

Who is Responsible for Sustainability Inside a Firm?

Today, most firms acknowledge their responsibilities beyond customers and shareholders to include external stakeholders. Many firms make meaningful commitments to environmental, social and governance (ESG) matters, such as adding sustainability officers and announcing corporate sustainability goals. Motivated employees expect it, and customers search for it.

But how can a firm ensure sustainability goals are met? How are the goals turned into actions inside the firm? And how can these actions lead to verifiable progress toward sustainable value creation?

We believe that internal departments, functional teams and even individual employees should have key performance indicators (KPIs) for their specific roles in sustainability. Just as employees are assigned operational KPIs to measure and incent their performance, sustainability KPIs can be chosen for those departments, teams and people inside the firm to ensure that sustainability actions are taken and tracked over time.

Where do these KPIs come from? The Sustainability Accounting Standards Board (SASB) recommendations are an excellent starting point. By closely examining the industry or industries in which a firm operates, the SASB standards reference the topics and issues to be addressed and the metrics to gauge the degree of compliance with these standards.

The SASB provides standards for 77 different industries [<https://www.sasb.org/standards>], each with around a dozen disclosure topics and metrics which speak directly to the specific needs of companies in these industries. Every firm can use these industry standards to construct their applicable industry sustainability KPIs for departments, teams and people inside the firm.

Notably, the industry sustainability KPIs should connect with the strategies and structure of the firm. The industry sustainability KPIs can be set throughout the firm for those in the organization who control and perform the actions or processes affecting specific sustainability metrics. By aligning operational and sustainability KPIs, the firm is motivated to balance sales goals and profit strategies with stakeholder responsibilities.

To illustrate how to create this strategic alignment, we have supplied a **Value-Chain-to-Sustainability-Issues Table** for one of the 77 industries as an example of an analysis of a firm. It connects the critical day-to-day work activities to meet the needs of their customers to the likely sustainability issues and metrics for their roles in the firm.

In this table, we've created a sample of how to map the metrics from value-creation to work activities, including:

- Customer's job to be done (JTBD) through their entire experience with the Company
- How the Company completes the customer's JTBD
- How the Company builds internal support for this customer work
- How the Company ensures sustainability in the multiple sustainability dimensions of the Company's work

| CUSTOMER PERSPECTIVE | COMPANY PERSPECTIVE How the Firm Adds Value for the Customer in the Value Chain | | FOOD RETAILERS & DISTRIBUTORS Value-Chain-To-Sustainability-Issues Table Industry Metrics from Sustainability Standards Board (SASB) Sustainability Dimension Examples: (Must Be Tailored For Each Firm) | | | |
|--|--|--|---|---|---|---|
| | Customer Facing | Internal and Administrative | Sustainability Dimension | General Issue Category | Disclosure Topic | Sample SASB Metrics for Potential KPIs |
| | | | | | | |
| Customer identifies the product/service needed for their purpose | Promotion and Marketing | Product/Service Innovation | Social | Product Quality & Safety: Customer Welfare: Selling Practices & Product Labeling: | > Food Safety > Product Health & Nutrition > Product Labeling & Marketing | > High-risk food safety violation rate > Process to identify and manage products and ingredients related to nutritional and health concerns among consumers > Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes |
| Customer finds vendors of the needed product/service | Sales | Industry Sales Strategy | Social | Product Quality & Safety: Customer Welfare: Selling Practices & Product Labeling: | > Food Safety > Product Health & Nutrition > Product Labeling & Marketing | > Number of recalls > Revenue from products labeled and/or marketed to promote health and nutrition attributes > Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices |
| Customer places order for product/service | Order Processing | Inventory Management | Social | Data Security: | > Data Security | > Number of data breaches |
| Customer receives the product/service | Order Delivery | Service and Delivery Scheduling | Environment | GHG Emissions: GHG Emissions: Energy Management: Waste & Hazardous Materials Management: | > Fleet Fuel Management > Air Emissions from Refrigeration > Energy Management > Food Waste Management | > Fleet fuel consumed & percentage renewable > Gross global Scope 1 emissions from refrigerants > Operational energy consumed > Amount of food waste generated |
| | | | Human | Labor Practices: | > Labor Practices | > Percentage of in-store and distribution center employees earning minimum wage, by region |
| | | | Business Model and Innovation | Supply Chain Management: | > Management of Environmental & Social Impacts in the Supply Chain | > Strategy to manage environmental and social risks within the supply chain, including animal welfare |
| Customer pays for the product/service | Sales Invoicing and Collection | Pricing Strategy | Business Model and Innovation | Supply Chain Management: | > Management of Environmental & Social Impacts in the Supply Chain | > Strategies to reduce the environmental impact of packaging |
| Customer uses the product/service | Production Quality | Production and Supply Chain Management | Environment | GHG Emissions: GHG Emissions: Energy Management: Waste & Hazardous Materials Management: | > Fleet Fuel Management > Air Emissions from Refrigeration > Energy Management > Food Waste Management | > Fuel consumed & percentage renewable > Percentage of refrigerants with zero ozone-depleting potential > Operational energy percentage renewable > Percentage of food waste diverted from the waste stream |
| | | | Social | Product Quality & Safety: | > Food Safety | > Percentage of units recalled that are private-label products |
| | | | Human | Labor Practices: | > Labor Practices | > Percentage of in-store and distribution center employees earning minimum wage, by region |
| Customer gets service after the purchase from the vendor | Customer Service | Customer Relationship Management | Social | Supply Chain Management: | > Management of Environmental & Social Impacts in the Supply Chain | > Revenue from products third-party certified to environmental or social sustainability sourcing standards |
| | | | | Data Security: Product Quality & Safety: | > Data Security > Food Safety | > Number of customers affected by data breaches > Number of product units recalled |

In the Table, general sustainability issues defined by the SASB are mapped to business roles that would control and perform the work activities affecting sustainability. The shared services such as IT, HR and Accounting would also be included when significant. This mapping is a flexible base example and must be tailored for each firm. Within each industry, the specific issues can be quite different. Note how sustainability issues are spread across many roles in a typical organization.

When tailored, a firm's table would supply key sustainability insights on the external, customer-facing activities and the internal support roles of the firm. Based on how the firm is organized to deliver value to its customers, the right metrics can be assigned to the correct departments, teams and people who do the work affecting sustainability. Using the SASB metrics, sustainability KPIs can be set up in parallel with their operational KPIs.

Summary

Thoughtfully constructed, the sustainability KPIs will address the firm's key sustainability goals and turn them into specific actions. Guided by these targeted sustainability KPIs, firms can ensure that firm-wide sustainability goals are met by those personally responsible for specific desired actions and processes. Further, tracking these KPIs over time allows the firm to show measurable progress toward sustainable value creation.

About Burton Astor LLC

Focused on creating enterprise value from sustainability opportunities, Burton Astor LLC provides mid-market firms with sustainability advice and ESG reporting expertise. Assisting CEOs, CFOs and their boards, the firm is dedicated to the interrelated progress of People, Planet and Profits.

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