

**A HIGHLY TOPICAL REQUIREMENT:**

# **SUSTAINABILITY IN CORPORATE GOVERNANCE**

- ❖ **UNDERSTANDING AND IMPROVING SUSTAINABILITY**
- ❖ **LEVERAGING THE BENEFITS OF STRATEGIC RISK MANAGEMENT**

## One Method

of increasing corporate sustainability is  
**consistent and professionally applied  
management of strategic risks**

- *...how risk management generates such an effect will get clearer with the knowledge of sustainability significance and scope as well as an understanding of the risk management means and motivations.*

## TOPICS OF THIS PRESENTATION:

- What exactly is **MEANING** of the term sustainability?
- How is the **RELATION** of sustainability to nature/environment?
- Where does sustainability **ORIGINATE** from (when and why)?
- What **GOALS** should sustainability achieve?
- Which other factors **INFLUENCE** sustainability?
- How can sustainability **CERTIFICATES** help?
- Are there **LEGAL RULES** to be observed?
- How to **IMPLEMENT** sustainability in practice?
- How will applied **RISK MANAGEMENT** improve sustainability?

Sad but true:



**As it is unclear enough**

what sustainability should actually mean,  
everyone from economics and science  
to politics and the churches can agree on it.”

***Hubert Markl,***

*former president of the  
Max Planck Society for the Advancement of Science*

### „SUSTAINABILITY“...

is synonymous to many with romantic ideals of „Harmony“ or „Balance in Nature“.

However, elemental **nature is brutal**

- with earthquakes, volcanic eruptions, floods, avalanches, violent storms and drastic temperature differences.

Nature is

- chaos, catastrophe, anarchy, death and rebirth
- the compulsion to constant adaptation of the species to changed circumstances
- striving for domination – it’s eating and being eaten!

**The nature’s principle is evolution, i.e. permanent change** and adaptation to it – but not romance and surely **not „sustainability!“**

### **THE U.N. DEFINITION (A NON-DEFINITION?)**

One certain explanatory variant appears to be broadly accepted:

**„Sustainable is what meets the needs of the present without compromising the ability of future generations to meet their own needs“**

...said in 1987 the U.N. World Commission on Environment and Development („W.C.E.D.“ / „Brundtland-Commission“)

That sounds well and is sufficiently general - but it **leads into a dilemma:**

...since this concept implies an authoritarian management of global resources. That raises many questions: Who controls it? And who is then allowed to use how much of what and for what? At its core, this is not just utopic but also patronizing, so therefore not really democratic. And it would probably be effectively implementable only with totalitarian means.

## SUSTAINABILITY – THE VICTORY OF CULTURE OVER NATURE

- ❖ Crises in which people have reached the limits of nature and growth have so far always been overcome **by critical engagement with change**, by using human ingenuity and new techniques
- ❖ Our present prosperity and progress we owe not to the fears of previous generations about our today's life but to their aspiration to create a better life for themselves
- ❖ Considering the above said, there is little doubt that people in a hundred years will be richer than we are today - just as we are wealthier than our grandparents

### **SUSTAINABILITY - NOT A NEW INVENTION**

The **1650 - 1700 period** showed dramatic declines of wood as the then most important renewable resource in several regions globally (building material, energy source and agricultural fertilizer)

- ❖ ***Japan e.g., during the Tokugawa era, was in fact completely "cut down" and had to be entirely reforested***
- ❖ ***In the same time frame in Germany the ore mining and metallurgy led to noticeable bottlenecks of wood availability in some mining regions***
- ❖ *Dating back to about 1450 some European, especially German principalities began to enact so called "forestry rules" to regulate the exploitation of this highly important raw material and to secure its continuous availability*

The term "**Sustainability**" was formulated first in **1713** by the Electoral-Saxon government official Hans Carl von Carlowitz, of the Ore Mountain Mining Region\*, summarizing the forestry knowledge of that time in his elaboration "Sylvicultura Oeconomica"

\* ) former mining region with UNESCO World Heritage Site status since 2019



## SUSTAINABILITY IS VERSATILE

- ❖ The concept of sustainability comes from a tradition of Lutheran responsibility ethics. It blends a wide variety of factors (*raw materials, energy, global biodiversity, natural space, population development and social stability, healthy working and living conditions, preservation and further development of cultural achievements, protection of individual freedom and responsible handling of creation as an entity*)
- ❖ Other factors may arise from the nature and extent of ones own (business) activity
- ❖ Who strives for sustainability must consider all factors on the basis of relevance and their own influence options, to formulate their own points of view and develop coherent measures
- ❖ Based on the same internal criteria, the concepts of external partners are to be evaluated - especially those of suppliers

## THE GOAL OF SUSTAINABILITY

- A continuing social, economic and environmental stabilization of societies through diligent and considerate use of resources will help prevent crises and reduce uncertainty, as well as creating ongoing success and more predictable development that is beneficial in the long term.



Core virtues such as moderation and reason can not hurt on that way - that is a matter of course and no game-changing news.

## IS SUSTAINABILITY AVAILABLE SOMEWHERE OUT THERE?

**Yes, everywhere and in any possible form - because...**

Tech advancement and constant competition again and again bring up production concepts (and products) that are more (or less) sustainable than other existing products or processes.

- *ASSUMING THAT RESOURCE CONSERVATION IS TAKEN TO THE EXTREME, LESS AND LESS OF THE ACTUAL PRODUCT (OR IN THE VERY END NOTHING AT ALL) WOULD BE LEFT OVER.*

**Some products are simply even more sustainable than other ones - sustainability is not an absolute value!**

The user therefore decides how much sustainability it should be - and how much renunciation!

### WHAT ABOUT SUSTAINABILITY CERTIFICATES?

- ❖ Certificates are evidence that certain criteria have been met for a product and/or its manufacturing process.
- ❖ However, the better you know about the topic, the more you will notice the differences and the limits of certain attestations. That background understanding is sorely needed: It's more than 450 environmental and social labels from nearly 200 countries and about 30 industries that are listed in the "Ecolabel Index" alone!
- For example, participants of certain forestry sustainability programs were criticized at times for only ensuring proportional equalization in quantity, but failing to address monoculture issues as a biodiversity factor. Such differences in understanding may cause customers to avoid a product or a company, even though the sustainability effort itself followed only positive intentions.
- ❖ One needs to take a close look and form an own opinion on most **effective criteria and certificates for the particular case**. Common sense and some positive skepticism are always good guides.

### LEGAL REGULATIONS ON SUSTAINABILITY

- ❖ Public-sector clients all over the world prescribe legal regulations for sustainability in their procurement procedures to suppliers already today. E.g., German authorities and public-law companies require economic and ecological criteria and **even the consideration of social sustainability aspects** (**§§ 97 Abs.3 GWB, 31 Abs.3 VgV, 2 Abs.3, 22 Abs.2 UVgO**)
- ❖ They include particularly employee rights, the ban on child labor and employee discrimination as well as the working hours regulations at the company and (!) its subcontractors. (meaning the entire supply chain; no limitation to the contractor's first level sub-suppliers!)
- ❖ At any time clients under public law may force contractors to submit sworn statements of compliance – including such for the required sustainability aspects.

Basically (and) right:

” **For some momentary profit**  
I`m not selling the future!“

***Werner von Siemens,***  
*German engineer, inventor and captain of industry*

### **SUSTAINABILITY STARTS AT ONE'S OWN DOOR!**

- ❖ The first premise for corporate sustainability is economic stability: **Only profitable companies** can exist in the long term and continuously boost sustainability topics.
- ❖ More important than any product or company certificate is to create the necessary acceptance: **So don't view sustainability as a burden - Live it as a promise of good corporate governance** towards environment, society, customers, employees and investors.
- ❖ And don't let others use the concept of sustainability as a mere advertising slogan or to use it for "green-washing" of dubious activities! **The credibility of your own serious sustainability efforts is a valuable asset.**

## BECOME MORE SUSTAINABLE YOURSELF!

Start with small steps, e.g.:

- ***Develop long-lasting and repairable products (abstain from "Planned Obsolescence")***
- ***Continuously improve the careful usage of energy, water and avoidable pollutant emissions***
- ***Prefer reuse over recycling or disposal in all aspects***
- ***Allow certain areas (such as land, roofs) to turn into oases of domestic biodiversity: Professionals can help so it doesn't look shabby, they can even turn that into an eye-catcher! Stop the total clear-cutting: one-inch lawns are soulless!***
- ***Prefer renewable raw materials for packaging and reduce plastic where you can***
- ***Save transport weight, e.g. with honeycomb carton pallets***
- ***Enable your employees for taking social responsibility by volunteer work and honorary posts - this strengthens sustainable structures in your region***
- ***Increase your employees bike-to-work acceptance with clean and nice changing rooms***
- ***Look what's important to your customers in terms of sustainability***
- ***...and demand tangible, individually fitting measures from your suppliers as well***

...and communicate to others what you do in terms of sustainability!



### SUMMARY:

- ❖ **Sustainability** is a man-made concept - born from crisis reaction (natural and man-made ones) in order to avoid or better respond on similar future emergencies.
  - Sustainability, basically, is an expression of the **human need for security** coupled with the ability to plan and act together to **conserve and increase values** on-hand. It is the living will for prudent and **diligent use of common resources.**
- ❖ **Risk Management** targets „**improvement in resilience and efficiency** of organizations through detection and responsible **control of opportunities and threats.**“
  - **The parallels are obvious: In fact Risk Management boosts sustainability while securing economic benefits!**

## **RISK MANAGEMENT – FACTS:**

- ✓ Ensures the survival of the organization
- ✓ Improves the efficiency and effectiveness of leadership
- ✓ Increases planning security and contributes to the conservation of (not only financial) resources
- ✓ Helps to efficiently manage damage cases, to evaluate near-hits and to derive tangible future-oriented measures
- ✓ Takes human and cultural factors into account

***And: Risk Management by ISO 31000 contains the necessary methods and procedures to fulfill the „Risk-based Approach“ required in ISO 9001:2015***

### **NEXT STEPS**

*GLORISOL® will show you how to identify, structure and process risks in a useful way and how to transform risk-based thinking into a systematic scheme that truly adds value to you:*

**- more sustainability of your business model -**

- *Would you like more information about sustainability, risk-based thinking and risk management?*
- *Do you plan a risk management introduction or do you need support in risk assessment or with the effectiveness of your risk management?*

**Contact us - We take care for your issues!**

**“** *Improving an organization's Resilience and Efficiency through diligent handling of Chances and Threats – that's Risk Management!* **”**



**VIELEN  
DANK!**

**感谢您的关注!**

**THANK YOU  
VERY MUCH  
FOR YOUR ATTENTION!**

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