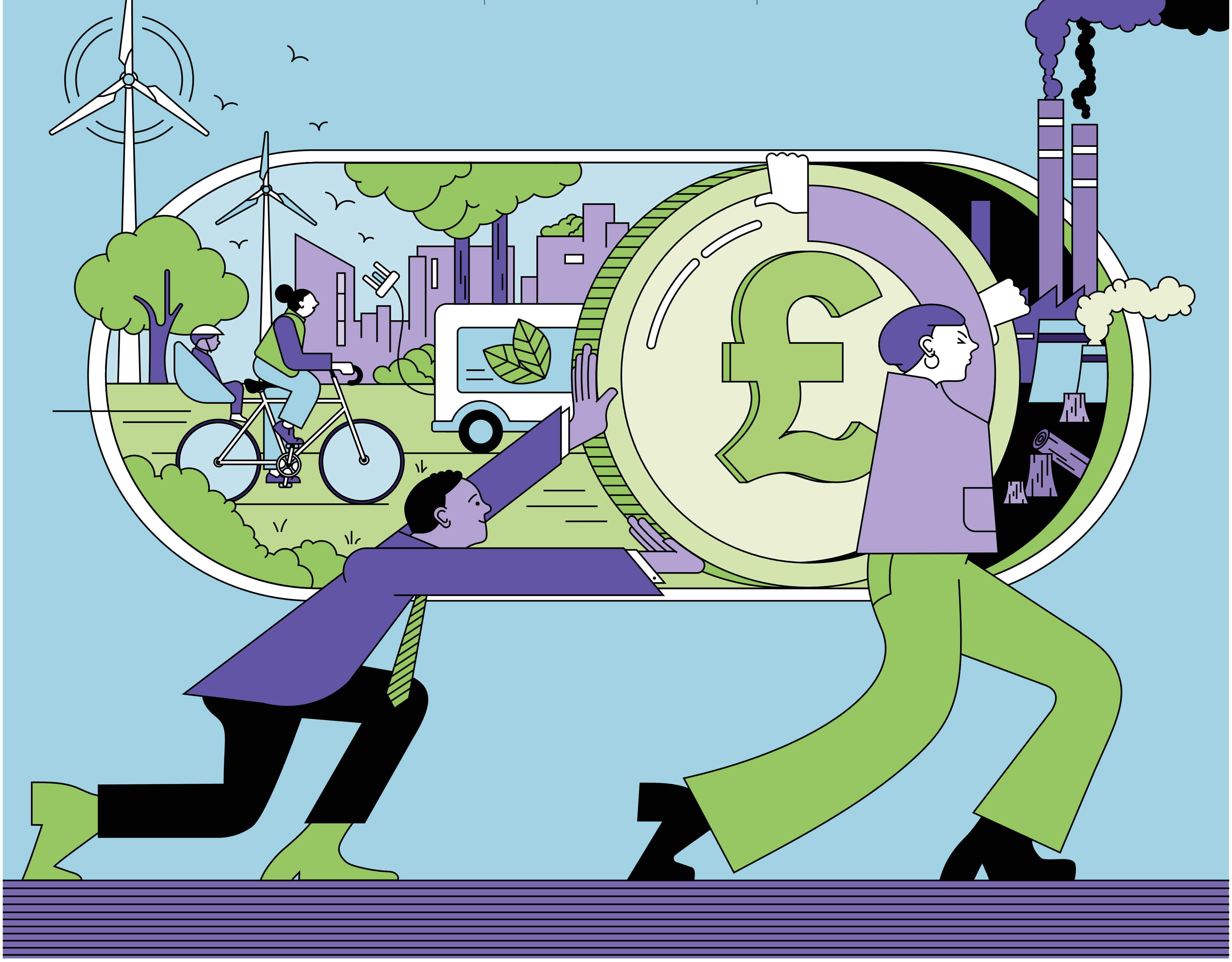
SUSTAINABLE BUSINESS



SUSTAINABLE BUSINESS

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Contributors

Oliver Balch
Journalist specialising in sustainability, business and travel, and author of travelogues on South America, India and Wales.

Sam Haddad
Journalist specialising in travel, with work published in *The Guardian, 1843 Magazine* and *The Times*.

Oliver Pickup
Award-winning journalist, specialising in technology, business and sport, and contributing to a wide range of publications.

Geoff Poulton
Freelance writer covering a range of business, sustainability and technology topics for international media.

Chris Stokel-Walker
Technology and culture journalist and author, with bylines in *The New York Times, The Guardian* and *Wired*.

Rose Stokes
Journalist specialising in women's rights, health and human interest features. Her work has appeared in *The Guardian, The Economist, The Telegraph* and *Vice*.

raconteur reports

Lead publisher
Emma Luddit

Managing editor
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Design
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Jack Woolrich
Sean Wyatt-Livesley

Illustration
Sara Gelfgren

Art director
Joanna Bird

Design director
Tim Whitlock

@raconteur /raconteur.net @raconteur_london

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COLLABORATION

Working with competitors spells sustainable success

Tough environmental targets and increased awareness of the urgency and scale of the climate crisis mean companies can no longer afford to work alone

Sam Haddad

Pepsi versus Coke. BA versus Virgin Atlantic. McDonald's versus Burger King. Running a successful company used to centre on beating the competition at all costs; the annals of business history are full of feuds between bitter rivals, including many that played out dramatically in the public eye.

Yet now, while the competition for consumers may be constant, behind the scenes you're increasingly likely to see rivals getting together to collaborate on how best to run a successful sustainable business.

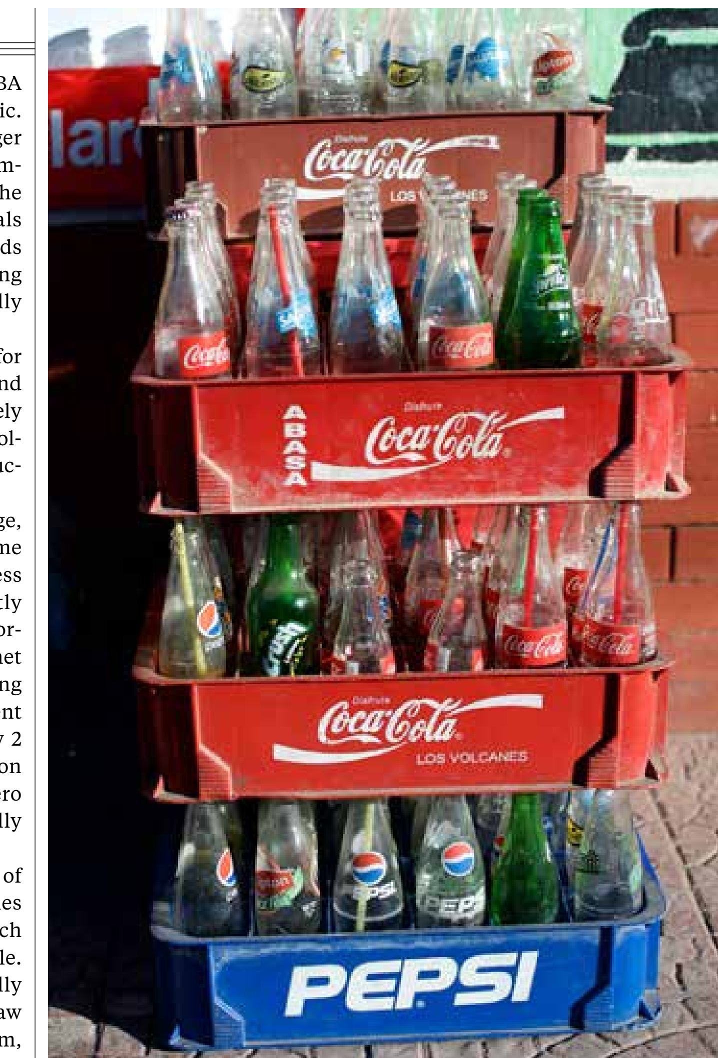
The reason for this change, according to Mike Barry, long-time director of sustainable business at Marks & Spencer who currently works as a consultant, is the enormity of the challenge to get to net zero. "When you were reducing your carbon footprint by 3 per cent a year or reducing plastic use by 2 per cent a year, you could do it on your own. But now with net-zero goals, we need to fundamentally rebuild value chains," says Barry.

A retail value chain has billions of items being produced in factories and farms all over the world, which are then sold to millions of people. "You have to find a fundamentally different way of sourcing those raw materials, manufacturing them, using them as products and selling them," he says. "No business can do that on its own."

Archana Jagannathan, senior director for packaging sustainability in Europe at PepsiCo, agrees. "Collaboration is at the heart of sustainability," she says. "If we truly want to deliver positive outcomes for people and the planet, this is not just about one company. We're looking to influence a system and critical to any system change is collaboration."

Jagannathan has noticed a real shift in the scale of collaboration levels over the last few years. "There was always collaboration between sustainability leaders. But what's really shifted is that conversation has now become a CEO conversation and an industry forum conversation," she says.

An example is UNESDA (Union of European Soft Drinks Associations), whose members include PepsiCo, Coca-Cola and Red Bull. With its members full support, UNESDA has developed a Circular Packaging Vision for 2030, which pledges that all packaging will be recycled or renewable and



Vera Davidova via Unsplash

90 per cent of packaging waste will be collected.

The British Retail Consortium, which represents more than 170 UK-based retailers including Iceland, Sainsbury's and M&S, has launched a net-zero goal for 2040, as has the National Farmers' Union. Barry believes it's crucial for companies to work with external third parties on such initiatives. "They're competitors, so having a neutral big tent in which you can operate is really important," he says.

Emilie Stephenson, who heads up the Force for Good division at Innocent Drinks in the UK, says the brand has found collaboration with other companies a lot easier since they became a B Corp in 2018. She says: "We can shout louder together about the change we want to see."

Darian Stibbe, executive director of The Partnering Initiative, an organisation that facilitates collaboration between companies, governments, NGOs and the United Nations, is sympathetic to the scepticism some companies may have at the start of the process. "They are genuine rivals expected to sit in a room together and somehow collaborate," he says.

50% of members of the The Partnering Initiative and Bond (an organisation looking to help eradicate global poverty, inequality and injustice) see partnerships with other private companies as growing in importance in the future

The Partnering Initiative and Bond 2020

Stibbe refers to the importance of building the case internally. "We talk about the institutionalisation of partnerships," he says. "They start between a few individuals, but it has to be made important to the broader company, with your internal network getting excited about it; to find things where your CEO can go and speak about this exciting new partnership publicly."

Companies can expect tricky conversations with their lawyers, who understandably want to reduce risk for their organisations. "The reality is these partnerships are risky as they're doing something new," he says. But for Stibbe it's not in the contract where you reduce risk, it's in the way you run these partnerships with trust, transparency and a collective vision. "Making it clear you want to get value out of this co-operation, but also you're there to help others get value from the collaboration too," he says.

One of the cross-business collaborations which PepsiCo's Jagannathan is most excited about is Pulpex, the world's first scalable, plastic-free paper-based bottle, which should go into production in 2021. Created by Diageo and Pilot Lite, it's set to be trialled by PepsiCo and Unilever. "When you have more people adopting a technology, it's easier for the company to be able to scale it up," she says.

This kind of innovation is where business can really help drive change, according to Professor Knut Haanaes, head of sustainability at the International Institute for Management Development in Lausanne, Switzerland. "The world has problems governments can't solve; we need the innovation of business," he says. "We need the ability of business to drive new things at scale to build technology and capabilities."

Haanaes finds it useful to look at great examples of swift action, innovation and collaboration from the past as potential templates for the future. "The ozone layer, where governments came in strong, there was agreement and companies adapted very quickly. The switch from leaded to unleaded gasoline and plastic waste in oceans. It's not there yet, but it's miles ahead of where it was three years ago. Industries collaborate, governments start to regulate and it becomes a virtuous circle," he says. And all without a Cola war or dirty tricks campaign in sight.

SOCIAL IMPACT

How companies are collaborating to serve their communities

The vaccine race has shown the scale of what companies can achieve when they put purpose ahead of profit, so how are businesses applying the same approach to sustainability?

Rose Stokes

If we have learnt one thing over the past year, it's that when companies, investors and government put their heads together, change can happen very quickly. You only need to look at the development of the coronavirus vaccine for evidence, which is one of the most notable feats of technological innovation in modern history. It saw companies that would ordinarily view one another as competitors look beyond short-term profit and come together to solve an immediate threat to global health.

In this context, it's clear that collaboration is a potent accelerator for progress, particularly when it comes to delivering change in solving other big global problems, such as hunger, mental health, literacy and climate change.

If anything, the pandemic has only increased the pressure on companies to collaborate for the greater good. "During the pandemic, we have seen businesses come together with a real sense of urgency to help those most impacted in their value chains and communities, from supporting cash-strapped suppliers to tackling the spike in gender-based violence," says Zahid Torres-Rahman, co-founder and chief executive of Business Fights Poverty. "The pandemic has shown our interconnectedness and what we can achieve together."

So have organisations further down this path learnt anything in the process? And how do those with experience see this trend shaping the future of social impact as a broader business practice?

For smaller, newer companies, such as Treepoints, an app that encourages users to offset their carbon emissions by earning "points" to spend with other companies, collaboration is at the heart of their business model.

"Our entire business model is predicated on collaborating with companies that want to be more sustainable," says Anthony Collias, founder and chief executive of Treepoints. "You can forget how overwhelming the climate crisis can seem to businesses that have no experience of this sphere. We quickly realised that most people want to do good, they just don't know where to start.

"We're working on making it transparent, clear and straightforward for businesses of all sizes to have a positive impact."

Financing and procurement are another area where collaboration between businesses is helping encourage brands to increase their social impact. A new government requirement, procurement policy note 06/20, states that public contracts must factor social value into their proposals. This is just one example of a concrete step being taken to ensure businesses work with charities, NGOs and public bodies to make serving the community a central part of their sustainability strategy.

It is a strategy also prevalent in some private sector investment companies, such as Archipelago Eco Investors, which focuses specifically on new and novel technology solutions in the plastics sector. They are working with businesses to accelerate innovation for social good.

"The fund plans to foster collaborative approaches between investors and investees, and enable an open and active relationship to develop technology and infrastructure rollout efficiently and effectively," says Lucy Mortimer, partner at the fund. By doing so, Mortimer hopes to "catalyse further private sector investment by providing evidence of technology readiness and commercial bankability of new technologies".

Joanna Jensen, founder and executive chairman of Childs Farm, a leading UK children's toiletries brand, has found collaboration helpful in introducing new ideas for how to increase social impact.

"It's so important to bring in the experts," she says. "There is a steep learning curve in the world of social impact, but bringing in the right people pays dividends in the long term for your company and for the planet."

Collaborating for Childs Farm has meant pushing out of their comfort zone and working with those who have more experience and can help them to notice blind spots and opportunities to improve.

"Our work with sustainability experts Planet Shine, for instance, meant we could broaden our perspectives and learn best practice from people who have gone before us on this journey," says Jensen. This approach helped Childs Farm to become carbon neutral in 2020.

Many private sector companies have learnt the value of ramping up collaboration with charities in a bid to drive progress forward in their social impact efforts. As Siena Parker, head of creative responsibility at Penguin Random House UK, explains: "Charities and businesses working in partnership can provide vital levels of support in times of need and they can also drive more systemic and widespread positive change, which ultimately offers business benefits too."

At Penguin, this has seen an increase in collaboration to help raise literacy, particularly among more disadvantaged communities, as well as helping to improve diversity in the literature taught in schools. "We see investing in this area as not just the right thing to do, but also a unique opportunity for us, both as a book publisher and a brand," says Parker.

Looking ahead, one thing experts agree on is the renewed focus on sustainability and social impact that the pandemic has instigated isn't going away. "Many people predicted the pandemic would overshadow the burgeoning interest in sustainability, but in fact the opposite is true," says Jensen. "Business has a growing role in pushing for progress across society and I don't see this trend changing any time soon."

Torres-Rahman agrees. "We don't see this energy dissipating. The businesses we speak to see this as an opportunity to rebuild better, to tackle the deep-seated inequalities the pandemic has laid bare," he says.

"Businesses are stepping up and collaborating on social challenges not just because this is the right thing to do, but because it builds the resilience of their businesses and is increasingly expected by their employees, customers and shareholders."

A readiness to collaborate with other organisations, whether competitors, charities or third-party organisations, will only multiply the impact a business can have in the community and is a trend likely to continue as we move towards the post-pandemic phase of recovery.

"Like so many things in business, collaborating with other organisations gives you a far greater impact than what you can do alone," Jensen concludes. And what could be a worthier cause than making the world a better place to live in?

> Business has a growing role in pushing for progress across society and I don't see this trend changing any time soon

Commercial feature

Sustainability shifts from risk to opportunity

For businesses to tackle the global climate and ecological crisis, it is the offices, buildings and real estate they occupy, develop or own that need to be truly sustainable

There's a mind shift crystalising among those who manage our built environment; coronavirus has accelerated change and there's stronger understanding that our infrastructure has a central role to play in achieving net-zero carbon emissions.

The momentum from investors has also reached a critical juncture, ignited by public consciousness. Environmental, social and corporate governance (ESG), and what companies do to address ESG factors are no longer footnotes in a quarterly earnings report, they're centre stage. Right now, this is impacting developers and real estate owners, both for new developments and existing portfolios across the globe.

James Ford, sustainability partner at Hoare Lea, a leading multi-disciplinary built-environment consultancy firm, says: "The drive for change is coming from every angle. Many in industry are now trying to work out what ambitious climate targets really mean for the built environment. The big question everyone is asking is how does the race to net zero and pledges made in the Paris Climate Accord actually translate into bricks and mortar?

"It's creating a real opportunity for innovation. The construction and property management industry is not known for rapid change. It mainly plays catch-up compared to other sectors. But we are in an era of greater expectations, especially from investors and the finance industry. Demands for transparency on ESG factors are now turning into demands for action and tangible commitments."

Real estate makes up roughly 40 per cent of global energy consumption annually and accounts for more than 20 per cent of greenhouse gas emissions. So the potential is vast. Results are easier to achieve with new builds thanks to guidance from the World Green Building Council and the UK Green Building Council. Then there's the issue of decarbonising existing and ageing infrastructure.

Around 80 per cent of today's building stock will still be in use in 2050. Retrofitting buildings to mitigate and adapt to climate change will be crucial to avoid turning unprepared buildings into stranded assets.

Finding answers

"The level of ambition has changed in recent times. Investors want much more data and reporting on the performance of all buildings now. Asset owners and developers are therefore having to find answers to these questions from industry. Everyone is having to up their game; it's exciting for us to see such an awakening after championing these issues for so long," says Diana Sanchez, head of ESG at Hoare Lea.

"The focus is also shifting from the environmental pillar of ESG to the social value and the impact this is having on people and places, so it's becoming even more relevant for the built environment."

When it comes to ESG, the level of interest, investment and reward for change is fuelling fresh energy in the construction industry. This is driving new collaborations, ingenuity and more innovation, both in the public and private sectors.

"It's important to shift the view of ESG from risk management to value creation; from a challenge that needs to be overcome, to one of opportunity. Developers are looking to stand out and distinguish themselves from their peers. Providing answers to ESG challenges gives them an advantage in the market," says Ford, who leads work with councils, businesses, developers and public sector departments across the UK to drive ESG-led sustainable strategies.

Golden thread

One key opportunity for buildings and their developers is to join up all the processes that influence the ESG agenda. "It's this golden thread that runs from initial investments, through to the design and construction phase, to the operation of the assets," explains Ford. ESG considerations now need to be hard wired into all stages. Data is key to this process, as is a multi-disciplinary team.

"It's vital to understand where the drivers are coming from in terms of the world of investment and ESG risk, why those drivers are there, how it changes the construction process and how to deliver new solutions that answer these changes. When it comes to creating buildings fit for the 21st century, you need joined-up thinking. You also need to be able to translate, analyse and align ESG strategies for developers," says Sanchez.

"Often clients don't have the right level of granularity when it comes to delivering on all these aspects and at all points in the building process. At the same time, many aspects are connected: mobility, quality of life, carbon emissions, noise and air pollution. All these factors need to be accounted for efficiently, which is why you need that kind of connected multi-disciplinary thinking."

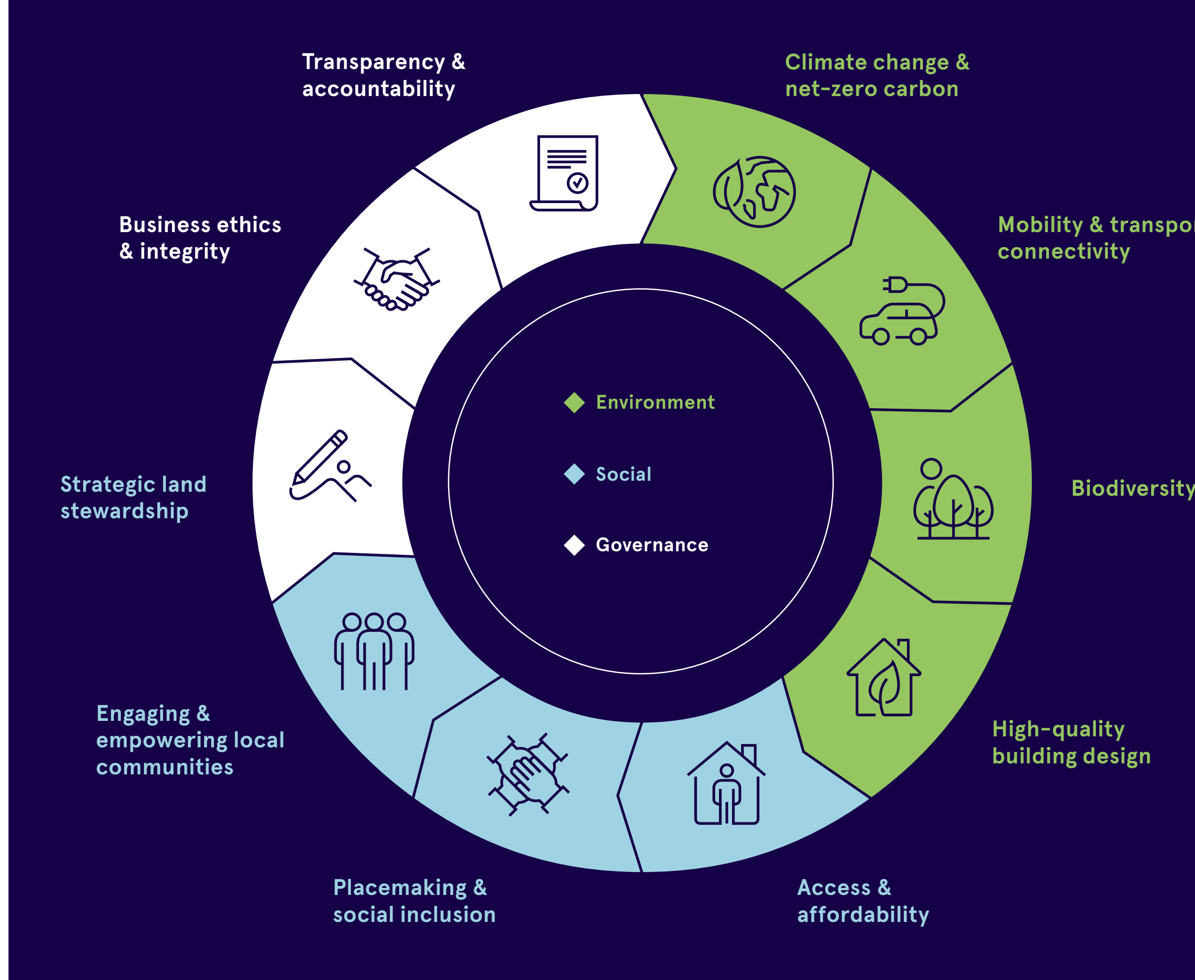
Many of these issues are now topping the C-suite agenda. Boards are increasingly questioning the longevity of a development in terms of its ability to mitigate and adapt to climate change, be resilient and relevant to an evolving society over a much longer time frame, such as fifteen or twenty years instead of less than five.

"If assets aren't future-proofed for a rapidly changing climate-conscious world, then their value is quickly denuded over time," explains Sanchez. "This represents a challenge for all involved, but ESG is not a destination, rather a journey for everyone. It's not something you achieve and then a building is sustainable; the goalposts are always changing. The market is dynamic, constantly evolving and improving. This is a relief for many developers who think they need to achieve everything in one go.

"The challenge is huge. But everyone now expects their investment will not be detrimental to the environment. ESG issues for the built environment used to be driven by policy and regulation, now there is a much greater commercial imperative. With a strong business case so much more value and positive impact can be achieved."

> It's important to shift the view of ESG from risk management to value creation; from a challenge that needs to be overcome, to one of opportunity

AN EXAMPLE BREAKDOWN OF ESG OPPORTUNITIES



FROM RISK TO OPPORTUNITY: THE BENEFITS OF ESG IN THE BUILT ENVIRONMENT

INTERVIEW

Firing the starting pistol on climate action

If the world is to avoid irreversible climate change, then business urgently needs to get on board. It's the task of **Nigel Topping**, United Nations' climate change champion, to show them how

Oliver Balch

As a one-time factory manager, Nigel Topping isn't someone to mince his words. For business owners tiptoeing around climate change, he has a simple two-word message: "Wake up!"

He doesn't labour the science. Seven of the planet's warmest years have occurred since 2014. If that's not enough to persuade company leaders, then no amount of peer-reviewed research will either.

Instead, the United Nations' high-level champion for climate action goes straight for the jugular: "If you think you can be a late follower, then you've decided to give up market share and be a slow loser."

Like it or not, the transition to a low-carbon economy is "inevitable", he argues. Social expectations, regulatory demands, even investment trends all point to the inexorability of a low-carbon transition.

Smart companies, moreover, are already on the case. Just look at Tesla. A decade ago, the idea of an electric-only carmaker seemed bizarre. Now every other major auto-manufacturer is desperately playing catch-up.

"We have to avoid any framing that says, 'Oh, maybe we should do a green thing on Friday afternoon'. This has to be front and centre of business strategy," Topping insists.

So the direction of travel is set, but what then? First, get serious about taking action, says Topping. That starts with setting meaningful targets. By which he means hard numbers and firm dates, not wishy-washy pledges of good intent.

"You can't be at the starting line talking wistfully about how fast you're going to run," the UN taskmaster argues. "You have to start running."

Enter the Race to Zero. Designed to drum up momentum ahead of the UN climate summit in Glasgow this November, the global campaign urges companies of all hues to commit to going net zero.

The concept derives from the landmark Paris Agreement, which puts a 2C rise in global temperature as the absolute limit that the planet can safely absorb. To align with net zero, companies need to balance out their carbon emissions by 2050, either through aggressive reductions or via offsets.

Topping sees the purchase of carbon credits as very much a last resort, to be turned to only when companies have tried everything in their power to cut their carbon footprint.

Some industries, such as cement and shipping, may lack the technology to radically decarbonise right away, he concedes. Yet, even then, the idea of "buying your way into the Race to Zero" remains anathema to him.

"Chief executives need to be saying, "We're going to get to zero emissions by 2045 and this is what we'll do in the next five years in terms of capital expenditure, product development, marketing and so on," he says.

For those needing an initial steer in setting targets, he points them to the Science-Based Targets Initiative, a UN-backed scheme that helps companies design robust carbon reduction trajectories. The International Chamber of Commerce Climate Hub offers a similar helping hand for smaller firms.

Second on Topping's must-do list is for companies to spark action beyond their own four walls. Vital as it is to "get their own house in order", he says, the biggest climate wins are typically to be had in businesses' wider spheres of influence, particularly among suppliers and consumers.

He has no shortage of illustrative examples. Apple is one. The Californian tech giant is encouraging all its suppliers to follow its example in becoming 100 per cent renewable. Another is US retail giant Walmart, which is currently seeking to remove a gigatonne of carbon emissions from its supply chain.

Big buyers hold sway, Topping insists. In his early days as a factory manager, he recalls a large client asking casually about environmental management systems. The following year, the same client inquired about timetables for possible implementation.

"By the third year, we were told that if we weren't compliant in five years, we wouldn't be on their list. That sort of ratcheting up is familiar to everyone in business," he points out.

His injunction to work with others also extends to industry peers. Again, his logic is rooted in common business sense. Acting collectively on sustainability issues, he argues, is a means of early-movers avoiding commercial disadvantages.

It's a delicate balance, Topping concedes. Push ahead a little and you can win a reputation as an innovator; push too far ahead and the costs you incur could become "problematic".

In contrast, if all the major players in an industry can agree on a general roadmap, then the risks of ambitious action reduce for everyone.

He cites the UK government's recent public consultation on the phasing out of petrol and diesel cars. Various dates in the 2030s were mooted. Interestingly, among the most vocal proponents of a fixed date were the oil giants, Shell and BP.

Why? Not because of some Damascene conversion, he says. But because regulatory certainty enables the hydrocarbon industry to invest and plan accordingly.

"Having clear, common milestones gives businesses much more confidence as well as reducing their investment risks," Topping explains.

NurPhoto/Contributor via Getty Images

> Policymakers can raise the bar, but they can only lead so far; they need businesses to dance along with them

Fortunately, moves are already afoot in key sectors. Notable examples include the shipping industry's Getting to Zero Coalition and aviation's Clean Skies initiative on sustainable fuels.

Both instances build on a 2018 consultation report by the non-profit Energy Transitions Commission, which laid out a series of viable pathways for carbon-intensive industries to go net zero.

Topping's enthusiasm for collective action is also motivated by a recognition that a few lone leaders won't create the breakthroughs required to realise the scale of change required.

"Once you reach a certain momentum, that's when tipping points happen and we start seeing macro changes in the economy taking place," he says.

To nudge industries forward, Topping's own team at the UN has mapped out a series of breakthrough moments across a range of sectors. Target companies range from banks and bus operators to clothing brands and construction firms.

Last but not least is Topping's call to pro-climate advocacy. For all capitalism's talk of free markets, the global economy depends as much on public policies as private enterprise.

Corporations and their lobbyists have long sought to stymie progressive climate policies, he says. If business is serious about tackling climate change, that urgently needs to change.

The chief culprits, in his view, are trade associations: "It's almost as if it is built into their DNA to slow down the rate of change and argue that climate legislation is damaging to industry."

A turnaround is possible, however. He takes hope from French oil giant Total's recent withdrawal from the American Petroleum Institute. The move follows last year's decision by BP to renounce its membership of the American Fuel and Petrochemical Manufacturers trade association.

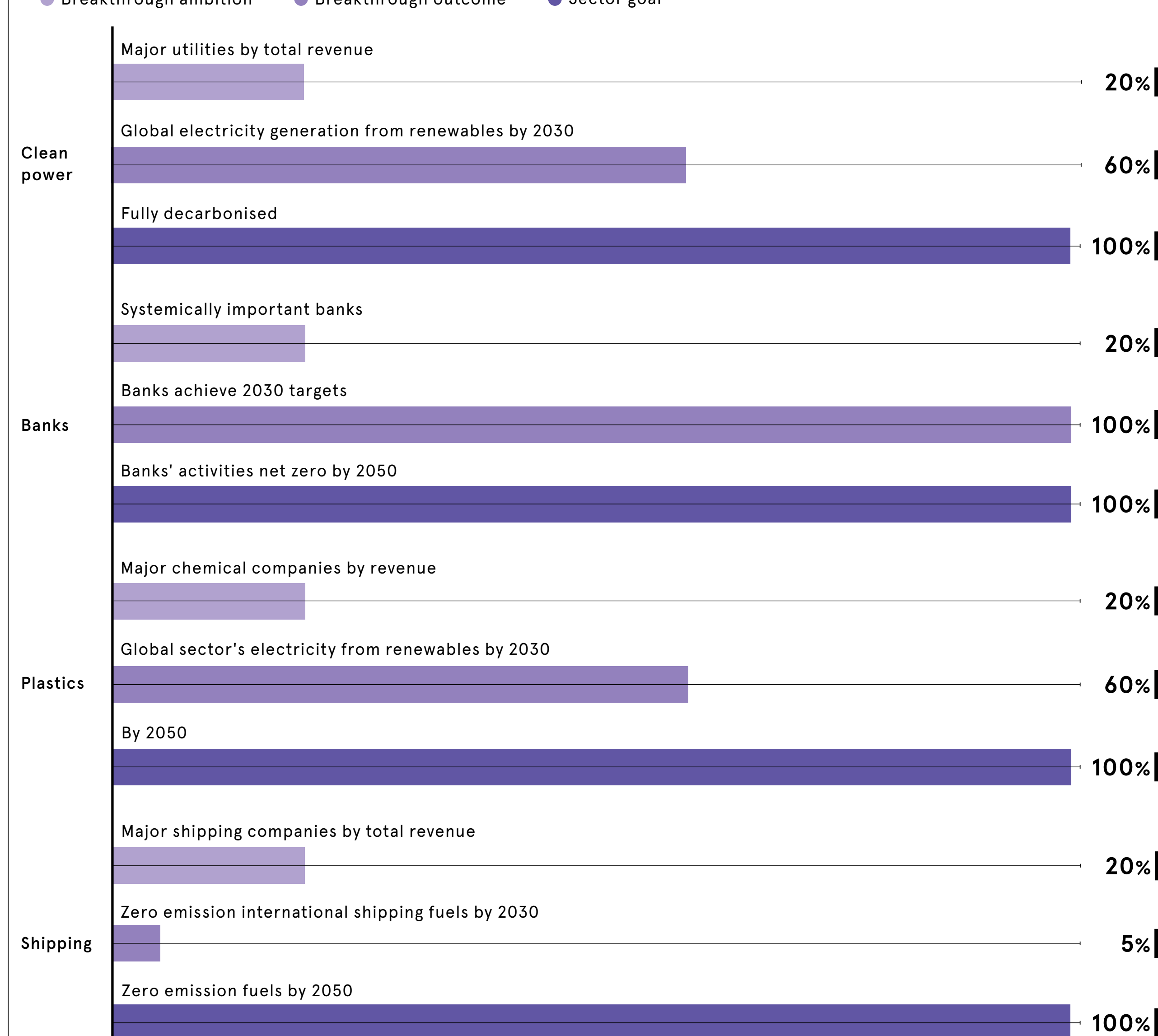
Such moves not only send strong signals to the market, Topping argues. They also strengthen the hand of pro-climate legislators, resulting in what he calls a positive "ambition loop".

As he puts it: "Policymakers can raise the bar, but they can only lead so far; they need businesses to dance along with them."

Topping's campaign to promote climate action is set to keep him plenty busy in the run-up to COP26, the UN Glasgow climate summit. Assuming business heeds his call, he won't be the only one run off his feet. The race to climate equilibrium is well and truly on, and crunch time is already fast approaching.

THE RACE TO ZERO

The UN has set out a range of specific tipping points for every sector in order to aid companies on the race to net-zero



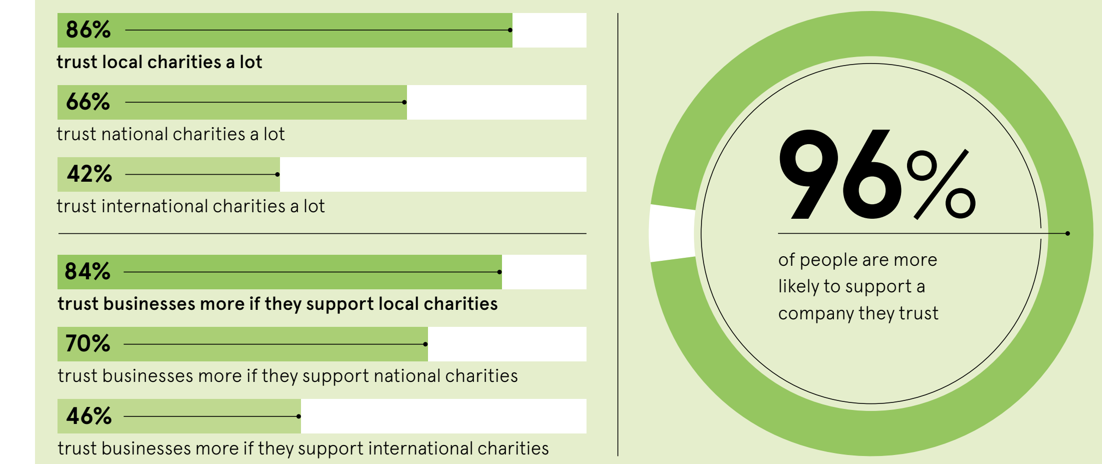
United Nations Climate Change 2021

Commercial feature

TRUST AND LOCALISATION

The Link between Local Charities and the Businesses that support them

YouGov/Neighbourly research, August 2020



Localised impact fuels trust in businesses

Companies that support local good causes can help solve global problems and embed trust and purpose in their business, but connecting with them at scale has proved a challenge

The last decade has been marked by a shift from tick-box corporate social responsibility behaviour, seen as a nice-to-do brand hygiene activity, to the rise of a more measurable environmental, social and governance (ESG) agenda embedded in core business strategy. Driven initially by investors, but also employees and customers who want companies to stand for more than just profit, ESG is now integral to achieving long-term sustainability and deeper relationships with a wider range of stakeholders.

Businesses themselves are stakeholders in society and cannot survive in one that fails, so leaders are increasingly realising they have a purpose and responsibility beyond only delivering value to their shareholders. Their own survival relies on being trusted. With 96 per cent of UK consumers surveyed by YouGov last year saying they are more likely to purchase from a company they trust, it's one of the most crucial currencies of business.

ESG, social value and brand trust are closely connected, and one of the best ways of powering all three is by supporting important causes and charities. Yet while corporate organisations often support one, or a few, large charity partners, YouGov's research found greater brand equity with smaller local causes. Some 84 per cent of respondents said they're more likely to trust a business that supports local charities than one that doesn't.

"Trust in local good causes and trust in a company are intrinsically linked," says Zoe Colosimo, chief operating officer at Neighbourly, which commissioned the research and whose digital platform connects businesses with local good causes at scale. "Local causes resonate with people because they know their neighbourhoods and what they need. They can see the difference local organisations make. Trust is therefore bred when businesses show they are a vested citizen of that community too.

"Going local is also better for businesses because the return on investment is far greater. There is a local multiplier effect whereby every pound a company donates to a local good cause will wash around that community three times before it bounces back out nationally. We must ensure our communities are healthy for everything else to function in society. Localisation is essential for the future existence of any business."

> Localisation is essential for the future existence of any business

While the business case for supporting local causes is clear, the journey to doing so has traditionally been less so. Companies have not only tended to support larger charities due to the higher recognition in their brands, but also because of the significant impracticality of having to engage with, and vet, hundreds or even thousands of smaller entities, many of whom don't have a great digital presence or tools for measuring their impact. The measurability component, especially, is central to addressing a company's ESG targets.

Neighbourly removes the impracticalities and friction, enabling businesses to make a positive impact in their communities by donating time, money and surplus products, all in one place. Acting as a data aggregator and matchmaker, the platform raises awareness of vetted local good causes across the UK and Ireland, shows exactly where they're located and the services they deliver, brokers the relationship with corporate partners that want to support them and manages the communications between them. Crucially, by facilitating the transaction, Neighbourly provides the measurability businesses require.

"It's incredibly impactful when you can measure the overall outcomes of supporting local causes rather than just inputs," says Steve Butterworth, chief executive at Neighbourly. "With a digital platform that enables transparency and measurability, a truly localised ESG strategy is finally a reality.

"This will be especially vital in enabling smaller charities to help society bounce back better after the pandemic, and connecting businesses with local causes, at scale, to drive social value, purpose and trust. Global problems are solved by billions of local micro actions. Our network of local causes provides the ready-made infrastructure to solve large-scale issues and help companies thrive in the long term through sustainable value creation."

For more information please visit neighbourly.com

neighbourly

REPORT FOR DUTY

By now, most businesses know they need to take a stand on sustainability, but with greenwashing rife and increased levels of scrutiny from customers and shareholders alike it is almost as important to show progress as it is to make progress. So, which companies are embracing sustainability reporting, and how are they measuring success?

IN ORDER TO REPORT WITH CLARITY AND TRANSPARENCY...

52% of FTSE 100 companies give adequate attention to reporting negative and positive performance

48% have external assurance on some sustainability metrics

100% disclose a slavery and human trafficking statement

PwC 2020

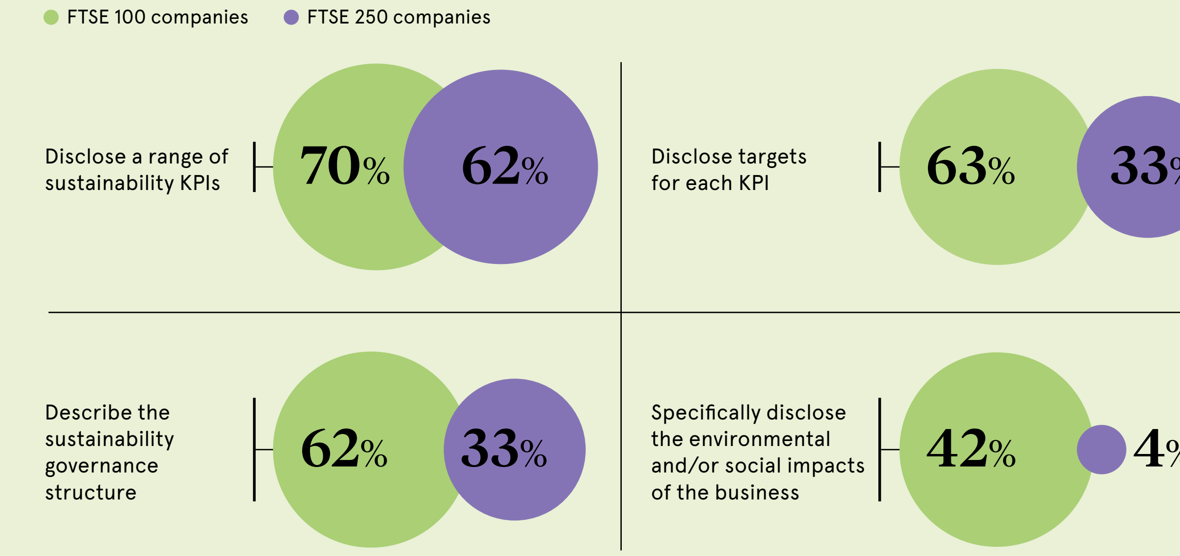
HOW MANY S&P 500 COMPANIES ARE REPORTING?

Percentage of companies who publish sustainability reports

Governance and Accountability Institute 2020

HOW TO GO ABOUT REPORTING

Percentage of FTSE companies who monitor and manage sustainable performance in the following ways



PwC 2020

KEY GLOBAL TRENDS IN SUSTAINABLE REPORTING

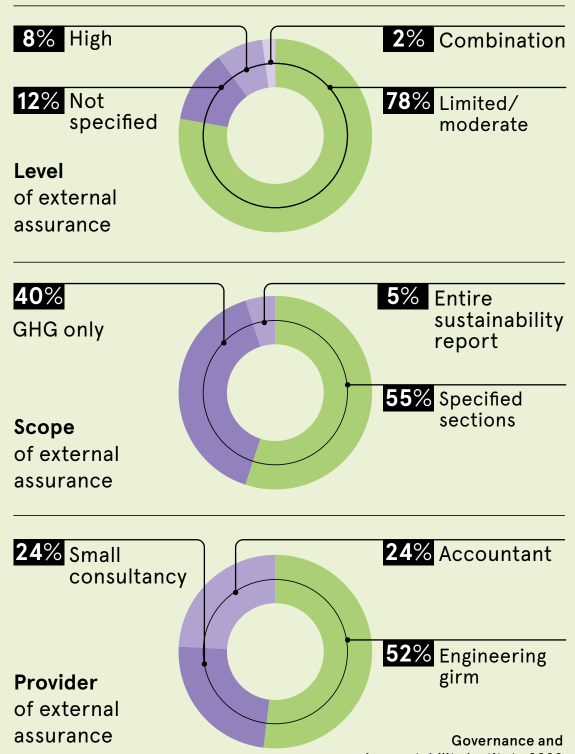
80% of companies worldwide now report on sustainability

90% of companies in North America report

40% of companies now acknowledge the financial risks of climate change in their reporting

KPMG 2020

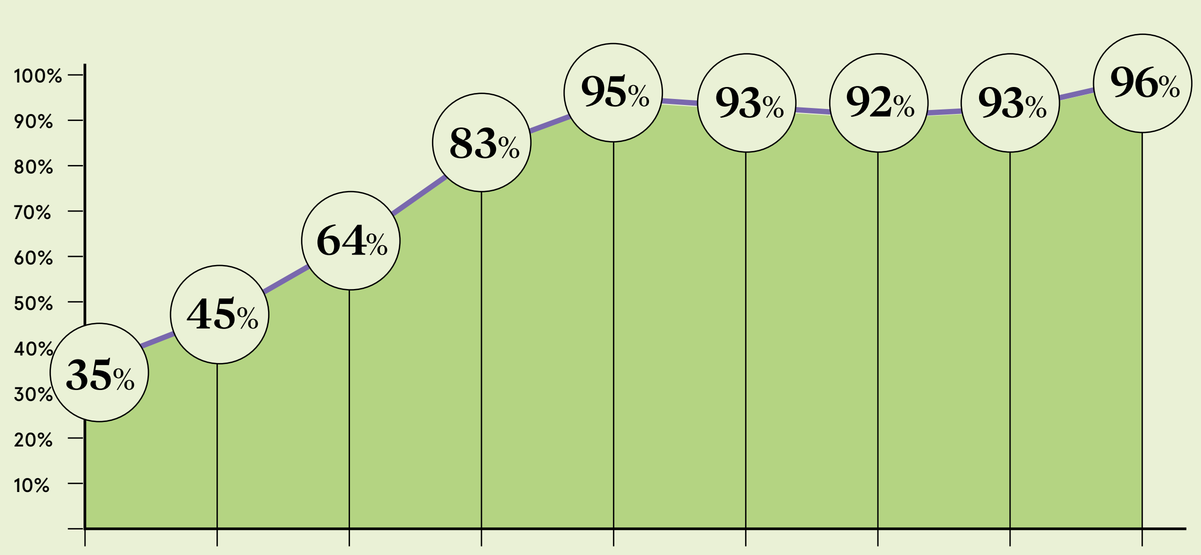
SEEKING EXTERNAL ASSURANCE



Governance and Accountability Institute 2020

WILL GLOBAL REPORTING RATES CONTINUE TO GROW?

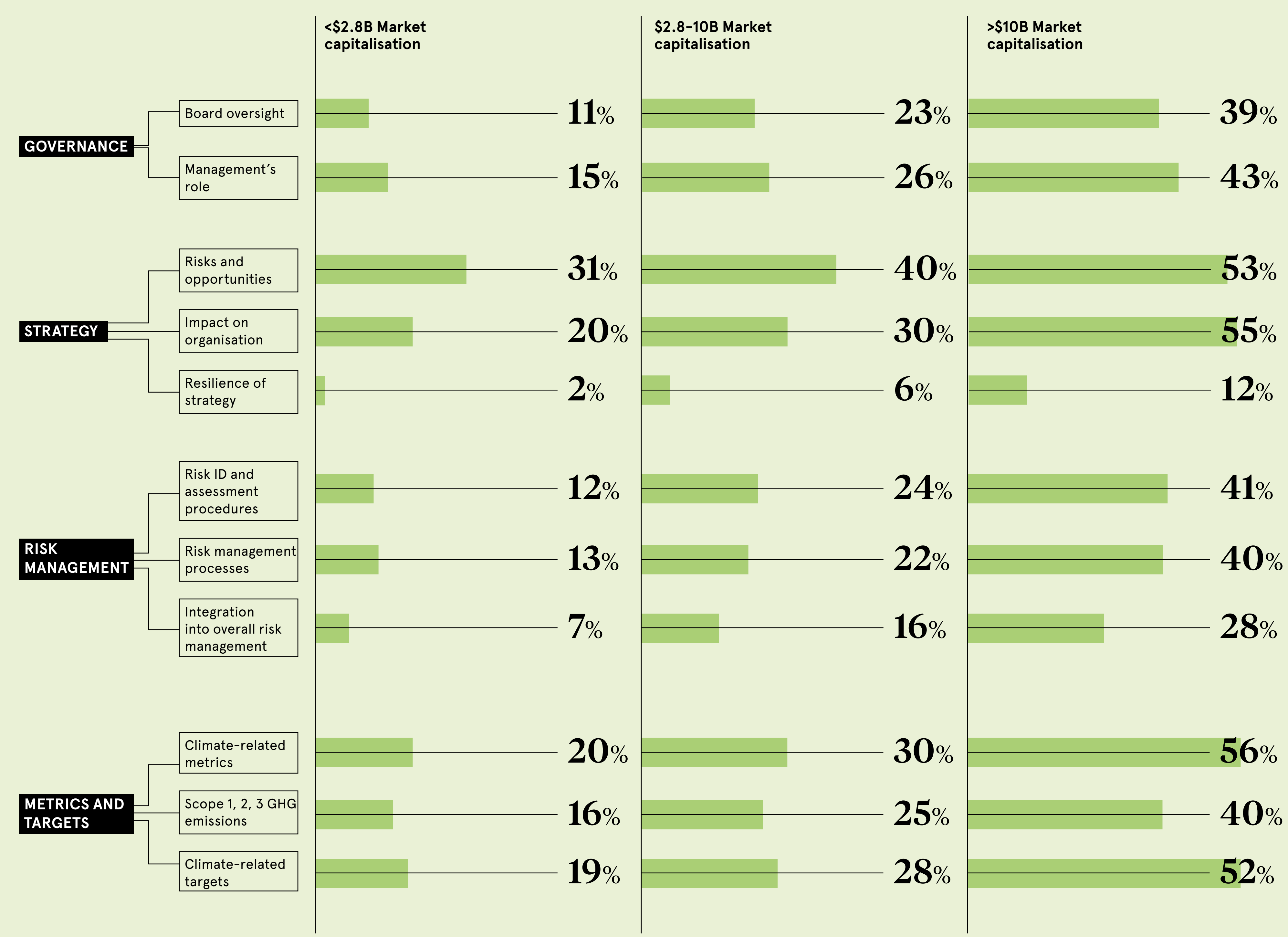
Percentage of the world's 250 largest companies by revenue, as defined by the 2019 Fortune 500 ranking, who report on sustainability



KPMG 2020

ARE LARGER COMPANIES MORE LIKELY TO REPORT?

Percentage of public and private companies who disclose according to the Task Force on Climate-Related Financial Disclosures (TCFD) guidelines, by company size

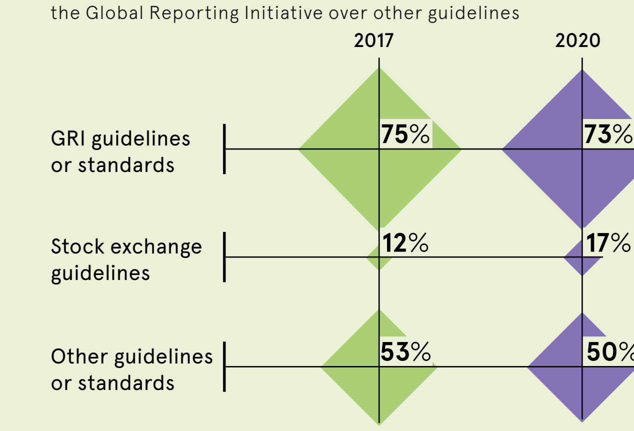


Task Force on Climate-Related Financial Disclosures 2020

GRI REMAINS THE GLOBAL STANDARD

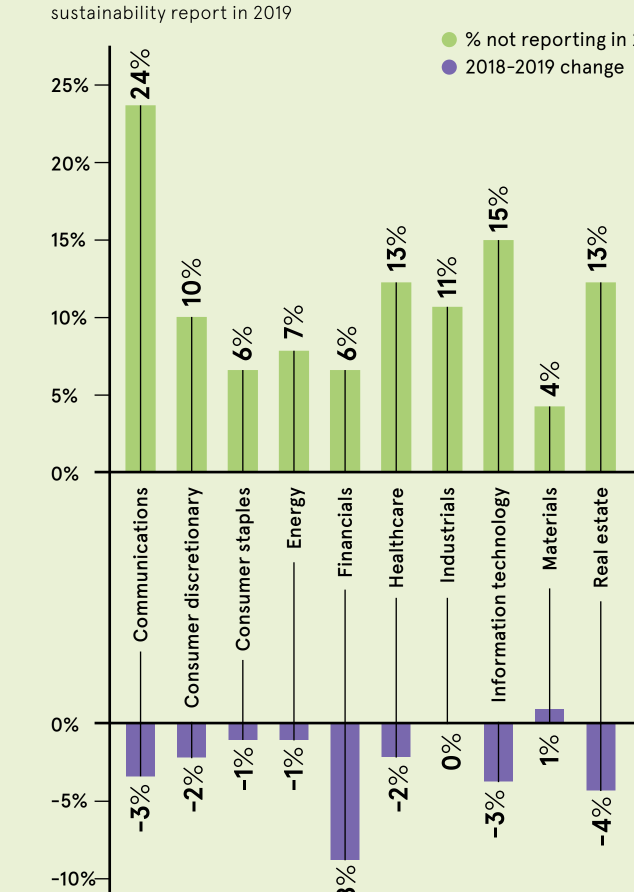
KPMG 2020

Percentage of the world's 250 largest companies by revenue who use the Global Reporting Initiative over other guidelines



INDUSTRIES WHO ARE NOT DOING WELL ON REPORTING

Percentage of S&P 500 companies in the US who did not publish a sustainability report in 2019



Governance and Accountability Institute 2020

B CORPORATIONS

To B or not to B?

With corporate sustainability more important than ever, interest in B Corp status is growing rapidly. But is the long, costly certification process worth it?

Geoff Poulton

Brewdog, one of the UK's 450 certified B corps

In 2005, Jay Coen Gilbert and Bart Houlahan had had enough. On the face of it, that might seem odd: they'd just made millions selling AND1, a basketball apparel business that had started as a graduate school project in the early-1990s. But having worked hard to build an ethical company, they watched on as the new owners quickly sacrificed sustainability for monetary gain.

It was time for a change, they thought. So they set up B Lab, a non-profit designed to help businesses simultaneously grow and do good. B Lab certified its first B Corporations in 2007, launching a movement that has since become one of the most respected global standards in corporate sustainability.

B Corps – B stands for better – are committed to balancing purpose and profit, and must consider the impact of their business decisions on workers, customers, suppliers, community and the environment.

While labels like Fairtrade are awarded to specific products, B Corp certification scrutinises a company's entire operations. It's a rigorous process that can take many months. Tens of thousands of companies have applied for B Corp status, but only 3,720, in 74 countries, have made it. Most are small businesses, with a sprinkling of bigger names, including Brewdog, Patagonia and Danone's North-America arm.

The black-and-white B label is a simple, but increasingly powerful, way of communicating a business's ethos to clients, employees, partners and investors. "It's made it much easier to give those in the know an instant sense of what we're about," says David Hunter, consultant at Bates Wells, the UK's first B Corp-certified law firm. "The label immediately positions us as a business that has taken meaningful steps to literally put our money where our mouth is."

For Bates Wells, certification meant the firm's partners agreeing to place greater focus on stakeholder interest as well as social and environmental impact, rather than financial gain.

This change in legal structure is a key part of B Corp certification. Any company thinking about applying should give it serious consideration, says Hunter. "B Corp status may affect how attractive a business is for third-party investment. If it is already, or may become part of a group of companies, how does the B Corp ethos sit within the wider group?"

With coronavirus increasing focus on sustainability and "building back better", interest in B Corp has risen significantly in the past year, says James Ghaffari, director of certification at B Lab UK. The first port of call for any company is typically the B Impact Assessment, a free tool offering insights on how to improve a business for people and planet. "Pre-COVID, we had around 100 companies in the UK using this each day," says Ghaffari. "In the last 12 months, this has risen to 500."

This assessment can be completed in as little as 30 minutes, but obtaining full certification is a different matter entirely. Any for-profit company with at least a year of operations can apply, but will have to part with between £500 to £50,000 to do so, depending on its turnover.

Businesses are then graded on their answers to nearly 200 questions, ranging from social and environmental impact to parental leave policies and salary ratios. Only those that score 80 points and above receive certification and, because B Lab updates its standards, businesses must recertify every three years.

"It's quite an onerous task," says Shaunagh Duncan, head of sustainability at Bulb, a London-based renewable energy provider. "I have to circulate spreadsheets around the company to gather all the necessary data and supporting documentation. We're recertifying in August, which means starting the process in April."

This is too much for some. Kishore Shah, owner of Khadi London, decided against pursuing certification for his textile business several years ago. "I like what B Corp stands for, but I couldn't justify the time and the financial expense to certify," he says.

Those who have successfully completed the process often say the effort is worth it. "Our B Corp status is increasingly important to Bulb's customers, employees and potential new staff," says Duncan. "It's also been vital in inspiring our commitment to become carbon neutral by 2030."

Whether it boosts a business's bottom line is tough to prove, though. According to research by Dr Eleanor O'Higgins, of University College Dublin and the London School of Economics, there is no evidence that B Corp certification adds to financial performance, although it does boost a company's reputation and socially responsible action.

For some businesses, full certification may not be necessary. Adam Garfunkel says the assessment alone "is like having a sustainability consultant guide you through a business audit". He should know as Garfunkel is co-owner of Junxion Strategy, a B Corp-certified consultancy, and a registered B leader, who helps companies with certification.

B Corp is undoubtedly gaining traction in the UK. In February, online supermarket Ocado joined Waitrose in launching a dedicated "aisle" for B Corp brands that already has more than 1,000 products.

But some say it has neither the resources nor the authority to drive change fast enough. Dr Michael O'Regan, senior lecturer at Bournemouth University, points to a lack of scalability: in the UK, just 450 businesses have been certified since 2015. There is also a danger of it attracting "low-hanging fruit", he says. "Yes, it's ethical and trying to do a good thing, but many of these companies are already operating responsibly," says O'Regan. "Regulations and global standards will force boards to make changes, a label will not."

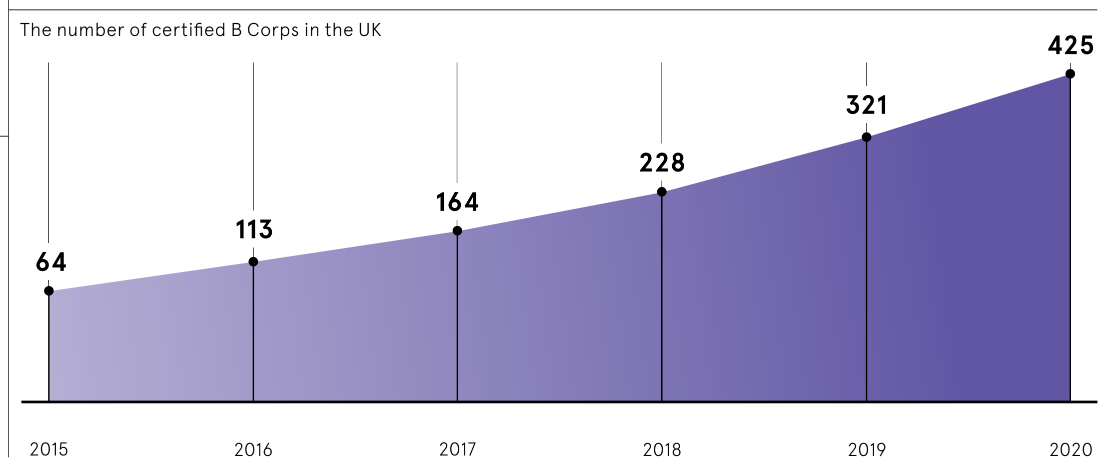
Not surprisingly, B Corp's advocates disagree, at least to an extent. "It's not our aim to certify every business," says Ghaffari. "But we do believe we can help change the system. Ultimately, though, we want to make ourselves obsolete. Our principles should just be the way the world is."

> **"The label immediately positions us as a business that has taken meaningful steps to literally put our money where our mouth is**

A MISSION ON THE RISE

PwC 2020

The number of certified B Corps in the UK



OPINION

'The ESG rush must not be simply a knee-jerk, box-ticking exercise'

The global pandemic and climate change have demonstrated the interconnected and interdependent nature of our economic, social and environmental systems. The vulnerability of businesses, society and the economy to external shocks has hit home hard.

ESG – environmental, social and corporate governance – issues have been catapulted to centre stage with a new urgency. Now, it is widely acknowledged that ESG is fundamental to greater resilience as businesses have been forced to reappraise corporate risk.

The good news is that, more than ever, mainstream investors, chief executives and their boards are starting to take ESG seriously, recognising these concerns as vital to ensuring their businesses' future success.

Sustainability rose to the top of the agenda in 2019, with the launch of sustainability and net-zero strategies and the rewriting of entire value propositions.

This momentum accelerated in 2020 despite, and in part due to, the coronavirus pandemic. In 2021, it has become a part of many decision processes alongside traditional risk and strategic considerations. ESG has gone fully mainstream.

However, the ESG rush must not be simply a knee-jerk, box-ticking exercise. As conversations have shifted up several gears in a very short space of time, it is important that ESG becomes fully integrated into business strategy and not just another lens.

The spotlight on ESG has heralded an unprecedented demand for corporate responsibility and sustainability (CRS) expertise. But was the average CRS professional ready for this change?

CRS professionals now interact at the C-suite level, engaging on everything from a company's core global strategy to investment decisions. And this encompasses a broad spectrum of social and environmental priorities. The outcome of their advice has major repercussions and is rightly scrutinised to a much greater degree.

As individuals, professionals must manage the pressures of this new responsibility as we push further into this critical decade for the planet.

Moreover, the prominence of CRS cannot be a short-term fad. It must remain a mainstay of the ESG ecosystem for the long term. CRS work is about helping companies positively engage in the process of shaping our shared future.

Ultimately, businesses can only make progress in their ESG strategies if they convince the financial markets that they are worth the investment.

In the past, impact investors led the ESG charge. But 2020's market shocks made the entire investment sector sit up and the $715-billion impact investment market is set to grow.

Investors are now aiming to double their sustainable investments over the next five years. And from early-2021, changes to MiFID II sustainable finance measures will oblige financial advisers to incorporate ESG into advice.

Companies looking to take advantage of this market must show they have engaged with all relevant stakeholders during a difficult year, that they have a plan and are on the path to lasting positive impact.

Climate change and its associated risks are real. If business and society are to thrive, everyone has a part to play.

But a chief executive deciding they want to lead a sustainable business does not instantly make an organisation or business system sustainable. We need more than words, more than communications; we need organisational and societal change.

Governance structures, policies, procedures and scorecards should all be overhauled. Companies must set real and transparent goals that are far-reaching and science-based. Achieving those goals has to be non-negotiable.

Only through this level of change will we become responsible corporates, responsible investors and a responsible society. It will take a huge amount of effort, but that is the necessary next step. Until we take it, and make the investments in time and resources, we will not see the systemic change we need.

Anita Longley
Chair
Institute of Corporate Responsibility and Sustainability

Commercial feature

Engaging for impact in a purpose-driven world

Succeeding in the new business landscape relies on embedding sustainability and purpose into core business values and behaviours. To really thrive, companies must build trust through authenticity

Organisations may recognise the need to transform and evolve, underpinned by sustainability, but many still fail to recognise the value of communications and engagement in enabling that change.

In a recent survey of 328 business leaders by Emperor, 48 per cent said they have changed their brand proposition and messaging to reflect recent challenges and social attitudes, and half have seen their culture change due to COVID-19. However, only 22 per cent said the shifts in responsible business and sustainability have influenced their employee value proposition, and just one in four actually communicate their purpose, vision and values.

Engaging with stakeholders is key to driving progress and performance, and embedding sustainable business practice.

"While sustainability is being recognised as a business imperative and strategic driver, it can feel intangible because it's rooted in business practice and business behaviour," says Claire Fraser, head of stakeholder communications at Emperor, one of the UK's leading employee-owned strategic creative communications agencies. "By understanding the connections between different sustainability topics, collaborating across internal functions and forging industry partnerships, businesses can achieve long-term resilience and rebuild trust."

Over the past three years, sustainability topics have risen to the top of the corporate agenda. While figures like David Attenborough and Greta Thunberg – and the #MeToo and Black Lives Matter movements – have increased awareness of environmental and social issues, the pandemic has amplified inequalities and injustices. Meanwhile, new legislation and scrutiny of corporate purpose and citizenship, as well as the rise of ESG investing, have seen the pillars of sustainability converge as companies seek to build an authentic, trusted brand.

By communicating their purpose and approach to sustainability clearly and authentically, businesses have a huge opportunity to deepen their relationship with stakeholders, from analysts looking at investments to Gen Z entering the workforce. Their biggest asset in this mission is their people, as employees are an organisation's voice out in the world and the key to activating strategy and delivering progress against it. They bring purpose to life.

"In their desire and need to be trusted, organisations are increasingly re-evaluating their purpose and proposition, but trust must be earned," says Fraser. "An authentic brand is one whose ethical promise is backed by ethical practice. It's about living up to your words with evidence of action, consistent behaviours, and resonating on a more human level."

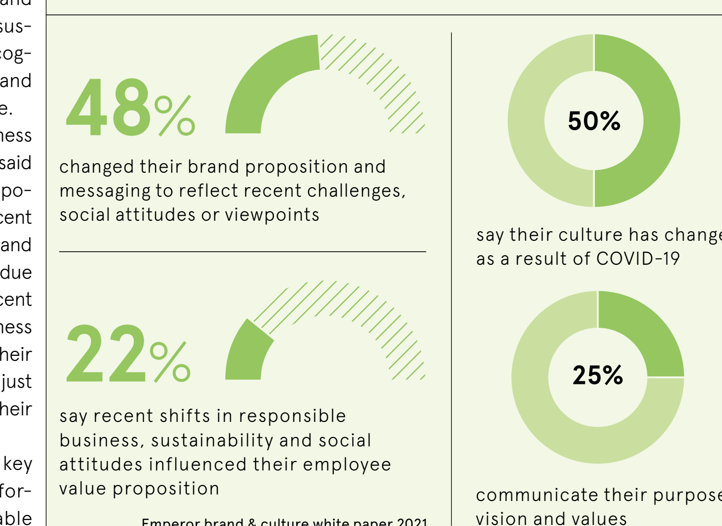
There are two sides to communicating effectively in this area. Transparent disclosure, firstly, relates to both mandatory and voluntary reporting around ESG and sustainability in an evolving regulatory landscape. But to really embed a sustainable culture, and get to a stage where sustainability is business as usual, engagement is the key enabler, driving actions and behavioural change, and in turn progress and performance.

Employees may be the gateway to meeting sustainability goals, but that engagement should also extend to suppliers, investors, customers and consumers. Collaboration, as reflected by SDG17, Partnership for the Goals, is critical to accelerating progress to achieve the UN's Sustainable Development Goals by 2030 – only nine years away now.

Purpose, like sustainability, has become tarnished by companies superficially applying it to their communications with no tangible actions, measurement or link to strategy. Emperor helps companies connect and engage with their stakeholders and audiences through clear, credible and consistent communications.

"We often see accusations of 'greenwashing' or 'purpose washing' where there is no evidence, action or process that enables a company to practise what it preaches," says Fraser. "In contrast, we help companies activate their sustainability approach, embed their purpose, and integrate it with wider business goals, through communications and stakeholder engagement programmes, so they can enhance and measure performance. Trust is the most valuable currency today; authenticity is the key to getting it."

WHAT BUSINESS LEADERS ARE SAYING



Emperor brand & culture white paper 2021

> **"Engaging with stakeholders is key to driving progress and performance, and embedding sustainable business practice**

For more information please visit emperor.works/sustainability

emperor

Image Source via GettyImages

GREEN PREMIUMS

The pros and cons of Bill Gates' green premiums

Bill Gates recently published his "green manifesto", but is it feasible for organisations to follow and, if not, what should businesses be doing instead?

Oliver Pickup

You could argue it is a bit rich that Bill Gates, co-founder of technology titan Microsoft and one of the world's wealthiest people, is calling for businesses to drive climate change. However, there is no debating that consumer and investor demand is forcing organisations to clean up their processes for the future of an endangered planet.

In *How to Avoid a Climate Disaster*, his latest book styled a "green manifesto", published in February, the 65-year-old billionaire introduces the concept of "green premiums" or the differences in cost between a fossil-fuel-based way of doing something and the clean, non-emitting way of doing the same thing. But how achievable is Gates' vision?

A fresh approach to doing business is essential to avoid a climate disaster, posits Gates. This new way requires courage from business leaders to take on risks they are not used to taking and also that investors are not used to rewarding. It's a simple problem, he suggests: we must stop greenhouse gases by the middle of the century or else.

Green premiums essentially show how much it will cost to "zero out emissions" in all sectors of the economy where fossil fuels are involved, including producing electricity, manufacturing, agriculture, transportation, and heating and cooling.

There are four areas where organisations can make "a practical difference", according to Gates. The first involves "mobilising capital" to reduce green premiums. Second, businesses should buy greener products. Next, they should expand research and development. Finally, drive down green premiums by shaping public policies.

"Working in these four areas will not always be comfortable," Gates concedes, though he adds: "These are short-term costs required of every business leader who wants to do more than pay lip service to climate change. In the long run, these risky steps will be good for business."

The global reaction to his green manifesto, and green premiums in particular, has been ambivalent. Molly Scott Cato, a Green Party politician, who from 2014 until last year served as a member of the European parliament for South-West England, is in two minds about them.

"As an economist, I like and agree with the green premiums principle of using market incentives to tackle the climate emergency and the consideration of how to achieve well-being with minimum energy use is important," she says.

On the flip side, the professor of economics and finance at the University of Roehampton, says: "Green premiums are too technologically focused and adopt the adage that if you can't measure it, you can't manage it." Scott Cato contends the planet's systems are highly complex and ungovernable: "Many of the solutions require social rather than technological innovation."

Stressing the need for greater international collaboration and higher appreciation of the complexities, she says: "Gates' proposal is also too exclusively focused on the climate and consequently risks displacement, for example where are the biofuels grown and have they destroyed peatlands for food growth?"

Oliver Bolton, chief executive of Earthly, a tech platform that helps businesses become "climate positive" through science-backed natural solutions, identifies another hurdle. "The use of green premiums is ultimately going to be driven by governments changing policy," he says, "so it could be hard at the outset for businesses to use the model."

> Green premiums are too technologically focused and adopt the adage that if you can't measure it, you can't manage it

Dr Jane Davidson, pro vice chancellor for sustainability and external engagement at the University of Wales, is more scathing of green premiums. "I'm disappointed at the proposition that 'green' is more expensive," says the former minister for environment and sustainability in Wales. "This is classic short-term thinking, when each year the costs of us not being green goes up, contributing to climate change.

"Green premiums are the wrong answer to the wrong question. We need a new value system that drives climate and biodiversity-led action, and drives out fossil fuels, waste and obsolescence."

Despite the headlines and promises, there is concern that environmental, social and corporate governance strategies are largely meaningless, in part because they are not regulated and tricky to measure accurately. Moreover, could it be that by committing to a net-zero target in 29 years, as many have, businesses are delaying action on climate change, as it is not an imminent worry?

Indeed, while a search on financial data service Sentieo indicates that references to '2050' in corporate literature have doubled in the past two years, a PwC survey released in mid-March found climate change ranked ninth among global chief executives' perceived threats to growth. Additionally, 27 per cent of the executives surveyed reported being "not concerned at all" or "not very concerned" about climate change.

Worryingly, this tallies with research from French-headquartered digital design software corporation Dassault Systèmes, published in September, that shows the coronavirus crisis caused 32 per cent of organisations to scale down attention given to environmental sustainability, while 18 per cent paused it completely.

"As organisations come out of crisis mode, it is vital they quickly return to making environmental sustainability a priority," urges Séverine Trouillet, public sector and education director for Dassault Systèmes in Northern Europe. "This can be done by setting short to mid-term goals to help reach long-term ambitions, as well as building upon the already accelerated adoption of technology to reduce their footprint and increase their handprint, making positive impacts on the environment and communities."

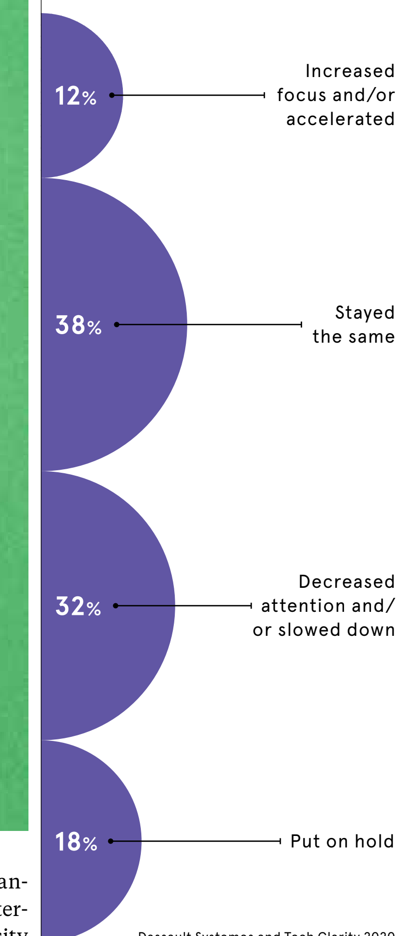
Trouillet believes those companies that act now can still achieve a competitive advantage. "Eco-conscious consumers will continue to vote with their wallets, meaning businesses failing to take it seriously will lose revenue and struggle to keep pace with rivals," she says.

Peter Bakker, president and chief executive of the World Business Council for Sustainable Development, concurs. But he says a new wave of leadership thinking is imperative. "Three radical and strategic business mindset shifts – reinvention, resilience and regeneration – are critical to realising a sustainable and inclusive society," the Dutchman says.

Bakker concludes: "It is time to move beyond ambition and targets and make net zero real, within the next decade."

COVID PUT THE KIBOSH ON SUSTAINABLE PLANS

Percentage of global company leaders, across sectors, who say that COVID disruptions caused them to change their approach to environmental sustainability



Dassault Systemes and Tech Clarity 2020

Commercial feature

The sustainability advantage

Sustainability has emerged from the shadows as a central pillar of how companies must transform in a rapidly evolving business landscape defined by disruption and innovation

Responding to the coronavirus pandemic may have occupied the most attention of boards and executives over the last 12 months, but beneath the surface another issue has arisen, which may have longer-term ramifications: sustainability.

Sustainability has moved from being something tucked away in a corner, separate from mainstream business, to being embedded at the business core, both strategically and operationally.

The investor-led environmental, social and governance (ESG) agenda has partly fuelled the financial aspects of this transition, but customers, employees and communities have also been a consistent and loud driving force demanding change. Increasingly, consumers want to purchase from organisations that align with their values and with sustainable practices baked in.

Meanwhile, the pandemic has shown the extent to which supply chains can be disrupted by external events. Natural disasters triggered through historic changes in climate, including fires, floods and storms, pose an existential threat companies can't ignore.

The rise of sustainability is also being driven by the need to reduce waste across supply chains, requiring businesses to redefine product design, manufacture and management for reusability and new value creation. And brands must be proactive in safeguarding human rights and values, and driving equality across their workforce and stakeholders.

"Whether it's attracting investments, keeping up with customer and staff expectations, preparing for supply chain disruptions or factoring in new risks, it's clear sustainability is simply no longer just a nice to have," says Vivek Bapat, senior vice president of marketing at SAP.

"If you're not a sustainable business across your entire value chain, your reputation, customer service, employee engagement and supply chain are all at risk. It's absolutely vital and urgent to build resiliency, agility and flexibility into processes to future-proof your organisation."

Businesses have traditionally focused on the top and bottom lines of the profit and loss account. But sustainability warrants a new focus: the green line, integrating non-financial metrics into conventional reporting. With visibility of this new value metric only growing, there is an opportunity to make sustainability profitable and profitability sustainable.

Sustainability is not a destination, but a journey of three stages, starting with mitigating risk and better preparing for forthcoming regulations. This requires data across the business and value chain to be seamlessly brought together into a single data-intensive, multi-dimensional network, to increase the visibility of material flow and usage, carbon emissions, and humanitarian and social aspects affecting the communities the organisation operates in.

Next, the visibility can be converted into an organisation's core business processes to unlock new sources of efficiency and productivity. And thirdly, sustainability can catalyse differentiation, business model innovation and disruptive growth.

"There is unprecedented opportunity to create new products and services for socially conscious consumers, while the green line can substantially improve the bottom line too," says Bapat. "This trifecta allows companies to make sustainability profitable and, when they are part of the mainstream business, then profitability becomes sustainable."

Companies can't improve what they can't measure or report on regulatory compliance without data. As a software platform behind 88 per cent of the world's supply chains, touching 77 per cent of financial transaction revenues, SAP is uniquely placed to help companies better combine and gain insights from financial and non-financial metrics.

SAP's support falls in three key areas, starting with enabling visibility of disaggregated data for compliance, ESG reporting, holistic steering and supply chain transparency. Operational excellence comes from embedding sustainability into the business core to drive efficiency and productivity. Finally, SAP is the IT foundation for innovative new business models and value propositions for customers, employees and stakeholders.

"Sustainability is the transformation agenda for companies today," says Bapat. "Many are making bold statements about their sustainability objectives, but need enabling technologies to make sustainability profitable. SAP has the depth, relevance and reach to help them become the intelligent, sustainable enterprises of tomorrow. Through a combination of compliance, operational excellence, innovation and growth, best-in-class companies will emerge from this to become dominant forces in their industries."

> If you're not a sustainable business across your entire value chain, your reputation, customer service, employee engagement and supply chain are all at risk

THE BUSINESS CASE FOR SUSTAINABILITY

Respond to consumer consciousness to drive growth

2 out of 3

consumers believe they have a responsibility to purchase products that are good for the environment and society

hbr.org/2016/10/the-comprehensive-business-case-for-sustainability

Grow into the circular economy

$4.5 Trillion

the value that could be unlocked by shifting to a circular economy

newsroom.accenture.com/news/the-circular-economy-could-unlock-4-5-trillion-of-economic-growth-finds-new-book-by-accenture.htm

Address climate change

$1 Trillion

the value of climate risk over the next 5 years faced by over 200 of the world's largest companies

www.cdp.net/en/articles/media/worlds-biggest-companies-face-1-trillion-in-climate-change-risks

Access Capital

94%

of sustainable indices outperformed their parent benchmark between January and March 2020

www.blackrock.com/corporate/literature/investor-education/sustainable-investing-resilience.pdf

For more information please visit SAP.com and attend the virtual SAP Sustainability Summit April 28-29

SAP®

PROFITABILITY

Balancing sustainability with the need to placate shareholders

The demise of Danone's chief executive at the hands of activist investors demonstrates the peril of pursuing sustainability

Chris Stokel-Walker

ricochet64 via Shutterstock

When Danone's chief executive and chairman Emmanuel Faber announced his plan to make the company more sustainable, the decision was welcomed by many. Faber wanted to balance purpose and profit, and to build a more sustainable organisation that would be suitable for the 21st century.

But his ousting in March by activist investors, including Bluebell Capital Partners, was damning in his pursuit of a greener future for the business.

Faber, they say, "did not manage to strike the right balance between shareholder value creation and sustainability". They wanted him removed from post because of the downturn in business and he was deposed. Danone declined to be interviewed for this article.

The plight of Faber brought cold, hard realism to the highbrow talk of environmental, social and corporate governance (ESG), which has become a major trend in sustainable business in recent years. But is it a damning indictment of the challenges of balancing profit and purpose? Or is it possible to be sustainable while keeping shareholders sweet?

There's little doubt: introducing a sustainable conscience to a business isn't an easy ask for chief executives. "This is one of the biggest challenges the industry has faced in living memory," says Dr Ioannis Ioannou, one of the world's leading ESG experts and strategy scholar at London Business School. "If you want to do this right, and transform an organisation towards this sustainable, stakeholder perspective, it's a change in the very identity, culture and norms of the organisation."

Yet it is possible to do. "Not only does it build trust and equity with consumers and the broader set of stakeholders we serve, when done with the right intentions and with meaningful actions, it drives growth and value creation, which allows us to be a force for good and a force for growth," says Virginie Helias, chief sustainability officer at Procter & Gamble.
Getting the path to sustainability right, by leading it through profitability, requires clear communication to staff and stakeholders about what to do and why you're doing it.

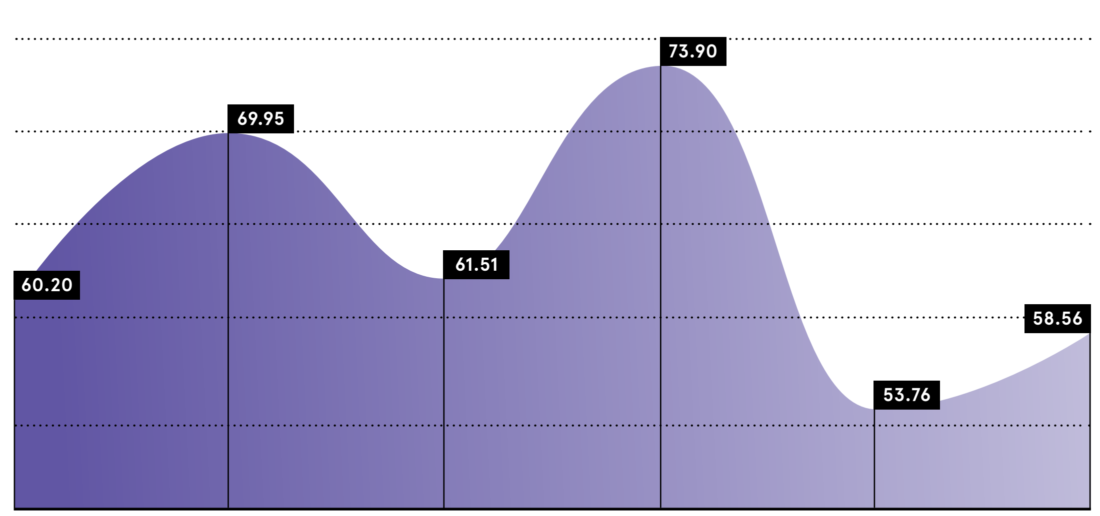
"I don't think there was ever a choice between sustainability and profitability," says Dr Darian McBain, global director of corporate affairs and sustainability at seafood company Thai Union.

"Thai Union has never moved away from being a for-profit company," she says. "That's what I tell my staff: 'This isn't a not-for-profit. It's a for-profit.' We need to sell seafood to make a profit. But we need to make sure we do it as sustainably as possible."

SUSTAINABLE PRACTICES NEED TO PAY THE BILLS

Although there was initial support for Faber's sustainable plans, a drop in share price hastened his exit, showing people and planet cannot come entirely before profit

Yahoo Finance 2021



And it is possible to juggle both profit and purpose, but it requires proactive communication to disavow those who believe it's an either-or choice.

Sustainability needs to be baked into a business, says McBain. "If you're looking at sustainability as an add-on or an afterthought, it definitely costs more," she says. But rooting it in the heart of the business is important. McBain is also honest, conceding that those who are leading the pack in sustainability may find it more difficult: "If you're too far in front, that's probably no better from a market perspective than being a long way behind." After all, it still requires bringing all stakeholders along with you for the journey.

Japanese printer and camera manufacturer Canon has the concept of *kyosei* as the focus of its business. It's not explicitly tied to sustainable business, but does put living and working together for the common good at the centre of its purpose, which maps well onto sustainability, says Stuart Poore, the company's director of sustainability and government affairs in Europe, Middle East and Africa.

But *kyosei* isn't just an appeal to the heart, it's also an appeal to people's business brains. "The business case for sustainability is pretty well made now," says Poore. "It's not just seen as a right thing to do or a philanthropic endeavour. It just makes good business sense." For Canon, regulatory agendas are putting pressure on it and competitors to increase their social and environmental cause. Clients demand more sustainable products from the firm.

For this reason, Canon is able to make the argument that those changes will aid the business. "If you look at the climate agenda and the energy efficiency that leads us towards, you're looking at win-wins in terms of saving on carbon, saving on waste and reducing costs," he says.

Sustainable business approaches also benefit companies in the long run by giving them more options to attract and employ talent, particularly younger generations seeking businesses with purpose as employers. "If your employees see you're genuine in your commitment, they're more likely to trust you as a leader and more likely to follow you in the transformation process," says London Business School's Ioannou.

So if that's all correct, what went wrong at Danone? "A discussion of purpose and sustainability should never be used to cover up or compensate for less than great management," says Ioannou. "The easiest thing in the world is to go towards environmental goals and do away with profits."

Poore agrees: "Danone has emphasised a pro-purpose approach to business, but unfortunately the financials haven't stood up."

If Danone is a model to avoid, Unilever is an example to follow. Paul Polman and his successor as chief executive Alan Jope have managed to maintain business strength and relationships with investors, while bringing real change to the organisation. They've done this by embedding ESG deep within the company.

"Sustainability is a culture change," says Thai Union's McBain. "It won't be a success if it just sits with the sustainability team. It has to be embraced by every team along with all the different aspects of what they're doing." ●

Commercial feature

Why creativity is key to taking sustainability mainstream

Kathleen Enright, managing director, and **Huw Maggs**, deputy managing director and head of strategy at Salterbaxter, explain how lateral thinking can take sustainability to the next level

As the world struggles to contain climate change, toxic air in cities and plastic in waterways, sustainability should be at the top of everyone's agenda. And yet it is nowhere near as mainstream as it needs to be.

Big companies increasingly commit to reduce their carbon footprints, although few are moving as fast as they should do. A growing number of consumers see sustainability as a priority, but many more still view it as a remote and distant issue.

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A big part of the problem is the way brands and businesses formulate and communicate their plans to reduce their environmental impact. Too often these strategies put all their focus on "deep knowledge" and detail, neglecting to engage and inspire the consumers, employees and stakeholders they are designed to reach.

Creative problem solving and lateral thinking is forsaken for a dry educational approach, fearing anything else would lead to accusations of dumbing down.

In truth, creative thinking should be at the heart of any sustainability plan from the start. It's not just about investing in powerful marketing, but baking creative thinking into the DNA of a strategy so it avoids repeating old tropes and clichés, and actually cuts through.

Firms also need to stop seeing creativity as antithetical to the forces that have traditionally driven businesses, such as growth, efficiency and profit. In the last 20 years, creativity and lateral thinking have become vital in once famously staid industries such as technology and science. The same should apply to sustainability given how important it is becoming to brands and consumers.

As Enright says: "We need to see creativity as a way to accelerate progress against ambitious sustainability goals and targets. If the competitive edge today comes from who is setting the boldest targets, that advantage will very soon come from those who are progressing the most. Impact will be measured in action, not words."

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Of course, every plan must be scrupulously researched and far reaching. The rational case must be put forward and companies should be able to answer challenging questions from investors, NGOs and others about what they have promised to do.

But we also need to be honest about what it will really take to deliver at the scale and speed we need to. We have to challenge all those involved to make sustainability appealing, inspiring and sexy, and that means applying lateral thinking and creative problem solving from the start to help shape the narrative. It will also ensure all the hard work and complex targets ultimately resonate with their intended audience, which will be good for business and society.

Businesses must start by being braver. Sustainability, ironically, is a rather conservative world lacking diversity, so they should bring in fresh talent from a wider range of backgrounds to shake things up. They should also stop aiming for perfection when it comes to their sustainability agendas and get out there and start talking about the issues.

Without having honest dialogues with employees, consumers, NGOs and policymakers, firms won't really develop their thinking. But too many hold back, worried that if they speak out without having a fully developed plan in place they will be accused of "greenwashing". They should also try being open about what they are getting right and wrong.

"It might appear counterintuitive, but as long as you can demonstrate some real commitment to address sustainability in a meaningful way, then being authentic and open on where you are is more likely to build trust, and that's what builds momentum," says Maggs.

In short, Salterbaxter believes businesses need to bring the twin peaks of creativity and deep knowledge closer together in their sustainability strategies, even if it might feel new and difficult. Those who do it successfully stand to retain and attract more customers, boost market share and future-proof their business at a time when consumer attitudes to sustainability are evolving fast.

Enright and Maggs together lead Salterbaxter, a creative consultancy at the service of sustainability that believes deep expertise, creativity and partnership are key to accelerating the corporate sustainability agenda.

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