

The Sustainability Audit Tool

This Sustainability Audit is a self-assessment tool to help you and your managerial teams identify just how sustainable your company is and where improvements can be made. It was created by *MIT Sloan Management Review*, with The Boston Consulting Group, based on research of organizations that “boast first-class capabilities in sustainability.” It is offered as a companion tool to the Greening your business guide available on the RBC Commercial Advice Centre at www.rbc.com/business-advice. For each of the 10 statements at left, choose one of the four Levels of Agreement. By candidly evaluating where your level of agreement is with each statement, you will gain insight into where your organization stands today, and the areas you need to focus on to become a more sustainable business.

| STATEMENT | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 |
|--|--|--|---|---|
| Framing the Sustainability Agenda | | | | |
| 1. Our company has a clearly articulated definition of sustainability and an understanding of how sustainability is or will be affecting our business | <input type="checkbox"/> We have no corporate definition of sustainability; the term is used loosely and in different ways throughout the company | <input type="checkbox"/> We have no formal corporate definition of sustainability; however, the term is used in a broadly uniform way throughout the company | <input type="checkbox"/> We have a corporate definition of sustainability that has been endorsed by the board and disseminated throughout the company, but it has yet to be accepted fully and internalized across all levels | <input type="checkbox"/> We have a clearly articulated corporate definition of sustainability that has full consensus and buy-in from the board and across all levels of the organization |
| 2. Our company has conducted a thorough assessment of the drivers of sustainability that present the greatest opportunities and potential risks to our business ¹ | <input type="checkbox"/> We have not carried out a thorough assessment of the drivers of sustainability | <input type="checkbox"/> We have made an assessment of some drivers of sustainability for some key business areas or markets | <input type="checkbox"/> We have conducted a thorough audit of several key drivers of sustainability for our most critical business areas or markets—but not for all of them | <input type="checkbox"/> We have completed a thorough assessment of all potential drivers of sustainability and have a realistic view of which drivers will affect each business area and market |
| 3. Our company has translated analysis into action by defining where and how we will deal with sustainability as a business issue | <input type="checkbox"/> We do not yet have a clear sustainability strategy | <input type="checkbox"/> We have determined where we will position ourselves regarding sustainability but do not yet have a well-defined plan for getting there | <input type="checkbox"/> We have determined what our sustainability positioning and associated strategy are (or will be), where we will and will not engage, and how quickly we want to achieve these goals | <input type="checkbox"/> We have a clearly articulated sustainability strategy and a clear timeline for getting there, and have publicly committed to this timeline and targets |
| Developing the Business Case for Sustainability | | | | |
| 4. Our company has developed a clear and compelling business case for our sustainability efforts over the short term (that is, over the next one to three years) | <input type="checkbox"/> We have not yet examined the business case for the short term beyond those actions needed to meet regulatory requirements | <input type="checkbox"/> We have some sense of the short-term business case but have not yet exploited all value-creation levers (including costs, revenue, price, and intangibles) ² | <input type="checkbox"/> We have a clear understanding of the short-term business case that exploits several potential value-creation levers (both economic and intangible) | <input type="checkbox"/> We have a clear and compelling short-term business case that exploits all possible value-creation levers to drive competitive advantage and that has been incorporated into our financial plans |
| 5. Our company has modeled the business case for sustainability investments over the long term (that is, four years into the future and beyond) | <input type="checkbox"/> We have not yet examined the long-term business case for sustainability investments | <input type="checkbox"/> We have not yet examined the business case for the long term beyond those actions needed to meet regulatory requirements | <input type="checkbox"/> We have some sense of the longer-term business case for sustainability investments but have not yet modeled the system-wide costs and benefits across our value chain over the life cycle of our products and services | <input type="checkbox"/> We have modeled a longer-term business case for sustainability investments that drives competitive advantage and considers system-wide costs and benefits across our value chain over the life cycle of our products and services for a multiyear time horizon |
| 6. Our company has established targets for our sustainability efforts along with metrics for measurement, tracking, and reporting | <input type="checkbox"/> We have no targets or metrics in place | <input type="checkbox"/> We have high-level targets and metrics that we report infrequently or do not fully disclose (because we have difficulty measuring results) | <input type="checkbox"/> We have targets and metrics in place and routinely compile reports on our performance | <input type="checkbox"/> We have defined a set of targets and metrics and have integrated the metrics into our performance management as part of a holistic sustainability strategy |



| STATEMENT | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 4 |
|--|---|---|---|---|
| Executing the Sustainability Strategy | | | | |
| 7. Our company's sustainability strategy receives sufficient focus from senior management, and all responsibilities and accountabilities are clear | <input type="checkbox"/> It is unclear where responsibility resides or who in our organization is accountable for the sustainability agenda | <input type="checkbox"/> Responsibility for our sustainability strategy has been added to the existing responsibilities of an individual (or individuals) or unit, but there is little visibility | <input type="checkbox"/> We have assigned accountability for delivering the company's sustainability strategy to a dedicated individual or unit with sufficient seniority in the organization | <input type="checkbox"/> Discrete individuals or units with seniority in the organization are responsible for driving the sustainability agenda, but accountability for delivering results is spread throughout the organization |
| 8. Our company's sustainability strategy is integrated with our operations, processes, and culture | <input type="checkbox"/> There has been little to no internal integration | <input type="checkbox"/> There has been some integration of our sustainability strategy with selected operations and processes | <input type="checkbox"/> Our sustainability strategy has been partially incorporated into our culture via assimilation into many of our key operations and relevant processes | <input type="checkbox"/> We have fully integrated our sustainability objectives and strategy into our corporate culture, operations (such as product development, manufacturing, sales, and support functions), and processes (such as performance management, financial reporting, and HR processes) |
| 9. Our company's sustainability agenda is aligned with the relevant external stakeholders in our business system ³ | <input type="checkbox"/> We have little or no communication or engagement with stakeholders outside the company | <input type="checkbox"/> We have conducted some public relations campaigns and provided ad hoc reporting to some but not all of the relevant external stakeholders in our business system | <input type="checkbox"/> We have an extensive public relations campaign and have communicated with—and at times reported to—some stakeholders but only on some issues and not in a consistent or systematic way | <input type="checkbox"/> We are partnering and working methodically with all relevant stakeholders to solve our mutual sustainability issues, encouraging those stakeholders to drive value from sustainability efforts and working together to shape the landscape of our industry proactively |
| 10. Our company has the required capabilities and tools to execute our sustainability strategy effectively ⁴ | <input type="checkbox"/> We lack both the capabilities and the tools to deliver a strategy effectively | <input type="checkbox"/> We lack several required capabilities and tools but are on a path to rectify our shortcomings | <input type="checkbox"/> We have in place (or available) most of the necessary capabilities and tools and are moving to fill any gaps | <input type="checkbox"/> We have in place the full suite of necessary capabilities and tools to enable the effective execution of our sustainability strategy |

1. Drivers include government legislation, pressure from consumers and customers, employee interest, pressure from society, the impact of ecological factors (for example, climate change, pollution, and the supply of resources such as food and water), and sociological factors (such as population growth, urbanization, and inequities in health and labor).
2. Intangible impacts include enhanced brand awareness and equity (which leads to customer loyalty and the ability to command a price premium), improved employee recruitment, retention and engagement, and lower risk premiums (which improve valuations and enable easier access to capital and insurance).
3. Stakeholders include consumers, business-to-business customers, competitors, regulators, nongovernmental organizations, society overall, financiers, lenders, and capital-market analysts.
4. Capabilities and tools include but are not limited to frameworks for developing the business case; measurement, tracking, and reporting tools; scenario-planning capabilities; technologies for product design and manufacturing; supply chain technologies; capabilities in partnering with stakeholders; and regulatory expertise.

Source: "The Business of Sustainability," a special report by MIT Sloan Management Review with Boston Consulting Group. © 2009 by Massachusetts Institute of Technology. All rights reserved. Distributed by Tribune Media Services. Reprinted with permission.



RBC Royal Bank®