

Has sustainability become critical to business? (3)

1/17/23



Sustainability Leader, PwC Latvia
Maija Orbidane

Picking up [where we left off last week](#), let's now explore the role of stakeholders and how sustainability can be integrated in your business model.

The role of stakeholders

Stakeholders are the users of your company's sustainability information. Your stakeholders find these topics relevant.

Stakeholders are persons, groups or organisations that influence or are capable of influencing your company's business. Each company has different stakeholders, and each company sees the importance of each stakeholder's opinion differently. So it's useful to do stakeholder mapping that will show you which of your stakeholders have the biggest impact on your business. It's worth noting that your stakeholders have different priorities, expectations and concerns around your business.

Under the rules and sustainability reporting standards, increased attention is being paid to how stakeholders are identified and engaged.

Successful collaboration with your stakeholders has three characteristics:

1. The purpose of communication fits your company's overall strategic vision.
2. There is a collaborative framework or a relevant topic/matter that is covered by this communication.
3. There are defined relevant stakeholders whose opinions will be listened to.

Stakeholder collaboration should be aligned with your company's goals to ensure this communication improves your business, including improvements to your goods and services as well as your risk and reputation governance.

Your stakeholders may have a direct or an indirect relationship with your company. Collaborating with them promotes your company's awareness, allows it to identify its positive and negative impacts, and improves its understanding of stakeholder expectations and concerns.

Stakeholder engagement or collaboration may take various forms. For example, your company can organise stakeholder engagement workshops and discussions where you listen to their expectations and concerns around sustainability aspects. Collaboration with your key stakeholders is also conducted through your company's daily communication by ensuring high levels of integration and engagement, sharing views, and making joint efforts and decisions. Collaboration with your stakeholders can also be done through surveys and focus group discussions.

Stakeholder expectations are well described in [VA Communications, VA Government and VA Purpose Rud Pedersen Group 2023 Survey of Businesses and Public Expectations](#), which finds that the significance of transparency to people or stakeholders has grown significantly, including how your company makes

decisions, the principles they are based on, and your company's overall attitude to sustainability aspects.

Expectations are growing for how your company treats its employees because consumers want to buy goods and services of companies that are taking care of the well-being, health and safety of their employees. Also, expectations are growing for initiatives and activities that are carried out to minimise environmental impacts, to promote responsible consumption of natural resources, and to take care of environmental protection. Stakeholders expect more active involvement in matters associated with environmental protection and climate change.

Integrating sustainability in your business model

To help your company embed sustainability aspects in its core business activity, you need to be aware not only of your company's impact on the environment and stakeholders but also how the environment and stakeholders can influence your business. Your company should reach the level of maturity where your basic governance matters are arranged and your company adheres to certain ethical principles in its business and has a clear governance structure, distribution of responsibilities, internal control systems, strategy and goals, with ESG risks being identified and managed, and internal control procedures in place to mitigate those.

Transformation is a process during which your company revises its business model and overall strategy, embeds sustainability aspects in its decision-making, gathers data on various environmental indicators (e.g. energy consumption or greenhouse gas emissions) to use those in decision-making and to identify risks associated with climate change, instead of using data merely as an information discovery tool whose main purpose is to gather and publish data.

To embed sustainability aspects in your business, the impetus has to come from your top executives. The next step is understanding the present situation – your company's location in the sustainability space and its overall awareness of sustainability and its aspects.

Sustainability strategy is a central element of integration, which allows your company to define and set goals in its key sustainability aspects, helps it determine its performance indicators, and monitor the deadlines. The process of developing your strategy should also involve your stakeholders in order to listen to whatever they see as essential. Your strategy defines your initiatives, such as transitioning to a newer eco-friendly production technology and revising your employee engagement method to minimise any adverse effects on sustainability aspects, as well as what goals will be achieved by carrying out these initiatives. Communication with your stakeholders takes place not only during the stage of developing your strategy but also during the implementation or execution stage, by informing them about your progress in your key aspects as well as on your goals and indicators, which is done through sustainability reporting. These reports allow your stakeholders to become familiar with your company's relevant sustainability information, indicators and data.

PwC offers you an opportunity to receive useful knowledge about sustainability, including an overview of relevant rules and requirements, and an understanding of steps to take in drawing up a sustainability report and recommendations for preparing it successfully. You are welcome to visit [PwC's ESG Academy website!](#)

If your company, too, wants to attract investors, win loyal customers and suppliers, improve its financial indicators and make your business sustainable, we encourage you to embrace sustainability as an integral part of your day-to-day business