

<b>Committee</b>	<b>Dated:</b>
Policy and Resources Committee	6 <sup>th</sup> July 2017
<b>Subject:</b> Responsible Business review (internal)	
<b>Report of:</b> Peter Kane – Chamberlain	<b>For information</b>
<b>Report author:</b> Noa Burger - Economic Development Office	

### Summary

- The City Corporation is seeking to build on its excellent track record to further increase its positive social and environmental impact. This will support the Corporation in contributing to a thriving London, safeguarding its reputation and demonstrating its distinctive leadership.
- In order to recognise current success and identify areas for development, an assessment was commissioned using the 'B Lab'<sup>1</sup> framework (determined to be the most relevant following a study of 10 different responsible business measurement and assessment tools).
- The assessment focused on four key areas: Community, Environment, Governance and Workers. It involved the completion of a survey (to which all departments were invited to participate), submission of quantitative and qualitative data, Officer and Member interviews, and the analysis of key policies.
- These collated results were benchmarked against the 'B Lab' community<sup>2</sup> and feedback was given outlining the City's strengths and areas for improvement.
- Over 40 recommendations were highlighted of varying complexity, impact and priority, which will need to be considered and prioritised internally through consultation with departments and Members, and taking account of the Corporation's distinctive position and structure.
- The primary recommendation is to develop a centrally owned internal responsible business strategy, which is integrated into departmental business plans and has the corporate oversight to drive and evaluate impact. Subsequent priorities will focus on the Community, Environment and Worker strands of the recommendations. The Governance workstream of the review builds on work already underway with Members and will be outside of the scope of this proposed strategy.

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<sup>1</sup> The assessment was conducted by B Lab UK, who used a reduced version of their 'B Impact Assessment' (the most comprehensive and widely used tool globally for measuring the social and environmental impact of businesses).

<sup>2</sup> The benchmark gives an indication of performance relative to B Lab's global community of responsibly-minded businesses. It is important to bear in mind that this is not a like-for-like comparison with the Corporation.

## Recommendation

Members are asked to note that the primary recommendation of the review will now be implemented and the required resources secured. A future paper will update Policy and Resources Committee once priorities have been identified and a strategy produced.

## Proposal

### Context:

1. Pressure to do business responsibly is growing, evidenced at a political level by the UK government's corporate governance review and the London Mayor's Economic Fairness compact for business (to be launched in 2017).
2. Where previously organisations were challenged to run initiatives that demonstrated the ways in which they give back to communities, they are now challenged to also demonstrate how social and environmental value is incorporated into all their decision-making; a model increasingly referred to as responsible business and increasingly critical for building trust between organisations and their customers, suppliers, investors and the wider public.
3. As a distinctive organisation, which straddles the private, public and voluntary sectors, the Corporation would benefit from a shared understanding of what responsible business means to us. The summary below is based on the B Lab framework and aligns with definitions adopted by major institutions and businesses.

<b>Community</b> An organisation's engagement with the community, including through job creation, diverse recruitment, supplier relations, charitable giving and civic involvement.	<b>Environment</b> An organisation's overall environmental stewardship including use of resources (energy, water etc.), carbon emissions, wildlife conservation and advocacy.
<b>Responsible Business is the continuous and substantive commitment by organisations to reduce their negative and increase their positive impact on society and the environment.</b>	
<b>Governance</b> An organisation's strategic commitment to and evaluation of social and environmental outcomes, so that these run through decision-making and day-to-day practice.	<b>Workers</b> An organisation's contribution to its employees, including through compensation and benefits, training and progression, health, safety and wellbeing, and volunteering.

### Current Position:

4. The Corporation by its very nature is committed to creating positive impact, and the new Corporate Plan emphasises our role in supporting a strong, sustainable and diverse London and UK.
5. Over the years, CoLC has shown a tremendous commitment to responsible business and has often been at the forefront of this evolving area, in particular in how we encourage others to adopt responsible practices. Examples include, delivering the Lord Mayor's Dragon Awards to celebrate best practice, founding and continuing to fund Heart of the City, the UK's largest responsible small business network, and funding the launch of the Institute of Corporate Responsibility and Sustainability, the UK's first professional body to support responsible business practitioners. We are also an active member and contributor to a range of responsible business networks, including Business in the Community; the Prince's Responsible Business Network, the All-Party Parliamentary Corporate Responsibility Group, and the City Networking Group, which brings together City-based responsible business professionals.
6. There is also much to be proud of in our internal efforts to be a more responsible organisation, and it has been enormously encouraging to sense the growing momentum and engagement from staff at all levels of the organisation. Respondents to the survey participated with great enthusiasm and appetite to continue on this trajectory.
7. The review makes a primary recommendation to develop an internal responsible business strategy aligned to the Corporate Plan, which is driven from the Town Clerk's department that has a holistic view and can maximise the organisation's influence across the board. The strategy would be properly resourced and supported (centrally and locally) to achieve and monitor targets, and to ensure ownership of activity sits in the appropriate departments so that the impact sought has the best chance of being achieved.
8. The review also identified some general trends, recommending that we ensure:
  - Suitable resources and senior-level support to implement social and environmental goals.
  - A strategic approach based on where the opportunities lie to have the most impact.
  - Ownership sits with the most appropriate departments, so the impact sought has the best chance of being achieved.
9. The table below provides a more detailed summary of the key strengths and areas for improvement which emerged from the review:

	Strengths	Areas for improvement
<b>Community</b>	<ul style="list-style-type: none"> <li>• Exemplary levels of charitable giving which far exceed the B Lab benchmark</li> <li>• Advocacy for the increased adoption of social and environmental standards across sectors</li> <li>• Diversity networks, each with a Chief Officer sponsor</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity decreases at more senior levels</li> <li>• Only 3% of non-labour procurement budget spent with local suppliers</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Pockets of environmental innovation in Open Spaces</li> <li>• Positive action on air quality including the City Air App, internal diesel vehicle ban, 'no idling' campaign and Low emission Neighbourhood project.</li> </ul>	<ul style="list-style-type: none"> <li>• Only 0.04% of energy from renewable sources</li> <li>• Lack of centralised recycling function</li> <li>• Most recent energy reduction targets not met</li> </ul>
<b>Workers</b>	<ul style="list-style-type: none"> <li>• 'Investors in People' silver recognition</li> <li>• Adoption of London Living Wage and voluntary commitment to apply it to apprentices</li> <li>• Employee volunteering and Payroll Giving offer</li> </ul>	<ul style="list-style-type: none"> <li>• Low awareness and take up of benefits and training</li> <li>• Lack of monitoring and evaluation, e.g. of internal promotions, pro bono activity &amp; employee engagement</li> <li>• Mismatch between job descriptions and real responsibilities</li> </ul>

10. There is already substantial work underway to address some of these areas for improvement, with Officers and Members looking, for example, at the diversity agenda and principles of responsible investment.
11. The culmination of our excellent track record, the new Corporate Plan and increasing external and internal concern with responsible business practice, creates an immediate opportunity to strengthen the Corporation's commitment to being a responsible organisation and going further to address some of the gaps highlighted in the review.
12. As reflected in the emerging Corporate Plan, many of our core aims accord with the principles of responsible business practice in that they are directed at delivering social, economic and environmental benefits. This means that by adopting responsible principles in the way that we run our organisation, for example through employing locally, we can help drive down the needs with one hand that we strive to meet with the other.

13. Moreover, if the City Corporation can demonstrate the impact of working this way, we will be better equipped to rally others to do the same. The Corporation will be able to show the benefits of creating positive impact and preventing/reducing negative impact, rather than putting remedial measures in place through, for example, taxation and donations.
14. A further piece of work will now take place in order to prioritise the review's recommendations with departmental input and ownership. These priorities should all flow from the primary requirement for a central strategy that sets our direction of travel, and will focus at this stage on the Community, Environment and Worker strands of the recommendations, given work that is already underway within the Governance space.
15. Taking these steps will support the Corporation to further:
  - **Play our part in London** by increasing our positive impact on people's opportunities, wellbeing and safety, as well as the environment.
  - **Safeguard our reputation** by practicing what we preach, demonstrating our commitment to be Relevant, Responsible, Reliable and Radical, and helping to manage the reputational risks associated with environmental and social scandals.
  - **Demonstrate leadership and excellence** by differentiating the Corporation as an employer of choice and the City as a progressive and sustainable business hub, by sharing best practice from experience with businesses and local authorities, and by creating positive stories and increased visibility for the organisation. We have taken an important step by being the first organisation globally with a local authority remit to undertake the 'B Lab' review.

**Members are asked to note:**

16. To progress this agenda, Members are asked to note that:
  - **The organisation will make a long-term, substantive commitment to a responsible business approach**, both centrally and departmentally.
  - **A dedicated post in the Corporate Strategy and Performance team will be created to lead the prioritisation and implementation of the recommendations.** This will require a budget of approximately £65k, which will fund the salary plus on-costs of an officer (proposed at Grade F) to be located in the Corporate Strategy and Performance team in Town Clerks. The officer will lead on both strategy and delivery. This will include departmental engagement in order to collaboratively influence and develop a responsible business strategy, which identifies the most relevant priorities from the recommendations. The post holder will also be responsible for ensuring alignment between the responsible business strategy and the Corporate Plan. Finally, they will work with departments to implement and embed relevant activity locally, offering expertise, strategic coordination and facilitating the sharing of best practice. A project budget will also be required once activity is defined.
  - Provision for this additional staffing budget for year 1 will be sought from carry forward underspend, with a view to establishing a substantive budget increase in the 2018/19 resource allocation. The full financial implications will not

become evident until the strategy and implementation plan develop further. It is not proposed at this stage that any additional funding be provided to departments.

17. A future paper will update Policy and Resources Committee once priorities have been identified and a strategy produced.

**Dr Peter Kane**

Chamberlain

T: 020 7332 1300

E: [peter.kane@cityoflondon.gov.uk](mailto:peter.kane@cityoflondon.gov.uk)