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Project Management Conference

24 - 26 September 2019

Te Papa, Wellington, New Zealand

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#NZPMC19



Sustainability and Project Management

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Sustainability and Project Management

- Topics

- Sustainability concepts and definitions
- Project management and sustainability growth
- Responsible investing and the Sustainable Development Goals
- Sustainable Development Goals and the Living Standards Framework
- The Living Standards Framework and Better Business Cases
- The Living Standards Framework and Investor Confidence Ratings
- Sustainability, Investment, P3 Management

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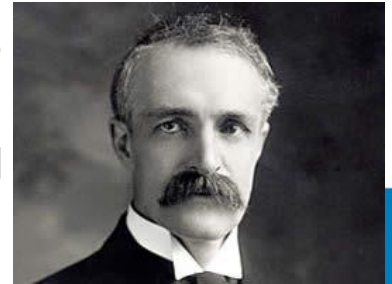
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Sustainability Concepts and Definitions

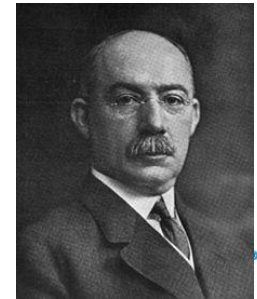
Sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Gro Harlem Brundtland, 1987).



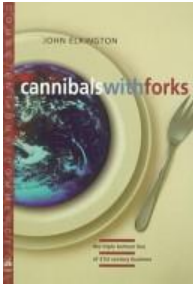
Gifford Pinchot (1910) is often quoted: "Conservation demands the welfare of this generation first, and afterward the welfare of the generations to follow." and "Conservation means the greatest good to the greatest number for the longest time."



“The general policy of the past has been to drive; but the era of force must give way to that of knowledge, and the policy of the future will be to teach and lead, to the advantage of all concerned.”
Henry Gantt (1910)



Sustainability Concepts and Definitions



Triple Bottom Line

From John Elkington in his book *“Cannibals with Forks: The Triple Bottom Line of 21st Century Business”* (1997)

Three “bottom lines” of “People, Planet and Profit”,
i.e.

Society, Environment and Economy



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“Project and Programme Managers are significantly placed to make contributions to Sustainable Management practices” (Association for Project Management, 2006).

“Integrating sustainability in project management requires the inclusion of ‘People’ and ‘Planet’ performance indicators in the management systems, formats and governance of projects” (Silvius et al., 2010).

- Per Google Scholar; ~75% of publications considering sustainability in the context of project management were published in the past eight years.
- Searches of the Project Management Journal and the International Journal of Project Management find most “green” or sustainability articles were published after 2000, and especially after 2010.
- PM methodologies did not specifically address sustainability until 2013 (PRiSM)

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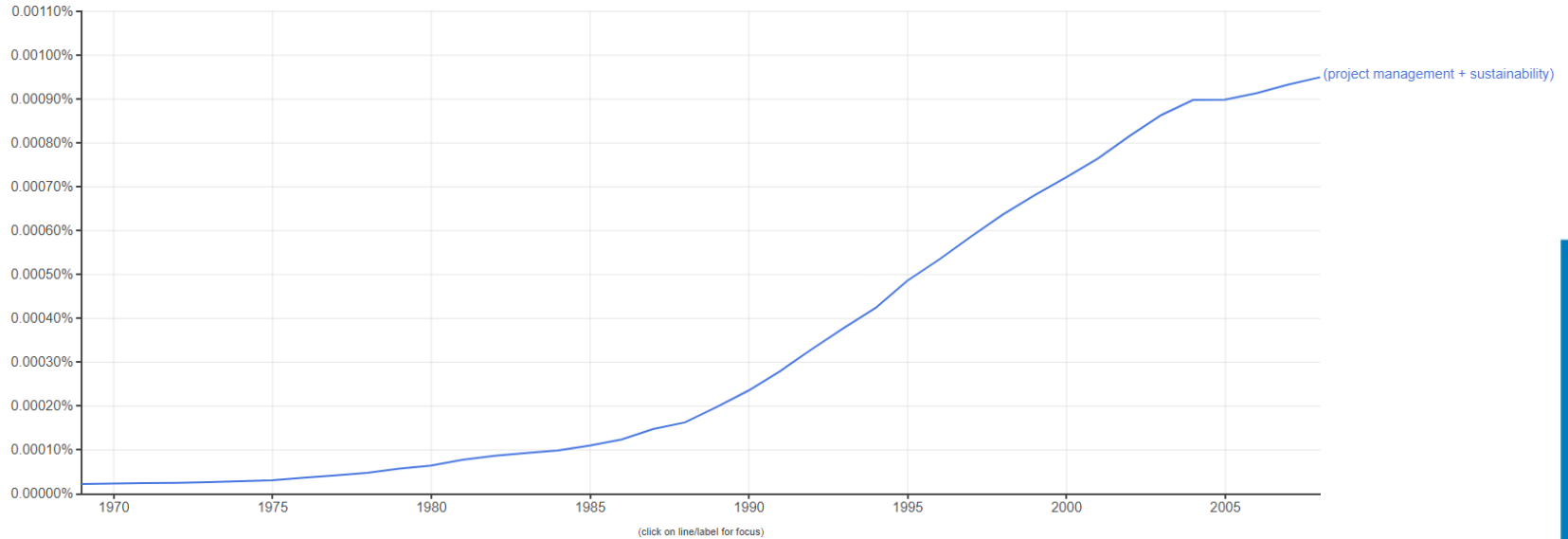
Google Books Ngram Viewer

Graph these comma-separated phrases: ☐ case-insensitive

between and from the corpus with smoothing of [Search lots of books](#)

[Tweet](#)

[Embed Chart](#)

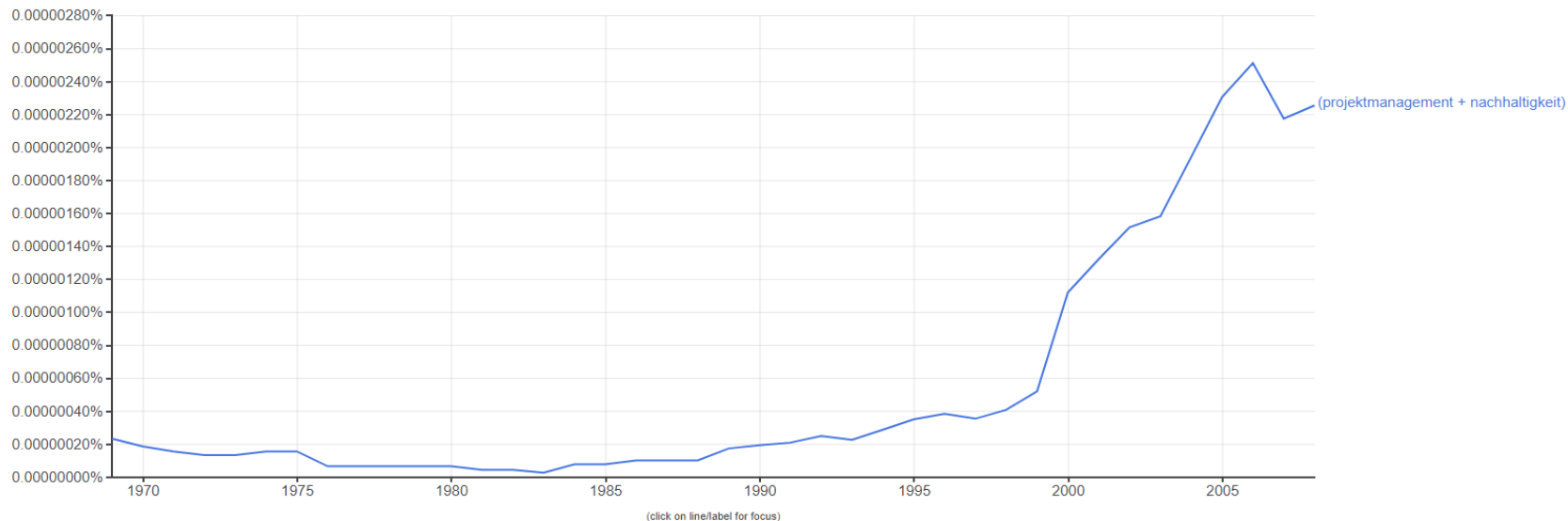


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Google Books Ngram Viewer

Graph these comma-separated phrases: ☐ case-insensitive

between and from the corpus with smoothing of [Search lots of books](#)



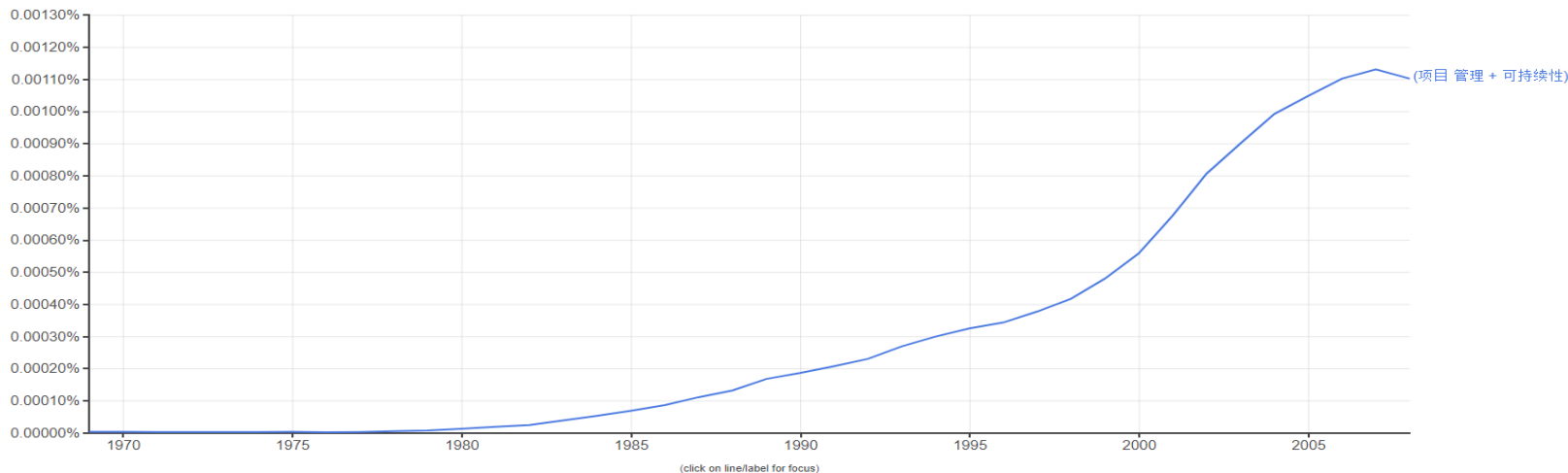
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Google Books Ngram Viewer

Graph these comma-separated phrases: 项目管理 + 可持续性 ☐ case-insensitive

between 1969 and 2008 from the corpus Chinese (simplified) with smoothing of 3 [Search lots of books](#)

Ngrams not found: 可持续性
Replaced (项目管理 + 可持续性) with (项目管理 + 可持续性) to match how we processed the books.



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Global Reporting Initiative



A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities.

[GRI](#) provides the world's most widely used standards on sustainability reporting and disclosure.

Sustainability reporting provides external and internal benefits:

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Benefits of Sustainability Reporting

| External | Internal |
|---|---|
| Mitigating – or reversing – adverse environmental, social and governance impacts | Increased understanding of risks and opportunities |
| Improving reputation and brand loyalty | Emphasizing financial and non-financial performance |
| Enabling external stakeholders to understand the organization's true value and growth opportunities | Benchmarking and assessing sustainability performance per standards and voluntary initiatives |
| Demonstrating how the organization influences, and is influenced by, sustainability expectations | Influencing long term management strategy and policy, and business plans |
| Avoiding being implicated in publicized environmental, social and governance failures | Streamlining processes, reducing costs and improving efficiency |

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Responsible investment works to understand the investment implications of environmental, social and governance (ESG) factors and incorporate these factors into investment and ownership decisions.

Presently there are 2499 signatories to the [Principles for Responsible Investment](#)

The [Equator Principles](#) “is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects.”

“Currently 97 financial institutions in 37 countries have officially adopted the Equator Principles, covering the majority of international project finance debt within developed and emerging markets.” Including: ANZ, CBA, Citigroup, NAB, Westpac

The [Dow Jones Sustainability Indices](#) are a family of indices evaluating the sustainability performance of the largest 2,500 companies listed on the Dow Jones Global Total Stock Market Index. Used by investors “who wish to reflect their sustainability convictions in their investment portfolios.”

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New Zealand companies in the DJSI

invited universe:

DJSI Asia Pacific

The Dow Jones Sustainability Asia Pacific Index tracks the performance of the top 20% of the 600 largest Australian, Hong Kong, Japanese, Korean, New Zealand and Singaporean companies in the S&P Global Broad Market IndexSM that lead the field in terms of sustainability.

<https://www.robecosam.com/csa/csa-resources/invited-companies.html>

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- a2 Milk Co Ltd
- Auckland Intl Airport Ltd
- Chorus Ltd
- Contact Energy Ltd
- Fisher & Paykel Healthcare Corporation Ltd
- Fletcher Building Ltd
- Meridian Energy Ltd
- Ryman Healthcare Group Ltd
- SkyCity Entertainment Group
- Spark New Zealand Ltd
- Trade Me Ltd
- Xero Limited Npv

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New Zealand signatories to the Principles for Responsible Investment

- Accident Compensation Corporation
- ANZ New Zealand Investments Limited
- ASB Group Investments Limited
- BT Funds Management (NZ) Limited
- Dairy Farms NZ Limited (DFNZ)
- Devon Funds Management
- Direct Capital Limited
- Farm Venture
- Fisher Funds Management Limited
- Foundation North
- Generate Investment Management Ltd
- Government Superannuation Fund Authority
- Harbour Asset Management
- HRL Morrison & Co Ltd
- Medical Assurance Society New Zealand
- Milford Asset Management
- Mint Asset Management
- New Zealand Superannuation Fund
- NZ Funds
- Pathfinder Asset Management
- Pencarrow Private Equity Management Limited
- QuayStreet Asset Management
- Rata Foundation
- Salt Funds Management
- Southern Pastures Management Limited
- Trust Management
- Trust Waikato
- Victoria University of Wellington Foundation

<https://www.unpri.org/signatories>

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- Six principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

<https://www.unpri.org/pri>

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- Principles of Responsible Investment case and the Sustainable Development Goals
 - PRI Preamble: “We recognise that applying these Principles may better align investors with broader objectives of society.”
 - Never before have these “broader objectives of society” been more clearly defined than in the SDGs.
 - Sustainable Development Goals; 17 Goals, 169 Targets, to be reached by 2030.
 - PRI groups the SDGs’ relevance to responsible investors into five overarching arguments:

<https://www.unpri.org/sdgs/the-sdg-investment-case/303.article>
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SUSTAINABLE DEVELOPMENT GOALS



<https://sustainabledevelopment.un.org/sdgs>

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- SDGs' relevance to responsible investors:
 1. The SDGs are the globally agreed sustainability framework
 2. Macro risks: The SDGs are an unavoidable consideration for “universal owners”
 3. Macro opportunities: The SDGs will drive global economic growth
 4. Micro risks: The SDGs as a risk framework
 5. Micro opportunities: The SDGs as a capital allocation guide

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- Living Standards Framework is an intergenerational wellbeing framework spanning economic, social and environmental outcomes at a high level.
- LSF implementation is enabled and supported through the LSF Dashboard.
- LSF Dashboard is a structured database of indicators that provide an integrated system for measuring wellbeing outcomes.

<https://treasury.govt.nz/publications/tp/living-standards-framework-background-and-future-work>

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- The LSF and its Dashboard aim to provide a balanced and comprehensive view of wellbeing outcomes.
- The LSF (and Dashboard) is in its first version.
- “Further work is needed to ensure future versions improve on areas where we know there are gaps and limitations, frequently owing to data availability constraints or conceptual and methodological issues still to be resolved. “

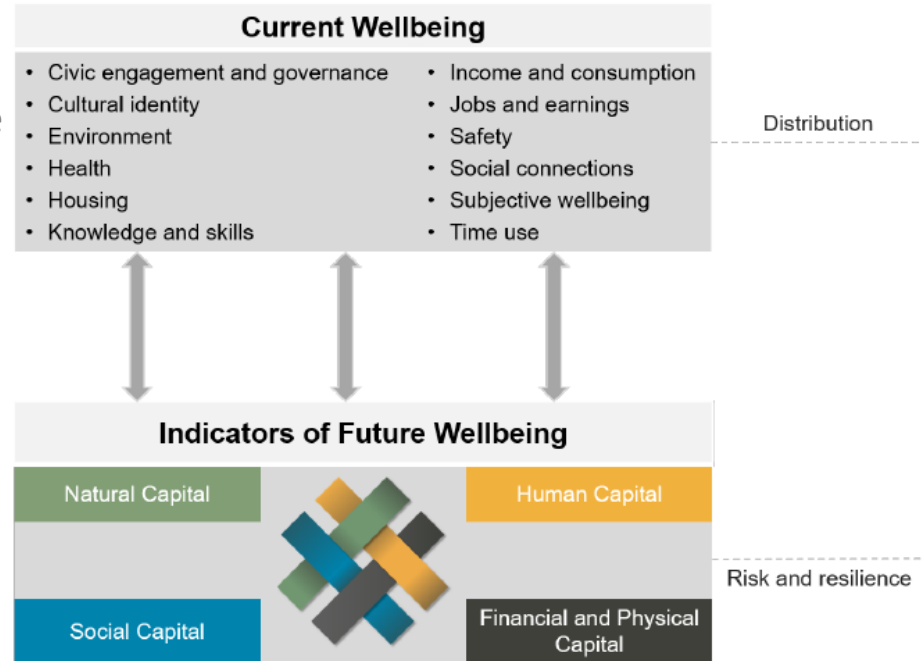
<https://treasury.govt.nz/publications/tp/living-standards-framework-background-and-future-work>

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- The NZ Treasury Living Standards Framework
- Current wellbeing comprises twelve domains, reflecting wellbeing at a point in time, based on research about what is important for people and their wellbeing.
- Diversity amongst individuals and groups means that relative importance will vary.
- The four capitals are foundations and generators of wellbeing now and into the future.



<https://treasury.govt.nz/publications/tp/living-standards-framework-background-and-future-work>

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| Capital | Definition |
|--------------------------------|---|
| Natural Capital | All aspects of the natural environment needed to support life and human activity. |
| Financial and physical Capital | The country's physical, intangible and financial assets that have a direct role in supporting incomes and material living conditions. |
| Human Capital | People's knowledge, physical and mental health that enables them to fully participate in work, study, recreation and society. |
| Social Capital | The social connections, attitudes, norms and formal rules or institutions that contribute to societal wellbeing. |

<https://treasury.govt.nz/publications/tp/living-standards-framework-background-and-future-work>

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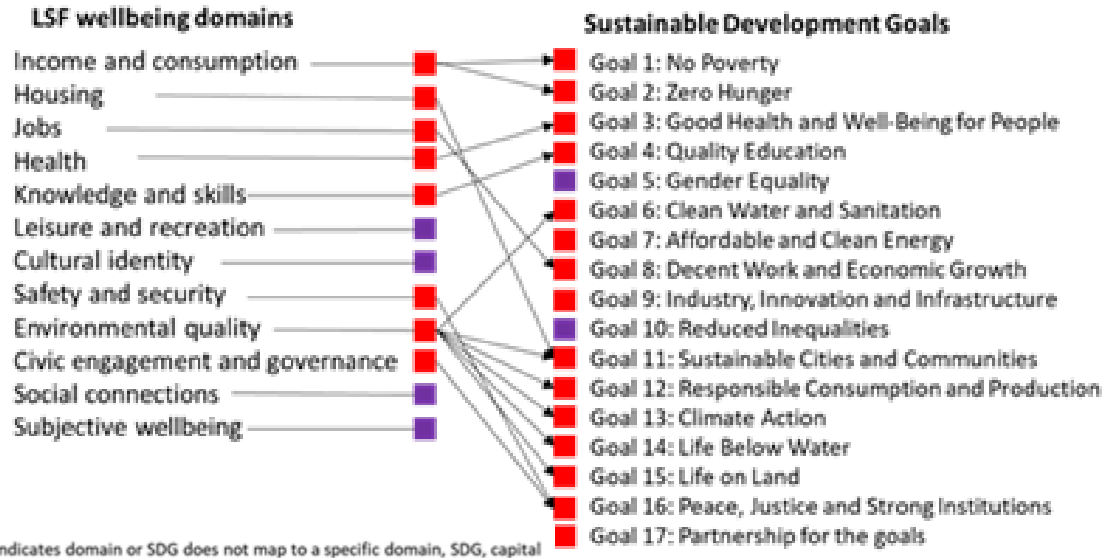
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- “Each of the SDGs relate to an aspect of the LSF.”

Panel A – LSF wellbeing domains to SDGs



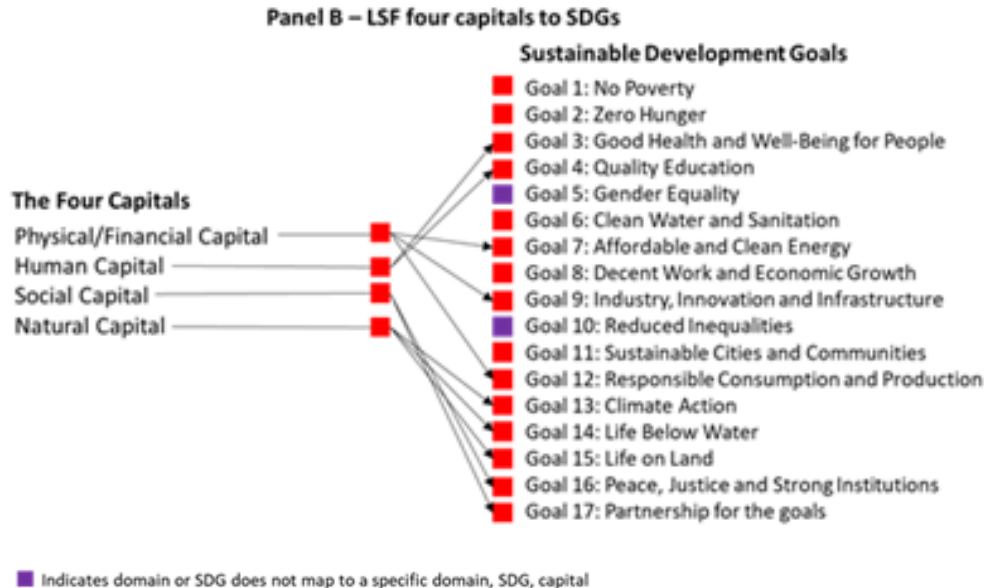
<https://treasury.govt.nz/publications/dp/dp-18-06>

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- “Each of the SDGs relate to an aspect of the LSF.”



<https://treasury.govt.nz/publications/dp/dp-18-06>

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- Better Business Cases – August 2019 Refresh
 - Indicative, Detailed and Single Stage Business Cases
 - Guidance documents updated
 - Template documents updated
 - Inclusion of guidance and links for Wellbeing/Living Standards Framework
 - Updates/new links to procurement (MBIE), infrastructure (ITU/ NZIC)
 - Reviewer Assessment Tools extended and updated to match

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- Better Business Cases – Indicative Business Case Guidance
 - “All significant benefits should be identified from the perspective of the benefits to New Zealand (ie, wellbeing) unless otherwise agreed with the reviewer. This recognises the wider perspectives of public value decision-makers when making resource allocation choices.”
 - “To demonstrate wellbeing benefits, Treasury has provided access to Wellbeing indicators, measures and data sources to baseline the current state, and to describe investment objectives and benefits:”
 - www.treasury.govt.nz/information-and-services/nz-economy/living-standards/our-livingstandards-framework/measuring-wellbeing-lsf-dashboard
<https://treasury.govt.nz/publications/template/wellbeing-domains-template>
 - “Another potential (but not exhaustive) resource is Indicators Aotearoa New Zealand (IANZ):” www.stats.govt.nz/indicators-and-snapshots/indicators-aotearoa-new-zealand-ngatutuhu-aotearoa

<https://treasury.govt.nz/sites/default/files/2015-04/Indicative%20Business%20Case%20Guidance%20August%202019.pdf>

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- Better Business Cases – Indicative Business Case Guidance
 - Describe the approach used to develop the indicative cost benefit analysis, together with key assumptions. Refer to the Indicative Business Case template and the Treasury's wellbeing approach to cost benefit analysis: <https://treasury.govt.nz/information-and-services/nzeconomy/living-standards/our-living-standards-framework/wellbeing-approach-cost-benefitanalysis>
- “All budget initiatives need a wellbeing analysis.” Using ~60 wellbeing values compiled by the Australian Social Value Bank, Housing NZ values using a methodology similar to ASVB are in the CBAX (cost-benefit analysis) database of over 200 monetized impacts.

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- “Managing Benefits from Projects and Programmes: Guide for Practitioners” includes the P3M3 benefits management maturity model
- Benefits are those described in the business case. “A Treasury circular requires all Better Business Cases (BBC) to have some form of Cost Benefit Analysis (CBA) completed.”
- “Benefits management is recognised good practice in portfolio, programme and project management.”
- “Benefits maturity is assessed via the Investor Confidence Rating for investment intensive agencies. It comprises 30% of the total assessment metric.”
- This Guide (and maturity model) is silent regarding Wellbeing or the Living Standards Framework.

<https://treasury.govt.nz/publications/guide/managing-benefits-projects-and-programmes-guide-practitioners>
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- Investor Confidence Rating: Round 2, tranche 2 results indicate improved confidence in three of six agencies reviewed, from a C to a B rating (released on 19/09/2019).
- “The ICR is proving an effective tool for encouraging and incentivising improvements in the capability and performance of investment-intensive agencies. The ICR incentive effects are working, delivering the following benefits:
 - all agencies are starting to take a longer term, more strategic view of investments and assets which will deliver improved intergenerational wellbeing outcomes for New Zealanders
 - leadership teams and their organisations have changed their behaviours and are focused on delivering the improvements suggested as part of the ICR process, often with additional resources and expert support
 - the ICR delegation changes have reduced compliance in the investment system

<https://treasury.govt.nz/sites/default/files/2019-09/icr4166184.PDF>
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- “There will be an independent review of the ICR in FY19/20 to inform future ICR assessments. The review will also allow an opportunity to realign the ICR with government priorities, including a focus on wellbeing and the Living Standards Framework. “
- “The Treasury is currently refreshing the Better Business Cases (BBC) framework to simplify and clarify guidance. In addition, the guidance will be more explicit on how to incorporate wellbeing. This will assist agencies to develop more robust business cases including assessment of options and benefits against wellbeing criteria, to assist Cabinet to compare initiatives for funding decisions.”

<https://treasury.govt.nz/sites/default/files/2019-09/icr4166184.PDF>
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- Summary
 - Interest in, and development of project management in sustainability practices has been increasing.
 - Private and public sector organizations are incentivized and/or required to invest responsibly, measure performance of and report on sustainability to stakeholders.
 - New Zealand Government has established the Living Standards Framework and Dashboard of indicators. These are informing Investor Confidence Ratings, Better Business Cases and Benefits Realization in the public sector.

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- Thinking Ahead
 - Social science research uses both qualitative and quantitative methods and measures to answer researchable questions.
 - To the extent that project management methodologies remain silent or support sustainability (wellbeing) frameworks, they will become less or more useful over time.
 - These developments are driving an intergenerational change in how we think about project management and value across lifecycles.
 - Project, programme and portfolio managers will need knowledge of, and skills with, sustainability frameworks and benefits realization.

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Thank you

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