We first assembled our Leadership Council to identify business sustainability challenges in 2007. At the time, business leaders were optimistic about the opportunities that lay ahead: The business case for social responsibility was coming into focus. In the subsequent six years, most organizations have experienced the proverbial win-win: they realized significant economic value by integrating sustainable business practices into their products, services and overall operations. They were able to sell sustainability internally because short-term costs were rewarded with short-term gains.

Further progress, however, requires larger investments with longer time frames. To continue their journey to sustainable business, these leaders recognize the need to tackle system-wide challenges beyond the boundaries of their organizations. They see the need, for example, to educate consumers and convince them to consume responsibly. The need to work with government regulators to produce integrated public policies on environmental and social issues. And the need to collaborate with unlikely partners, even competitors, to rewrite the rules for supply chain management. These are not easy tasks.

In its role as connector and catalyst, NBS looks forward to helping these leaders and their companies tackle the challenges ahead. By bringing together academic and industry experts with similar visions but different knowledge and experiences, we will produce frame-breaking new insights. We will reveal new business models that benefit both business and society. The challenges may be great, but that means the potential for growth is also great.

I hope managers are inspired to partner with researchers and tackle these challenges. And I hope you enjoy reading this report.

Sincerely,

Tima Bansal, PhD
Executive Director, Network for Business Sustainability
Professor, Richard Ivey School of Business
Canadian business leaders have reached a pivotal moment in their sustainability efforts. The period of low-hanging sustainability fruit is over. It is now time for leaders in the Canadian marketplace to raise the bar, reach high and wide, and create innovative sustainability opportunities.

As the challenges identified in this report and those over the previous five reports show, sustainability is not an easy path to follow, let alone set. With continued economic uncertainty, regulatory changes and commodity price fluctuation comes significant pressure to do more with less, invest only in high value projects, and accept lower risk investments.

It is clear that Canadian business leaders are rethinking the way they approach sustainability in two key ways. Internally, leaders are searching for ways to sustain the behaviours and performance achieved to date. This means refocusing on the sustainability issues that matter most, using integrative approaches to move beyond incremental gains, and adopting smarter tools to drive management and decision-making, such as full cost accounting and life-cycle assessments. Externally, leaders want to create greater sustainability impact on the marketplace. This means collaborating with industry peers on challenging issues, learning leading practices from other sectors, and engaging stakeholders up and down the value chain to generate shared performance improvements.

Today’s sustainability challenges are the source of tomorrow’s sustainability opportunities. Capitalizing on these opportunities means we need to develop innovative, collaborative and adaptive solutions, particularly in the areas of measurement, leadership, new business models and education.

I believe this report can help Canadian businesses move towards finding solutions that will help advance Canada’s sustainability agenda.

Sincerely,

Valerie Chort
Partner & National Leader
Sustainability & Climate Change
Deloitte
executive summary

A group of Canadian business leaders met in September 2012 to identify the issues inside their organizations, in their value chains, in the marketplace, in government and in society that limit sustainable development. In a one-day roundtable facilitated by management researcher Tima Bansal, these leaders identified 10 issues facing Canadian businesses and phrased them as questions for the research community and other members of the business community to start answering:

The 10 Sustainability Challenges For Canadian Business in 2013

1. How can businesses contribute to effective, integrated public policy on the right issues?
2. How can companies best engage value chain, industry and NGO partners to achieve sustainability goals?
3. How can businesses help Canadians become informed, inspired and engaged in a national dialogue about responsible consumption?
4. What corporate structures enable companies to deliver on sustainability goals?
5. How can companies keep their long-term sustainability agenda on track despite leadership changes?
6. How should companies navigate issues regarding Aboriginal rights and entitlements?
7. How can Canadian organizations become more innovative?
8. How can companies embed social license to operate into their strategy?
9. How can business and society prepare effectively for the impacts of climate change?
10. How can companies respond to the proliferation of voluntary and mandatory reporting requirements?

Over the next year, NBS will conduct a systematic review (comprehensive research study) of Challenge #2: Collaboration. We will commission the best academic team in the world to review the existing body of knowledge, and from that review, we will produce a practical guide for business leaders to engage value chain, industry and NGO partners in sustainability. We will also convene a public forum to address Challenge #3: Civic Engagement. Bringing together researchers, business leaders and policymakers, the forum will start a national dialogue on sustainability.
introduction

Who Produced This Report
This report is published by the Network for Business Sustainability (NBS) and was produced with the help of Deloitte. NBS is a Canadian non-profit organization dedicated to changing management practice by giving business leaders authoritative resources on important sustainability issues. Funded primarily by public grants from the Canadian government, NBS is located at the Richard Ivey School of Business (Western University) in London, Ontario and the Université du Québec à Montréal in Montreal.

Why We Wrote This Report
NBS’s goal is to advance Canada’s sustainability agenda. Business leaders have articulated a desire to adopt new business models, to move away from the post-industrial economic paradigm founded on the principle of “growth at all costs.” They recognize the need for a new model that “decouples” economic growth from environmental or social impacts. Canada itself is already showing evidence of this “decoupling.” In 2010, the last year for which data are available, Canada’s per capita emissions hit a historic low of 20.3 tonnes of carbon dioxide equivalent per person. That same year, Canada’s gross domestic product (GDP) grew by 3.4 per cent – a greater annual growth than any in the preceding ten years.

Although there are still many gains to be made in environmental and social practices in most Canadian companies, the business leaders who helped produce this report have been at it for a while. And Canadian business leaders are increasingly looking beyond their organizations to broader societal issues. Many say they have “picked all the low-hanging fruit” with respect to their organizations’ environmental and social impacts. Their companies have reduced emissions and gone paperless. They have reduced packaging and hazardous substances associated with their products. They have dramatically reduced the amount of water and energy they consume and the amount of waste they produce. They have attracted highly engaged employees who are strongly invested in sustainability. They have written supplier Codes of Conduct and found ways to monitor supplier performance.

What is “Business Sustainability”?  
Business sustainability refers to business models and managerial decisions grounded in financial, environmental and social concerns. Sustainable companies:
• Create long-term financial value.
• Know how their actions affect the environment and actively work to reduce their impacts.
• Care about their employees, customers and communities and work to make positive social change.
• Understand these three elements are intimately connected to each other.

Compared to companies that focus on short-term profits and make decisions based solely on the bottom line, sustainable companies think long-term. They forge strong relationships with employees and members of the community. They find ways to reduce the amount of natural resources they consume and the amount of waste and pollution they produce. As a result, sustainable companies thrive, surviving shocks like global recessions, worker strikes, executive scandals and boycotts by environmental activists.

With many operational and technical improvements already achieved, these companies now face more formidable challenges. “We already have a business with a small environmental footprint, so it’s increasingly difficult to find ways to further reduce our impact,” said Debbie Baxter, Chief Sustainability Officer for LoyaltyOne. These companies are looking beyond the boundaries of their own organizations to advance sustainable business practice. It is a significant undertaking.

Business leaders are faced with the challenge of educating individuals about responsible consumption – at a time when consumer appetites seem insatiable. They want to engage more effectively with government bodies to generate legislation that is coherent across multiple levels of government – but don’t know the engagement approach that will ensure success. They feel the need to test new business models but struggle to reconcile risk-taking innovation with investors’ demands for quarterly returns. They aim to “decouple” their companies’ growth from environmental and social impacts. They are keen to develop collaborative – rather than combative – relationships with environmental non-government organizations but lack clear models for mutually beneficial engagement. They see opportunities to effect industry-wide change but can’t convince sectoral competitors to work together.

Many of the initiatives these Canadian companies want to launch are large-scale projects or asset investments with payback periods of years and even decades. Not only is it difficult to get support for long-term projects, but the global economic crisis has necessitated cuts to sustainability and corporate social responsibility (CSR) departments across many organizations. Those cuts have changed how companies approach their environmental and social initiatives: “Following the economic crisis, everyone is operating in an expense-constrained environment,” said Karen Clarke-Whistler, Chief Environment Officer of TD Bank. “In a climate of fiscal restraint, sustainability cannot reside in a siloed CSR department. The business case for sustainability has to be made across the entire organization and built into organizational strategy.”

The path forward is unclear. The principles that drove economic growth over the last sixty years clearly no longer suffice. Canadian business leaders are looking for new business models, new partnerships and new insights to illuminate the way forward.
NBS is committed to fostering those partnerships and helping build that path by connecting visionary business leaders with global management scholars. Every year, NBS convenes a group of Canadian business leaders – our Leadership Council – whose companies are actively pursuing sustainability. These business leaders identify the issues inside their own organizations, in their value chains, in the marketplace, in government and in society that limit their sustainable development. These issues establish the annual “Canadian Business Sustainability Challenges.” NBS then conducts rigorous academic research on the top Challenges, producing practical, objective decision-making resources for business leaders. The resulting resources are available for free to business leaders worldwide via the NBS website: www.nbs.net.

Who Should Read This Report
This report is for business leaders, academic researchers, government representatives and other societal change agents with the capacity and desire to change the way organizations do business in Canada.

Business Leaders
Start the conversation about sustainability. Whether you’re the CEO of a TSX-listed company or the founder of a family-run small business, every business leader has the capacity to drive change. Think about the Challenges raised in this report as they relate to your own organization. Build some of the issues into your long-term planning. Raise the Challenges with your local Chamber of Commerce or industry association as topics for educational workshops and seminars over the coming year. Find non-profit organizations, universities and colleges that can partner with you to start addressing them.

Academic Researchers
Study the issues that matter to managers. Business leaders rely on sound insights to inform their decision-making: these Challenges provide a roadmap to the topics of most interest to practitioners. Where scholarly publications already address business challenges, NBS gathers and synthesizes the best evidence. Many of the issues, however, have yet to be explored thoroughly by academia. We encourage researchers worldwide to investigate these important management questions and to share them with colleagues in other disciplines.
The Sustainability Challenges emerged from a one-day roundtable of 15 senior business leaders who gathered in Toronto on September 25, 2012. These business leaders included Debbie Baxter, Chief Sustainability Officer, LoyaltyOne; Paula Brand, Director, Integrated Decision Making Division, Environment Canada; Grete Bridgewater, Director, Environmental Programs, Canadian Pacific; Karen Clarke-Whistler, Chief Environment Officer, TD Bank Group; John Coyne, Vice President, Legal & External Affairs and General Counsel, Unilever Canada; David Dougall, Director of Accessibility & Sustainability, Research In Motion; Tim Faveri, Director, Sustainability and Responsibility, Tim Hortons Inc.; Brenda Goehring, Corporate Safety, Health & Environment, BC Hydro; Deborah Kaplan, Sustainability Principal, SAP Canada; Peter MacConnachie, Senior Sustainability Issues Management Specialist, Suncor Energy; Matthew McCulloch, Director, Consulting Group, Pembina Institute; Chris McDonell, Manager, Aboriginal and Environmental Relations, Tembec; John Page, Director, Ethics, Environment and Corporate Social Responsibility, TELUS Corporation; Luc Robitaille, Corporate Director Environment, Holcim (Canada) Inc.; Jane Sadler Richards, Butyls Global Specialist, Sustainable Development, LANXESS Inc.

Council members not in attendance included: Paul Berto, Director of Corporate Communications and External Affairs, The Home Depot Canada; Mona Frendo, Director, Policy Co-ordination and Regulatory Affairs, Industry Canada; and Carmen Turner, Leader, Sustainability and Community Engagement, Teck.

The roundtable was facilitated by Tima Bansal, a professor of strategic management at the Richard Ivey School of Business (Western University) and Executive Director of the Network for Business Sustainability. Bansal led the group through the process of sharing and capturing Canada’s business sustainability challenges, ranking them in importance and then prioritizing the ones that should be closely investigated by researchers. The following list represents the outcome of that discussion.
The 10 Sustainability Challenges for Canadian Business in 2013

1. How can businesses contribute to effective, integrated public policy on the right issues?

2. How can companies best engage value chain, industry and NGO partners to achieve sustainability goals?

3. How can businesses help Canadians become informed, inspired and engaged in a national dialogue about sustainability?

4. What corporate structures enable companies to deliver on sustainability goals?

5. How can companies keep their long-term sustainability agenda on track despite leadership changes?

6. How should companies navigate issues regarding Aboriginal rights and entitlements?

7. How can Canadian organizations become more innovative?

8. How can companies embed social license to operate into their strategy?

9. How can business and society prepare effectively for the impacts of climate change?

10. How can companies respond to the proliferation of voluntary and mandatory reporting requirements?
How can businesses contribute to effective, integrated public policy on the right issues?

Building sound public policy on environmental issues is undeniably complex. But the uncertainty created by governments’ failure to act compounds companies’ existing planning challenges. Canadian companies still await decisions from government regarding issues like carbon pricing, a national cap-and-trade system for greenhouse gas emissions or feed-in tariffs for new energy generation sources within individual provinces. They also await clarity around the intersection of environmental policy with energy, economic and social policy. As a result of this inertia, companies refrain from investing in new technologies and training staff in new standards and procedures – or they are forced to make educated guesses regarding the ultimate impacts of policy.

In areas where governments have overcome inertia and created energy, economic and social policies, those policies often conflict with each other at the municipal, provincial and federal levels. Not only does such conflict place large human resource demands on companies trying to comply with multiple and conflicting policies – it also makes it impossible for companies to educate consumers about responsible use of their products and services. For example, in different cities in the same province, consumers might be expected to recycle the same paper coffee cup four different ways: in one city, both the cup and lid are recyclable; in another, both the lid and cup are recyclable but through different streams; in another city, the cup is recyclable but not the lid; and in the last city, both cup and lid must go to landfill.

“How do you create resilient business strategy despite a lack of clear, integrated public policy?” said Grete Bridgewater of Canadian Pacific. “We want to be ahead of the curve instead of reacting to sudden regulatory changes.”

“It’s not an issue of how companies should deal with climate change – it’s about how to deal with governments not sending clear signals on climate change policy,” said Luc Robitaille of Holcim (Canada). “It’s hard to invest in equipment and training if we don’t know which way the government will move and when.”
How can companies best engage value chain, industry and NGO partners to achieve sustainability goals?

Effective collaboration can help accelerate sustainability across a value chain or industry. Companies can do everything possible to improve their environmental and social impacts within their operations, but their absolute measure of sustainable performance depends upon the actions of suppliers, distributors and all other members of their value chains. Business leaders are frustrated at failed or nonexistent partnerships with industry peers or environmental organizations: “Big brands need to share best practices and solve mutual sustainability problems,” said Tim Faveri of Tim Hortons. “If other organizations see no value in collaborating – and they’re buying from the same suppliers as us – how can we advance the sustainability agenda?”

A number of industry initiatives prove that organizations can partner to address sustainability challenges. Examples include the Forest Stewardship Council and the Marine Stewardship Council internationally and Responsible Care and Canada’s Oil Sands Innovation Alliance (COSIA) nationally. Established in March 2012, COSIA represents a public pledge by 12 of the largest companies operating in the oil sands to actively share intellectual property and expertise to reduce their industry’s environmental impacts. This includes innovations related to tailings ponds, water management, land reclamation and greenhouse gas emissions.

“It’s not enough for individual companies to commit to a life-cycle perspective. Those companies need support from partners up and down the value chain to improve the sustainability of their products and services.”

JOHN COYNE
Vice President, Legal & External Affairs and General Counsel
UNILEVER CANADA

In 2013, NBS will investigate how organizations can engage value chain, industry and NGO partners in sustainable goals. With a Guidance Committee consisting of academic experts and Canadian business leaders, NBS will find the best research team in the world and lead them through a comprehensive review of the leading research on this topic. For more information on how NBS develops authoritative resources on the issues that matter to business, read the section “Addressing the Challenges” on page 22.
How can businesses help Canadians become informed, inspired and engaged in a national dialogue about sustainability?

Canada lacks a national identity when it comes to sustainability, and a number of factors are to blame. There is a lack of consumer understanding and engagement: people are confused about the term “sustainability” and how it relates to them. “How do we connect our customers to sustainability?” asked John Page of TELUS. “Most people buy phones based on price and features – not on whether the materials were sourced sustainably or the phone can be recycled after use.”

“The average consumer likely doesn’t know what ‘responsible consumption’ is or how to treat issues like energy holistically,” said Peter MacConnachie of Suncor Energy. “They may realize their car needs gas or their phone battery is dead, but they don’t connect those things to personal behaviours or to broader issues such as the full life-cycle impact of the product and its use.”

There is also a lack of engagement by individual Canadians: “While companies have a responsibility to provide sustainable products and services, consumers also have a role to play when it comes to responsible consumption,” said Luc Robitaille of Holcim. As a 2009 report on Socially Conscious Consumerism revealed, consumers are largely unwilling to buy products or services based on their environmental or ethical features. It’s unclear whether this disinterest in sustainable products is a symptom of a culture obsessed with low price or of an inability to link personal behaviour to societal impacts. Regardless of the cause, the result isn’t encouraging: companies can make all the responsible products they want, but if consumers won’t buy them, nothing will change.

There is also a lack of national thought leadership related to sustainability. Although environmental advocate David Suzuki has been voted Canada’s Most Trusted Person the last three years in a row,3 a single person or organization “The average consumer likely doesn’t know what ‘responsible consumption’ is or how to treat issues like energy holistically. They may realize their car needs gas or their phone battery is dead, but they don’t connect those things to personal behaviours or to broader issues such as the full life-cycle impact of the product and its use.”

alone cannot shape the collective identity: At a time when the views of pop stars and celebrities garner more attention and credibility than views of scientists and economists, who are thought leaders and what should they be saying?

Canadian companies need help establishing a national dialogue on the issue of sustainability. They envision a citizenry aware of and committed to sustainable living. They wonder what we can learn from cities like Guelph, Ontario or from institutions like the University of British Columbia that have successfully – and legitimately – branded themselves as places in which people care about the environment. What was the catalyst for British Columbia’s citizens forum on first-past-the-post voting and electoral reform? Can we learn from Unilever’s successful spearheading of the Marine Stewardship Council to drive civic engagement? How did countries like England establish a national dialogue around disposal of nuclear waste in the early 2000s? What can we learn from the South African Peace and Reconciliation Council that ended apartheid or Canada’s Truth and Reconciliation Commission, which is addressing the issue of Indian Residential Schools for First Nations people?

“Canada succeeded in making recycling an accepted norm in the home in the late 1990s,” said Debbie Baxter of LoyaltyOne. “What are the tools we can use and the leaders we can engage to ignite people’s commitment to cycling, carpooling or responsible consumption?”

Taking Action: Civic Engagement

In 2013, NBS will help industry leaders tackle the issue of informing and engaging Canadians in the topic of sustainability. With a Guidance Committee consisting of academic experts and Canadian business leaders, NBS will convene forums and engage global Thought Leaders to establish a national dialogue on sustainable business practice. For more information on how NBS convenes industry and academic experts, read the section “Addressing the Challenges” on page 22.
What corporate structures enable companies to deliver on sustainability goals?

Building sustainability into an organization is no easy task. Sustainability or Corporate Social Responsibility (CSR) remains largely siloed in many companies, the responsibility of a single department or even a single employee. Even when sustainability is more widely integrated into companies’ business units, communication remains a challenge: “One of our key challenges is to effectively communicate the company’s vision of sustainability,” said Jane Sadler Richards of LANXESS, “such that everyone, regardless of their role, understands and embraces that vision.”

John Coyne of Unilever Canada agreed: “How do you reach the factory workers, sales people and marketing people in a 100,000-person organization? It’s an impressive logistical challenge.”

The quest to spread sustainability throughout a company is further complicated by the movement’s plethora of definitions. Sustainability can mean very different things to different people. Employees have different opinions about how important sustainability is and struggle to understand how it applies to their roles: “In addition to educating and engaging senior executives, we are building sustainability into our product development,” said David Dougall of Research In Motion. “How do we engage our engineers in sustainability-by-design and help them see how it strengthens their work?”

Even if you reach every employee today with your organization’s sustainability message, your work is not finished. Succession and recruitment represent ongoing challenges to a company-wide commitment to sustainability: “It’s difficult to maintain the vision and the momentum for change as people retire or take new positions, or as we hire new employees,” said Jane Sadler Richards.

“One of our key challenges is to effectively communicate the company’s vision of sustainability such that everyone, regardless of their role, understands and embraces that vision.”

JANE SADLER RICHARDS
Butyls Global Specialist, Sustainable Development
LANXESS INC.
NBS conducted a comprehensive study on *Embedding Sustainability in Organizational Culture* in 2010. The research has been well received by many Canadian organizations large and small, but the process of changing corporate culture does not happen overnight: “It’s difficult to move sustainability forward in a large organization,” agreed Karen Clarke-Whistler of TD Bank. “It’s not hard to have a great idea. It’s hard to execute on that idea – especially in a big company.”

Sustainability is challenging for companies with a franchise model because the lines of authority are weaker between sustainability leaders and store owners, and opportunities for education are harder to consistently apply: “The vast majority of our 4,000+ restaurants are owned and managed by franchisees, not corporate headquarters,” said Tim Faveri of Tim Hortons. “Working with individual restaurant owners to implement sustainability initiatives is paramount. What are best practices for doing that?”
How can companies keep their long-term sustainability agenda on track despite leadership changes?

CEO tenure is growing increasingly short. In 1979, the average tenure of a Fortune 500 CEO was eight years. In 2012, the average tenure is four years. The high turnover of senior leaders dramatically affects a company’s sustainability program, whose projects often have payback periods of many years or even decades. And new leaders can significantly affect a company’s strategy. Consider the case of Unilever CEO Paul Polman, who is a staunch supporter of sustainability. Polman abolished quarterly financial reporting and told hedge funds they weren’t welcome as investors. He committed to “decoupling” Unilever’s growth from its environmental footprint, doubling the company’s revenue by 2020 while simultaneously halving its environmental impact.

New leaders that don’t embrace the sustainability goals of previous leaders, however, may choose to eliminate CSR departments or senior sustainability jobs because they are perceived as cost centres. In this case, sustainability champions find themselves having to make the business case repeatedly to every new leader.

“We often see companies that get new leadership at head office. As a result, existing executives have to make the business case for sustainability all over again to the new CEO,” said Matt McCulloch of the Pembina Institute. “Or a Canadian company may be a sustainability leader domestically but struggle to extend their sustainability focus into their sister or parent organizations in other countries.”

Regardless of whether a new leader supports or dismisses sustainability, his or her arrival disrupts an organization’s current sustainability agenda. What can companies do to ensure their sustainability agenda persists despite leadership changes?

MATT MCCULLOCH
Director, Consulting Group
PEMBINA INSTITUTE

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How should companies navigate issues regarding Aboriginal rights and entitlements?

Canadian companies lack clear direction regarding the responsibilities of companies or governments to Aboriginal communities. While legal precedents are being set in court challenges, public policy does not necessarily align with those legal decisions. Policy lags in establishing a mutually-beneficial framework on which companies and Aboriginal groups can engage.

Many businesses experience very positive interactions with Aboriginal groups that produce benefits for both parties. For example, in 2001 Tembec was the first Canadian public company to commit to achieving FSC certification for all its direct managed forests. That certification involves ongoing consultations and positive collaborations with local First Nations communities: “Forestry is an applied science – you have to make decisions in the absence of full knowledge,” said Chris McDonell of Tembec. “Working with First Nations and Metis communities that possess generations of wisdom about local ecosystems, we learn new things about forest stewardship we wouldn’t otherwise know.”

But many companies are left to navigate the issue of Aboriginal rights and title alone. By building a clearer understanding of the Aboriginal perspective of sustainability, companies can build relationships with Aboriginal communities based on mutual respect and trust. Some organizations are adopting leading initiatives such as the Progressive Aboriginal Relations program – a voluntary assessment and certification program that helps Canadian businesses build progressive relationships with First Nations and Aboriginal businesses, communities and people. Such relationships are not only likely to lead to positive engagement within the Aboriginal community, they are also likely to reveal new approaches to sustainability and stakeholder engagement outside the Aboriginal community.

“Working with First Nations and Metis communities that possess generations of wisdom about local ecosystems, we learn new things about forest stewardship we wouldn’t otherwise know.”

CHRIS MCDONELL
Manager, Aboriginal and Environmental Relations
TEMVEC
How can Canadian organizations become more innovative?

A 2012 report from the Conference Board of Canada ranked Canada 14th out of 17 countries for its capacity to innovate\(^5\). Canadian companies are not taking the risks required to generate innovations, and it’s not surprising. Large companies have investors that demand quarterly earnings as well as big brands that represent massive investments of time and resources. That leaves little room for failure and few slack resources for experimentation. In an era of razor-thin margins and just-in-time manufacturing, it’s hard to justify investing in creative pursuits with unguaranteed paybacks.

NBS’s report on *Innovating for Sustainability* reveals ways companies can reduce their impact on the environment, create positive social change that’s also good for business, and re-imagine their business models. The issue remains, however, that firms are caught between conflicting mandates to maintain the status quo and to do something new – even as their staff and budgets shrink.

“We look to us – the leaders in sustainability – to identify the next big thing” said Debbie Baxter of Loyalty One. “At LoyaltyOne, we invest time to determine what that innovation frontier for sustainability in our company could be.”

“People look to us – the leaders in sustainability – to identify the next big thing. We invest time to determine what that innovation frontier for sustainability in our company could be.”

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How can companies embed social license to operate into their strategy?

Social license to operate refers to community members’ tacit willingness to allow a company to operate in their region. While the term originated with the mining sector, social license is critical for nearly all businesses. Maintaining social license is a strategic imperative, so sustainability managers wonder how they can frame sustainability as a way to manage risk and create efficiencies: “The challenge for business leaders today is establishing sustainability as ‘the way we do business’,” said John Page of TELUS. “Sustainability can no longer be just a ‘nice to do’.”

For many business leaders, social license to operate has changed in recent years: “Maintaining a company’s social license to operate used to mean engaging stakeholders and consulting them on projects that affected them,” said Brenda Goehring of BC Hydro. “Increasingly, however, it means generating shared benefits for both the company and its affected stakeholders.”

“The challenge for business leaders today is establishing sustainability as ‘the way we do business.’ Sustainability can no longer be just a ‘nice to do.’”

JOHN PAGE
Director, Ethics, Environment and Corporate Social Responsibility
TELUS
How can business and society prepare effectively for the impacts of climate change?

The physical impacts of climate change will redefine entire industries, such as agri-food, tourism and insurance – not to mention the industries that rely on them. What will climate change mean for companies and for society? Climate change was one of the Leadership Council’s first research topics. In 2009, NBS studied the risks and opportunities associated with climate change across major sectors and the ways companies could adapt to it (see NBS’s Climate Change report). But despite widespread acceptance of the reality of climate sciences, the broader public remains largely unengaged and apathetic about the issue.

“Climate change – global warming caused by human-generated greenhouse gases – is not an isolated issue,” said Peter MacConnachie. “It is a recurrent theme in business conversations and is starting to overlap with other sustainability issues, such as carbon policy, water quality and sustainable supply chains.”

The conversation about climate change needs to broaden so people see the connection between their day-to-day actions and the broader issue. They need to understand how choices and actions today affect the future.

“Climate change is a recurrent theme in business conversations and is starting to overlap with other sustainability issues, such as carbon policy, water quality and sustainable supply chains.”

PETER MACCONNACHIE
Senior Sustainability Issues Management Specialist
SUNCOR ENERGY
How can companies respond to the proliferation of voluntary and mandatory reporting requirements?

From global reporting standards to industry-specific measures, companies are spending significant time and resources reporting on their sustainability programs. This is leading to “reporting fatigue” on the part of organizations. Companies complete mandatory measurement and reporting for regulatory bodies on Environmental Health and Safety issues such as hazardous waste, permits, safety incidents and spills. They may publish their own annual or semi-annual Social Responsibility, Corporate Responsibility or Sustainability reports. And many large organizations (and, increasingly, small organizations) report through international, voluntary sustainability standards such as the Global Reporting Initiative, Carbon Disclosure Project, Dow Jones Sustainability Index, Bloomberg, SustainAlytics, FTSE4Good and Asset4.

“We’re maxed out, trying to report on everything we do – whether it’s required from a regulatory perspective or voluntary,” said Brenda Goehring of BC Hydro. “It requires a significant investment of human resources and that time could be more effectively used implementing programs to reduce the impacts we do have.”

Many investors and analysts require different data to assess companies’ environmental and/or social responsibility. One analyst or index may focus on ethical business practices, another on diversity and yet another on environmental performance. Canadian companies want some kind of simplified or standardized reporting function for sustainability. They want to help investors and analysts ask the right questions about sustainability metrics that are material. And they ultimately want to spend more time pursuing sustainability activities than measuring and reporting on them.

“We’ve issued eight annual sustainability reports to date, but this year we want to do something different,” said Grete Bridgewater of Canadian Pacific. “We want to understand what investors are looking for and deliver what they need. We’re eager to help educate them about the questions that are material to our business.”

“[Reporting] requires a significant investment of human resources and that time could be more effectively used implementing programs to reduce the impacts we do have.”

BRENDA GOEHRING
Corporate Safety, Health & Environment
BC HYDRO
How NBS Will Address the Challenges
As in past years, the Leadership Council identified the Sustainability Challenges that are most important for researchers to study. NBS focuses on two of the top challenges every year. For 2013, the Leadership Council selected the second and third challenges to research: Collaboration and Civic Engagement. (The first challenge – a lack of clear, effective Public Policy – is still a major gap for Canadian companies, but in 2011 NBS conducted a comprehensive review of all the academic literature on the topic. See the Executive Report. The next step requires action by government.)

NBS issues a call for proposals to find the best research team in the world capable of addressing the Collaboration issue. We will form a guidance committee consisting of Leadership Council members and academic advisors to ensure the research ends up being both scientifically rigorous and relevant to industry. We will also convene academic and industry thought leaders to address the issue of Civic Engagement.

Finding New Ways to Connect Academia and Industry
2013 marks an opportunity to change the way we do things. “For the last five years, we have focused on conducting the world’s most rigorous research on issues that matter to business,” said Bansal. “We have an opportunity now to expand our work to include not only research but also insights from practice.”

Starting with the 2013 Challenges, NBS is committed to building current practices from leading companies into its rigorous research findings. “It takes a few years for academic research to emerge on a given issue,” said Karen Clarke-Whistler of TD Bank. “And in that time, companies on the front lines have forged their own paths through trial and error.”

“Looking in the rearview mirror isn’t going to give us the quantum leap forward we need,” agreed Debbie Baxter of LoyaltyOne.

NBS sees an opportunity to build innovative new models of collaboration between academia and industry. Over the next year, NBS will commit to conducting its backward-looking research more quickly and layering it with more current sources and practices. We will connect industry thought leaders with leading academics interested in solving the same problems. And we will convene peer-to-peer learning workshops in which industry leaders and academics can discuss current practices, in the context of the most recent research. “I like the idea of trying a new, creative model. We have great thinkers at the table,” said Grete Bridgewater.
“The change in NBS’s research process is symptomatic of the overall mood of business leaders today,” said Professor Bansal. “They are tired of making incremental steps forward and are hungry for major change. I’m excited about the possibilities of what academic and industry thought leaders can achieve together.”

**Going Forward: How Researchers Can Address the 2013 Challenges**

- **Research.** Share these Challenges with colleagues in management and related disciplines (engineering, psychology, etc.). Investigate any of the current or past Challenges in your own research. Share the Challenges with students looking for research questions. Contact NBS if you are conducting research in the area of these Sustainability Challenges ([info@nbs.net](mailto:info@nbs.net)).

- **Education.** Raise these Sustainability Challenges in classroom discussions. Invite business leaders to speak to classes on how these Challenges affect their organizations and how they are addressing them. Consider building the 2013 and past Sustainability Challenges into curriculum design and sharing them with colleagues and administrators who can do the same.

**Going Forward: How Business Leaders Can Address the 2013 Challenges**

- **Raise awareness of these Challenges by sharing the report with peers and with members of your professional associations and industry associations.**

- **Embrace a mindset shift.** Continue picking the “low-hanging fruit” that remains in your organization to reduce your environmental impacts. But know that, to become truly sustainable, companies of the future will aim not to minimize their harm on people and the environment but to create positive societal impact.

- **Seek out credible resources to inform your decision-making and organizational planning.** Build partnerships with academic experts and their institutions.

- **Commit to taking risks and fostering innovation in your organization.**

- **Seek out examples of other leaders, and tell their stories and yours to employees, customers and peers so others can learn from them.**

- **Fund a research project through NBS.**
A Canadian non-profit, the Network for Business Sustainability produces authoritative resources on important sustainability issues with the goal of changing management practice. We unite thousands of researchers and business leaders worldwide who believe passionately in research-based practice and practice-based research.

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About NBS’s Leadership Council

NBS’s Leadership Council is a group of Canadian sustainability leaders representing diverse sectors. At an annual meeting, these leaders identify their top priorities in business sustainability – the issues on which their organizations need authoritative answers and reliable insights. Their sustainability priorities inform NBS research projects.
Thanks to Deloitte

This report was produced and distributed with the help of Deloitte. Deloitte has a strong and growing global Sustainability practice, with more than 800 partners and professionals from more than 50 countries across the globe. For more than a decade, Deloitte’s Sustainability team applies its unique integrated systems approach across the areas of governance, workplace, workforce, supply chain, operations, products and information technology to help organizations make the connection between sustainability and economic performance. They draw on the extensive experience of their risk management, consulting, financial advisory, tax and audit professionals to drive a client-centric approach to protecting and creating economic, environmental and social value. Their approach is built on deep knowledge of industries and sectors, focused technical credentials, and a broad complement of time-tested methods and capabilities.

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The information contained herein is not intended to substitute for competent professional advice.
Appendices

Appendix A: Past Challenges

Challenges from 2008 to 2012

NBS started identifying Canadian companies’ sustainability challenges in 2008. To date, our Leadership Council has identified 43 Challenges; the Challenges have been mostly internally focused (72 per cent) (i.e. focused on their organizations rather than on society), and the majority have focused on how to implement sustainability (63 per cent) as opposed to how to define sustainability and its importance or how to measure it.

Since 2008, NBS has investigated the two (or three, in 2010) Challenges every year that the companies identified as being most important and that represented questions academia could answer. These investigations spawned valuable reports, webinars, workshops, presentations and planning exercises for business leaders and sustainability managers worldwide. To date, NBS has researched the following issues.

2012
1. How sustainability can drive innovation (and vice-versa) within companies. Executive Report
2. How companies can mobilize citizens to take more sustainable actions – i.e. to create social change. Executive Report

2011
1. The outcome-based government policies that effectively address sustainability issues. Executive Report
2. How individuals make decisions regarding social and environmental issues. Executive Report

2010
1. How to measure and value a firm’s ecological impacts (e.g. ecological footprint). Executive Report

2009
1. Building adaptation to climate change into business strategy. Executive Report
2. Determining whether consumers consider social or environmental attributes when making purchases. Executive Report

2008
1. Tools to help managers make the business case for sustainability. Executive Report
2. Best practices for community engagement. Executive Report
Appendix B: Progress Report on 2012 Projects

In 2012, NBS conducted “systematic reviews” of the two most important Challenges: Innovating for Sustainability and How Business Can Drive Social Change. Systematic reviews are comprehensive literature reviews that synthesize the existing body of research. First popularized in evidenced-based medicine, systematic reviews observe a rigorous methodology designed to eliminate researcher bias and promote transparency and replicability.

The final reports for the Innovation and Social Change systematic reviews are available in Fall 2012 and Winter 2013, respectively. They will be complemented by a series of executive reports, workshops, webinars, slide decks and other resources for managers. NBS also continues to scour management journals for new research on each of the past Challenges, layering these updates onto the systematic review findings and disseminating them bi-weekly to our more than 3,000 subscribers.