

Amec Foster Wheeler

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Business Sustainability Requires Ethics – Maintaining a Social License to Operate



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Proposed Agenda:

- 1. Sustainability as an Evolution**
- 2. Ethical Behavior as a Foundation for Business Sustainability**
- 3. Ethics in Business**
- 4. Maintaining a Social License to Operate**
- 5. Conclusion**

1. Sustainability as an Evolution

- **Sustainability is “Context-Specific”**
- **Google – 146 Million + “hits”**
- **ASCE, 2009 Definition:**

“sustainability is a set of environmental, economic and social conditions in which all of society has the capacity and opportunity to maintain and improve its quality of life indefinitely without degrading the quantity, quality or the availability of natural resources and ecosystems.”

1. Sustainability as an Evolution

- **Societal Advances have intended and unintended consequences.....**
 - Harnessing energy improved quality of life, but,
 - Reliance on fossil fuels impacts on air quality and human health effects
 - This necessitated Regulatory Controls
 - Vigorous Monitoring (Auditing) reduces the risk and expense of unintended consequences

1. Sustainability as an Evolution

- **Compliance is generally only the basement of a Management System – not the ceiling and not always integrated with the C-Suite.**
- **Innovation and Discovery will be key to shift us to a sustainable society**
- **It's a process – often times a slow moving process**
- **Evolution, not a Revolution**

1. Sustainability as an Evolution

There is a formula.....

Beckhard-Harris Change Model:

$$D \times V \times F > R$$

D = dissatisfaction with the status quo

V = vision

F = first steps

R = resistance to change.

1. Sustainability as an Evolution

The pace of Sustainability Evolution will be maximized when:

- **D = we recognize that exploitation for “wants” is unacceptable.**
- **V = consistent shared vision globally (requires a common definition).**
- **F = exploitation reduction plans are funded.**
- **R = society is aware of the consequences of not acting sustainably and accepts change.**

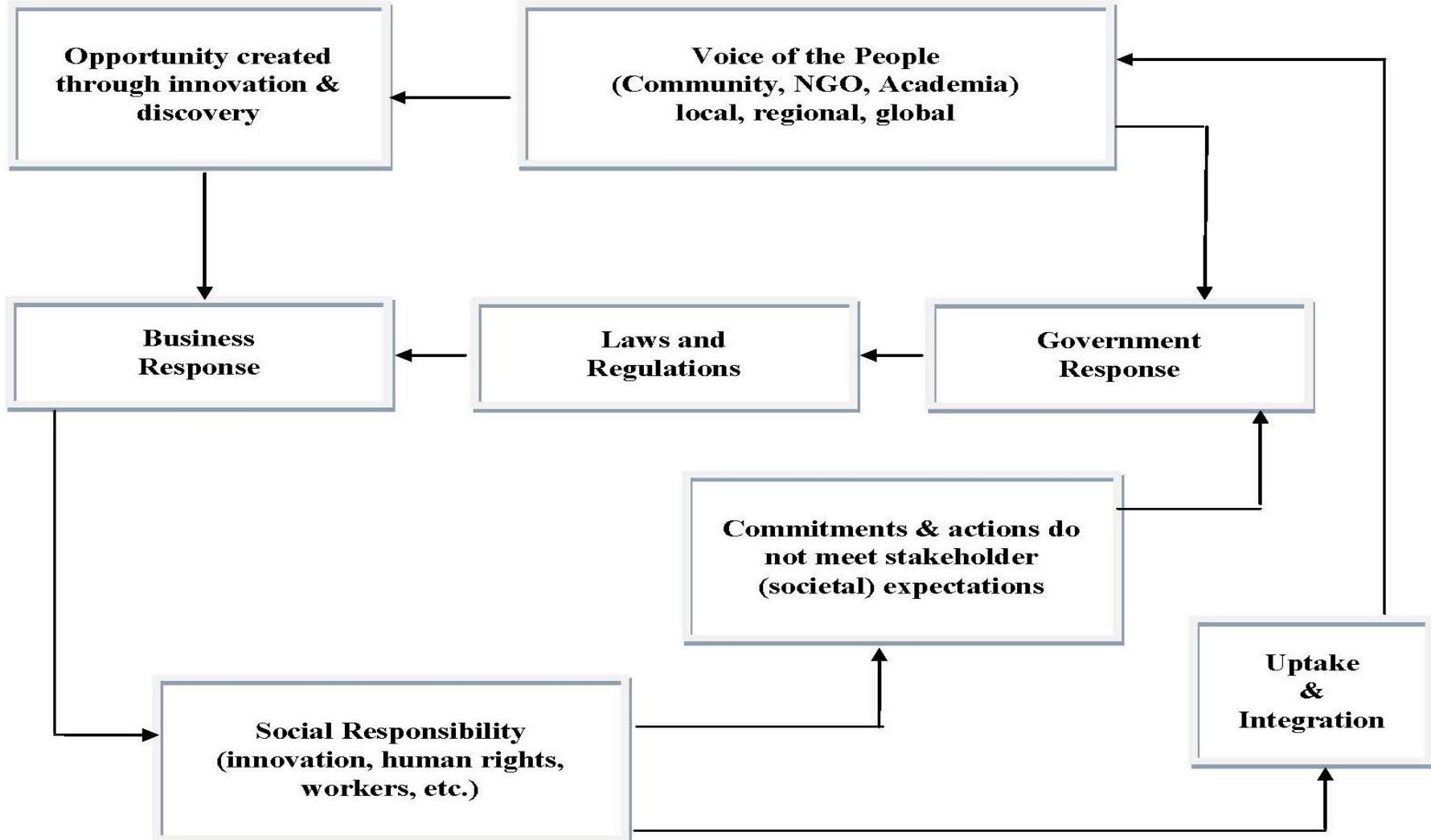
1. Sustainability as an Evolution

When did DxVxF become greater than R for smoking in restaurants?

When did DxVxF become greater than R for using seatbelts? Recycling?

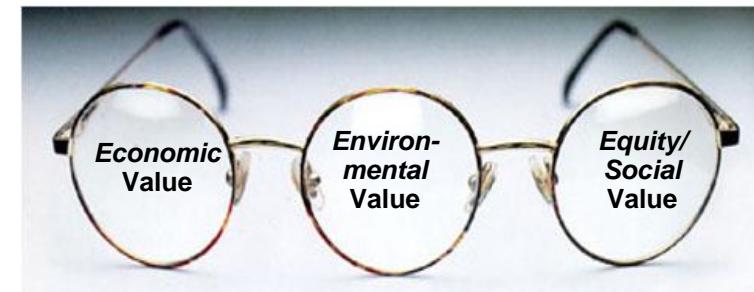
When will DxVxF become greater than R for Green House Gas emissions? Texting while driving?

1. Sustainability as an Evolution



2. Ethical Behavior as a Foundation for Business Sustainability

- Increasingly aware of the consequences of unsustainable behavior
- Sustainability is founded on a number of pillars – 3E's
- Perhaps a fourth “E” – Ethics
- Business Ethics is:
 - “*Guiding principles designed to help professionals conduct business honestly and with integrity*” - Investopedia
- Global cultural differences = differing ethical attitudes
- Human worth is at play.....



2. Ethical Behavior as a Foundation for Business Sustainability



Why are some countries seeing a much higher fatality rate than others?

Country/Region	Occupational Fatality Rate per 100K Workers
Established World Economies (includes: United States, Canada, United Kingdom, Western Europe, Japan...)	5.3
India	11.0
Former Socialist Economies of Europe	11.1
China	11.1
Latin America and the Caribbean	13.5
World Average	14.0
Sub-Saharan Africa	21.0
Middle Eastern Crescent	22.5
Other Asia & Islands	23.1

2. Ethical Behavior as a Foundation for Business Sustainability



- Acceptable Ethical Business conduct is still open for interpretation
- Businesses are at an increased risk re: Ethical Behavior in a Global economy
- Sustainability Frameworks have become a measuring stick for an organizations moral compass.
- Corporate Social Responsibility (CSR) adds transparency which translates into a Social License to Operate (SLO)
- Ethics & CSR & SLO & Sustainability are all intertwined
- An organizations Ethical Framework is a building block in establishing and maintaining it's SLO.

2. Ethical Behavior as a Foundation for Business Sustainability



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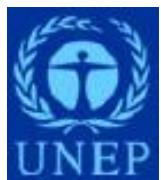
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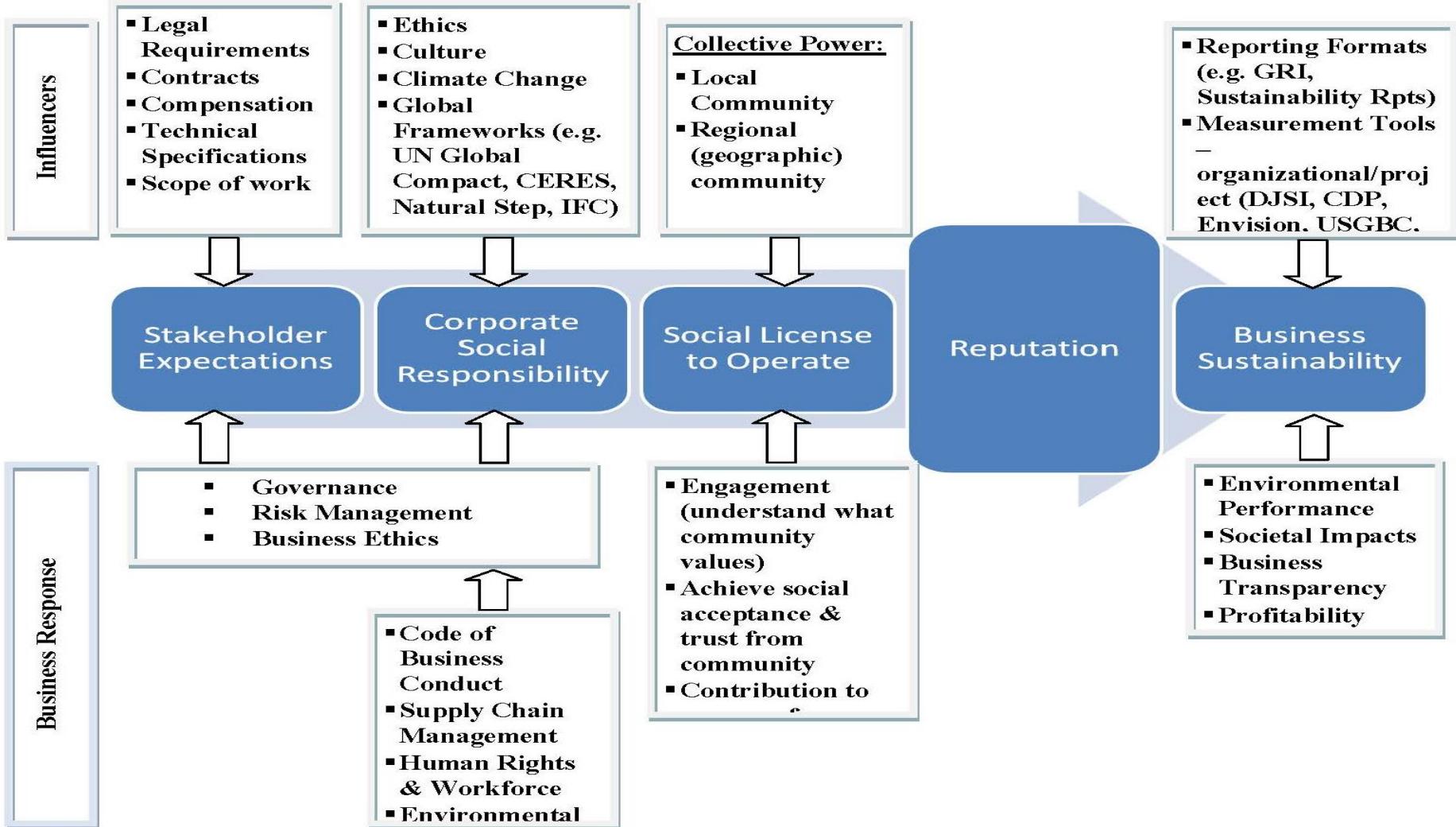
Fédération Internationale des Ingénieurs-Conseils
International Federation of Consulting Engineers
Internationale Vereinigung Beratender Ingenieure
Federación Internacional de Ingenieros Consultores



The Nature Conservancy 

SAVING THE LAST GREAT PLACES ON EARTH

2. Ethical Behavior as a Foundation for Business Sustainability



3. Ethics in Business

Member Associations of FIDIC are required to subscribe to six (6) Principles:

- 1. Responsibility to Society and the Consulting Industry;**
- 2. Competence;**
- 3. Integrity;**
- 4. Impartiality;**
- 5. Fairness to Others;**
- 6. Corruption**

And yet we still see examples of the consequences of failure to follow simple ethical requirements.....

3. Ethics in Business

The Charbonneau inquiry in Quebec has resulted in the discovery that “*a number of major engineering firms participated in a collusion scheme to raise the price of construction projects in Quebec. Even large publicly traded engineering firms were complicit in the cartel-like practices previously ascribed to lower-level construction companies in that province.*” (Banerjee, 2013)

“Imagine if we were able to reduce the percentage of impact that misconduct in the public contract award and management process has caused by just one point, from 25% to 24%. That would bring back, in the most conservative way, 175 million dollars per year into the government’s coffers. 1%. Think about it.” (Lebel, 2013)

3. Ethics in Business

An IPSOS survey conducted for the OIQ in 2013 confirmed that only 51% of Quebecers now have confidence in engineers, compared to 74% in the mid-2000's (Lebel, 2013).

Additional challenges include:

- effective disciplinary controls and actions to be applied to the offending engineers;
 - risk of losing competitive edge to several countries and provinces that are just as able to compete in attracting investments and industry;
 - Ability to rectify the major lack of maintenance affecting Quebec's strategic infrastructures of which the Champlain Bridge is a prime example of both lack of maintenance and a lack of long-term (sustainable) vision.
 - Loss of approximately 20% of staff from the organizations who comprise the Association of Consulting Engineers of Quebec (AICQ, 2014); and
 - Increased competition among those engineering firms struggling to hold on to key staff and survive financially.
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4. Maintaining a Social License to Operate

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.” – Warren Buffett

SLO began as a metaphor for the ability of communities to stop mining projects.

Today the concept has spread to other industries and has become a general management approach to winning the:

- ▶ Acceptance
 - ▶ Approval
 - ▶ Support and trust
- of Stakeholders and Communities...

SLO is described as a barometer or measurement of the socio-political risks of a project and these risks first appear during Stakeholder engagement.

4. Maintaining a Social License to Operate

If you do not:

Monitor it

Then you cannot:

Measure it,

Control it,

Or.....

Improve it.

It = carbon, waste, ethics, SLO, Sustainability.....

5. Conclusion

- **Corporate Ethics needs to be a core component of any Boardroom Agenda.**
- **Operating outside a Code of Ethics can result in huge losses (financial, reputational).**
- **We all have a key role to play in the evolution of sustainability and should take this responsibility seriously**
- **Society will ultimately decide the SLO or sustainability of an organization.**
- **Success will hinge on transparency and trust.**

5. Conclusion – Final Thought...

**How do we in the auditing profession
help an organization (perhaps our own
company) maintain its
Social License to Operate?**