



Strengthening the ‘S’ in ESG

Putting Thriving People at the heart of better business, for a better Aotearoa

Project sponsors



The ‘S’ in Environment, Social and Governance (ESG) is evolving rapidly. The landscape is complex. Emerging regulations are broadening business responsibilities, while stakeholders are intensifying their scrutiny of business’ social performance.

Yet, international research and anecdotal evidence suggest the ‘S’ in ESG is lagging behind the increasingly structured approaches of the ‘E’ and the ‘G’. Furthermore, despite growing leadership by individual businesses, action remains relatively siloed and issue-specific, with impact falling short of ambition and what is required for systemic change.

Aotearoa New Zealand is at a critical turning point. In transitioning to a low carbon future, we need to ensure no one is left behind – yet significant systemic inequities still remain, and vulnerable communities will be impacted the most if we do not make changes now.



About our research

Our flagship report ‘**Strengthening the ‘S’ in ESG**’, delivered by Deloitte with support from SBC member sponsors, analyses the social sustainability landscape in Aotearoa NZ and details the reasons why the ‘S’ is lagging. The report sets out to:

- establish the basis for defining social sustainability through the lens of te ao Māori, centred on three outcomes of social impact;
- identify the unique role SBC can play to ensure members are equipped to consider and lead in this space; and
- outline practical tools and actions members can implement to improve positive social impact, including a maturity assessment matrix.



Key findings from the research

- 'S' lacks a clear definition – what does it mean in the unique cultural context of Aotearoa?
- 'S' is subjective – there is no consensus about what fits under the 'S' pillar of ESG.
- Social issues facing businesses are wide-ranging, complex and span entire chains – risk of spreading focus too thin to deliver impact.
- Unlike the 'E', there is no core set of common issues, norms and standards to measure social impact, creating a hesitancy to act.
- Reporting is focused on groups of activities and outputs – hard to benchmark, impact is unclear, value proposition difficult to demonstrate.
- Greatest maturity of practice is observed in employment (e.g. Diversity, Inclusion and Belonging).
- Business isn't prepared for what's coming down the pipeline (regulation and disclosures around modern slavery, human rights, inequality etc.)

How do we strengthen the 'S' in ESG?

Business has an exciting role to play in **setting an aspiration to progress social equity**, using its existing strength in the area of employment, and by taking new action around community investment and impact, and supply chains. As businesses are still new to the 'S', the report provides guidance to help them understand what capabilities they need and where they should be directing their focus to create systemic change.

Why it matters – a compelling business case

- Mitigating regulatory risk
- Building supply chain resilience
- Attracting and retaining talent
- Enhanced brand reputation
- Access to capital and innovation
- Maintaining social licence to operate

Nearly **40% of millennials** have chosen a job because the company's sustainability impact was greater than that of alternative companies¹.

Research shows a **10% improvement** in an employee's connection with the mission/ purpose of the organisation would result in a **12.7% reduction in safety incidents**, an **8.1% decrease in turnover**, and a **4.4% increase in profitability**².

¹ Fast Company. (2019). <https://www.fastcompany.com/90306556/most-millennials-would-take-a-pay-cut-to-work-at-a-sustainable-company>.

² Gallup. (2017). <https://www.gallup.com/workplace/236279/three-ways-mission-driven-workplaces-perform-better.aspx>.



Recommended actions for SBC members

1. **Signal alignment to the proposed priorities:** Identify which of the recommended actions you are most interested in as an organisation to inform and support SBC's programme delivery.
2. **Understanding organisational maturity:** Use the report's maturity matrix to understand current organisational maturity to create an internal benchmark to track action against, and to start conversations with internal stakeholders on building capability, accountability and transparency.
3. **Building Māori capabilities:** Providing learning and development opportunities for staff in te reo Māori and te ao Māori, with increased encouragement for those in managerial positions.
4. **Understanding communities and valuing relationships:** Engage with local stakeholders within the communities you are a part of to understand their most material issues and where your organisation can make a positive impact.

Recommended actions for SBC

1. **Build excellence in employment:** Identify, share and build on best practice learned in employment, establishing a programme to support members to be systematic and achieve excellence in this foundational domain, including a shared set of metrics and benchmarks.
2. **Establish two new fronts of collective action for social equity:** Harness the power of the SBC network to coordinate a shared vision, set of measurements and actions, leading to more powerful individual and collective impact.
 - a. Develop a clear framework for community investment and impact, and harness opportunities for businesses to take aligned action.
 - b. Support members to take an end-to-end view of supply chain, applying due diligence for human rights as well as acting as a catalyst for positive social impact.
3. **Become a positive Te Tiriti partner and build te ao Māori capability:** Partner with a specialist Māori capability organisation to build SBC's own capability, with a view of sharing learnings with SBC members.

[Read the full report](#) on the SBC website. To learn more or get involved in this piece of work, contact Robert Perry (SBC Manager Thriving People) at rperry@businessnz.org.nz.