Zealand has gotten away with how we’ve been operating only because of our relatively small population and because no one has been bold enough to challenge where we are heading. We all need to take ownership of this problem before the advantage we draw from the perception of our quality environment is completely lost.

Within three years we want to see:

• Sustainable business leaders involved in regular forums with government leaders to plan and grow exports while improving environmental quality
• Regular independent, consolidated New Zealand environment reports with central government, local government and business leaders responding to priority issues identified

What we’re doing:

Biodiversity loss

Biodiversity loss is just one example of where member businesses have identified that not enough considered action is being taken. A number of SBC members are taking their own steps to address biodiversity loss.

Effective partnering

SBC has released a guide on what business thinks effective partnering looks like.

Ecosystem Services Review tool

The Ecosystem Services Review tool that some members are trialling is supporting businesses to gain a deeper understanding of their dependence on the environment.
4. Businesses with a social impact

Increasingly businesses are focusing on what they can contribute to society. Businesses have an interest in ensuring a diverse and productive workforce and a healthy society through: reduced unemployment, strong communities, affordable housing, a healthy workforce, families working effectively and people currently receiving income support moving back into employment.

The Sustainable Business Council recognises the efforts government has made in some areas, for example, increasing discussion on options for affordable housing, connecting young people to training and work through the Youth Service scheme and an increased focus on young people achieving NCEA Level 2. In the past, conversations about welfare and employment took place between government and social service providers with minimal business input. We welcome the growing recognition of the important role business has to play. More can be achieved with government, business and social sectors working together.

**Within three years we want to see:**

- Increased alignment of effort between government, Sustainable Business Council member businesses and the social sector on employing vulnerable young people and building greater resilience in sole parent families.

**Benefit to employment project**

Members have developed a package to assist businesses to successfully employ vulnerable young people. It includes a work starter internship and management training. The approach will be piloted by some member companies in partnership with Auckland Council this year. It aims to use employment and childcare as catalysts for building greater resilience in sole-parent families.
5. The role of Government as an enabler and consumer

Leadership and debate on the big issues

Over the past 12 months we have held regular meetings between business leaders and chief executives of key government departments on natural resource issues. We want to see sustainable business leaders continuing to be invited to the table to provide input and expertise on some of the important issues that are now having a major impact on businesses in New Zealand. These include: water quality, energy sustainability, food production, social equity, biodiversity loss, financial inclusion and housing affordability, among others. These issues affect business access to resources, including employees, and our customer base. But while business has a stake in finding solutions, these are not issues it can drive solutions for alone - many are issues for civil society, government and business to address together.

We will need to identify how to transition to new ways of working. We will need to identify and grow viable alternatives for a range of business activities. All parties need to be aware that this will be a process of transition. It is unrealistic for most businesses to change overnight. They will need to keep one foot in one world while building another.

Enabling environment

While planning for the future, we can also act now. There is significant low-hanging fruit that can be dealt with by changing our approach such as making better use of new technologies. As an example, a significant energy saving could be achieved right now across New Zealand. We need to work out how to enable this to happen.

Government should ensure a more consistent regulatory environment. As an example, our members have told us that some businesses in Auckland are moving from one area to another to avoid adopting more stringent waste reduction standards rather than improving how they work.

Our members have proven that business can raise the ceiling. We believe, working together, there is a role for government to ensure there is a minimum standard that is met. At the moment, there are too many businesses free - riding on the good actions and reputation of others. Together we need to discuss the best approach for changing this, whether through regulation or pricing, as two examples. To achieve an enabling environment for business, the public service must have the right skills to get pragmatic change.

Government championing sustainable business

Some businesses are doing a lot of work to explore, challenge and investigate new ways of operating in a fast-changing environment. Government could do more to celebrate and promote these trailblazers. There’s a lot of scepticism out there about businesses acting sustainably. We think business and Government can work together to grow New Zealanders’ understanding of what responsible business looks like and to build confidence that some businesses are taking significant action. Government can be vocal and demonstrable in supporting the sustainable business agenda and partnering to show that government values the role those business leaders play.

Government procurement

The next government has an opportunity to make a significant change to business practices through institutional purchasing. It can demonstrate what it means to be a model consumer and influence sustainable business practice as one of the country’s largest purchasers of goods and services. We know from experience that business responds to client demands.

Many government clients want outcomes that support economic, social and environmental objectives but this is not well reflected in, or supported by contractual processes. As an example, a significant roading contractor across New Zealand, would use 100% bituminous emulsions (affording significant environmental and safety benefits) if that was a requirement for government procurement. Many councils talk about liveable cities, but, with the exception of Christchurch, most are not willing to

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support solutions that might cost more in the short term, but make good economic sense when all of the impacts are taken into consideration. We want to see a longer-term and wider approach to procurement by government – looking not only at the cost of goods or services but also their entire value – taking into account cost or benefits to communities and the environment. We can work with government to identify the areas where there would be the biggest long term benefits for the lowest cost.

**Improved government reporting**

Better measurement and reporting of natural and social capital will lead to greater transparency and accountability as well as improved awareness among consumers and investors. This helps business to act and invest. Sustainable Business Council members think strong monitoring frameworks for environmental and social performance are incredibly important. This information, produced regularly, in a robust way, helps them work out where to focus in the future.

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Sustainable Business Council members

Strategic partner members