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THE  ALARM JOURNAL

July
2022

ADDING SUSTAINABILITY

strengthens organisations



SUSTAINABILITY risk and resilience

Commonly risk and resilience are viewed as two essentials to be managed alongside one another. Now it's time to add a third, 'sustainability', which can strengthen all three – and your organisation.

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Our understanding and experience of sustainability is as varied as our organisations and our lived experiences. The public service and charity sectors' interpretation of sustainability may be more nuanced than the private sector, where strategy and action are predominantly defined by regulation and market forces. Here progress has become a business imperative, with more discourse on sustainability and ESG (economic, social and governance standards: see article in *May stronger* 2022¹), this year than any other.

However, the business goals of profit and compliance that drive sustainability action in other sectors are not so apparent in those of Zurich Municipal customers and ALARM member organisations. The force that drives these sectors on sustainability is the same as on any other subject: being a force for good.

As our research for *The Sustainability Shift - Places*², Zurich Municipal's latest whitepaper clearly shows, organisations are achieving sustainability in their own ways. This is done by following their core values, meeting statutory, regulatory and ethical responsibilities, and committing to improving their communities, their citizens' lives and the environment. Our sectors may not be the first to employ ESG metrics and monitoring, and not every organisation will have sustainability prioritised at a strategic level, but everyone will be doing something that meets sustainability criteria in some way, even if it is not overtly recognised as such.

The principle of sustainability is that decisions and actions taken now for the benefit of people, places, and the planet, do not harm the people, places, or planet of the future. Innate in

this is a long-termism based on the determination that consequences of decisions taken now do not adversely affect the lives that will be lived in the future.

Sustainability at work mitigates negative consequences and maximises positive ones. It adds scrutiny and analysis to decision-making, identifying the risk of present and future harms, providing a future-proofed basis for solutions. Sounds familiar? If you are managing risk or resilience it will do. Risk, resilience, and sustainability all involve horizon-scanning and lead to decision-making based on assessed threats and consequences.

If sustainability is to meet the current needs of organisations, citizens, and communities, without compromising the needs of future generations, there must be strong leadership and governance, and good decision-making. To support this, risk must be evaluated and managed, opportunities must be identified and explored, and resilience must be built on.

Sustainability not only synergises with the function and ethos of public services and charities, but also with how risk and resilience is managed and matured. In fact sustainability, resilience, and risk management run through organisations like a stick of rock (see graphic). Risk professionals can support their organisations to gain the

most from sustainability. However, Zurich Municipal research shows that risk managers have incomplete knowledge of what is on their sustainability agenda and what's being done about it.

Risk managers and advisors should understand the long-term goals of the organisation and have knowledge of service planning. (See panel Risk

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Sustainability –

‘Meeting the needs of the present without compromising the ability of future generations to meet their own needs.’

UN Sustainability Development Goals

Resilience – ‘The ability of countries, communities, and households to manage change by maintaining or transforming living standards in the face of shocks or stresses without compromising their long-term prospects.’

Department for International Development 2011

Risk management –

‘The process whereby organisations methodically address the risk attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.’

Institute of Risk Management 2002

management and resilience checklist). Only so much progress can be made with sustainability in siloes. Sustainability has to be both a strategic and operational priority. And maintaining the status quo is not an option.

“If you have a really solid risk register that covers a lot of different areas, it’s one way of assessing your sustainability across different corners of the organisation.” ACEVO

Unsustainable impacts

The impacts of unsustainability may not be felt immediately. They may be felt in the medium-term as reputation is damaged and consent to operate is withdrawn by the public, the regulator, or government. Problems can also be projected into the future, with harm done to customers, commissioners, and communities; or a business may just become financially unsustainable.

Impacts and influences at a business level include:

- Reputation and governance risks - how you demonstrate and evidence your response to the agendas will affect your funding, workforce, regulatory and statutory responsibilities, supply chain, and future.
- Financial sustainability – increasingly your long-term organisational viability and resilience will depend on your action on sustainability.
- Community engagement – the public is ahead of you. Being in step with public opinion, expectation and community need is crucial.
- Ethical and sustainable investing – access to and input into funding, investments, and supply chains may be reduced.
- Global disruptions – increased threats to resilience including conflict and social unrest, supply chain interruption, migration, cyber security, economic downturn, environment degradation and climate change. ➤

Global and local

Increasingly we must look wider geographically, and further into the future. Global has never felt so local. Movement restrictions in a Shanghai port can impact whether someone vulnerable has a new home to move into in the UK, and unharvested wheat in Ukraine can impact on school meal cost and availability.

Delivering and planning services in times of economic, geopolitical, and environmental uncertainty presents challenges now, and will become more influential in five, ten, and 30 years' time. Framing those threats and changes within the sustainability agenda will inform outcomes.

Both resilience and risk management have shifted to meet the demands of existential threats over the past two years, with a better understanding of what might be to come and how to tackle it. Just as we are transitioning to the post-pandemic 'next normal', there is a next normal for risk management and organisational resilience emerging too.

As resilience is now more about recovery to 'a better business' rather than a reset to 'business-as-usual' (see the How To article on page 32) risk management has a different emphasis. It has been based on the premise of mitigating and managing. Now it's more about adapting and progressing.

In the past risk management expertise has been focused on stopping risks happening, but some global risks are going to happen. For example, we will all have to live with some degree of global warming and environmental degradation. All you can do is control and change your response to these risks, and potentially contribute to the dialogue on them. The ultimate impact depends on how you respond.

Think about potential consequences: how will a threat or a challenge impact your organisation now and in the future? That's sustainability thinking. If sustainability runs through all planning, decision-making and

actions, risks will be mitigated, and resilience will be robust. It won't be perfect, but it will be better than any alternative.

Identifying risks is no longer enough. Identifying outcomes and how to achieve or avoid them is the goal. As risk practitioners you can join up individual projects, get people working together, and present the whole picture.

"Sustainability can't just sit with the procurement team or the supply chain team. It needs to be brought up everywhere." CIPFA

There's no wrong way to start on the sustainability path, so long as it is started now.

Risk management and resilience checklist

Where is sustainability in your organisation?

Decision-making

Is sustainability/ESG considered in every decision? Does it appear in cabinet and committee papers? Is it reflected in your risk framework?

Performance

Is there non-financial reporting on performance? How do you measure 'value'? What are the metrics, the KPIs and the required outcomes?

Audit

How is sustainability audited? Does your normal audit contain a sustainability element? In the private sector sustainability/ESG is audited by function.

Procurement

What are you asking of your suppliers? Are you keeping up with what sustainability/ESG means to the supply chain? Is there a sustainability sourcing code for suppliers? How is social value measured and evaluated?

Funding, investments, and pensions

Are you tracking sustainability/ESG? Do you know the risks of not reporting, not meeting standards, not meeting expectations, or greenwashing? How do you track the opportunities? How do you assess financial resilience?

Governance and sustainability

Much can be done on setting a sustainability agenda from the governance perspective. What's the role of governance functions in your organisation and how are they fulfilling sustainability commitments? A sustainability culture should be visible at the top, from board recruitment processes to articles of association.

Risk cuts across governance, with direct involvement in assurance and audit. Scrutinise governance mechanisms and procedures to make sure every process and decision drives improvement in the way you operate now and in the future.

Organisations that provide public services have an ethical, social, and often statutory or regulatory responsibility to make a positive impact on communities and environments now, and to protect them in the future. Sustainability is inherent in this aim. However just as organisations and sectors may have their own definitions of sustainability, how they are responding varies greatly too.

There are different approaches and timetables to meeting the same or similar sustainability demands and goals. Our research for *The Sustainability Shift - Places* whitepaper indicates that pragmatism rules the day. The underlying aim is to do good, and that's being done in ways that are meaningful for individual organisations and sectors, to timetables that are realistic. One commonality however is the sense of urgency that drives this. There's no wrong way to start on the sustainability path, so long as it is started now.

A sustainability future

Risk professionals can help bring departments, agencies, and management together by asking questions, sharing data and informing decision-making.

Make a start:

- Understand the sustainability impacts on your organisation and your stakeholders
- Agree your priorities
- Find out what's being done across the organisation – map activity and interrogate data
- Set your targets - important for motivation, funding, and evidence of intent
- Pull in partners – internally and externally.

First adopter organisations we have spoken to have benefitted in many ways, which will increase over time. Requirements and expectations will

A simple sustainability test can be applied to every decision:

- Will this benefit people, places, and the planet now?
- Will this benefit people, places, and the planet in the future?

only increase too. The private sector is already experiencing increasing compliance and is seizing opportunities from sustainability credentials. Your customers and service users are likely to be ahead of you in understanding sustainability, and they will have expectations. Certainly, millennials and younger generations expect sustainability as the norm.

In the 2020s and beyond, sustainability will be built into everything we do. There will be sustainability managers working alongside risk managers, and sustainability policies alongside health & safety policies. It's here and is growing fast, and it can help you and your organisation do the right thing and do it better, for your organisation and for your customers and communities. ●

References

¹*What is ESG and why does it matter? May stronger 2022*

²*The Sustainability Shift - Places, Zurich Municipal*

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Zurich Municipal has helped to cover the voluntary and public sector for over 25 years and understands the importance of everything the sectors do. Part of the Zurich Insurance Group, Zurich Municipal offers bespoke insurance products alongside dedicated in-house risk expertise.

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