

# GOVERNING GREEN

## Enabling the Sustainable Organization

**Is your organization practicing good stewardship toward the environment? Here are seven things the board can do to lead the way.**

In less than two generations, there has been a sea change in attitudes toward the environment. Today, nearly everyone wants to have a healthy environment, and many feel obligated to contribute toward this goal. We also expect corporations and other institutions to conduct their affairs in a way that does not impose undue burdens on the environment and that complies with all pertinent environmental regulations.

The expectation of good stewardship toward the environment applies to nonprofit organizations as surely as it does to for-profit corporations and calls for vigilance as well as sound policies and approaches. Managing such issues proactively therefore requires leadership and direct board ownership and involvement.

For many nonprofit leaders, this can present a quandary. You may be unclear how an environmental issue relates to your organization's mission or the degree to which you can control or even influence your organization's environmental aspects. You also may be confused by the many competing voices and abundant information (and misinformation) making claims about environmental issues. In total, the situation can be very vexing, making it difficult to know what to do or even where to begin.

Fortunately, nonprofit board members can effectively leverage their talents and limited time by focusing on the following actions.

### 1. DEFINE THE NATURE OF YOUR ORGANIZATION'S RELATIONSHIP WITH THE ENVIRONMENT.

The first and, in some respects, most important board activity is to evaluate environmental issues within the context of your organization's mission, vision, and values. The extent to which environmental protection/enhancement are consistent with, support, or further your organization's reasons for being should define the degree to which you view environmental activities as new opportunities or as obligations. The distinction is vital, and your organization's posture on this point will flow through all of your subsequent decisions and activities, even if only implicitly. The board should take a clear position on this question very early in the development of any new environmental initiative.

### 2. DEVELOP A POLICY.

Regardless of how the environment is viewed in the context of your organization's ongoing work, your board should establish or direct the development of an organization-wide environmental, sustainability, or social responsibility policy. The policy is the cornerstone of effective organizational environmental programs and establishes the position, aspirations, and commitments of the organization and all of its members.

While this task may seem intimidating, in practice, adoption of a limited number of widely recognized principles and practices will yield a solid and workable policy:

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- Comply with the law and your organization's own commitments.
- Determine and control your organization's significant environmental effects.
- Prevent pollution at the source, where possible.
- Conserve resources where feasible.
- Check progress and improve over time.
- Address stakeholder input and transparency.

Note that none of these principles require your organization to address environmental issues that do not apply or to invest resources to reduce/eliminate environmental effects unless doing so is both an effective response and is financially feasible.

The policy also should include provisions that speak to application and implementation:

- The policy applies to all employees and locations.
- The policy is overseen, enforced, and periodically reviewed and improved, as appropriate, by the board.
- In evaluating the environmental significance of your organization's activities, it considers all lifecycle stages of the products, materials, and services it uses and provides.

Adopting these provisions will form an effective base for any new environmental program or initiative.

### 3. ESTABLISH LONG-RANGE GOALS.

Having established your organization's intended environmental posture and commitments, the next logical step is to establish a few long-range objectives. These should serve as guideposts showing the principal thrusts of your organization's environmental improvement activities and future points of reference to ensure that progress and overall direction are on track. These objectives should be aspirational, reflect the environmental/sustainability policy and commitments, be focused on the medium-long term, and be challenging but reasonable in scope and rigor. Board members should either lead or be intimately involved in the development and approval of these long-range goals.

### 4. ASSESS YOUR ENVIRONMENTAL EFFECTS.

Prior to delving into specific goals and making decisions about program focus, you should identify and assess your organization's actual environmental effects. This can be done using an Environmental Aspects Analysis, a key component of formal environmental management systems (EMS) used by large and small companies and government organizations around the world. The aspects analysis comprises several sequential steps:

- Review all activities, products, and services, and how they intersect with the environment.
- Determine the extent to which your organization has control or influence over each. Then set aside those that are outside the organization's control or influence.
- Define and evaluate the "significance" of each point of intersection (organization-environment). At minimum, the following types of intersections should be evaluated:
  - ✦ pollutant emissions to air, water, or land
  - ✦ solid waste generation
  - ✦ land alteration

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- ✦ use of natural resources (e.g., energy, water)
- ✦ local or community concerns or issues

When correctly applied, this simple yet deceptively powerful approach yields a clear (and usually, small) set of environmental issues that are the most important for your organization to address. This small issue set then becomes the focal point for all subsequent performance improvement efforts, helping to prevent attention and resources from being diverted to issues that simply don't matter to your organization's environmental performance.

### 5. ESTABLISH SPECIFIC GOALS OR TARGETS.

Next, assign specific goals/targets to each significant environmental aspect. These should indicate progress toward the defined objective(s), be specific and quantifiable, and have associated time frames for attainment. For each, the organization, led by your board, should define one or a few performance measures/metrics that are understandable to staff and stakeholders, verifiable, responsive to stakeholder concerns, consistent with the defined goals/targets, and, of course, environmentally meaningful. A properly designed and implemented set of metrics and data collection methods will yield results that are accurate, complete, and comparable, hence both useful for decision making and credible inside and outside the organization. Board involvement in establishing both goals and measurement processes is very important to the overall success of any coherent environmental improvement initiative.

### 6. REVIEW INVESTMENTS.

Another area in which board involvement is essential involves investments. In many organizations, board members either serve as or oversee the actions of fiduciaries responsible for investments. Historically, fiduciary duties have been interpreted as limiting investing activities to those that maximize returns given a defined level of risk, or conversely, minimize risk while attaining at least a stated level of financial return. Under this interpretation, fiduciaries have taken the position that they are prohibited from considering the environmental (or social) characteristics of firms in which they might invest. This posture has impeded the practice of environmental or, more generally, "socially responsible" investing (SRI), which makes use of corporate environmental, social, and governance (ESG) data.

During the past several years, two major works of legal research and analysis commissioned by the United Nations have completely altered how fiduciary duty has been interpreted in the U.S. and several other developed countries. The second of the two reports,<sup>1</sup> released in late 2009, goes so far as to suggest that fiduciaries have a duty to consider responsible investment strategies; that integrating ESG issues into investment and ownership is part of responsible investment; that such integration is required to manage risk and properly evaluate long-term opportunities; and ESG issues materially affect both company-level and systemic risk and cannot be ignored by the prudent investor.

The implication is that board members who neglect to consider environmental (and relevant social) factors when managing (or overseeing the management of) investment accounts may be subjecting themselves to risks, and possibly, future legal liability.

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<sup>1</sup> UNEP-Asset Management Working Group, 2009. Fiduciary Responsibility: Legal and practical aspects of integrating environmental, social and governance issues into institutional investment. July.

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### 7. DIRECT THE FORMATION AND OPERATION OF PROGRAMS.

Your boards and individual board members also can play a vital role in leading the development of internal programs, formal or otherwise, to achieve your organization's environmental goals and improve its environmental performance over time. Several issues are of particular interest:

**Building space.** Building energy use is often a major (or the most important) source of an organization's pollutant emissions. Fortunately, many cost-effective improvements can be made to buildings that reduce energy consumption and associated emissions. While there may be only limited short-term opportunities to make significant changes to physical space, you should consider reviewing the space occupied by your organization and attendant energy/environmental characteristics when evaluating lease renewal or searching for new building space. Your board can play a supportive, if not catalytic role, in stimulating this type of thinking and ensuring that available opportunities to improve the environmental performance of your organization are captured.

**Travel.** Trips, particularly long-distance, can be an organization's most significant environmental aspect, mainly because of the energy and pollutant emission intensity of airplanes, and, to a lesser degree, motor vehicles. Clearly, the issue's importance hinges on the frequency and typical distance of travel by your organization's employees, the relative importance of travel to fulfilling your organization's mission, and the environmental impacts of other organizational activities. If, however, long-distance travel can be reduced through such techniques as video- and Web-conferencing, your organization can both reduce its environmental footprint and likely save money as well.

**Document management.** The issue here is how best to use paper and electronic communications and in what proportions. Making smart and efficient use of whatever paper is employed will produce both some level of environmental benefits and reduce costs. Simple steps such as recycling office paper (and other materials, where appropriate) and using double-sided printing are obvious places to start.

**Material use.** Your organization may procure and use many different types of materials. Depending upon the nature and quantities of such materials, your board may wish to ensure that your organization's energy and pollutant intensity, sources, and post-use management are evaluated and understood. At a general level, you may wish to ensure that your organization is purchasing and using greener products and services when and where quality, availability, and cost are comparable to existing offerings. Simple examples of where this type of approach can be applied include office equipment (EnergyStar® labeled), office paper (recycled content and/or SFI, FSC, and/or PEFC certified), cleaners (low-VOC, low toxicity), and pesticides (integrated pest management).

In the years to come, all organizations, nonprofits included, will be expected to operate in an environmentally sound manner. Because of the importance and complexity of these issues, board involvement in how they are managed is essential to the long-term success and sustainability of your organization. While many activities can and should be delegated to management and staff, there are a number of logical places for board entry and involvement that will ensure that the capabilities of board members are properly leveraged while not unwisely consuming their limited time. And while creating some form of environmental program from scratch may seem overwhelming, there are many useful models and examples that can help to show the way.

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