Thriving people
Strengthening the ‘S’ in ESG for Aotearoa businesses

A report from SBC and Deloitte
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Executive Summary

There is an increasingly urgent need to embed social sustainability within Aotearoa New Zealand’s workplaces, communities and wider society – and business has an important role to play.

Systemic inequality, modern slavery, cost of living, mental wellbeing. We’re living through a time where the veil is being lifted on many of these longstanding societal issues, and as a result, Sustainable Business Council (SBC) members across the motu are recognising how critical it is to uplift social sustainability (the ‘S’ in Environment, Social and Governance (ESG)).

SBC launched its Thriving People programme in 2021 to support and catalyse its members on their aspirational journey. Despite the growing commitment to ESG and leadership shown by individual businesses, member insights suggest they are not where they want to be – the ‘S’ in ESG is lagging. SBC members shared a positive picture of the focus on employees, where business levers are clearer and the impact more direct. They also shared a desire to invest more in communities and to prepare for regulatory changes by addressing their supply chains, but recognise more work needs to be done to equip their organisations to tackle these more complex challenges in ways that drive positive social impact.

This report was commissioned to establish the basis for defining social sustainability using the principles and worldview of te ao Māori, and it explores the social sustainability landscape within New Zealand’s business community. The findings are based on candid insights from 23 SBC members, along with local and global experiences. We present recommendations on how SBC can support and accelerate the social sustainability impact of its network members.

The findings show that the business community lacks a clear shared definition of social sustainability. Unlike environmental sustainability, which can be measured through a relatively small number of science-based metrics, social sustainability encompasses multiple dimensions that resist oversimplification. This lack of definition, regulation and expectations, compounded by the breadth of issues, makes it hard to know how or where to get started and has created hesitancy to act. Individual businesses have needed to create their own approaches, select one or more of the many frameworks available, and develop individual theories of change and attribution. The research also reveals that leadership (a passionate board or executive, sometimes an individual within the organisation) is the strongest determining factor in the degree of focus, commitment and alignment around social impact.

Aotearoa New Zealand is at a critical turning point, both in terms of climate and social equity. In transitioning to a low carbon future, we need to ensure no one is left behind – yet an analysis of the current state of social sustainability shows there are still significant and systemic inequities, and the challenges of long-term shocks and disruption will affect vulnerable communities inequitably if we do not make changes now.

When communities prosper, business prospers. The members of SBC are united by a vision of a New Zealand where business, people, and nature thrive together. Businesses have an opportunity to set an aspiration to progress social equity, using their existing strength in the areas of employment, and by taking new action around community investment and supply chains. In response to the insights gained from SBC members, this report makes three interdependent recommendations for SBC:

Recommendation 1: Support the existing momentum of employment action

SBC heard strongly from those involved in this research that businesses have been more focused (and feel more confident) in considering social sustainability for employees. The relative maturity and focus of businesses in the employment domain is itself an accelerator, and SBC is seen as playing a successful role in learning and knowledge sharing in this space. SBC can work with the network to identify, share and build on best practice learned in employment, putting in place a platform and programme that will support members to be excellent and systematic in this foundational domain. Part of this will be establishing a shared set of metrics and benchmarks to support SBC members to demonstrate value from the employment aspect of social sustainability.
Recommendation 2: Establish two new fronts of collective action for social equity
Within the realms of community investment and supply chains, there is an opportunity to harness the power of the wider SBC network to coordinate a shared vision, set of measurements and actions, leading to more powerful individual and collective impact.

1. Businesses need a clear framework and playbook for community investment, understanding and responding to the needs of communities that business operates in, and taking a tailored approach to impact. Allowing businesses to move away from the traditional transactional-based approach to a more relational-based approach. There are opportunities for businesses within the same communities to take aligned action in this context.

2. Businesses need to take an end-to-end view of the supply chain, applying due diligence for human rights and responding to regulatory shifts such as modern slavery regulation, as well as acting as an advocate and catalyst for positive social impact. “Scope” definitions around control and influence, like those used in emissions management and accounting, could be a helpful architecture in this context.

Recommendation 3: Becoming a positive Te Tiriti partner and building te ao Māori capability
Respecting the principles of Te Tiriti o Waitangi is an integral part of being a New Zealand business. There is much to learn from te ao Māori as businesses seek to develop innovative and holistic approaches to the kaitiakitanga (guardianship) of wellbeing. With a thriving and increasingly diverse Māori economy and growing Māori population, it is essential that organisations engage authentically with iwi, Māori and communities to develop inclusive workplaces and business models.

There is a role for SBC to work with experts to build its own internal cultural capability, understand how it can engage with and develop authentic partnerships with businesses in the Māori economy. It’s important for SBC to build its understanding of mātauranga, te reo and tikanga Māori to integrate these kaupapa into its thinking and project delivery. In undertaking this mahi, SBC also has opportunity to both share its learnings and approaches, and to be part of a learning network across members to lift the overall capability within businesses in Aotearoa.

Next steps for SBC

1. Convene a group of interested SBC members to create action and momentum on community investment and impact, supply chain, and employment.

2. Engage with a small group of CEOs to explore the leadership role in achieving collective impact for social equity and identify opportunities for action.

3. Partner with a specialist Māori capability organisation to build SBC’s own capability in Te Tiriti o Waitangi and te ao Māori with a view of sharing these learnings with SBC members.

The report also makes four recommendations 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.
Purpose of this report

Since the Sustainable Business Council (SBC) launched its Thriving People programme in 2021, social sustainability has become a growing focus for its members. The implementation of ‘S’ regulation internationally (e.g., Modern Slavery Act 2018 in Australia) is introducing new responsibilities for businesses, and stakeholders continue to place greater scrutiny on the social responsibility of business.

Despite the growing commitment and leadership by individual businesses, member insights suggest that action remains relatively siloed and issue specific, with impact falling short of ambition and the systemic change that social issues demand. Businesses are still new to the ‘S’ and require guidance and support to understand what capabilities they need and where they should be directing their focus to create systemic change.

To support its members in creating this change and to be at the forefront of sustainability, SBC commissioned Deloitte to research and write a report that will:

- Analyse social sustainability, providing a systems perspective which sets out meaningful definitions of what ‘social sustainability’ and ‘positive social change’ mean, ensures SBC is using best practice and remains focused on the 2-3 critical issues that matter most to its members and their communities.

- Prioritise recommendations on what specific actions are needed by SBC businesses and key system partners to support and enable them to increase their positive impact on communities, contribute to positive social change, and measure and report on this consistently.

- Identify a common set of actions SBC businesses can implement that provide the greatest potential for positive social impact.

Deloitte and SBC have worked with SBC members and an advisory group to understand business experiences, barriers and membership aspirations for how to progress, including the role that SBC can play.

An overview of the research approach is included in Appendix A.

Acknowledgements

SBC and Deloitte would like to thank the business leaders who made this report possible by sharing their stories, their ambition and their expertise. SBC members share a rightfully ambitious vision for the role of business in a thriving Aotearoa and are passionate about supporting it.
Purpose of this report
Defining social sustainability (the ‘S’)

There is no single globally accepted definition of the ‘S’ of ESG. Fundamentally, the ‘S’ stands for “Social Sustainability” and describes the role of business in the wellbeing of people and communities.

In this report we consider the three components of wellbeing together: the absolute wellbeing of people, its fair distribution (equity), and its sustainability (resilience and intergenerational wellbeing).

and equality, a threshold set out by international human rights standards which encompasses many issues that companies already seek to address.

ESG + C (Culture): An Aotearoa definition of the ‘S’

While this definition provides a shared set of boundaries to social sustainability, SBC proposes that it does not adequately reflect te ao Māori (the Māori world view) context that is unique to Aotearoa – a context characterised by concepts of connectedness between things and phenomena, across time.

An accepted strength of te ao Māori is that it provides an integrated and intergenerational perspective on environmental, social, and cultural wellbeing. These cultural imperatives are, in turn, a powerful lens to inform and transform businesses.

Generally, businesses may have looked at ESG initiatives as ‘nice to haves’ when the business is performing well (or as a set of externally imposed requirements), whereas these initiatives appear at the core of kaupapa Māori (Māori purpose-led) business models as a matter of course, not as an option.

For Māori, business decisions are not made solely on their capacity to deliver enhanced financial returns to shareholders. Indeed, deeply embedded ancestral obligations to people and the natural environment routinely result in the prioritisation of those obligations over financial returns. This foundational practice for Māori (and many other indigenous cultures worldwide) is increasingly shared by Western business constructs, such as social enterprise.

Making business decisions on this basis requires a significant change in mindset and action – involving (amongst other things) looking beyond the short and medium term to create strategies with a longer time horizon. Speaking to connectivity between the ages, these strategies have the wellbeing of future generations in mind, in some instances, projecting 500 years into the future. This allows organisations to bridge periods of economic, social, and political uncertainty.

An opportunity exists to rethink and reimagine Aotearoa businesses by applying this lens with a deeper understanding of those uniquely cultural practices.

Te Whare Tapa Whā is an integrated model that represents wellbeing as a wharenui (meeting house) with four walls. Source: Durie, M. Whaiora, Māori Health Development. Oxford University Press, 1994.
Levels of Business Impact on Social Sustainability
Frameworks such as the United Nations Sustainable Development Goals have created a shared high-level set of outcomes for business, governments and communities to align their efforts against, across the spectrum of ESG goals. International bodies, such as the United Nations Global Compact and the Business Commission to Tackle Inequality, call for companies to identify and mitigate risks to people connected to their operations and value chains. They clearly set the expectation that companies should attend to all actual and potential impacts, provide remedy when they cause or contribute to actual harm, and communicate on progress and setbacks as they do so.

Current international reporting standards – such as GRI or IS26000 – are reasonably pragmatic, meaning they allow companies to prioritise their efforts, focusing first on the most severe risks to people regardless of where those risks manifest in a company’s operations or value chains.

The standards are orientated around problem solving, recognising that companies don’t control all the factors in play, but that they meet their responsibility by:

1. **Ensuring their own practices aren’t contributing to the problem.** For example, by taking part in initiatives to advance industry best practices, multistakeholder efforts to tackle gaps in local legal protections, or programmes that build community or worker resilience to deal with economic and business activities that may negatively impact their lives.

2. **Using their leverage with others, including through creative collaborations, to improve outcomes for affected people.** For example, by updating operating procedures, embedding consultation with at-risk stakeholders into business decision-making, equipping employees to spot and speak up about business practices that put people at risk, responsibly stewarding products and services, or ensuring purchasing practices don’t undermine labour rights in the supply chain.

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**Spotlight on te ao Māori in action: Pourewa**

Ngāti Whātua Ōrākei (NWŌ) started the redevelopment of Pourewa in 2020, including a community garden for a local kai source and native nursery for regional ecological regeneration projects which embody the principles of ESG+C. The garden provides kai and employment opportunities to NWŌ whānau and others living in Ōrākei, paying them a living wage to work the land.

It also tells the mātauranga Māori story of its people and their place in the world to the local community and visitors of the garden. The living laboratory onsite has a series of ongoing rangahau projects with organisations such as AUT and the University of Auckland with open source agreements allowing the information to be shared and accessed by all.

The Pourewa whenua is owned by NWŌ and co-governed by the Ngāti Whātua Ōrākei Reserves Board with equal representation from NWŌ and Auckland Council members. The NWORB comes together regularly to decide on how the whenua can be maintained and developed for the mutual benefit of tangata whenua and all the people of Tāmaki Makaurau.
This report suggests expanding the definition of the ‘S’ impact a business can make to include a sliding scale view from harmful to sustainable to thriving.

**Harmful**  
Businesses are harmful in the ‘S’ when they take a short-term, bottom-line-focused approach to running their operations. They increase the productivity, profit and growth of their business at the expense of the wellbeing of people. For example, if a business pays their employees below the living wage requiring them to claim the accommodation supplement or work a second job to afford a reasonable life, then they are creating a harmful ‘S’ impact.

**Sustainable**  
Businesses are sustainable in the ‘S’ when they operate in a manner that maintains the wellbeing of people. For example, if a business pays its employees a living wage and institutes minimum and maximum hours contracts, then they are being sustainable. Where businesses are attending to and remediing all actual and potential impacts, they are operating in a socially sustainable way.

**Thriving**  
Businesses are thriving in the ‘S’ when they actively restore and create positive social impact by increasing the wellbeing of people through their operations. For example, if a business trains under-represented groups in valuable skills for the future economy, building the human capital for long term wellbeing, then they are creating a thriving ‘S’ impact.

**Levers for Business Impact into Social Sustainability**  
A range of definitions and actions in social sustainability came out of the discussions with businesses in forming this report. This variety often reflected choices made by individual businesses about the social sustainability levers used to drive impact – based on industry, location, leadership direction and business practices and partnerships.

A shared understanding of the key domains a business can impact enables these choices to be well-considered and impactful. This section discusses the dimensions of who businesses can consider, and the scale of social impact (negative and positive) that businesses can have.

**Whose wellbeing do businesses impact?**  
WBCSD identifies four domains in which businesses can directly impact the wellbeing of people and society, including:

1. **Their employees:** A company’s own workforce, including but not limited to its employees.
2. **Their suppliers:** Workers across the value chain, both upstream and downstream.
3. **The communities they operate in:** Affected communities, whether local to a company’s operations or within the value chain.
4. **Their customers:** People affected by the use of a company’s products and services.

This report suggests the addition of two more core domains where businesses can directly make an impact on the wellbeing of society:

5. **Their partners:** Organisations with whom the business has a relationship in pursuit of a common goal.

6. **Their governors and shareholders:** The people and organisations who hold a managerial and/or ownership interest in the business.

**Spotlight on preparing for the ‘Future of Work’**  
The Warehouse Group (TWG) identified that as their business continue to become more digitised and automated, the potential increases for employees to be displaced from their current positions in the company. As part of their continued commitment to the ‘S’, they have committed to reskill these employees so that they can find alternative employment, either within TWG or at other organisations.
What are the business levers to impact wellbeing?
This report seeks to expand the WBCSD definition of ‘how can an impact be made’ by identifying some of the common levers available to businesses to make an impact in each of these domains, and which of these levers have the greatest impact. For example:

1. **Employee levers** include health and safety, pay, working conditions, ownership and profit models, training, learning and development, culture, diversity, equity and inclusion, employment models, and contracts.

2. **Supplier levers** include procurement practices, supply chain resilience, supplier code of conduct, and circular economy contributions.

3. **Community levers** include creating safe, resilient spaces, and engaging with, supporting and advocating for communities’ aspirations.

4. **Customer levers** include the quality, data protection and privacy, product transparency, accessibility, and affordability of their products.

5. **Governor and shareholder levers** include dividend distribution and reporting transparency.

6. **Partner levers** include philanthropic giving, contributing products and services, capability building, collaboration, and partnering agreements.

*Appendix B summarises the critical ‘S’ issues from which businesses can select what is most material to their business.*

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**Spotlight on enhancing access to products and services**

*Silver Fern Farms* wanted to ensure that as it developed products with higher price tags, employees were not priced out of buying the great quality red meat they work so hard to create. Through the company’s ‘feed our whānau’ programme, all Silver Fern Farms employees will have the opportunity to buy products at a substantial discount for them and their family at specially-designed on-site container stores called the Butchers Block.
The first national wellbeing report, Te Tai Waiora: Wellbeing in Aotearoa New Zealand 2022, was released in November 2022. It found that as a country Aotearoa is healthier, better educated, less affected by crime, and has higher incomes than previous generations.\textsuperscript{iii} Looking at international comparisons, Aotearoa scores highly on average, particularly in areas such as trust in key institutions, civic engagement, corruption, and life expectancy. Appendix C provides a snapshot of wellbeing in Aotearoa using a set of leading wellbeing frameworks.

Yet, there are several areas where absolute wellbeing is stagnating or declining over time in Aotearoa, and where we’re under-performing against other countries. Mental health, educational achievement, and housing affordability and quality are identified as areas of particular concern. We are facing into a set of global headwinds (economic downturn, increasing cost of living, technology advancements, demographic changes, climate change, nature and just transition planning) that will further expose these challenges.

There is also a divide in the distribution of wellbeing (equity) across different age groups and ethnicities, with younger generations, Māori and Pasifika faring worse on many of the wellbeing metrics. Social inequity creates systemic risks, connected with polarisation, misinformation and disinformation. These risks manifest for business in consumer confidence, supply chain stability and disruption and, in some cases, their social license to operate.

Resilience is defined as the ability to absorb, bounce back from or adapt to disruption without compromising wellbeing.\textsuperscript{iv} The sustainability of wellbeing is particularly important against a context of uncertainty and disruption, and many households in the country are currently struggling to meet their everyday needs, which leaves them in a poor position to deal with any disruptions that may occur. The Treasury has found that New Zealanders ranked resilience higher than many essential aspects of wellbeing including housing, income, personal safety, culture and education.\textsuperscript{v}

Grounding ‘S’ authentically in te ao Māori

Upholding the principles of Te Tiriti o Waitangi is an integral part of being a New Zealand business. The value of te ao Māori, which brings fundamental concepts of relationships, connection between people and land, and an intergenerational focus, as a lens for social impact is acknowledged in Aotearoa. However, it is not broadly understood and celebrated or well delivered on across the business sector.
There are a range of drivers fuelling the increasing importance of engaging authentically with Māori and building te ao Māori capability within businesses in Aotearoa. There is much to learn from te ao Māori values, customs, and practices, knowledge and concepts (such as kaitiakitanga) to develop innovative ways of thinking and holistic approaches to the guardianship of people and nature. These include the growing and increasingly diverse Māori economy and a growing Māori population.

Frameworks and reporting standards are largely agnostic of Aotearoa’s unique cultural and Māori perspectives. In this respect, the fact that there are not currently strongly-preferred frameworks among Aotearoa businesses offers us a real opportunity to embed te ao Māori – and Te Tiriti – into tools and guidance for Aotearoa.

While many businesses have Diversity, Equity and Inclusion strategies, only a small (but growing) number of businesses have a cultural diversity strategy or approaches to building Māori cultural capability and connection with tangata whenua, and these initiatives are not woven through their approach to social impact.

There is a need for investment to be genuine and authentic in bringing te ao Māori to social impact in business. A risk of Western businesses adopting te ao Māori approaches is that they may not truly understand the whakapapa of the approach, leading them to deliver (or be perceived to deliver) inauthentic outcomes. Many businesses intend to make meaningful progress in this area, but they need more understanding and knowledge to ensure this does not become a ‘tick-the-box’ exercise. SBC members highlighted that a lack of understanding in this area is a significant barrier to taking action, with getting the approach wrong flagged as a serious risk.

There also needs to be recognition that resources and bandwidth are stretched when it comes to the capacity of iwi or hapū to partner with businesses to incorporate te ao Māori. There is no obligation for Māori to partner with businesses, and there must be a real acknowledgement of the value they bring to the table as partners, and commensurate investment in receiving this value.
Why should business invest in social sustainability in Aotearoa?

Business plays a significant part in building a country’s wealth – across all four capitals: physical, financial, natural and social. Businesses in Aotearoa are well-aligned on the need to play their part in building thriving societies – because businesses are a part of the societies they operate in – from the customers served, to people employed, and the natural environment that provides resources, safety and support. Fortunately, there is also a strong value proposition for addressing the ‘S’.

The value for business

Mitigating regulatory risk

Governments globally are responding to calls to address growing inequality by shifting their attention to the ‘S’. They are looking beyond current mandatory reporting requirements and tightening regulations on ‘S’ related issues (e.g., unacceptable labour practices and D&I):

- The introduction of the Modern Slavery Act 2018 in Australia requires businesses of a certain size to report on modern slavery in their operation and supply chain, and how these risks are being addressed.
- Laws in the European Union require non-executive director positions on boards of publicly traded companies to be comprised of at least 40% women.

While similar regulatory changes have yet to be implemented in Aotearoa, the government will inevitably follow suit to bring its regulations in line with global standards. The push won’t come from the New Zealand government alone: New Zealand businesses will also be expected to meet the minimum standards of countries they export to as international businesses look to the social sustainability of their supply chain.

Businesses that embed the ‘S’ into their decision-making processes and follow global trends will find themselves better positioned to respond to this changing regulatory environment. Those who do not will find themselves with repeated disruptions to their supply chains, operations and access to customers as they try to bring themselves in line with the new minimum standards.

Addressing supply chains

Consideration will need to be taken for legislation being implemented internationally (e.g., Modern Slavery Act 2018 in Australia) of which Aotearoa may need to meet the requirements to maintain and grow its trade relationships. As a country, Aotearoa will also need to pay attention to where it sources and sends its goods, balancing its need for international trade with the moral duty of maintaining an ethical supply chain.

International trade (i.e., exports and imports) is central to New Zealand’s economy, accounting for approximately 60% of the country’s total economic activity. It is also a major employer: 600,000 New Zealanders have jobs in direct export sectors or sectors supporting exports. As such, supply chains importing goods into New Zealand and distribution networks exporting goods from New Zealand will be a key domain when it comes to making an impact in the ‘S’ for Aotearoa.

Attracting and retaining talent

At a time when organisations are facing a tighter labour market, companies must expand the value proposition to employees by addressing the ‘S’. Research shows that companies who have aligned their social impact with their employee values have reported higher worker engagement rates and lower turnover. For example:

- A survey found that nearly 40% of millennials have chosen a job because the company’s sustainability impact was greater than that of alternative companies.
- Research shows that 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.

Innovation and access to new markets

There is innovation to be found in underserved communities and social needs, enabling companies to explore new products that generate market opportunities. For example:
Thriving People | Why should business invest in social sustainability in Aotearoa?

- The growth in developing countries’ economies will give rise to an additional US$380 billion in potential revenue from under-banked individuals and micro-enterprises.\textsuperscript{xvi}
- By 2030, it is estimated that an additional three billion people, about 40% of the world’s population, will need access to adequate housing. This translates into a demand for 96,000 new affordable and accessible housing units every day.\textsuperscript{xvii}

Brand and reputation
Research shows that a company’s positive social impact can drive consumer purchasing habits and allow companies to charge a premium for their products and services.\textsuperscript{xviii} For example:

- Wharton business school found that over two-thirds of consumers are willing to pay more for a sustainable product.\textsuperscript{xix}

Opportunities for collective impact
Aotearoa is a country of small businesses (i.e., fewer than 20 employees), with approximately 546,000 small businesses in the country representing 97% of all businesses.\textsuperscript{xiii} They account for 29.3% of employment and contribute over a quarter of Aotearoa’s GDP.\textsuperscript{xiii}

Nationwide change in the ‘S’ cannot, therefore, be driven by a small number of large organisations but instead needs to be driven by the collective impact of all businesses across Aotearoa, and catalysed by large organisations. Industry representative bodies such as Federated Farmers and New Zealand Certified Builders Association will be critical to engaging with these smaller businesses and empowering them to make a collective change.

Businesses that embed the ‘S’ into their decision-making processes and follow global trends will find themselves better positioned to respond to this changing regulatory environment.

Government agencies and other organisations are also increasingly emphasising a company’s ‘S’ outcomes when procuring services, making it an increasingly competitive factor when bidding for contracts.

Access to capital
Global rating agencies are now routinely incorporating ‘S’ considerations, such as human rights performance, into their sustainability ratings of companies.\textsuperscript{x}

These ratings help financial institutions to determine the risks faced by the company and the resulting premium to be charged on loans and bonds. Therefore, companies that perform strongly on the ‘S’ will find themselves with greater access to and reduced cost of capital compared to companies that do not.\textsuperscript{xvi}

Organisations with operations in Aotearoa that are part of a larger global organisation can lack the autonomy and flexibility to focus on Aotearoa specific issues and incorporate te ao Māori approaches into their social impact activities. They may be largely guided by more culturally agnostic initiatives from their parent company or head office. Navigating these constraints while also seeing the potential to innovate locally is an opportunity for businesses to make a meaningful impact.
“A truly winning aspiration for Aotearoa would be for businesses to be thriving in the ‘S’ – actively restoring and creating positive impact by increasing the wellbeing of employees, customers, partners, their natural communities and the communities they operate in”
Maturity and materiality of social sustainability for businesses in Aotearoa

Maturity of the ‘S’ businesses in Aotearoa

The consensus of SBC members interviewed during the discovery phase of this report is that the ‘S’ is lagging in Aotearoa when compared to the ‘E’ of ESG. Organisations are not prepared for what regulation might be coming down the pipeline such as mandatory disclosure regimes). This issue, however, is not limited to Aotearoa alone, with the ‘E’ having dominated the focus of businesses and legislators globally, leaving the ‘S’ in the shadows.

Lack of clarity on where to start

Businesses are still relatively new to the ‘S’ and are still stuck in the basics when it comes to making a meaningful social impact. Without a clear definition, understanding, and approach forward, businesses are uncertain of where they should begin or what ‘great’ looks like. As a result, each business has had to create its own approach to the ‘S’, selecting one or more of the many frameworks available, and developing a theory of change and attribution for themselves.

There is also a level of hesitancy amongst some businesses to commit to any approach while global and domestic standards, regulations, and expectations are still not clear – a ‘wait and see’ stance. This sense of hesitation is strengthened by businesses concerned about being perceived as inauthentic in their ‘S’ initiatives – a parallel to the ‘greenwashing’ risk of the ‘E’ domain.

Given how broad the ‘S’ is, until businesses grow in maturity or are given clear guidance, it will be difficult for them to identify their material ‘S’ issues where they can create the greatest impact. Until then, there is a real risk that businesses will try to cover all angles of the ‘S’, taking on too much without creating a meaningful impact. Through the course of this work, Deloitte have worked with the membership advisory group to develop a draft maturity diagnostic tool that businesses can use to create an internal benchmark, to focus attention and to track action. The draft diagnostic tool is included at Appendix D for information (noting that testing is underway).

Challenges in communicating the value of the ‘S’

A key barrier to businesses creating a meaningful impact in the ‘S’ is their inability to clearly measure and communicate the values of the outcomes to stakeholders who are driving the decision-making.

Why is it important to place a quantifiable value on the ‘S’?
Organisations need to understand the impact (negative or positive) of their actions in quantifiable terms to do the following:

- **Unlock funding and focus:** Demonstrating in a consistent and comparable manner the social value of any potential intervention is critical to persuading stakeholders of both the business and societal value of any actions.xxiv

- **Choose where to act for the greatest impact:** Organisations need to identify the interventions which provide the greatest impact (positive and negative) for their chosen social issues. This will allow organisations to effectively allocate their resources to maximise their positive social impact while minimising any extractive social practices.xxv

How is the value of the ‘S’ currently being communicated?

Generally, organisations are taking a ‘stories of impact’ approach, supplemented with some readily quantifiable output measures (i.e., dollars donated, diversity data, and health and safety incidents). At one level, this human face of social impact makes it a powerful narrative for business – the changes for individuals and their whānau can be compelling when businesses get things right. Despite this, this largely qualitative narrative struggles to differentiate between a business making a token impact compared to a meaningful one.

Challenges in placing a quantitative value on the ‘S’

There is a consistent impediment in measuring social impact beyond these readily quantifiable output measures, attributing impact to specific actions and interventions in a consistent challenge in social outcomes. There is currently no overarching theory or framework that governs social impact measurement, making it impossible to benchmark and
compare companies, industries, and sectors.

Instead, there is a multitude of reporting standards, measurement methodologies, and accreditations used by businesses to try and place a value on their social impact and communicate it to stakeholders – but there is no frontrunner among these frameworks.

Some of the most common frameworks are listed in the appendix E.

No burning platform for the ‘S’
Legislation and mandatory disclosure are likely on the horizon. While this research was taking place, the NZ Government announced it is beginning work on a supply chain register to combat modern slavery (with legislation to follow). The Taskforce for Inequality and Social-Related Financial Disclosures due in 2025 is widely anticipated to follow a similar pathway to TCFD and TFND. However, today there is limited mandated disclosure of ‘S’ related issues beyond health and safety incidents.

Without legal and mandatory disclosure levers, the signals are not strong enough from stakeholders to drive progress in the ‘S’ – even with significant challenges such as ensuring a just transition on the horizon. While customers and employees may care about social impact, particularly when they see it in action in their communities, this is not translating into employment or purchasing decisions.

Employee expectations
The ‘S’ may be less of an attraction lever with employees than we believed at the beginning of the discovery phase, with employees focused on pay and working conditions above anything else. The strength of the SBC network’s influence to drive transformative change in the ‘S’ space will also fluctuate depending on labour market conditions and how much power the employee holds (i.e., employees hold relatively more power currently, given talent shortages and low unemployment levels in New Zealand).

Customer expectations
There has been commentary (such as Kantar’s Better Futures 2023 report) that customers are drawn to and may be willing to pay a premium for brands (as well as products and services) whose activities align with their values. Yet there is anecdotal evidence that the ‘S’ may have less pull than previously believed, with customers largely indifferent unless an organisation has made a significant misstep socially and lost its social license to operate.

This may be even more true in the current cost of living crisis where customers are primarily concerned with the price of a good, as opposed to its social outcomes. This isn’t limited to private customers: government social procurement is still not sufficiently valuing the investment required to deliver social impact alongside cost outcomes.

The lagging ‘S’ could provide businesses an advantage
The lagging of the ‘S’ globally and in Aotearoa provides businesses a unique opportunity to leverage the learnings from the implementation of the ‘E’ and utilise them for the development of the ‘S’.

There are two key opportunities that this presents. Firstly, learning from the levers that have worked – and the unintended consequences. For example, one of the key limitations of the ‘E’ has been its narrowed focus on a few key components (e.g., climate change and emissions) which has overshadowed its other components (e.g., biodiversity and water stewardship), leaving them comparatively under resourced and largely ignored. On the other hand, the ‘E’, unlike the other components of ESG, has managed to garner public and political attention, driving regulatory action, international agreements and commitments to domestic and global targets (e.g., the Paris agreement and net-zero by 2050) by businesses and nations alike.

Secondly, ‘E’ and ‘S’ are intrinsically linked. Key ‘E’ issues – such as just transition, circular economy, nature and biodiversity – have focus and momentum and provide platforms to take a more integrated approach to considering and improving social outcomes.

Materiality of ‘S’ issues in Aotearoa

What do SBC members consider material in the ‘S’?
The 2019-2021 SBC member review identified nearly 600 material ESG issues across 90 member organisations. ‘S’ issues were the most frequent, accounting for approximately 50% of all issues identified, whereas ‘E’ issues only accounted for 25%.

But looking closer this does not necessarily correspond to the ‘S’ domain genuinely being the most material ESG topic for businesses. Instead, what SBC found is that the spectrum of ‘S’ issues identified by businesses is hugely diverse and was split over dozens of different topics, with only a few standouts accounting for a meaningful portion of issues (e.g., health and safety, and diversity and inclusion). By contrast, the majority of ‘E’ issues identified were concentrated across only a few topics (e.g., climate change, emissions, water, waste, and renewables).

This fragmented focus may suggest businesses lack a clear understanding of what is ultimately material for the ‘S’. This may be because businesses are still new to the topic and lack of understanding and clarity on the unique value proposition their business can offer when it comes to the ‘S’, creating a tendency to spread their focus rather than focusing their efforts to deliver maximum impact, or to pick up opportunities that are currently in popular media or top of mind.

High materiality for the employment domain
The most common material ‘S’ issues identified by SBC members are related to employment and account for almost 50% of all material ‘S’ issues identified.
This prevalence is due to employment being within the direct operational control and understanding of organisations. This has supported businesses to make some progress on material employment issues with the levers available to them, and to communicate these outcomes to their stakeholders through their annual reporting.

The relative maturity and greater degree of control a business has in the employment domain compared to other components of the ‘S’ has meant that there is a higher degree of data, measurement, and rigour in reporting the impacts for this domain. There are also innovative cross-industry approaches (e.g., hiring programmes) available to businesses and their value to the business is well understood, from retention through to the ‘diversity dividend’.

Supply chain is the next focus for action
The importance of the supply chain domain is more apparent in the environmental impact context, but increasing awareness of modern slavery, ethical employment practices and supply chain transparency are putting this domain higher on the radar for businesses. Social procurement is less evident as a systemic lever, although the procurement spend of many businesses has significant collective potential. There is little consideration for partnerships that are focused on particular ‘S’ domains or aligned around an issue set. Most organisations instead make philanthropic donations on an ongoing basis to what they term ‘charitable partnerships’, providing them with an easily quantifiable measure to communicate to their stakeholders.

Community investment as the longer-term foundation
Unlike the employment domain, businesses have less maturity of focus in the customer and community domains, which are outside of their direct control and where they may not be deemed to be responsible.

This is a relatively immature and developing area where few organisations have identified the levers available to them, and those that have tend to be the ones where the product has an inherent or easily identified social good (e.g., insurance or media).

There is however a significant opportunity in these domains to use product, service and business models as levers for social impact. Businesses that we spoke to showed a real enthusiasm and interest for working more closely with communities to develop a greater understanding of need, connect with other organisations active at a local level and lean into community investment approaches.

This approach is foundational to long term social sustainability, as the evidence shows that locally-led approaches, and creating deeper connections with the communities that business operate within can create both business value and better social outcomes.
Recommendations

There is an exciting opportunity and challenge facing businesses in Aotearoa: the picture of wellbeing in Aotearoa demonstrates that we have opportunities to increase wellbeing in absolute terms, improve the distribution of that wellbeing (equity) and the sustainability of that wellbeing (resilience).

A truly winning aspiration for Aotearoa

A truly winning aspiration for Aotearoa would be for businesses to be thriving in the ‘S’ – actively restoring and creating positive impact by increasing the wellbeing of employees, customers, partners, their natural communities and the communities they operate in. This aspiration would see business continually increasing the four capitals of Aotearoa detailed below:xxvii

- **Natural:** All aspects of the natural environment that support life and human activity (e.g., land, soil, water, plants and animals).
- **Human:** The capabilities and capacities of people to engage in work, study, recreation, and social activities (e.g., skills, knowledge, physical and mental health).
- **Social:** The norms, rules and institutions that influence the way in which people live and work together and experience a sense of belonging (e.g., trust, culture and community, and the rule of law).
- **Financial and Physical:** Financial and human-made physical assets, usually closely associated with supporting material living conditions (e.g., factories, equipment, houses and roads).

Things like net contribution to the learning, developing and upskilling of employees, partnering to create sustainable businesses across their supply chain, and investing in products and services that generate wellbeing for customers and the communities we operate in are businesses being a force for good.

The research showed that SBC businesses are operating at various levels of maturity today. This shapes the unique role that SBC can play to both support the ambition and to unlock the network to be systematic and impactful.

There is a significant opportunity for business to set an aspiration to progress social equity using their existing strength in the areas of employment, and by taking new action around community investment and supply chains.

To that end, we are presenting the below recommended focuses for SBC and its members:

**Recommendation 1: Support the existing momentum of employment action**

SBC heard strongly from those involved in this research that businesses have been more focused (and feel more confident) in considering social sustainability for employees. The relative maturity and focus of businesses in the employment domain is itself an accelerator; it is an area that businesses understand, have direct operational control over, and are expected to already be making an impact.

Employment is core and common to all members, presenting an opportunity to be excellent and systematic in the foundations. Despite this being an area of focus, there is a spectrum of maturity in SBC businesses today. Fostering learning and sharing across the network is a core role for SBC. We recommend SBC develop a focused programme on social sustainability for and through employees to catalyse business focus and progress in this foundational domain. Establishing a shared set of metrics and benchmarks will support SBC members to demonstrate value from the employment aspect of social sustainability.

**Recommendation 2: Establish two new fronts of collective action for social equity**

There is an opportunity to work with the leaders of SBC member organisations to define an ambitious aspiration for the ‘S’, focusing on what is most material to Aotearoa as a country given its unique cultural and business environment. The WBCSD has selected Equity as their signature global issue, and there may be benefit to SBC and its members in aligning to this approach, including the opportunity to work coherently across the global platforms and to leverage investments made elsewhere.

This report recommends that resilience is considered as an adjacent and important issue, perhaps for a ‘next horizon’ view. Indeed, tackling equity will require a resilience lens, as the risks of crises and shocks will tend to fall disproportionately on those cohorts who are systematically disadvantaged.

With a shared ambition, SBC and the member organisations can harness the power of the network for **collective impact**, looking to coordinate action and develop joint solutions to nurture a thriving people. A collective impact approach would involve partners broader than individual businesses, including sector and industry groups, communities themselves and local and
central government. Collective impact is more than just collaboration, it includes:

- A common agenda and shared vision, usually developed and defined by the participants at the outset
- A shared measurement system that defines markers of success and indicators that will be commonly used across participants
- Mutually reinforcing activities across participants (and often sectors) recognising the unique roles and levers of different players
- Continuous and ongoing communication that builds trust, creates the capacity and capability for learning and sharing, and supports the action to pivot and evolve
- A backbone organisation that provides support to the participants in driving and maintaining the other elements, building consensus, storytelling and influencing, and securing and catalysing investment.

Specifically, business has called out a focus (and a role for SBC) to progress social equity by developing existing capabilities and building new ones to drive positive social impact in the areas of:

**Community Investment:** Understanding and responding to the needs of communities that business operates in and taking a tailored approach to impact. There are opportunities for businesses within the same communities to take aligned action in this context.

**Supply Chain:** Taking an end-to-end view of the supply chain, and responding to regulatory shifts such as modern slavery regulation, as well as acting as an advocate and catalyst for social impact. The learnings from the ‘Scope 1 / Scope 2 / Scope 3’ approach to emissions management and accounting (in term of applying levels direct control and indirect influence) could be applied in this context.

**Recommendation 3: Becoming a positive Te Tiriti partner and building te ao Māori capability**

Delivering on this ambition will require establishing meaningful relationships with iwi, Māori and community partners, and through those partnerships, developing a sound value proposition that businesses can offer to Māori that recognises the value they are bringing to the partnership.

There is a role for SBC in working with members to amplify the te ao Māori perspective on environmental, social, and cultural wellbeing throughout the network, and embedding it into tools, frameworks and measurements. SBC recognises that it will need to both build its capability and partner with rōpū and communities who can play this role. By working with experts, SBC can understand how it can engage authentically with Māori and develop partnerships with businesses in the Māori economy, so that the project delivery SBC is responsible for is culturally holistic and strengthen these partnerships.

As SBC embarks on this journey, it has an opportunity to share its approaches, learnings, and support the growth of knowledge with its member network.

**The Role and Partnerships of SBC**

The research explored the roles that SBC is best positioned to play in the wider system, and the partners it would need to engage with beyond its membership in order to be successful.

SBC’s purpose is to mobilise New Zealand’s most ambitious organisations to build a future where business, people, and nature thrive together. The SBC network offers unparalleled access to capability building, influence, and the ability to take large-scale collective action – the results of which can be seen through SBC’s significant impact in the ‘E’ space. The Climate Leaders Coalition, the SBC/CLC recommendations adopted in the Emissions Reduction Plan and National Adaptation Plan, and the agriculture joint venture are all testament to this.

**The Role of SBC**

**Collective Impact Backbone:** Core to a collective impact approach is a backbone organisation. Agreeing roles and responsibilities will ultimately be an outcome from participants themselves, however in the near future SBC is well positioned to convene participants and facilitate the development of the vision and ambition for collective business impact for social equity.

**Centre of learning:** There is an opportunity to share and leverage good practices and lessons learned by SBC members, non-member organisations, kaupapa Māori businesses and international businesses to inspire accelerated and scaled action. SBC can establish and curate a forum for their members and partners to share and discuss case studies, best practices in the ‘S’, the challenges that they are facing and lessons learned. This should be focused on community investment and supply chain and include a focus on the key levers identified in this research, including activating leadership and integrating environment, social and commercial outcomes.

**Platform provider:** SBC is well positioned to support members with the common tools and frameworks to accelerate the foundations of the ‘S’ in the core business domains. SBC can provide a platform (or member portal) to access common tools and approaches.

**Measurement backbone:** Having definitions of impact and consistency in measurement and reporting will make it easier for members to tell their stories, benchmark themselves and identify best practices and areas for focus and improvement. SBC can provide a library by which members can easily access them.

**Te ao Māori capability:** Businesses need support in applying a te ao Māori lens to their ‘S’ and engaging authentically with
iwi, Māori and community partners. Additionally, there is the potential of developing a sound value proposition that businesses can offer to Māori to recognise the value that they are providing to the business as part of the partnership. SBC needs to initially focus on building its own internal cultural capability. Only by starting on this journey itself can SBC consider playing a future role in amplifying the te ao Māori perspective on environmental, social, and cultural wellbeing throughout the network through project delivery, and embedding it into tools, frameworks and measurement.

Key partners for SBC

- **Holders of mātauranga and tikanga** (e.g., iwi and rōpū Māori, iwi social services arms, Māori business networks). These organisations will be critical partners to grounding SBC’s foundations in te ao Māori.

- **Social impact champions and purpose-driven organisations** (e.g., iwi commercial arms, social enterprise, kaupapa-driven organisations focused on social equity). These organisations will be central to the creation of a centre of learning, sharing and discussing the best practice in the ‘S’ and the barriers to its implementation amongst SBC members.

- **Global sustainability networks** (including WBCSD). SBC will need to leverage its WBCSD membership to access companies who can provide members with international best practice in the ‘S’, as well as to help SBC unite on a set of common tools, approaches, and platforms that other countries are using to focus their impact around. If Aotearoa can align itself with global standards, it will be easier to benchmark against international organisations in the future.

- **Sector-based partnerships and forums** (e.g., Federated Farmers). These partnerships will be critical for SBC to influence the multitude of small businesses in New Zealand who don’t have the resources to keep abreast of ‘S’ trends, approaches and tools themselves, yet still account for a sizeable proportion of the Aotearoa economy and workforce.

- **Sustainability measurement and reporting bodies** (e.g., CAANZ). These partners will help SBC understand which of the preferred reporting approaches by reporting bodies may influence the common tools that SBC provide for their members.

- **Regulators** (e.g., central, and local government). Building a relationship with regulators and politicians will be critical to allowing SBC to have some foresight as to what domestic regulations and disclosures are on the horizon for Aotearoa.

**Common actions for SBC members**

There are also key actions for SBC members.

1. **Signal alignment to the proposed priorities**: Identify which of the recommended actions they are most interested in an as an organisation to inform and support delivery.

2. **Understanding organisational maturity**: Understand current organisational maturity to create an internal benchmark for SBC members to track their action against.

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**: Engage with local stakeholders within the communities that SBC members operate to understand their most material issues where member organisations can make an impact.
Next Steps

To deliver on these recommendations, SBC will take the following next steps:

1. **Convene a group of interested SBC members to create action and momentum within the areas of community investment and impact, supply chain, and employment**
   - Work with the network to identify and share good practice and lessons learned in employment.
   - Establish sharing platforms and a programme of sharing activity (knowledge sharing, events, spotlights) focused on employment fundamentals.
   - Convene and work with SBC members to build both the platform and pipeline of case studies, practice and discussion around best practice in community investment and impact, and end-to-end supply chain practices.
   - Curate a library of material issues, measures and levers in the employment space to support SBC businesses to conduct materiality assessments.
   - Develop practical guidance for businesses to invest in the community in an impactful manner.
   - Collaborate with the Government to develop practical guidance and toolkits to support the effective implementations of the proposed Modern Slavery legislation.
   - Curate a library of consistent measurement approaches for the network to accelerate businesses and enable comparison and benchmarking. This could include developing a set of ‘hygiene’ and a ‘Southern Star’ constellation of goals in the ‘S’ domain to parallel the ‘Net-Zero by 2050’ goal in the ‘E’ domain. Similarly, it could include defining a set of minimum expectations for members when it comes to the ‘S’ and developing consistent measures for these.
   - Liaise with global sustainability networks to develop an understanding of the common tools and frameworks that are being used globally as well as any international businesses that can share best practice.

2. **Engage with a small group of CEOs to explore the leadership role in achieving collective impact for social equity and identify opportunities for action supply chain, and employment**
   - Facilitate participants to develop and test shared vision and agenda and explore the roles that business leaders could play in championing, advocating and shifting the dial on social equity.

3. **Partner with a specialist Māori capability organisation to build its own internal understanding of Te Tiriti o Waitangi, te reo Māori and te ao Māori with a view to sharing these learnings with SBC members.**
Acknowledgements

SBC and Deloitte would like to thank the business leaders and their organisations who have sponsored this project and to all those who made this report possible by participating in interviews and the workshops, including:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Role</th>
<th>Representative</th>
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<tbody>
<tr>
<td>Chorus</td>
<td>Head of Sustainability</td>
<td>Hannah Taylor</td>
</tr>
<tr>
<td>Christchurch International Airport</td>
<td>Sustainability Transition Leader</td>
<td>Claire Waghorn</td>
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<tr>
<td>Limited</td>
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<tr>
<td>DB Breweries</td>
<td>Corporate Affairs Director</td>
<td>Lauren Mentjox</td>
</tr>
<tr>
<td>DLA Piper</td>
<td>Head of HR</td>
<td>Rachel Weir</td>
</tr>
<tr>
<td>Fonterra Co-operative Group Limited</td>
<td>Corporate Sustainability Manager</td>
<td>Annalise Davies</td>
</tr>
<tr>
<td></td>
<td>Social Investment Manager</td>
<td>Shaheen Junge</td>
</tr>
<tr>
<td>Genesis Energy Limited</td>
<td>Community Liaison Manager</td>
<td>Michaela Latimer</td>
</tr>
<tr>
<td></td>
<td>Employee Experience Manager – Culture and Inclusion</td>
<td>Kiely Evans</td>
</tr>
<tr>
<td>NZ Post</td>
<td>Community and Social Impact Manager</td>
<td>Carolynn Gubb</td>
</tr>
<tr>
<td>SkyCity Entertainment Group</td>
<td>GM Community Operations</td>
<td>Raewynne Jacobs</td>
</tr>
<tr>
<td>Southern Cross Health Trust</td>
<td>General Manager</td>
<td>Jacinda Page</td>
</tr>
<tr>
<td>Westpac New Zealand</td>
<td>Head of Sustainability</td>
<td>Belinda van Eyndhoven</td>
</tr>
<tr>
<td></td>
<td>Sustainability Manager – Climate Change and Environment</td>
<td>Zoe Tilsley</td>
</tr>
<tr>
<td></td>
<td>Senior Manager – Sustainability Governance and Reporting</td>
<td>Sonja Tepavac</td>
</tr>
<tr>
<td></td>
<td>Senior Sustainability Manager – Social Impact</td>
<td>Haemia Melling</td>
</tr>
<tr>
<td></td>
<td>Senior Sustainability Manager – Social Impact</td>
<td>Sum Greene</td>
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## SBC Interviews

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<tr>
<th>Organisation</th>
<th>Role</th>
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<tbody>
<tr>
<td>Contact Energy Limited</td>
<td>Sustainability and Community Manager</td>
<td>Kim Kelleher</td>
</tr>
<tr>
<td>Downer</td>
<td>National Corporate Social Outcomes and Responsibility Manager</td>
<td>Megan McNay</td>
</tr>
<tr>
<td>Fletcher Building</td>
<td>General Manager, Sustainability</td>
<td>Helen Jenkins</td>
</tr>
<tr>
<td>Genesis Energy Limited</td>
<td>Chief People Officer</td>
<td>Claire Walker</td>
</tr>
<tr>
<td>IAG New Zealand</td>
<td>Senior Manager – Climate Reporting</td>
<td>Jessica Rodger</td>
</tr>
<tr>
<td>Mondelēz New Zealand</td>
<td>Corporate and Government Affairs Manager, NZ</td>
<td>Craig Dowling</td>
</tr>
<tr>
<td>Ngāi Tahu Holdings</td>
<td>General Manager Transformation</td>
<td>Dean Fraser</td>
</tr>
<tr>
<td>Ngāti Whātua Ōrākei Whai Rawa</td>
<td>Chief Executive Officer</td>
<td>Tom Irvine</td>
</tr>
<tr>
<td>NZ Post</td>
<td>Group Sustainability Manager</td>
<td>Dawn Baggaley</td>
</tr>
<tr>
<td>OJI Fibre Solutions</td>
<td>Group Manager – Sustainability</td>
<td>Chloe Church</td>
</tr>
<tr>
<td>Sanford Limited</td>
<td>General Manager – Sustainability</td>
<td>Peter Longdill</td>
</tr>
<tr>
<td>Silver Fern Farms Limited</td>
<td>Chief Sustainability and Risk Officer</td>
<td>Kate Beddoes</td>
</tr>
<tr>
<td>Stuff</td>
<td>Chief People and Culture Officer and Head of Change</td>
<td>Annamarie Jamieson</td>
</tr>
<tr>
<td>The Warehouse Group</td>
<td>Chief HR Officer</td>
<td>Richard Parker</td>
</tr>
<tr>
<td>Multiple</td>
<td>Director and Business Leader</td>
<td>Rachel Taulelei</td>
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Appendices

Appendix A: Research Approach

Deloitte and SBC divided the approach to developing this report into three stages.

1. Discovery & Sensemaking
2. Choice Development
3. Drafting & Activation

**Stage One: Discovery & Sensemaking**
Using systems thinking disciplines to understand the role of businesses in social sustainability, the levers available to them to make an impact, and what it will take to shift businesses behaviours and social impact.

The key activities of this stage were:

- Facilitating 15 interviews with SBC members.
- Conducting a desktop research review of best practice and social expectations of businesses.
- Facilitating a discovery workshop with the SBC sponsorship group.

**Stage Two: Choice Development**
Developing choice-making frameworks to enable businesses to explore and quantify their opportunities for social sustainability, and to support SBC and Deloitte to define their leverage points, roles, and activities in the wider system.

The key activities of this stage were:

- Exploring the business levers and endowments for social impact.
- Framing and assessing the maturity of social impact.
- Exploring system transformation roles for SBC and Deloitte.
- Facilitating two testing and validation workshops with the SBC sponsorship group.

**Stage Three: Drafting & Activation**
Drafting and reviewing the final report collaboratively. Activating the recommendations of the report through SBC and Deloitte networks and platforms.

The key activities of this stage were:

- 15 interviews with SBC members
- Drafting the final report.
- Reviewing the final report (SBC sponsorship group)
- Facilitating a session to gather feedback from the SBC sponsorship group on the final report
- Finalising the report to reflect any feedback.
- Activating the recommendation(s) of the report with businesses and the system.
Appendix B: Business action levers for social sustainability
The below is an indicative and non-exhaustive list of the most common ‘S’ related topic and levers for businesses.

<table>
<thead>
<tr>
<th>Domain (Impact Area)</th>
<th>Topics</th>
<th>Business levers for social change</th>
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<tbody>
<tr>
<td>Employment</td>
<td>1. Diversity, inclusion, and belonging</td>
<td>➢ Recruitment</td>
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<td>3. Non-discrimination, equity in pay and opportunity</td>
<td>➢ Occupational Health and Safety</td>
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<td>4. Culture competence</td>
<td>➢ Payroll, compensation, and benefits</td>
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<td>5. Future Workforce and ways of working</td>
<td>➢ Learning and development</td>
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<td>6. People and career development</td>
<td>➢ Governance</td>
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<td></td>
<td>7. Engagement and satisfaction</td>
<td>➢ Performance management</td>
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<td></td>
<td>8. Quality working conditions and worker relationships</td>
<td>➢ Employee engagement</td>
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<td></td>
<td>9. Financial security</td>
<td>➢ Employment relations</td>
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<tr>
<td></td>
<td>2. Non-discrimination, equity in pay and opportunity</td>
<td>➢ Risk Management</td>
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<td></td>
<td>3. Non-discrimination, equity in pay and opportunity</td>
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<td>9. Financial security</td>
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<td>Suppliers</td>
<td>1. Human Rights due diligence</td>
<td>➢ Ethical Supply Chain</td>
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<tr>
<td></td>
<td>2. Labour standards</td>
<td>➢ Procurement practices (Prioritising suppliers from underrepresented</td>
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<tr>
<td></td>
<td>3. Modern Slavery (also employment)</td>
<td>communities)</td>
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<td></td>
<td>4. Supplier diversity, equity, and inclusion</td>
<td>➢ Supplier Code of Conduct</td>
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<td>5. Supply chain management and resilience</td>
<td>➢ Circular economy contributions</td>
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<td>Community</td>
<td>1. Civic engagement and philanthropic giving*</td>
<td>➢ Organisational Development</td>
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<td></td>
<td>2. Diversity, Equity, &amp; Inclusion</td>
<td>➢ Succession and Talent Management</td>
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<td>3. Economic Impact</td>
<td>➢ Procurement</td>
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<td></td>
<td>4. Ethical/ Responsible investment</td>
<td>➢ Supply chain management</td>
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<td></td>
<td>5. Partnerships</td>
<td>➢ Supplier code of conduct</td>
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<td>6. Social procurement, innovation, and enterprise</td>
<td>➢ Philanthropy</td>
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<td>7. Sponsorships</td>
<td>➢ Data Management</td>
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<td></td>
<td>8. Supply Chain Management</td>
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<td>Customer</td>
<td>1. Accessibility of product and services</td>
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<td>2. Customer stewardship - Managing potential impact of products of</td>
<td>➢ Responsible data and privacy practices</td>
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<tr>
<td></td>
<td>services</td>
<td>➢ Public disclosure of business practices and product information</td>
</tr>
<tr>
<td></td>
<td>3. Data protection and privacy</td>
<td>➢ Governance</td>
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<tr>
<td></td>
<td>4. Fostering markets in which all individuals are empowered to</td>
<td></td>
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<tr>
<td></td>
<td>participate, prosper, and reach their full potential</td>
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</tr>
<tr>
<td></td>
<td>5. Partnerships</td>
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<tr>
<td></td>
<td>6. Product affordability</td>
<td></td>
</tr>
</tbody>
</table>
7. Product safety and quality
8. Product transparency and traceability

### Partners

1. Partner Dependant
   - Philanthropic giving (Funding, Products, and Services)
   - Capability building
   - Collaboration and partnering agreements

### Governors and shareholder

1. Disciplinary practices
   - Dividend distribution
   - Reporting Transparency
   - Responsible Tax reporting and transparency
   - Whistle blower policies
2. Diversity, equity, and inclusion
3. Dividend distribution
4. Access to transparent information
5. Taxation **

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* Note philanthropic giving is the subject of some discussion in ‘S’ – whether it is intrinsic or complementary to ESG. We have included it here for individual businesses to consider.

** Note taxation is usually considered under the “G” of ESG. However, an organisation’s tax stance and structuring has a direct impact into government spending – a societal-level lever for achieving social sustainability outcomes. We have included it here for individual businesses to consider the connection between their tax stance and their social sustainability impact.
Appendix C: Analysis of wellbeing in Aotearoa

Global frameworks provide insight into wellbeing (and equity and resilience) in Aotearoa.

Legatum Prosperity Index 2023
The Legatum Prosperity Index 2023 ranks New Zealand as the 10th most prosperous country out of 167 countries, a rank which has been largely unchanged in the last 10 years.\textsuperscript{xxvii}

New Zealand is comparatively strong on:

- Social capital | 4th in civic and social participation (i.e., voter turnout and volunteering and 4th in social tolerance (i.e., perceived tolerance for ethnic minorities, LGBT individuals, and immigrants).
- Governance | 10th in institutional trust (i.e., public trust in politicians, national government, and financial institutions) and 1st in Government integrity (i.e., corruption, and diversion of public funds).

New Zealand is comparatively weak on:

- Health | 163rd for behavioural risk factors (i.e., obesity and substance abuse disorders) and 80th for mental health (i.e., depressive disorders and suicide rate).
- Environment | 123rd for Emissions (i.e., Methane, NOx, and black carbon).

OECD Better Life Index
The OECD Better Life Index ranks New Zealand against 40 other OECD countries across 11 topics identified as being essential in the areas of material living conditions and quality of life.\textsuperscript{xxviii}

New Zealand is comparatively strong on:

- Civic engagement | 14th for stakeholder engagement in regulation development and 7th for voter turnout.
- Health | 14th in life expectancy and 3rd in self-reported health.

New Zealand is comparatively weak on:

- Housing | 40th in housing expenditure.
- Work-life balance | 33rd in employees working very long hours.
- Education | 27th in educational attainment.

Social Progress Index 2022
The Social Progress Index 2022 ranks New Zealand 12th out of 168 countries, a rank that has remained relatively consistent over the last 10 years with New Zealand always ranked in the top 15 countries.\textsuperscript{xxx}

New Zealand is comparatively strong on:

- Personal rights | 1st in political rights and freedom of religion, and 18th in access to justice.
- Access to basic knowledge | 1st in gender parity in secondary attainment, and 17th in secondary school attainment.

New Zealand is comparatively weak on:

- Shelter | 130th in dissatisfaction with housing affordability.
- Inclusiveness | 87th in equality of political power by social group.

What this means for Aotearoa
When it comes to the baseline ‘S’, Aotearoa scores highly in several of the different international frameworks, particularly in areas such as trust in key institutions, civic engagement, corruption, and life expectancy.

Yet there are some key indicators where Aotearoa is underperforming compared to other countries, which is posing a significant risk to the absolute wellbeing of the country, including access to housing, mental wellbeing, and behavioural risk factors.

Distribution (equity) of wellbeing in Aotearoa
The Legatum Prosperity, OECD Better Life, and Social Progress indices focus on the overall wellbeing of a country and don’t delve into the distribution of that wellbeing across individuals within a country. There is
evidence that there are some significant inequalities in the distribution of this wellbeing across the major subpopulations of New Zealand. Te Tai Waiora: Wellbeing in Aotearoa New Zealand 2022 found the following instances:

**Age**
Younger people are experiencing lower levels of wellbeing in New Zealand than the average population with increasing levels of psychological distress, decreasing levels of school attendance, and lower levels of feeling a sense of belonging.

**Ethnicity**
Pākehā were found to be relatively well supported in all of the wellbeing domains covered by the Treasury Wellbeing report. Whereas Māori were found to have lower income, lower self-reported health, lower educational achievement, and higher levels of victimisation than the New Zealand average. Māori do, however, report a high sense of belonging in Aotearoa. Pacific peoples had the lowest wealth of all ethnic groups, lower tertiary education achievement, and the highest household crowding. Despite this, they also reported a high sense of belonging in Aotearoa and the lowest rates of loneliness.

**Gender, family type, and sexuality**
While there is limited data on the wellbeing of the rainbow community in Aotearoa, what is available suggests that they experience higher levels of mental distress, and lower levels of life satisfaction, and are more likely to be excluded from social situations.

Regarding gender, women experience lower perceived safety, higher rates of psychological distress, and complete more unpaid work than men, whereas men have a lower life expectancy and lower educational achievement. When it comes to family types, solo parent families were found to have lower net worth, higher rates of loneliness, and lower levels of life satisfaction.

**Disability**
On average disabled people reported lower incomes, lower rates of home ownership, lower life satisfaction, and greater loneliness, among other factors. Furthermore, children raised by one or more parents with a disability account for half of all children experiencing material hardship.

What this means for Aotearoa
While Aotearoa on average may have relatively high wellbeing compared to other countries, when we break it down to a sub-population group level, we can see that this is not a fair representation of the actual wellbeing issues of Aotearoa.

This means that businesses require different interventions and levers based on the different communities that they are serving.

**Sustainability (resilience) of wellbeing in Aotearoa**
The resilience of wellbeing is defined as the ability to absorb, bounce back from, or adapt to disruption without compromising wellbeing.

Unexpected disruptions are a fact of life, and some of New Zealand’s biggest shocks in the last two decades have come from very different quarters: the Christchurch earthquakes, the Global Financial Crisis, and the COVID-19 pandemic. Looking ahead the impact of technology, higher levels of automation, and climate change among other global factors could result in further significant disruptions to the country.

The resilience of wellbeing in this context is defined as the ability of households and the country to absorb, bounce back from, or adapt to disruption without compromising wellbeing. The Treasury has found that New Zealanders ranked resilience higher than many essential aspects of wellbeing including housing, income, personal safety, culture, and education.

Many households in the country are currently struggling to meet their everyday needs, which leaves them in a poor position to deal with any disruptions that may occur.

The factors positively contributing to New Zealand’s resilience include but are not limited to:

- **Whānau and support networks** | Statistics New Zealand found that nearly all adults (97%) had at least one family member who provided them with support. Nearly half of those had five or more supportive family members.
Trust in institutions | New Zealanders have high levels of trust in the government and in key institutions, which allow the country to avoid some of the political upheavals that other countries have faced in times of disruption.

The factors negatively contributing to New Zealand’s resilience include but are not limited to:

- Mental health | 6.8% of adults have reported experiencing psychological distress, and individuals living in the poorest areas of the country were two and a half times more likely to be suffering psychological distress.

- Productivity | New Zealand’s GDP per capita lags behind the OECD average, and the increases that New Zealand does see in their per capita incomes largely come from increased hours worked as opposed to increased output per hour.\(^{xxxv}\)

What this means for Aotearoa
Developing the positive social impact from businesses is not just about addressing the net wellbeing of the country but about creating a resilient society that can adapt to the disruptions of climate change, new technologies, and countless other unknown factors.
Appendix D: Draft Organisational Maturity Framework

Through this research we identified a number of frameworks that Aotearoa businesses are aware of, actively considering and using.

<table>
<thead>
<tr>
<th>Criteria</th>
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<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspiration and impact</td>
<td>Social impact is negative. Business creates or benefits from negative social impact to be commercially successful.</td>
<td>Social impact is neutral. Business manages and mitigates social impact risk and issues that are created by, or Impact on, the business (deficit-based).</td>
<td>Social impact is positive and sustainable. Business creates sustained social impact by maintaining wellbeing of its employees, customers and partners.</td>
<td>Social impact is positive and regenerative. Business actively restores and creates social impact by increasing the wellbeing of its employees, customers and partners, their natural communities and communities it operates in. Business takes a long-term, intergenerational lens to social impact.</td>
</tr>
<tr>
<td>“S” Completeness</td>
<td>Social impact is not focused on any group. Social impact does not consider any of the groups (i.e. employees, customers, partners, suppliers, and communities it operates in).</td>
<td>Social impact is focused on employees. Social impact focus is limited to employees (and exclusive of customers, partners, suppliers, and communities it operates in).</td>
<td>Social impact considers multiple possible impact groups including customers, partners, suppliers, and communities we operate in.</td>
<td>Social impact considers all impact groups (employees, customers, partners, suppliers, and communities we operate in).</td>
</tr>
<tr>
<td>Materiality</td>
<td>Materiality is not assessed. There is no repeatable process in place to assess materiality.</td>
<td>Materiality is partially assessed. Materiality assessment has gaps in knowledge and/or stakeholder involvement.</td>
<td>Materiality is consistently assessed. Materiality assessment consistently considers financial- and non-financial materiality, engages all stakeholders, and is informed by context.</td>
<td>Materiality is systematically assessed. Materiality assessment considers all stakeholders and has a validated view of the organisation’s levers and differentiators and the relative opportunities for impact.</td>
</tr>
<tr>
<td>Commercial Model</td>
<td>Impact is at odds. Increased revenue and growth are at the expense of positive social impact.</td>
<td>Impact is not aligned: Increased revenue and growth do not affect positive social impact.</td>
<td>Impact is loosely aligned. Increased revenue and growth increase positive social impact.</td>
<td>Impact is tightly aligned. Increased revenue and growth increase positive social impact proportionately (or more).</td>
</tr>
<tr>
<td>ESG Interconnection</td>
<td>E, S &amp; G are loosely connected. E, S &amp; G planning and activities are coordinated and aligned on an ad-hoc basis. Tensions and trade-offs are not well understood; focus may be limited or heavily weighted to one.</td>
<td>E, S &amp; G are loosely connected. E, S &amp; G planning and activities are coordinated and aligned on an ad-hoc basis. Tensions and trade-offs are not well understood; focus may be limited or heavily weighted to one.</td>
<td>E, S &amp; G are tightly connected. There is clear and consistent coordination and alignment across E, S &amp; G planning and activities. The tensions and trade-offs are understood.</td>
<td>E, S &amp; G are integrated and stacked. Stacked value (actions that increase, E, S, G and commercial outcomes) is understood and opportunities realised. Tensions and trade-offs are understood and defined.</td>
</tr>
<tr>
<td>“S” Leadership and accountability</td>
<td>No clear leadership and accountability. There are no social impact performance expectations or accountabilities.</td>
<td>Some leadership and accountability is defined. There are social impact performance expectations and accountabilities around easily defined “S” factors (e.g. H&amp;S, pay, D&amp;I). Accountability may be held deep in the business and/or in limited parts of the business.</td>
<td>Leadership and accountability is defined. A broad set of social impact performance expectations and accountabilities are defined and measured. Accountability is held at senior levels across the business.</td>
<td>Leadership and accountability is embedded. Governance, leadership, and management have clear accountability for social impact linked to performance. All staff understand how they contribute.</td>
</tr>
<tr>
<td>“S” Measurement</td>
<td>S is not measured. There is no measurement and reporting of any “S” factors.</td>
<td>A narrow set of “S” factors have measurement and reporting. There is measurement of core “S” factors within the organisation’s direct levers – including H&amp;S and diversity and inclusion.</td>
<td>S is measured across multiple domains. There is measurement and reporting of the foundational “S” factors across multiple cohorts (employees, customers, partners etc.)</td>
<td>Full ESG measurement and reporting. Performance measures are defined across all material issues and cohorts, and attribution is defined. Clear, measurable targets set and embedded in organisational KPIs for all “S” factors material to the business.</td>
</tr>
<tr>
<td>Decision making</td>
<td>ESG is not considered in core decision making. Investments, programmes, and operational decisions are not required to consider ESG.</td>
<td>ESG is considered in decisions on an ad hoc basis. The business identifies ESG considerations in some decisions, but these are not systematic.</td>
<td>ESG is considered in key decisions with variable support. The business identifies E, S, and G considerations in all key decisions, but not always consistently and comparably.</td>
<td>ESG is embedded into decision making. Processes and governance to assess, choose and monitor are consistent and systematic.</td>
</tr>
<tr>
<td>Funding and focus</td>
<td>Resource is at risk. Resource focused on delivering social impact is at risk from other priorities.</td>
<td>Resource is protected. Resource is ringfenced over reasonable timeframes.</td>
<td>Resource is aligned. Resource is ringfenced and tied to business performance, increasing resources with revenue and profit growth.</td>
<td>Resource is embedded. Resource is ringfenced and revenue and growth increase resources proportionately (or more).</td>
</tr>
</tbody>
</table>

*“S” specific. for these criteria there would be an equivalent definition for E and G.
Appendix E: Key ‘S’ frameworks

Through this research we identified a number of frameworks that Aotearoa businesses are aware of, actively considering and using.

<table>
<thead>
<tr>
<th>#</th>
<th>Frameworks and measures</th>
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<tbody>
<tr>
<td>1</td>
<td>United Nations Sustainable Development Goals</td>
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<td>2</td>
<td>Global Reporting Initiative</td>
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<td>3</td>
<td>Integrated Reporting</td>
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<td>4</td>
<td>Living Standards</td>
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<td>5</td>
<td>IRIS catalogue of metrics by global impact investing network</td>
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<tr>
<td>6</td>
<td>Decent work indicators by the international labour organisation</td>
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<tr>
<td>7</td>
<td>Social Reporting Standards</td>
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<td>8</td>
<td>MaRS Social Impact Metrics</td>
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<td>9</td>
<td>Te Whare Tapa Whā</td>
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<td>10</td>
<td>B4Si reporting</td>
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<td>11</td>
<td>Rainbow tick</td>
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<td>12</td>
<td>GRESB</td>
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Appendix F: Bibliography

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End Notes

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