

**Sustainable
Business Council** 

 wbcSD Global Network Partner

**Working together for
a better future:**
a partnership platform for business
and government

Pre-election briefing 2017 

Introduction from our Chair

There has never been a better time for business and government to work together on sustainability for New Zealand.

Following the Paris agreement, we have unprecedented global momentum on climate change, with targets that require business and government to work together if they are to be achieved.

The Sustainable Development Goals (Global Goals), signed by New Zealand in September 2015, were developed by the UN in partnership with governments, civil society and business. They present a model for collaboration, and a framework that provides all of us with shared purpose and common targets on our most serious environmental and social issues. Like the Paris agreement, they will not be delivered without business action.

SBC and its members believe that business has a leading role to play in advancing New Zealand's environmental and social performance alongside our economic performance. Our members are committed to integrating sustainability into their business strategies and decision-making. And they report on their non-financial performance.

But they also share a wider concern that no New Zealander gets left behind and that our environment

which makes New Zealand special, is properly valued. We want to deepen relationships with government and communities to accelerate progress towards those ends, and to create the conditions that support business to invest in sustainability.

The responsibility for progressing a sustainable future for New Zealand needs to be shared and our members want to work with government to enable New Zealand to move towards a low-emission, resource efficient economy, and achieve social prosperity for all Kiwis. We want to be partners to scale up solutions for a sustainable New Zealand. This briefing outlines where we see opportunities for business to best collaborate with the next government, and why it is important to us.

Sustainable Business Council members are ambitious, innovative, active and ready to accelerate the transition to a sustainable New Zealand – as fast as we can.

Alistair Davis

CEO Toyota NZ

Chair Sustainable Business Council



About SBC

The Sustainable Business Council is a group of companies and partners that advocate for a better way of doing business. As part of BusinessNZ, our mission is to help create a sustainable future for New Zealand. We are the voice of sustainable business in New Zealand, and we connect and inspire New Zealand businesses to work together on the issues that matter. We are action-oriented and currently coordinate a range of projects advancing the cause for sustainable business. We are the New Zealand global network partner to the World Business Council for Sustainable Development.

The Sustainable Business Council has 86 members, including many of New Zealand's largest businesses. We represent a wide range of industries whose collective revenue is more than a quarter of New Zealand's private sector GDP.

All members have made a commitment to the balanced pursuit of economic growth, environmental integrity and social progress within a business context, and to report on their progress. This includes measuring and reducing their carbon footprint and influencing the wider business community through their supply chains.

We represent



About this briefing

This pre-election briefing outlines our members' priorities for working with government to drive the sustainability agenda for New Zealand.

Our information draws on individual discussions, workshop and a survey of our members. We asked members about their own business's sustainability priorities, the wider priorities for the business community, the role of government in facilitating sustainability and how they want business and government to work together over the next term and into the future.

Summary of Recommendations

SBC member businesses want to work in partnership with government on sustainability – most urgently to accelerate New Zealand's transition to a low-emission economy and to ensure that prosperity is shared. We see the Sustainable Development Goals as providing the framework that enables this to happen.

The four priority areas members identified are:

- 1. Transition to a low-emission economy:** we want to collaborate to develop a clear pathway to a low-emission economy. This will be necessary if we are to meet our Paris Agreement commitment to reduce our emissions by 30% emission reduction on 2005 levels by 2030.. We would like greater clarity and certainty on climate change policy so that decisions about investment, innovation and business growth are future-proofed.
- 2. Leave no one behind:** as employers, taxpayers, and corporate citizens we want to ensure nobody is left behind on the journey to a socially, environmentally and economically prosperous New Zealand. We want government to welcome business as an important partner in improving social outcomes for all New Zealanders.

3. Strengthen NZ Inc: our members would like to see government showing more leadership on balanced and transparent reporting. We need to ensure that social and environmental outcomes are better reflected in decision-making by government and business.

4. Back business to be sustainable: we would like to see government remove barriers and incentivise innovations and technologies that can help commercial enterprises be more sustainable and to scale at speed to help build a more resilient New Zealand.

Our members are clear that the Sustainable Development Goals (Global Goals) represent an unprecedented, and thus far unexploited, opportunity to bring together government, business and civil society to work with common purpose towards common goals.

1. Prioritise the transition to a low-emission economy

“Is government prepared to collaborate across parliament on climate change policies to achieve long term certainty and tangible progress towards a low-emission economy?” SBC member 2016 pre-election forum

Moving to a low-emission economy is now the number one priority for SBC member companies. They take climate change seriously and are assessing the impact it will have on their operations. They are reducing their own emissions and some are innovating to reduce emissions in the products they sell to customers. But they are concerned that government is lagging behind and they want certainty about long term climate policy, so they can move faster.

What we're doing:

All SBC members have commitments to measure and reduce their carbon footprint. A number, including SBC itself, are carbon neutral.

Member businesses are already taking a lead and innovating to support the transition. Z Energy's biofuels initiative is a significant investment to deliver part of the solution. And it is backed by Z Energy's major customers including Fonterra, Fulton Hogan, Air New Zealand, Downer and New Zealand Post, who have committed to buying the biodiesel, even at a premium price.

Member businesses such as Mercury, Air New Zealand, Westpac, Vector, and Contact have invested in and publicly championed Electric Vehicle uptake as a low emissions solution for New Zealand businesses and consumers.

NZ's Future Climate: We have established Climate Action groups delivering emission reduction activity to 2020, and have convened leaders from across sectors to develop a Climate Vision and model for systems change.

SBC Freight Efficiency Group: Our members collaborated to enable freight owners and freight carriers to develop procurement guidelines which provide advice about how to procure freight services to reduce emissions, as well as detail what could be formally requested in a tender.

What we need from Government:

Uncertainty about the future of climate change policy is impacting the speed at which businesses are able to adopt low-emission practices. Businesses need long term certainty about the regulatory settings that will advance New Zealand towards a low-emission future, so they can invest with confidence. Right now, this certainty is missing. Government needs to be clear and unambiguous about how it intends to meet our Paris Agreement commitments and the policy required to support that, so that businesses can make decisions, confident that the goalposts won't suddenly shift.

The issue is sufficiently significant and long term that cross party consensus is required. We would welcome an agreement on a long-term approach to deliver our emission reduction target, that can transcend the three-year electoral cycle. It is also critical for government to work closely with the key industry sectors that will need targets and enablers to transform. Having these in place will make it easier for business to innovate through or plan around technological uncertainty. This will be as critical for small and medium enterprises as it is for larger businesses.

Over the next three years we want:

- ▶ To be involved in defining and shaping climate change policy that goes beyond the ETS so we can move faster towards a low-emission economy.
- ▶ To be part of a national conversation about NZ's Paris Agreement emission reduction commitments, what we need to do to deliver on them, and what that means for communities, households, businesses and industry sectors.
- ▶ Non-partisan, de-politicised climate change policy that provides long term certainty and a smooth transition to a low emission economy.
- ▶ To collaborate on initiatives that enable continued economic growth in a low-emission economy, such as incentives for sustainable freight and transport options.

2. Leave no one behind

“How do we ensure everyone has access to prosperity, so we all benefit?”

SBC member 2016 pre-election forum

Since our 2014 pre-election briefing, the most significant shift in outlook has been towards the need for improvements in social outcomes for the most vulnerable New Zealanders. Our members are clear that they have no interest in any New Zealander being left behind; especially:

- a) Young people
- b) Rural communities
- c) The regions
- d) SMEs
- e) The poor
- f) Vulnerable communities

Our members understand that we cannot have healthy businesses without healthy communities. If society doesn't function well, then business is at risk. That means being sustainable isn't just a moral project, it's a business imperative. Sustained and inclusive growth with full productive and decent work for all must be a priority.

What we're doing:

A New Zealand where prosperity is shared ensures a thriving marketplace for business. As such business has a strong interest in ensuring that the right opportunities and support are in place, so that no one is left behind.

Our members want a role in building a diverse and productive workforce and a healthy society through:

- reduced unemployment,
- economically independent families and households,
- strong communities,
- affordable housing,
- a healthy and safe workforce.

Benefit to employment project

Members have developed a package to assist businesses successfully employ vulnerable young people, including work starter internships and management training. During the pilot phase members successfully recruited and retained 9 young sole parents in employment.

We recognise the efforts government has made in some areas through increased focus on social investment for outcomes, options for affordable housing, connecting young people to training and work through the Youth Service Scheme and young people achieving NCEA Level 2.

We welcome the growing recognition of the important role business has in the country's social prosperity. More can be achieved with government, business and social sectors working together.

Over the next three years we want:

- ▶ Better alignment of effort between government, Sustainable Business Council members and the social sector on initiatives to drive household and community prosperity; especially opportunities to support vulnerable young people, and to build greater resilience in sole parent families.
- ▶ Greater collaboration between business and government to identify opportunities to reduce the vulnerability of rural and provincial communities, and to reduce regional disparities in economic and social well-being.
- ▶ Increased focus on life skills training, alongside technical and vocational skills training, to ensure all New Zealanders are equipped with the interpersonal skills and self-efficacy to flourish in the workforce of today and tomorrow.
- ▶ Continued support and engagement with business through the Sector Workforce Engagement Programmes.

3. Strengthen NZ Inc.

“New Zealand’s future prosperity relies on the decisions we make right now to safeguard and nurture our natural and social capital. That’s what the world wants to buy from us and why New Zealanders want to live here. We must do everything to remain global leaders in sustainability.”

SBC member 2016 pre-election forum

NZ Inc. is the promise of a clean, green and socially equitable nation offering safe, high-quality, ethically made goods and services. It is a non-corrupt place to do business, a desirable destination for tourists, and a prosperous market for investors. When we export our products, it is a core part of our value proposition.

However, as consumers in overseas markets scrutinise the environmental and social impacts of the products they buy ever more closely, New Zealand has an urgent need to ensure the authenticity and credibility of that value proposition; and to continue to invest in it. We need to demonstrate exemplar practice in delivering on our commitments to international sustainability goals and targets.

What we’re doing:

Members have a focus on better, more balanced and transparent accounting for, and reporting on, environmental, social and financial capital. Investors are also becoming more active with some demanding that businesses demonstrate their environmental, economic and social impacts through transparent and integrated reporting.

In 2016 SBC strongly encouraged the NZX to update its reporting rules to require listed companies to disclose non-financial information. The consultation draft suggested that our recommendations will be accepted.

Natural Capital Protocol

New Zealand business relies heavily on natural capital, and some are looking to better understand their impacts and dependencies on it. Members have worked with SBC to pilot tools and approaches that support them to do this.

Following the release of the Natural Capital Protocol in 2016, SBC members workshopped this new framework, building on understanding developed from using Ecosystem Services tools piloted by members in previous years.

The Living Standards work by Treasury is a great example of bringing more balanced decision making to policy setting. We want to see this sort of approach applied more broadly by government.

We would also like to see government consistently valuing natural capital in policy setting and decision making, so we can be confident that that economic growth and environmental impact are being balanced in a way that contributes to NZ Inc.

Our members also believe there is an opportunity for SOEs and Crown Entities to demonstrate leadership by adopting integrated reporting, an area in which New Zealand Post and KiwiRail are already leaders.

Over the next three years we want:

- ▶ A demonstrable commitment to balancing economic growth, environmental integrity and social prosperity.
- ▶ Living Standards work by Treasury applied more broadly across the public sector.
- ▶ To keep working with government to ensure Natural Capital is valued in policy setting and decision making
- ▶ SOEs and Crown Entities undertaking balanced, transparent and accountable integrated reporting



4. Back business to be sustainable

“What will government do to get New Zealanders investing more in the productive, sustainable economy instead of housing?” SBC member 2016 pre-election forum

Organisations that integrate sustainability into the way they do business outperform those that don't. Sustainable business practice can lower the cost of capital, result in better operational performance, positively influence share market value and improve reputation.

These organisations also voluntarily seek to reduce their negative impacts on society and the environment, thus reducing costs that would otherwise be borne by the state.

SBC members simply believe this is a better way of doing business, and believe government can play a significant role in removing barriers and incentivising this approach.

What we're doing:

Electric Vehicle Partnership Programme

During 2015 and 2016 SBC and its members worked closely with the government to identify a package of measures that would accelerate the take up of electric vehicles, to help reduce the carbon intensity of road transport in New Zealand.

A key component of that approach is joint procurement of electric vehicles by the private and public sector to stimulate supply of cars to New Zealand. The government has played a critical role removing barriers, and incentivising innovation that has enabled business to be more sustainable and scale at speed.

Government procurement

Another way to accelerate sustainable practice is by rewarding businesses for it through the procurement process. With spend of around \$30 billion a year, government is New Zealand's most powerful customer. Members would like to see the next government take a more strategic approach to purchasing, using it as an opportunity to get the best overall value for New Zealand by balancing social, environmental and financial outcomes. For example, civil infrastructure companies could supply significantly more

environmentally friendly bituminous emulsion for roading, but this is not rewarded by the current procurement approach. We want to see principles such as 'whole of life value' and 'enabling business to succeed' executed consistently through government procurement processes. SBC is happy to work with government to identify the areas where there would be the greatest long term benefits.

Government championing sustainable business

Government could do more to celebrate and promote New Zealand businesses that are demonstrating sustainability. This would improve New Zealanders' understanding of what sustainable business looks like and build confidence for more businesses to take action.

Over the next three years we want:

- ▶ To work with government to communicate the current barriers and identify the support needed to enable sustainable solutions to be scaled at speed.
- ▶ A strategic approach to government procurement, that takes into account the total lifetime cost of goods or services, including their environmental and social value.
- ▶ Government acting as a champion for the sustainable business agenda, and partnering to show that government values the role business plays in advancing sustainability for New Zealand.



A platform for how we'll deliver in partnership: Sustainable Development Goals (Global Goals)

"As a politician, what will your legacy be in contributing to a strong and sustainable New Zealand?" SBC member 2016 pre-election forum

The 17 Global Goals agreed to by 193 countries and adopted by New Zealand in September 2015, provide us with an unprecedented opportunity to come together with a common purpose. They were developed and agreed to by governments, business and civil society. They can only be achieved by collective action.

SBC members are already acting to align their activities with the global sustainability priorities the Goals represent. Fonterra, Z Energy and Sanford have started mapping their strategic objectives to the Global Goals and aligning their work programmes with the targets. And SBC will align its work programme in a similar way.

We asked our members which three goals should take priority. They told us the following were most important:

- 1. Goal 13 - Climate Action;**
- 2. Goal 8 - Decent Work & Economic Growth;**
- 3. Goal 1 - No Poverty.**

In July 2016 the Global Goal dashboard for New Zealand published on the ISSUU digital publishing site identified that our poorest performance was on Goal 14 - Life Below Water and Goal 15 – Life on Land – two key components of the NZ Inc value proposition. This emphasises the importance of taking an evidence based approach to choosing where to focus.

Stakeholders from academia, business and civil society have expressed a commitment to the Global Goals and as a framework for collective action. Given the nature of the Global Goals development, it will also be necessary for priorities in New Zealand to be identified through collaboration. We'd like to invite the government to bring together key stakeholders with the intention of creating collective action in a way we've never been able to before.



Over the next three years we want:

- ▶ Decide the priority Global Goals for New Zealand (in collaboration with non-government stakeholders)
- ▶ Develop a plan of action on these priority Global Goals, with clearly defined responsibilities across business, government and the non-government sector
- ▶ Explore how to help New Zealand business understand the Global Goals and how they can support their achievement
- ▶ Share stories and experience on progress towards achieving the Global Goals



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