In association with Board Benchmarking

Two new frameworks to help you measure and improve your ESG Sustainability Maturity

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Why Organisation Sustainability?

Organisation sustainability involves the thinking, planning and actions required to achieve long-term value and to mitigate financial risks for organisations.

The sustainability standards of the Global Reporting Initiatives (GRI) for sustainability, and the Value Reporting Foundation which announced its merger into the IFRS Foundation in late 2021, require organisations to disclose environmental, social and governance (ESG) issues that are material for the financial markets and for the stakeholders to understand how the organisation mitigates financial risks and enhances long-term value for organisations. The aim of the new sustainability standards is to ensure transparent, quality and reliable reporting that is comparable across companies and industries.

This white paper sets out two new frameworks, an Organisation Sustainability Maturity Matrix (OSMM), and a Sustainability Transformation Plan Framework (STPF), which provide a new universal way to evaluate organisation sustainability and a roadmap to achieve greater sustainability. Understanding and implementing these frameworks will help improve the long-term future of organisations, their investors and stakeholders, society, and the planet.

In alignment with the sustainability standards on ESG these two new organisation sustainability frameworks provide the structure and processes that organisations will need to use in their governance and management approaches to meet and exceed the sustainability standards and to mitigate reputational and financial risks.

What is Organisation Sustainability?

Organisation sustainability is an important governance and management practice used by organisations in synthesising and accepting the paradox between the three contradictory and complimentary pillars of sustainability (i.e., Profit (economic/financial), People (human/social) and Planet (environmental) to create long-term shared value, minimise harm and mitigate financial risks. In this context organisation sustainability is inclusive of corporate social responsibility (CSR) initiatives used to enhance an organisation's ESG performance.

The OSMM provides the structure to validate the effective use of business resources to manage sustainability risk factors to enhance ESG performance, mitigate financial risks and promote holistic corporate sustainability credentials for the long-term future of organisations.

The STPF will guide processes which the board and executives use to integrate ESG goals in order to achieve socio-efficiency and eco-efficiency for organisation value creation/preservation and avoid erosion of value overtime.

Reporting this information using an evidence-based approach will meet the regulatory and voluntary sustainability reporting requirements (i.e., in financial reports, GRI reports, CSR reports, company website etc.,) and enable beneficiaries (investors, other stakeholders, regulators, policy makers etc.) to understand how sustainability risks are mitigated and how the long-term value of the organisation is enhanced.

The macro-level international institutional sustainability context has been influenced from different quarters including the sustainability standards set by Global Reporting Initiatives (GRI), Value Reporting Foundation (VRF), and the commitment by US Business Roundtable to an organisation's strategic priority to synthesising sustainability goals for ESG to improve our economy, planet, and society.

GRI facilitates discussion and the narrative about how an organisation is managing the material issues on ESG for all stakeholders, where VRF is more focused purely on financial materiality on ESG for stakeholders including investors.

Hence, there is now an almost universal acceptance that an organisation's long-term success is inextricably linked to how it deals with ESG issues (employees, customers, community, and the environment).

History of CSR and organisation sustainability

During the 1970's there wasn't much talk about organisation sustainability. Most adopted Milton Friedman's stance that a firm's sole responsibility was to its shareholders and accordingly were totally focused on maximising shareholder returns.

In the 1980's CSR emerged and started to become more mainstream with CSR activities considered as socially valuable. Corporate and stock exchange regulators began requiring companies to publish separate CSR reports or integrate them within their financial reports.

Many organisations sought to design and dress up their CSR activities to get the most marketing and advertising bang for their buck. The dressing up of their environmental, social/human, and governance (ESG) performance is popularly referred to as greenwashing and whitewashing respectively.

Many CSR initiatives have been shown to be disconnected from their organisation's strategy with little thought as how such activities might improve ESG performance outcomes, for instance stakeholder reciprocity, firm reputation, sustainability innovation and reduced firm risks. The underlying desire was to be seen as good corporate citizens without having to change the way their organisation did business or change what it truly valued.

Recent corporate sustainability disasters, including at AMP, Crown, Rio Tinto, and Westpac, provide stark evidence as to why there is a need for organisations to adopt a more authentic and holistic approach to their corporate sustainability business agenda.

In the 21st Century, in addition to the government regulations, financial market regulators and stock exchange regulations require companies to publish separate CSR reports or integrate within financial reports.

For example, the Value Reporting Foundation which has been recently merged into the IFRS Foundation, has set sustainability accounting standards to facilitate businesses to disclose voluntarily or regulatory requirements about their governance and management approaches to benefit stakeholders, including investors and policy makers, for long-term value.

The new OSMM provides a universal framework for organisations to measure and disclose evidence-based voluntary or regulatory reporting of the organisation's sustainability maturity to mitigate reputational and financial risks. Subsequently, the STPF provides the roadmap for the holistic transformation of organisations to achieve and exceed sustainability standards on ESG as they seek to improve their long-term future.

Why a higher level of organisation sustainability is so important right now?

A tidal wave of change in societal views that has been sweeping the globe in recent years has set a much higher bar for the way organisations interact with their investors, employees, customers, suppliers and communities, and the impact that organisations have on the natural environment to enhance their ESG performance.

Societal views are magnified because of social media. Issues like gender diversity, marriage equality, modern slavery, black lives matter, the Me Too movement, climate change and growth in inequality that previously might not have been taken too seriously, have now become mainstream. Most of these matters relate to the S in ESG.

Customers and investors are voting with their wallets by withdrawing funds from organisations that they consider to be less sustainable. That tidal wave of change has also dramatically increased the community's expectations of organisations, their boards, and senior executives.

The impact of this change is likely to increase as yesterday's actions are almost certain to be judged by tomorrow's much higher standards of ESG performance.

In order to avoid a Kodak moment in relation to their organisation's sustainability, boards and executives are encouraged to assess their organisation's current level of organisation sustainability maturity and begin the long-term journey of transformation to a higher level.

The OSMM enables the determination of an evidence-based organisation sustainability score and a sustainability profile index. This will help companies to benchmark the sustainability risk factors that predict their ESG performance over a period and enable a comparison with other companies within and across industries to mitigate financial risk.

This approach aligns with GRI and VRF standards and guidelines, as it enables benchmarking for continuous improvements in ESG performance by organisations which is the core purpose of voluntary and regulatory reporting.

Start with small steps – but start

Taking a long journey begins by taking the first step and then another and then another.

The OSMM and the STPF set out herein will help you consider the dimensions that your organisation will need to take into account to better understand your level of sustainability and the prerequisites you need to put in place to transform your sustainability to a higher holistic level.

By reporting this you will exceed sustainability accounting standards for shared value. There are plenty of places to begin your organisation's journey.

Business leaders are urged to start somewhere but at least start, no matter how daunting the entire journey might seem. Even if you start by adopting siloed approaches to sustainability, it is better than doing nothing. Those actions could help provide the impetus for further actions and help put your organisation's sustainability journey on the path to a more holistic sustainability level.

Once you have started the journey, you will be able to refine and adapt your approach and build a more strategic, holistic, and robust plan, but starting the journey and gaining some momentum is important.

Not just the E in ESG

The media and many commentators have successfully brought an increasing focus to climate change and the need for reduced greenhouse gas emissions which focuses on the E in ESG.

Most countries and many organisations have committed to achieving Net Zero by 2050 or prior. China has committed to achieving Net Zero by 2060 and India has committed to achieving Net Zero by 2070.

One of the important features of the OSMM is its focus on the need for a much greater understanding of, and transparency in relation to, the harm caused by an organisation's activities, whether that harm be in relation to the E, S or G in ESG. It also calls for the instigation of genuine engagement with those stakeholders impacted and appropriate plans to both mitigate and compensate for that harm.

Clearly the harm of an organisation can go way beyond just environmental harm and include harm caused by poor governance and harm to employees, customers, communities, other stakeholders and third parties.

A new authentic and holistic long-term approach is needed

Over the last several decades, the focus of boards and executives has been on achieving short-term financial success to meet the desires of investors and analysts. This has meant that many boards and executives haven't yet developed the expertise and experience to think, plan and act more holistically and to integrate ESG issues into their business strategies and plans.

Achieving a more holistic and strategic approach to ESG sustainability has already required some organisations to rethink their vision, purpose, strategies and even their business model. Others will need to determine whether their vision, purpose, strategies and business models include all the appropriate sustainability characteristics. A more holistic and strategic approach will also almost certainly require organisations to rewire their structure, policies, culture, systems, and processes to better align with their new ESG sustainability ambitions and performance objectives.

The transformation journey, including this reassessment and realignment process, is likely to take organisations at least three to five years, with significant measurable progress likely identifiable within one to two years.

A new level of authenticity, leadership and capability will be required in synthesising and accepting the ongoing tension and paradox between the contradictory and complimentary financial, human/social, and environmental pillars of sustainability.

The OSMM and STPF focus on integrated strategic CSR activities to improve ESG performance outcomes in order to meet and go beyond the sustainability standards using evidence-based information on stakeholder reciprocation, firm reputation, sustainability innovation, and to also reduce firm risks.

Other reporting frameworks tend to use a siloed approach to manage financial, human/social, and environmental sustainability or ESG issues which has limited strategic value for organisations.

The new STPF to achieve a higher level of organisation sustainability is set out later in this paper, but first we set out a new way to assess organisation sustainability maturity.

Organisation Sustainability Maturity Matrix (OSMM)

This new Organisation Sustainability Maturity Matrix provides the much-needed insights for investors, analysts, boards, executive teams, operational managers, and other stakeholders to evaluate an organisation's current level of sustainability maturity, including whether that level is acceptable given the organisation's ambitions, plans and performance.

	Level 0: Oblivious	Level 1: Short-term financial focused	Level 2: Reputation management	Level 3: Holistic
A. Board agenda/ strategy	Sustainability is not considered for inclusion in the board's agenda/strategy.	Primary board agenda/strategic focus is on short term financial gain with limited consideration of impact on key stakeholders.	Board agenda/strategy considers sustainability in order to "feel good", mitigating financial risks and managing external perceptions of the organisation.	Board agenda/strategy grounded in an ethical purpose and values, with organisational actions and behaviours consistently lived and aligned with sustainability aspirations
B. Stakeholder relationships	Stakeholder engagement only occurs to procure a benefit for the organisation.	Stakeholder engagement only occurs where some form of benefit or payback is expected for the organisation.	Claims that sustainability programs benefit key stakeholders, but stakeholders and others perceive the primarily purpose is to promote the organisation.	Authentic relationships developed and maintained with key stakeholders and aligned to the organisation's purpose and strategy.
C. Value add	Sustainability is considered irrelevant for adding value or improving performance.	Natural environment and human/social improvement programs are considered an unnecessary cost and are only done for expediency.	Sustainability programs are selected to mitigate financial risks and to promote the organisation's sustainability credentials.	Genuine conviction that benefiting stakeholders is in the long-term interests of the organisation.
D. Minimisation of harm caused	No concern for any negative consequences or harm caused to others by the organisation's activities.	Limited awareness, transparency or concern for harm caused by the organisation's activities while maximising the economic benefit to the organisation.	Sustainability programs are used to mitigate or compensate for the most visible harm caused by the organisation and for impression management.	Sustainability programs focused on holistic and transparent engagement with those impacted by the organisational harm caused.
E. Goals synthesis	Sustainability issues are not considered as short-term financial gain is the sole business focus.	Paradox/tension between goals is recognised but a siloed approach, which includes philanthropy, results in maximising short-term financial performance.	Recognises paradox/tension between goals with financial performance prioritised combined with sustainability programs designed to maximise positive and minimise negative PR.	Synthesises sustainability goals by accepting the ongoing tension/paradox between improving economic performance and simultaneously adding value and minimising harm.

Five dimensions of Organisation Sustainability Matrix to determine Maturity level

In development of the Organisation Maturity Matrix, it is advocated that external observers of organisations be able to determine where they thought each organisation was on each dimension of the framework using external observations and publicly available information.

The Matrix will also help external observers determine an organisation's ESG risks inventory based on each sustainability dimension of the Maturity Matrix.

The five sustainability dimensions were chosen because they fit well with our own extensive research and extended research in the field of organisation sustainability, whilst aligning well with GRI and VRF sustainability standards on ESG.

Each of the five dimensions of Organisation Sustainability Matrix are explained below.

Dimension A: Board agenda/strategy

The board sets the tone from the top in terms of the character, culture, performance, and risk management of the organisations over which they preside. They will ensure that their organisation has a worthy purpose, a compelling vision and values that are all lived and aligned with the organisation's sustainability aspirations.

As the board oversees the organisation, they have a big influence over its priorities and areas of focus both in the short and long term.

In doing so the board sets the foundation for all the organisation's plans, decision making, actions and behaviours. It will be clear to observers as to what extent the board takes areas of sustainability seriously and why.

For many listed corporations there is a significant focus upon achieving short-term profitability. Observers will be able to see how the board balances the need for short-term profitability with longer term matters that impact the organisation's sustainability and reputation and whether the organisation is genuinely committed to achieving and exceeding sustainability standards on ESG backed by an aligned culture, policies, and practices.

Dimension B: Stakeholder relationships

Most stakeholders have limited power when negotiating with for profit organisations in particular and they often bear the brunt of adverse consequences that are often caused. Some organisations are oblivious to or see little necessity to take time to understand or mitigate the harm caused to stakeholders.

Enlightened organisations are building authentic relationships with all their key stakeholders. They understand, handle, and prioritise the myriad of stakeholder interests and corresponding organisational expectations based on reciprocity, reparation, and gratitude.

Therefore, the Maturity Matrix uses a continuum from the transactional to an enduring exchange of organisation and stakeholder relationships to determine the levels of organisation sustainability maturity for long-term value and to mitigate financial risks.

Dimension C: Value add

The Value add dimension of the OSMM is related to the financial sustainability performance of an organisation based on gaining strong cooperation and building enduring relationships with stakeholders, including shareholders.

As with other dimensions of the Maturity Matrix, whether an organisation has a genuine conviction that benefiting stakeholders is in the long-term interests of the organisation will be apparent from the actions exhibited by the organisation.

A lower level of maturity will normally mean that the implementation of sustainability programs for the benefit of stakeholders will not be contemplated, or if contemplated will be considered as diminishing the long-term value of the organisation.

Dimension D: Minimisation of harm caused

This dimension of the Maturity Matrix is related to the environmental, social/human, and governance (ESG) performance outcomes including the 'unintended' unsustainable and negative impacts imposed by governance activities on stakeholders (i.e., natural environment and society) while improving organisational financial performance.

Five dimensions of Organisation Sustainability Matrix to determine Maturity level (cont)

Negative impacts imposed by organisational activities on stakeholders are often unavoidable which makes it even more important that organisations clearly understand the extent of the harm caused and determine how to minimise the harm on the natural environment and society (i.e., customer, employees, supply chain etc).

Adopting appropriate approaches to minimisation of harm will mitigate financial risks and ensure the organisation retains its social license to operate.

Dimension E: Goal synthesis

The goal synthesis dimension of the Maturity Matrix reflects an organisation's ability to accept and deal with the ongoing tension and paradox between improving economic performance and simultaneously adding value and minimising social/human harm and harm to the environment and key stakeholders.

An organisation's siloed, temporal/spatial, and synthesis approaches to simultaneously achieving the contradictory but complementary sustainability goals are used to demonstrate the level of organisation sustainability maturity.

Four Levels of Sustainability Maturity

There are four organisation sustainability maturity levels across the five dimensions of the Matrix. They will help the board, executive and operational teams to determine the level of sustainability maturity of their organisation ranging from below to exceeding sustainability standards and where some of their organisation's current sustainability programs fit in the matrix.

The demonstrated level of sustainability maturity will also help the board and executive teams to determine the inventory of ESG risks. The inventory of ESG risks will highlight the need to develop strategies to transform their organisation to a higher maturity level to exceed sustainability standards on ESG and to gain the social legitimacy they desire and to achieve shared value.

Each of the four levels of Organisation Sustainability are explained below.

Level 0: Oblivious

In the oblivious maturity level, sustainability is not even considered for inclusion in the board's agenda/ strategy which is why the bottom level of below sustainability standards on ESG is designated as Level 0 and not as Level 1.

No meaningful organisation-stakeholder engagement is contemplated other than to procure financial benefits for the organisation.

Sustainability is considered irrelevant for adding values or achieving organisational success. No deliberate attention is given to the minimisation of harm caused to key stakeholders because the sole business focus is short-term financial gain.

Example of Level 0: Oblivious

7-Eleven (Australia) in 2015: 7-Eleven (Australia) had more than 615 convenience stores that generated an annual turnover of approximately $3.6 billion. Based on media reports the Australian Government's Senate Committee conducted an enquiry and found that the board was aware of exploitation of employees (i.e., paying half the prescribed minimum wages etc.) but it was not considered as a sustainability issue by the board (ABC, 2015).

At the same time as underpaying employees, 7-Eleven (Australia) reported that it had spent $500,000 on the organisation's sustainability program on "Good Cause – 7-Eleven community partnership program" to support local football clubs, breast cancer etc. This community partnership as a sustainability program was not connected in any way with the harm caused to employees with the overall focus appearing to be to maximise short-term financial gain.

7-Eleven (Australia) in 2015 exhibited some elements of Level 0 and some of Level 1 (see next for details) on the Organisation Sustainability Maturity Matrix. Early identification of these sustainability risks for ESG performance could have mitigated the reputational and financial risks for 7-Eleven (Australia).

Four Levels of Sustainability Maturity (cont)

Level 1: Short-term financial focused

In the short-term financial maturity level, board agenda/strategies highlight the awareness of the business case for sustainability standards on ESG but focus on the short-term financial gain with little or no ethical actions taken towards stakeholders unless a financial benefit is expected.

Philanthropy based organisation-stakeholder relationship is used in this level of sustainability maturity where the exchange is to gain some benefits for the organisation by engaging with non-relevant stakeholders.

Organisations on Level 1 have limited awareness or transparency of the social/human and environmental harm imposed on stakeholders while focusing primarily on financial benefits.

For the goals synthesis dimension of the matrix, organisations handle the tension/paradox by using a temporal and/or a spatial approach in simultaneously achieving the contradictory but complementary financial, social/human, and environmental sustainability.

Example of Level 1: Short-term financial focused

Westpac in 2019: Westpac said it was blindsided by AUSTRAC when it launched civil proceedings against Westpac for failing to report 23 million financial transactions including transactions involving customers who had connections with paedophilia and child exploitation.

Westpac quickly announced that it would fix the problems, dock the bonuses of senior executives for the failures and donate in excess of $30 million over three years to charities that would tackle the online exploitation of children (Australian Financial Review, 24 November, 2019). Shortly afterwards the CEO resigned, and the Chairman announced he would bring forward his retirement. A more proactive approach to identify short-term financial focused sustainability risks for ESG performance by Westpac could have mitigated the reputational and financial risks.

Level 2: Reputation management

The reputation management sustainability maturity level highlights an organisation's primary intention is to influence key stakeholders' perceptions by implementing minimum regulatory sustainability standards requirements and designing its human/social and natural environmental sustainability initiatives to appeal to key stakeholders.

Reputation management tactics focus on gaining sustainability credentials to mitigate financial risks, magnifying positive ESG performance and concealing negative performance.

Example of Level 2: Reputation management

Rio Tinto in May, 2020: Rio Tinto was widely condemned by its shareholders, the Australian Government, and the public when it blasted and destroyed the 46,000-year-old aboriginal rock shelters that had huge historic and cultural significance.

Rio Tinto initially used reputation management tactics to influence the key stakeholders' perceptions with excuses and apologies and subsequently the board offered to cut annual bonus to the CEO and executives involved in the decision.

It wasn't until September 2020 that the board announced that the CEO would step down. During the intervening period it became clear that Rio Tinto's top priority had been its corporate financial performance and to satisfy regulatory requirements.

Its senior executives admitted to having had limited engagements with key aboriginal stakeholders and limited knowledge, recognition, or transparency about the harm its actions caused to its indigenous stakeholders.

Four Levels of Sustainability Maturity (cont)

Level 3: Holistic

The holistic organisation sustainability maturity level highlights the proactive sustainability strategies and actions taken by organisations in their journey to exceed sustainability standards by integrating the mutually reinforcing financial, social/human, and environmental sustainability goals to achieve the common good.

The holistic sustainability maturity level requires a higher order view of business purpose and the transformation of strategies and actions that integrate ecological and humanistic commitment for shared value. This maturity level serves as a bridge between instrumental stakeholder transactions, corporate sustainability, and the reputation to gain long-term value for organisations.

Currently there is no evidence available that identifies any organisations that have reached and maintained the holistic sustainability maturity level, but they are aware of many that have put the foundations in place including having the vision and the conviction that the holistic level of maturity is the level to which all organisations should aspire.

Patagonia is an example of such an organisation that has many strong foundation stones very well in place. Patagonia and many similar organisations have not yet put all the supporting infrastructure, including the appropriately aligned processes and tools in place.

Sustainability Transformation Plan Framework

This new Sustainability Transformation Plan Framework provides a research evidence-based blueprint for boards, CEOs, and executive teams to guide them on their journey of improving their organisation's current level of sustainability maturity and to mitigate reputational and financial risks. Each of the six prerequisites that have been designed are interrelated and interdependent and all are necessary conditions for achieving the transformation desired.

Sustainability Transformation Plan Framework (cont)

Each of the six prerequisites for transforming your level of organisation sustainability are explained below.

Prerequisite 1: Sound governance

The journey of transformation of organisation sustainability needs to begin with an enlightened board with sustainability expertise that has a genuine conviction that benefitting all the organisation's main stakeholders is in the long-term interests of their organisation.

The board will also need to consider whether the organisation's stated purpose and values and its business model are well aligned and provide the necessary foundations for a truly sustainable organisation and to exceed sustainability standards on ESG.

Unless the board demonstrates a unified, collective, and sustained leadership commitment to ensure their organisation has the appropriate foundations in place and demonstrates its commitment with appropriate action to improving sustainability outcomes, the sustainability transformation and the social legitimacy desired will not be achieved.

Prerequisite 2: Stakeholder management

Organisations will also have to take a more thoughtful and informed approach in managing key stakeholders' expectations in relation to financial, social/human, and environmental issues to achieve genuine shared value.

Having identified an appropriate approach to manage key stakeholders, relevant primary (required for the survival of the organisation) and secondary (affect or are affected by the corporation but do not affect the survival of the organisation) stakeholders should be identified for each of the social/human, environmental, and financial sustainability or ESG issues.

Stakeholders are also categorised as primary and secondary based on the power or influence, legitimacy, and urgency of ESG issues in the organisation's survival.

Management decision-making processes should include transparency in sharing information on benefits and risks to identified ESG issues, having dialogue, and creating continued mutually respectful stakeholder relationships for future exchanges to achieve shared value.

As an organisation matures in its approach to these characteristics of stakeholder management it will transform to a higher sustainability maturity level and exceed sustainability standard on ESG.

Prerequisite 3: Visionary leadership

Visionary leadership will also be required to lead a thorough, disciplined, and ongoing internal transformation of the cultural and systems wiring of the organisation to shape, mould and align it with the new sustainable vision, purpose and character of the organisation signed off by the board.

Those leaders will need to have strong stakeholder values and to be true champions of their organisation's worthy purpose and its sustainability transformation journey.

Those leaders will also need to inspire, engage, and enlist many other people leaders to join them as sustainability advocates and provide them with the necessary education, training, and support to build their sustainability competencies and credentials.

Many employees will be early adopters but there will also be sceptics who will resist change which is why perseverance with a shared vision of all employees and a resolute leadership commitment is so important.

Sustainability Transformation Plan Framework (cont)

Prerequisite 4: Strategic alignment

All the organisation's systems, processes, policies, and business strategies will need to be scrutinised and checked for alignment with the new sustainable vision, purpose, and values.

Many hard decisions will need to be made which will be a real test of the depth of leadership conviction and commitment especially if the re-alignment might result in short-term financial pain. Failure to make the hard decisions required will jeopardise the transformation journey and breed justifiable cynicism.

Designing sustainable work systems and practices, including complementary employee selection, reward, and performance management practices with sustainability characteristics (pro-environmental and pro-social) for human capital, will be important to operationalise the organisation's corporate sustainability business strategy.

The new work systems and practices with sustainability characteristics will support human capital to help organisations to synthesise the complementary financial, social/human, and environmental sustainability and ESG performance outcomes desired.

A sustainability culture comprising elements of social legitimacy, stakeholder responsiveness, efficiency, and risks mitigation must be carefully designed to coexist despite some elements being slightly incompatible. The new sustainability culture will need to support the organisation's sustainability agenda, work systems and practices and align with its new sustainable vision, purpose, and values.

A comprehensive cultural transformation plan supported by deep change management expertise and experience will be required to ensure the desired culture is well integrated and embedded until it becomes the organisation's new way of life.

Prerequisite 5: Internal monitoring

The old saying that, what gets measured gets managed, is true when it comes to improving sustainability outcomes and increasing sustainability maturity to a higher level.

A scorecard of objective measures should be designed to monitor progress and provide early warning signs of human capital or system failures and a lack of progress in sustainability maturity. This should include an ongoing feedback loop to the board which will include executives acting in advance when ESG performance measures are unlikely to be met.

A good test of organisational and board commitment is whether stakeholder and other relevant sustainability measures are included in executive scorecards and whether executive incentives are adversely affected by a lack of progress in the sustainability maturity desired.

The executive scorecards will identify the strategic contributions of each key executive to the transformation of the five dimensions of the matrix to the desired organisation sustainability maturity level. The scorecards will add focus to the risks of a potential destruction of value and opportunities to enhance the organisation's level of sustainability maturity.

Prerequisite 6: External communication

The Global Reporting Initiatives (GRI) guidelines (GRI 2013) and Value Reporting Foundation (VRF 2021) highlight that trusted external communication on management approaches must be in terms of accuracy, clarity, comparability, and reliability of information on both positive and negative measures of ESG for stakeholder outcomes along with plans for future improvement. Full transparency of the metrics used by the organisation and its plans to improve sustainability outcomes is essential.

To gain stakeholder legitimacy, it will be important to provide quality information on management approaches, and both positive and negative outcomes of ESG for stakeholders. The natural tendency to only communicate positive outcomes and not to be transparent about the harm and negative impacts caused by of the organisation's activities should be avoided as should the public relations team's efforts to "spin" the facts to make them seem better than they really are. Trusted communications on ESG performance are paramount.

As an organisation matures in its approach to sustainability on ESG issues and transitions to a higher level on the maturity matrix it will want to demonstrate that it is serious about improving the transparency of its sustainability metrics and plans that it will want to have those disclosures independently verified on an annual basis.

Objectively assess your ESG Maturity and Capability

Insync has developed an ESG Maturity Calibration Survey and an ESG Capability Survey to help organisations measure and improve their ESG sustainability maturity. These surveys are designed to be completed by the board and senior executives of an organisation.

The ESG Maturity Calibration Survey can also be completed by external stakeholders such as investors, analysts and the media. By understanding the gaps in the internal and external perspectives of your organisation's sustainability maturity you will be better placed to refocus your ESG ambitions, plans and performance.

The ESG Maturity Calibration Survey enables respondents to plot the organisation's level of maturity on each of the five dimensions referred to in this white paper. Respondents are also able to explain in the survey why they plotted the organisation's maturity in the way that they did. This survey takes respondents around 10 minutes to complete.

Each ESG Maturity Calibration Report shows the relevant organisation where its maturity is plotted overall on the OSMM and gives the organisation an ESG Maturity index in relation to each dimension on the OSMM as well as an overall ESG Maturity Index.

All the explanations provided as to why respondents plotted the organisation's level of maturity where they did are included in the report.

This report will benchmark the organisation's level of maturity against other organisations in the same industry as these benchmarks become available. As well as the overall maturity level being reported the perspectives of different cohorts such as the board, senior financial, sustainability, PR and communications department executives is also provided.

The ESG Capability Survey asks respondents to form a view on the organisation's ESG capability and the organisation's readiness to transform its ESG maturity to a higher level.

Assessments are made by respondents in relation to each of the six dimensions on the STPF from sound governance through to external communications.

Respondents also provide their views as to the areas in which the organisation has built strong capability in relation to ESG sustainability and the areas where further investment and focus is required.

The ESG Capability Report shows respondent perceptions of the organisation's ESG capability across the six dimensions of the STPF as well as their perceptions in relation to each of the survey items in relation to each dimension. The different perspectives of the respondent cohorts (e.g., the board, senior financial, sustainability, PR and communications department executives) is also shown.

This report will also benchmark the organisation's ESG capability against other organisations in the same industry as these benchmarks become available.

If you would like further detail in relation to either of Insync's ESG Maturity Calibration Survey or our ESG Capability Survey please contact us via insync.com.au/contact-us.

Next steps

We recommend that you take the following steps to build your capability and experience and to measure and transform your level of organisation sustainability on ESG issues for long-term value:

- Place organisation sustainability firmly on your board agenda and put plans in place to develop your capability and experience in organisation sustainability for satisfying and going beyond sustainability standards on ESG issues.
- Keep up to date with the latest sustainability standards published by the International Sustainability Standards Board and consider which of the growing number of sustainability metrics are most relevant to your organisation.
- Collect varied perspectives and an overall view of your organisation's sustainability maturity using the OSMM framework, whether by completing Insync's ESG Maturity Calibration Survey or otherwise. Ask an organisation sustainability expert to assist you to interpret your ESG Maturity Calibration Report and/or to validate your evaluation of your ESG maturity. This will set an important baseline from which to measure subsequent improvement.
- Set your organisation's sustainability ambitions, plans, and performance expectations on ESG including the maturity level your organisation aspires to achieve, in say, three years.
- Determine your level of ESG Capability by completing Insync's ESG Capability Survey or similar and develop a comprehensive organisation transformation plan using the STPF to support the achievement of your ESG performance ambitions and objectives referred to above. Ask a sustainability expert to help prepare or validate that plan.
- Regularly provide voluntary or regulatory reports to highlight the extent of your organisation's sustainability maturity and your progress against the plans and objectives set in your organisation sustainability transformation plan for ESG and adjust as required to gain long-term value and mitigate financial risks.

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Please contact the authors via **insync.com.au/contact-us** for a no-obligation initial discussion or assistance with an ESG survey. You can also request an evaluation or validation of your organisation sustainability maturity level and transformation plan or other expert sustainability advice, consulting services, workshops, and the like.

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Dr. Sugumar Mariappanadar is one of the top two internationally acclaimed researchers who have shaped the field of sustainable HRM since 2000 to help organisations to achieve ESG sustainability outcomes. Sugumar is Fellow – College of Organisational Psychologists – Australian Psychological Society (APS), and Certified Academic HR (CAHR) of the Australian Human Resource Institute (AHRI). He has published more than fifty research articles in peer-reviewed international journals, book chapters and refereed conference publications. He has the distinction of publishing the first international book on Sustainable Human Resource Management: Strategies, Practices and Challenges published by Macmillan International, London (2019).

He has delivered keynote addresses to various international conferences and conducted workshops on sustainability and sustainable HRM in the American Academy of Management (AOM) Annual meetings (2019, 2020 and 2021), and conferences in Europe, Asia, Australia, and New Zealand. He has also contributed to changes to international work health and safety standards (GRI 403 - 2018) of Global Reporting Initiatives (GRI) for Sustainability, Amsterdam. He has helped organisations in business process analysis and management systems development and has conceptualised and developed management analytics software for businesses.

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Nicholas Barnett is a governance expert and experienced practitioner, and has been a director, business leader and consultant for over 35 years. He has carried out evaluations of the performance and effectiveness of more than 150 boards of organisations in most industries and of all shapes and sizes across Australia and overseas.

He is Executive Chairman and a co-founder of Board Benchmarking and Insync, a former chairman of Ansvar Insurance, First Samuel and Ambit Group, a former director of Mission Australia and a former partner of KPMG Australia. He is a Fellow of the Australian Institute of Company Directors (FAICD).

Nicholas is an author, media commentator and expert in governance, leadership, culture, and gender diversity. He helps organisations discover, articulate, and embed their organisation's ethical purpose, compelling vision and authentic values into their organisation's plans, culture, decisions, and actions. He authored GPS for your Organisation: How to energise your employees and build sustainable high performance. He also co-authored, Why Purpose Matters: and how it can transform your organisation.