CLIMATE & SUSTAINABILITY

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LEGISLATION

How SMEs could help with the UK's net-zero targets

The UK's goal for net zero by 2050 is beginning to feel unachievable. Could mandating climate disclosure for the nation's 5.5 million SMEs help?

Sanjuna Budhani

In 2022, the Companies Act 2006 was amended to legally require the biggest UK firms – those with 500 or more employees and £500m in turnover – to disclose sustainability-related information in their annual strategic reports. This amendment now covers more than 1,300 of the largest organisations in the UK economy and instructs them on how to declare their climate action strategy.

Legislation such as this seems to make a real difference. Research shows that there has been a decrease in climate emissions from companies since carbon reporting requirements were introduced in the UK in 2013.

The UK government has spoken about extending mandatory disclosure to the rest of the UK economy. Currently, there is no emissions-reporting mandate for UK SMEs, which make up the vast majority of the UK economy. The government has previously called on small businesses to lead the charge for net zero, but more must be done if the UK is to meet its net-zero target. The government has previously signalled its intention to roll out mandatory emissions reporting standards across the entire economy by 2025.

A significant proportion of SMEs are already attempting to reduce their climate impact voluntarily. For instance, the majority of UK B Corps – companies recognised by B Lab, a non-profit, for their social and environmental impact – are firms with fewer than 250 employees. Matthew Cotton, professor of public policy at Teesside University, confirms that businesses of all sizes are increasingly committed to emissions reduction and sustainability.

But segments of the small-business community could undoubtedly improve their sustainability efforts. Recent analysis suggests that 76% of UK-based, VC-backed startups have done nothing to combat climate emissions. And despite their voluntary efforts, SMEs still contribute roughly 44% of total non-household emissions in the UK.

Trevor Hutchings, sustainability partner at consultancy BIP, notes that businesses falling under the SME banner are not a homogeneous group. They range from family-run, micro-SMEs to organisations with millions of pounds in turnover and hundreds of employees.

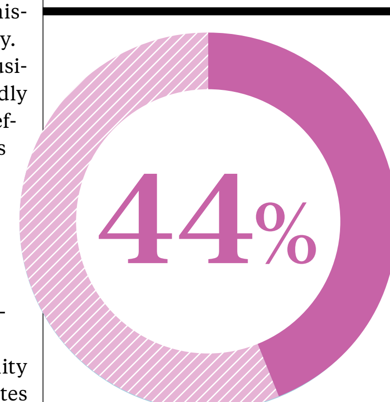

10'000 Hours via GettyImages

As carbon emissions accounting and reporting can be complicated and expensive, there is a concern that the burden would be too much for small businesses to manage.

Compliance is a resource-intensive task, potentially requiring significant amounts of financial and human capital; resources that many SMEs may not be able to spare. For legislation to be effective, it would need to be nuanced and to carefully consider the burden imposed on businesses, stresses Hutchings.

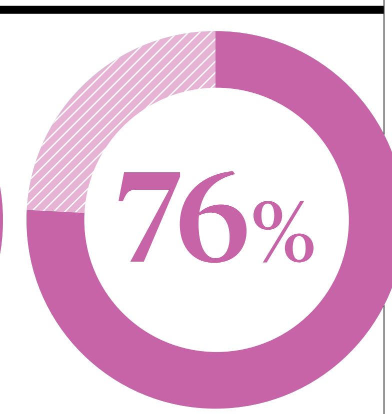
Even if SMEs can shoulder the compliance burden, reporting requirements alone won't necessarily lead to greener business operations. Although research suggests that mandated emissions reporting does produce some environmental benefit, there is an argument that sustainability and emissions-reduction goals need to be sewn into the fabric of an organisation if they are to bring about real change.

Here, Cotton is keen to emphasise that "reporting requirements are not an effective means to change organisational culture." There is a risk, he says, that compliance with these requirements becomes a tick-box exercise, as organisations try to manage complicated reporting processes, rather than implement meaningful change.



the share of non-household emissions in the UK that are produced by the country's 5.5 million SMEs

Sage, 2023



of UK-based, VC-backed startups have done nothing to combat climate emissions

Supercritical, 2023

Scott Kelly, senior vice-president at Risilience, a climate analytics platform, agrees that a focus on sustainability must begin at the top of the hierarchy. "One of the mistakes that big companies make is that they think sustainability can be delegated to personnel lower in the management chain," he says.

One way to motivate support for sustainability at the senior level is to emphasise the tangible benefits of sustainable practices. As Hutchings points out, financial performance is increasingly correlated with sustainability as whole economies and industries move towards net zero and carbon neutrality.

How or when UK reporting regulation might be amended to cover SMEs is unclear. Kelly notes that the government will of course have a central role to play in guiding the trajectory of the UK's long-term sustainability goals. But regulation aside, SMEs may benefit from minding their emissions and maintaining a strong focus on sustainability.

But whether or not reporting regulations are extended to cover SMEs, smaller businesses may benefit from proactively devising a plan for emissions reporting and reduction.

A good place to start is to build an understanding of your current emissions balance. Looking at scope one emissions – the emissions directly generated by a business – is step one. A carbon accounting platform can be of great benefit here.

The government is also starting to provide small businesses with more detailed guidance on things like heating, green transport and green energy generation and procurement. And there are schemes and subsidies to help and support SMEs switch to greener choices.

Kelly says that smaller businesses can also learn a great deal from larger businesses that have had to contend with emissions reporting requirements over the past five to 10 years. He points to companies' Task Force for Climate-Related Financial Disclosure reports, which are publicly available and provide examples of tracking and reporting frameworks.

There are also several business-led consortiums where firms can share knowledge and best practices. Joining an alliance like the UK Business Group Alliance for Net Zero or the British Retail Consortium, Kelly observes, can help businesses to access the support they need for their sustainability initiatives and emissions reporting.

Commercial feature

Now is the time for the carbon harvest

Biomethane offers a reliable and realistic alternative to fossil fuels. But the private sector must follow the government's lead and show its willingness to embrace the switch to biogas

Natural gas is used to heat homes and to power industries, and it has one major advantage over its rivals in the race to decarbonise that is easy to overlook. A chemically identical equivalent can be produced from biogenic materials – animal manure, food waste, or energy crops such as maize – and then be used as a one-to-one substitute for the fossil gas that is currently pumped into the UK grid from the North Sea and imported by ships from foreign countries. These organic materials are turned into methane – the chief component of natural gas – in an anaerobic digestion (AD) plant.

When methane is burned it releases carbon dioxide (CO_2), but in this instance, it is CO_2 that was absorbed by plants grown only months earlier in the fields of the UK, rather than when the dinosaurs were alive. It is then reabsorbed by plants and the process begins again, forming what Philipp Lukas, CEO of Future Biogas, calls "a beautiful, closed loop."

Now, Lukas has an ambitious plan for equally ambitious businesses to use this biomethane to accelerate decarbonisation and kick-start the delivery of greenhouse gas removals (GGR). It is also a plan that will increase the UK's food and energy security. The plan is called 'carbon harvest'.

Future Biogas runs a series of AD plants across the UK for customers including JLEN Investment Trust, Aviva, Bio Capital and Aberdeen City Council. It also provides energy for British Chlorophyll and power for the farming operation at the prestigious Holkham Estate in Norfolk. These plants all use organic materials harvested in the UK.

Raw biogas is produced – roughly 50:50 biomethane and carbon dioxide – and separated into these component gases by being pushed through a membrane. The biomethane is injected directly into the UK's national gas network to heat homes or fuel industry. The CO_2, on the other hand, has historically been vented.

Future Biogas' AD plants are subsidised by the UK government. Now, because of the restrictions of the subsidy regimes and the limited funding available, Lukas wants to increase the market for his green gas by producing it unsubsidised. "Renewables need to grow, and they can only do that if they stand on their own two feet," he says.

This means finding ambitious businesses that are willing to pay a little more for their biomethane.

This may seem counterintuitive, but there is a growing demand for unsubsidised green gas among corporates on the net-zero pathway. This comes down to the fact that biomethane requires no major infrastructure investment. Companies can show they have paid for the gas all the way from production to use because there is no government subsidy – and so they can claim full responsibility for the resultant carbon savings. AstraZeneca has recently teamed up with Future Biogas to do precisely this.

> Businesses now care a great deal about transparency. Can you say precisely if it's one tonne of carbon or two that is being removed?

"AstraZeneca is not as sensitive as others to the price of the energy they use," says Lukas. "They have gone through an exercise to reduce the amount of gas they use, and then they are willing to pay a premium for buying gas from us."

AstraZeneca will draw gas out from the grid in Macclesfield, all the while Future Biogas will be injecting an equal amount of biomethane into the grid over in Lincolnshire.

Lukas also wants to focus on the delivery of GGR. "In the future, we also want to capture this CO_2 and take it away for permanent sequestration," he says. "This will effectively turn our AD plants into sites that produce energy and remove CO_2 from the atmosphere at the same time, which is why we have called this project 'carbon harvest'."

The problem is that carbon offsetting has a poor reputation, and many offerings in the market are, according to Lukas, "more or less green." Indeed, many of the carbon certificates that companies were sold following the Kyoto Protocol to offset their CO_2 emissions are now considered valueless.

Offsetters were paying for locally made cooking stoves whose ability to reduce or remove CO_2 is hard to measure, or even for the protection of mangrove forests that didn't need protection.

"The money was going not into forest protection but to the profits of the intermediaries," says Lukas. "These scandals have given the market a bad name."

But Lukas sees this as an opportunity for Future Biogas. "These scandals are also driving a flight to quality," he says. "Businesses are now focused on what they are paying for, and care a great deal now about transparency – is it genuinely removing additional CO_2? – and deliverability, including permanence and measurability. Can you say precisely if it's one tonne of carbon or two that is being removed?

"The market is becoming educated. So we need to make sure that our green gas is low carbon or zero carbon, by ensuring that the crop comes through the farm with as low a carbon footprint as possible."

Lukas's plan is to liquefy the CO_2 from biogas and then transport it for sequestration 2,600m below the sea floor off the coast of Norway in the new 'Northern Lights' project. The CO_2 will be stored in a saline aquifer – where it will remain for over 10,000 years. The project therefore is not a cover for advanced oil recovery, which some carbon capture storage (CCS) projects are accused of being.

"We're looking to build a sort of delivery path for this," he says, "including a terminal in the UK where we can hand the CO_2 to purpose-built ships where it can be combined with other liquid CO_2 to be sent away for sequestration.

"In the future, this will happen in the UK because we're developing our own CCS projects, but we're a bit behind the Norwegians, who started in 2020."

But businesses must start buying these high-end carbon certificates to bring the price down for everyone.

There's also a myth that Lukas must contend with. Biofuels are often accused of taking land meant for food, but Lukas believes that people can have both food and fuel.

Farmers can grow crops like maize for Future Biogas as part of their normal crop rotation. This has a double advantage, helping them deal with invasive weeds and pesticide-resistant bugs, while the digestate produced by the digested crops can be spread back on the fields as a fertiliser displacing demand for its carbon-heavy chemical alternative. "It is another beautiful, closed loop," he says.

It also reduces the amount of tillage needed, increasing the amount of organic matter in the soil, and with that, soil carbon. Ultimately, it supports farms' transition to more sustainable practices, thus enhancing our long-term food security.

"Farming needs to go down that route because soils with more organic matter are healthier, hold nutrients better, hold water better and will be more resilient to the effects of climate change. Soil health is now a key government objective post-Brexit."

Lukas sees in these challenges a significant opportunity to use biomethane to accelerate decarbonisation.

"There is a growing demand from corporations to buy unsubsidised green gas," he says. "At the same time there is now a nascent but growing market for CO_2 certificates, and because our process happens to combine the two, Future Biogas have the ability to enter both those markets."

For more information please visit futurebiogas.com

futurebiogas

WORKPLACE

Six simple steps to green your office

Low-tech, low-cost solutions could help companies to cut their carbon emissions, save on energy bills – and even improve staff morale and wellbeing

Rohan Banerjee

Sustainability has become a watchword for any modern business. As ESG credentials jump up the priority list for consumers and prospective employees alike, a company's carbon footprint has become a key consideration when people are deciding whether to go ahead and buy a product, use a service or apply for a job.

Indeed, according to the latest Bupa Wellbeing Index, nearly half (48%) of gen-Z workers would consider leaving their job if their employer didn't show action on environmental issues. The same study found that 56% of this younger workforce say that suggesting sustainable and eco-friendly initiatives to leadership, and seeing these come to fruition, would motivate them to work harder.

Laetitia Carle, general manager at carbon accounting firm Greenly, notes that while sustainability initiatives may seem daunting, particularly for small firms, the upfront costs should "be better understood as a long-term investment". A more climate-conscious office could also translate to lower energy bills and even lift staff morale, she says.

And not every greening initiative needs to be hugely expensive. Here are seven easy ways for a company, regardless of its size or sector, to green its own workplace.

1 Make the most of any natural light and install motion-activated lighting systems

One of the easiest ways for a business to reduce its environmental impact is by not leaving the lights switched on unnecessarily.

Motion-activated light fittings can help to improve energy efficiency. They are especially suitable in conference rooms, as these tend to be separate from the main office space and are occupied less frequently than other areas.

According to Intersafe, an electrical compliance specialist, switching to sensory technologies can save a business up to 80% on its lighting bills – depending, of course, on the size of the business.

Natural light, adds Deloitte head of sustainability Gavin Harrison, is a "ready-made" solution for a more sustainable office.

"In addition to LED, motion-sensitive lighting, we have opted for real estate with large windows. Access to natural light not only saves on bills, but it can also help to give staff a sense of freedom. A view outside is really important," he says.

2 Buy some office plants

Deloitte also tries to bring the outside in by implementing the principle of biophilia, the idea that humans are drawn to nature and all life forms, into its office designs. In addition to their aesthetic value, he says, plants can have a positive impact on employees' mental health, while purifying air quality, which "in turn, leads to a healthier and more productive environment".

Although not every company has the same space or budget as Deloitte – indeed, there are 6,300 types of flora in 700 displays across its London HQ – introducing plants into an office is a fairly cheap and easy-to-maintain initiative. Peace lilies, for example, don't require a lot of room, cost as little as £10 and require only weekly watering.

3 Scale back on unnecessary business travel

With the widespread availability of Google Meet, Microsoft Teams and Zoom, James Neave, the head of data science at recruitment website Adzuna, advises companies to rein in overseas travel, where possible.

While he acknowledges there might be a "balance to be struck" for international companies that may want to host occasional get-togethers for their teams based in different countries, Neave recommends that companies should carefully consider which interactions really demand in-person meets and whether alternatives exist.

4 Introduce employee transport schemes

Staff's day-to-day commutes are also a key area where companies can cut back on their emissions. Adzuna operates a cycle-to-work scheme, which allows employees to pay for the cost of buying a bike through incremental payments taken from their salary.

This offers staff a long-term saving on their train or bus fares, Neave notes, while also getting some of the tax benefits of a salary sacrifice. For Carle, even something as simple as just setting up bike racks at work can incentivise staff to cycle, which may also lead to improvements in staff's mental and physical health by encouraging regular exercise.

Software company Beyond Encryption has an electric car scheme that offers employees up to 60% off the purchase price of the latest EVs. Again, this offers tax relief and contributes significantly to a wider societal goal.

5 Overhaul the office canteen

Including more meat-free and plant-based options on the staff canteen menu is an easy way that companies can reduce their carbon footprint. Greenly runs so-called Veggie Thursdays, which encourage staff to choose vegetarian or vegan menu options once a week.

Moreover, buying non-perishable items in bulk can not only save money but also cut down on packaging. At the same time, not buying perishable items in large quantities will reduce wastage because they have spoiled. Careful purchasing decisions make a big difference.

Waste can also be avoided by investing in reusable cutlery and crockery. During the onboarding process at Greenly, new team members are given their own cutlery, tote bag and reusable coffee products. This naturally helps to cut down on plastic and paper, Carle says. And these branded goods add small personal touches, which new joiners really appreciate. "It's a great way to build team spirit and identity," she says.

6 Establish recycling as the default

Deloitte has tried to "embed green behaviour" by making it as easy as possible to put into practice. Harrison points out that recycling bins are clearly labelled or coloured to avoid confusion about what type of rubbish goes where.

Using compostable or biodegradable materials in items such as bin liners also helps, says Bupa's head of sustainability Glyn Richards.

With both custom and talent on the line, Richards argues that "a robust corporate strategy that is purpose-led is critical" for any business. Consumers care about where and how they spend their money, and staff will likely respond positively to a strategy that "connects the health of the planet with our own health."

Key to avoiding pushback against greening initiatives, Neave agrees, are clear internal and external communications strategies. "Remember that small steps are cumulative," he says. "With some creative thinking, making greener choices at work can be fun and help contribute positively to company culture." ●

Commercial feature

Is Britain's waste problem moving in the right direction?

The UK is battling lacklustre recycling rates and increasing amounts of waste sent to landfills or incineration. It's a setback that must not go unaddressed

Scandinavia is a waste management utopia with some of the highest recycling rates in the world. Its success can be traced back to 1902 when Norway set up a bottle deposit return scheme that rewarded its citizens for returning refillable glass containers. By the 1970s, automatic reverse vending machines were installed across the country, and they remain in place to this day.

Norway's deposit return schemes have expanded to include single-use plastic bottles as well as cans. Citizens pay a nominal deposit for containers, which is incorporated into the item's price and reimbursed upon return. In 2021, an impressive 92.3% of containers were returned. Along with practical schemes, citizens have been offered incentives to make more sustainable choices, even being given the opportunity to enter a lottery for cash prizes ranging from 50 to 1 million kroner (£82,500).

Deposit return schemes have been implemented in 40 countries worldwide, but not in the UK, where a similar system won't be rolled out until at least October 2025. With this lack of urgency, recycling rates across the nation have begun to lag.

A new report from CRJ Services, one of the largest waste management and recycling equipment suppliers in the UK and Ireland, analysed seven years of waste collection data across dry recycling, organic, food and residual waste. It found that of the 10 largest local councils by population in the UK, six have recorded a reduction in dry recycling since 2020, and seven have recorded increases in waste to landfill or incineration despite efforts to improve household recycling.

The report delivers disquieting news, underscoring the National Infrastructure Commission's recent calls for the government to implement legislation in pursuit of a 65% recycling rate by 2035. So, what's going wrong? "There isn't a standardised approach from the central government across all councils to improve recycling and inform spending and saving," says CRJ's senior key account manager, Michael Griffin. "Education is another issue. People often don't know what they can recycle, and the rules are different in different areas. Of course, there are also no real incentives for people to recycle, compared to the programmes we see in Scandinavia."

Cost is another major barrier. Collecting, sorting, baling, marketing, and shipping recyclables requires a great deal more effort and investment than the relatively straightforward task of collecting and disposing of waste in a landfill or incinerator. Following budget cuts and funding restrictions, many local authorities have resorted to implementing fees for recycling collection services - a departure from the cash incentives on offer in Norway.

Not unexpectedly, CRJ's analysis suggests that implementing charges for households tends to decrease the overall amount collected. Griffin notes that households that are most actively recycling garden waste are generally exempt from charges for collections.

Among the 10 councils CRJ analysed, Manchester and Leeds led in the collection of garden waste, where there are free services for residents. Sheffield, by contrast, records the lowest garden waste collection rate, with only 8% of eligible households opting for the service. The difference? Sheffield imposes a yearly charge of £61.10 per household. Amid the ongoing cost-of-living squeeze, charging for what some may perceive as a non-essential service could effectively discourage recycling efforts and compound landfill waste in certain regions.

This all leaves councils in a challenging position as they independently grapple to meet recycling targets. "It doesn't make sense that one council can process and charge whatever they want, and the neighbouring council will do something completely different," says CRJ director Andrew Clarkson. "We need the central government to deliver a unified step-by-step plan for every authority, with strategic targets to hit by specific dates. If you just say we're going to comply by 2035, everyone will do their own thing, and we won't get there collectively."

Lancashire Renewables, a division of Lancashire County Council that helps councils across the North West, has embarked on a partnership with CRJ, spanning several years. The aim is to lower the expenses associated with sending non-recyclable materials to off-takers while simultaneously boosting recycling rates. CRJ's involvement encompasses strategic support, guidance, and practical solutions.

The firm recently supplied three innovative types of machinery, each designed to extract recyclable waste from the 200 tonnes of rejected material processed by Lancashire Renewables weekly, reducing waste and costs.

> We need the central government to deliver a unified step-by-step plan for every authority

But solving a problem in one place can make way for another elsewhere. The push for increased recycling means more machinery and, potentially, higher emissions — something that both councils and businesses are tasked with minimising. CRJ is helping them to achieve both goals. "We work in partnership with companies to find solutions to their problems, and we've moved quickly to develop new equipment beyond traditional diesel-powered emission-generating equipment," says Clarkson. The firm's new hybrid slow-speed shredder combines a small diesel engine with an electric motor, curtailing exhaust emissions to bring companies a step closer to sustainable operations.

Compliance is another challenge facing local authorities. On 1st January, new legislation from the Environment Agency took effect, changing the rules for the storage and disposal of waste sofas and household furniture containing Persistent Organic Pollutants (POPs). Largely invisible and highly toxic, POPs can have serious impacts on human health and the health of the planet, and incineration is deemed the only way to avoid contamination with other recyclables. CRJ's response has been to develop a dousing system to reduce the release of POPs emissions into the atmosphere as materials are processed.

Clarkson points out that compliance doesn't stem from legislation. Britain's recycling rates will continue to suffer without public support and adherence to recycling rules. But it's not as though the desire isn't there, he notes. A study of 12,000 consumers across the UK, US, Germany, China, Brazil and Australia by manufacturing firm Amcor found that 76% of the population want to recycle more. Education on the issue is not a 'nice to have'. It's a must-have.

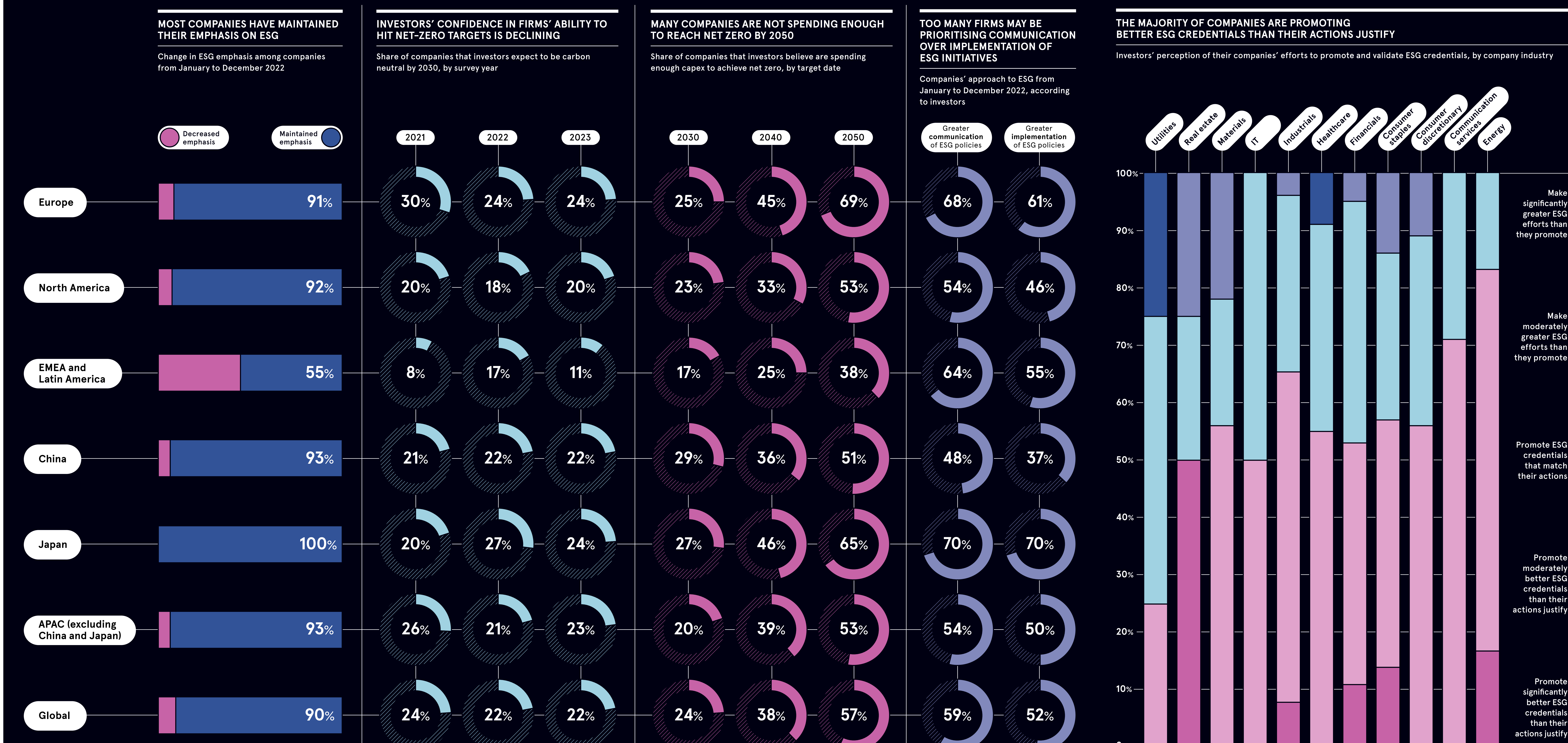
Everyone knows the scourge of polystyrene on the environment. "We need recycling firms and councils to go into primary schools and teach them about recycling," says Clarkson. End-to-end collaboration is also key. "Manufacturers must think about how their products and packaging will be recycled and reused at the very beginning of the manufacturing process," he adds. "It's not just education of people, it's education of businesses. If we combine that with a strategic approach from central government, we'll be in a much better place."

For more information, visit wasteindexreport2023.crjservices.co.uk

CRJ Greener today

COMMUNICATION VERSUS IMPLEMENTATION

For most businesses, attention to ESG has become non-negotiable. Listed companies in the UK and businesses of a certain size are legally required to produce ESG-related reports, but even companies that sit outside of the legal requirements are often keen to shout about their ESG credentials. But ESG analysts agree that while most companies have become increasingly vocal about ESG, fewer are actually implementing policies to improve their environmental or social impact. Net-zero targets, as a result, are unlikely to be hit any time soon



Fidelity, 2023

somboon kaeoboonsong via GettyImages

COMMUNICATION

How to communicate your ESG credentials

As customers and clients pay ever closer attention to the type of companies they do business with, many firms want to talk up their ESG credentials. But there are pitfalls they must avoid

Rohan Banerjee

People care about where and how they spend their money. It is no longer simply a question of cost versus value. When it comes to mitigating climate change or promoting social causes, companies' credentials have become important considerations for consumers, particularly those from generations Y and Z.

This change of attitude is being mirrored across the job market. Employers' net-zero goals and commitments to diversity and inclusion are often high on prospective candidates' wish lists. The latest Bupa Wellbeing Index found that nearly half (42%) of UK adults would accept a job on lower pay if it meant working for a more ethical or environmentally friendly organisation.

It stands to reason that communicating a company's environmental, social and governance (ESG) achievements and initiatives, both internally and externally, has become increasingly important. But companies need to do so in an authentic and transparent way to avoid accusations of greenwashing.

This means businesses should beware of making claims that they can't substantiate, warns Richard Sharp, creative director of marketing firm The Sharp Agency. To avoid ESG coming across as gimmicky or contrived, he says, firms must always practise what they preach.

"To truly showcase environmental sustainability or diversity and inclusion without seeming forced, a company must live and breathe those values. It's about transparency and integrating these principles into the company culture," Sharp notes.

Certainly, there is no point in a company saying it values diversity, for example, if it continues to only recruit from one demographic.

> **To truly showcase environmental sustainability or diversity and inclusion without seeming forced, a company must live and breathe those values**

Those claims will also ring hollow if the company's senior leadership lacks diversity. Sharp suggests that companies document measurable goals which they have achieved, whether through blogs, videos or on social media, to "convey dedication to responsible business practices".

Having accreditations such as B Corp or Fairtrade can be useful to bring some rigour to claims. And these should be promoted, says Sharp, for example by putting a B Corp logo on their website or packaging. But there is more work to do than simply adding a logo. Brands need to personalise their strategies and explain what these programmes mean for their businesses and customers, for example by creating a dedicated web page to explain how B Corp shows up in their business.

"Use case studies and impact stories to illustrate your positive changes and regularly publish content highlighting your sustainability efforts. These steps don't just reinforce your identity as a responsible and ethical business; they breathe life into your brand, connecting you with people who are equally passionate about making a positive impact," he adds.

For Marcus Knight, the co-founder and marketing director of PR firm Be Yellow, the key to an effective ESG communications strategy is an ability to explain "the what, the why and the how" of any initiatives in detail. It's not enough for a company to say that it recycles, for example, without demonstrating that it understands the benefits of doing so.

Communication strategies around ESG, Knight adds, can and should "change depending on who you're trying to engage. A business is likely to need different strategies for internal and external stakeholders."

Staff will want to want to know why they're being asked to do something or how a particular policy might contribute to better company performance or productivity.

Externally, consumers are likely to be moved by an ESG claim that gives them the impression their purchasing choice is actively making a positive difference to a cause. So, if they choose to buy a certain product or use a certain service that is good for the environment or society, then the environment or society will benefit directly as a result.

"People invest their money, time and energy into companies they believe in, and when consumers, they are more inclined to do good, and engage further," Knight says.

Ultimately, ESG matters. Whether a company is perceived as an overall force for good or bad can be the difference between making or losing a sale, attracting or putting off top talent. Indeed, Kerttu Inkeroinen, the marketing director at non-alcoholic lager brewer Lucky Saint, notes that being a B Corp can give a company a competitive edge. "Most candidates ask about our B Corp status when they're applying for jobs," she says.

But it is not enough for companies to simply peddle messages that they think people want to hear. Rather than pledges about what they will do soon, they must be able to provide proof of action already being taken – and succeeding. People like to know when an idea works.

Within the B2B space, B Corp accreditation appears a good place to start. For Bahar Shahidi, a senior strategist at branding agency DesignStudio, being a B Corp is "recognisable shorthand for a business that cares about people and the planet, as well as profit." While Shahidi acknowledges some "imperfections" in the B Corp assessment process and acknowledges some criticism of the process, she suggests that it remains, on balance, the best ESG barometer available.

As B Corp certification is reassessed every three years, she adds, companies that can maintain it are likely to enjoy a long-term reputational boost. "It's not a fluffy or aspirational statement of intent. It's a proof of commitment and an ongoing promise," Shahidi explains. "That's its strength. It says that as a business you've met certain criteria to be eligible for certification and you're now accountable to that."

When it comes to consumer interactions, these should focus on authenticity and collaborative language. Companies should seek to evoke emotion, empower and inspire consumers with their ESG communications. They should be relatable and put the consumer into a perceived position of control: if you buy or use this, you can help this company make a positive impact on the world.

As Knight puts it: "People want to feel a connection with a company, to connect with something that aligns with their interests and values." ●

INSIGHT

'At COP28, subnational leaders could prove impossible to ignore'

As we near the end of the year, the attention of governments and businesses is again focused on climate change. At this year's COP28 climate summit in Dubai, there are early signs that a different type of climate leader is demanding a seat at the table.

Many leaders of regions, states and cities are setting stronger climate goals than their national governments, delivering well-paid green jobs for their communities and driving meaningful climate action. With subnational governments in the OECD accounting for 55% of public spending and 64% of public investment related to the environment, their impact can be profound.

This focus on investment matters. Over a decade ago, the wealthiest nations pledged to mobilise $100bn (£80bn) in climate finance every year from 2020 to support those countries least able to cut emissions and adapt to climate impacts. This goal has never been met. Even new commitments are at risk as discussions on the loss-and-damage fund agreed last year at COP27 look like they could fall apart ahead of COP28.

Take the UK. The national government in London has reportedly fallen behind on its climate finance commitments, while prime minister Rishi Sunak is planning to water down net-zero targets in a move that risks throwing away the UK's reputation as a climate leader. In Scotland, in contrast, first minister Humza Yousaf, who is European co-chair of the Under2 Coalition, was at Climate Week NYC setting out how his government is "putting its money where its mouth is". He promised £300,000 to support victims of Storm Freddy in Malawi, as well as £7m already committed to support those hardest hit by climate change at COP27.

As with every COP of the past decade, what will be key is China and the US striking a climate pact that accelerates a move away from fossil fuels to low-carbon sources of energy. So far, US climate envoy John Kerry's efforts haven't succeeded. But efforts at the state level have the potential to make progress and drive action despite geopolitical tension.

Take the state of California. Governor Gavin Newsom and attorney general Rob Bonta recently announced the state is suing 'big oil' for "more than 50 years of deception, cover-up, and damage that have cost California taxpayers billions of dollars in health and environmental impacts".

Newsom has also signed various climate agreements with China. These include plans to work with Hainan Province on phasing out petrol and diesel vehicles and tackling toxic air, as well as with China's environment ministry on nature-based solutions and climate resilient buildings.

While the transition from oil and gas to renewables is paramount, COP28 president designate Sultan Al Jaber has insisted that industries like steel and concrete "have a critical role to play". This is another area of climate action where states and regions demonstrate leadership.

For example, in South Korea, one of the world's largest producers of steel, Chungnam Province is taking its role as a prominent steelmaking region seriously. While the South Korean government cut its 2030 emission reduction targets for the industry this year, Chungnam has continued to promote tax relief and incentives for steelmakers to decarbonise, supporting clean hydrogen development and expanding the offshore wind power crucial for low emission steel.

This same determination to get stuff done will be on display at COP28. While some nations backslide on their commitments and weaponise net zero for short-term political ambitions, subnational leaders continue to do the hard work of achieving this crucial goal.

Subnational governments have been promised a greater role at COP28, acknowledging their critical role in achieving the seismic change needed. For the first time, a Local Climate Action Summit will be held alongside the national level discussions, before states and regions meet at the Under2 Coalition's annual general assembly in December.

At COP28, subnational leaders could prove impossible to ignore. ●

Dr Champa Patel
Executive director, governments and policy, Climate Group

Commercial feature

Reimagining the private sector's role in nature-based solutions

The UK has identified woodland creation and peatland restoration as a priority, yet targets aren't being met. Who holds the key to closing this gap?

Across the UK, the rural sector – landowners, farmers and other project hosts – is responding to calls to mitigate carbon by implementing government-certified woodland-creation and peatland-restoration projects. If businesses and investors don't step in and support these projects, the UK's young voluntary-carbon market may fail to deliver the necessary scale-up.

Globally, restoring forests could capture 226 gigatonnes of carbon dioxide. This is roughly a third of the amount humans have released since the beginning of the Industrial Era, according to research published in the journal Nature. Similarly, the IUCN estimates that damaged peatlands are emitting 1.9 gigatonnes of CO_2e annually.

The government and its Climate Change Committee (CCC) have set targets for these nature-based solutions, and both are on the CCC's 'priority recommendations' list. Yet we are a long way off meeting these ambitions. According to Forest Carbon's co-founder Stephen Prior, this isn't about a lack of supply.

"We've seen a marked increase in new woodlands being planted through the Woodland Carbon Code, the UK's rigorous carbon certification programme; from 5258 hectares in 2018 to 24343 in 2023. But we're not seeing the same level of action from investors and businesses."

Founded in 2006, Forest Carbon pioneered the idea of carbon-financed woodland creation in the UK. Since then it has facilitated the creation of 220 woodlands and the restoration of five peatlands.

On why demand for nature-based projects is lacking, Prior senses several blockers. "Nature doesn't deliver fast returns. Costs must be met today but pay-offs won't be realised for decades, so it requires extremely patient and flexible capital.

"Of course, the integrity of the global market has come under scrutiny in recent years. This has stalled investment due to the risk of greenwashing accusations, despite the UK market's excellent track record."

At a time when experts like the CCC and other public authorities are calling for increases in nature restoration, there appears to be an impasse. Prior believes that the only way this will change is if businesses adjust their expectations.

> **Nature doesn't deliver fast returns. Costs must be met today but pay-offs won't be realised for decades**

"There's plenty of money lining up to invest, but finding projects that fit the requirements is difficult. For example, many large investors come into this wanting to buy and manage land directly. This tends to exclude the UK's rural community – those with experience and local knowledge – and also punishes those that have implemented projects in the last couple of years. It's the opposite signal to the one we should be sending, which is that if you create new woodlands or restore peat there will be businesses to support you.

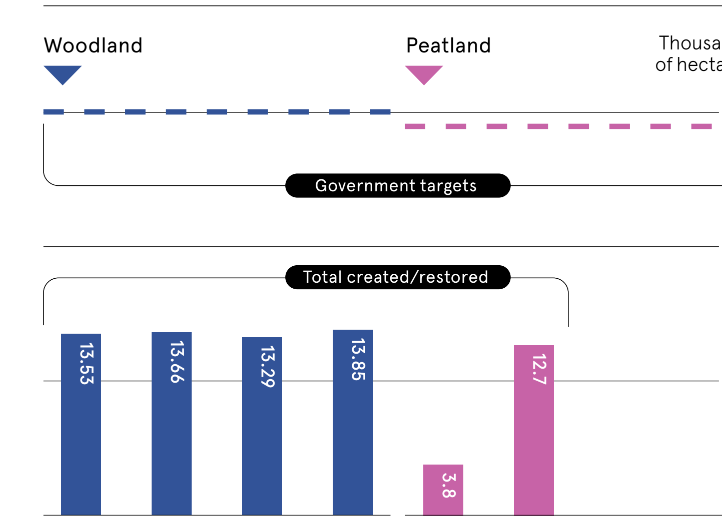
"Another example of traditional investor requirements not quite fitting the market is that large investors need large projects, to make the costs of due diligence make sense. These are few and far between in the UK and, again, smaller project hosts are excluded.

"And finally, a common challenge is that project hosts are reluctant to lock themselves into the types of long-term contracts that some businesses are looking for. This isn't to dodge having to manage their projects properly, it's more a reflection of the need to recognise the potential for variable outcomes from nature-based projects. There are insurance options emerging to address this."

The most effective thing that investors could do, according to Prior, is to buy up existing UK carbon credits. "This would signal to project hosts that it's a viable activity to engage in, and would inspire more action. The market would also be more accessible to landowners, large and small."

It seems the private sector may hold the key to closing the gap on woodland and peatland targets. With wider benefits, like biodiversity uplift, flood mitigation and improved water quality, and with the clock ticking on our window to mitigate against the worst of climate impacts, perhaps it's time to reimagine investing in nature-based projects.

THE DISPARITY BETWEEN GOVERNMENT AMBITION FOR WOODLAND CREATION AND PEATLAND RESTORATION AND ACTUAL PROGRESS



Climate Change Committee and Forestry Research , 2023

Seed the future of nature-based projects at explore.forestcarbon.co.uk/raconteur

FOREST CARBON

INTERVIEW

‘Our duty is to do what we can to reduce harm’

Mark de Lange, founder-CEO of eyewear brand Ace & Tate, shares the lessons he’s learnt during his arduous quest to convert the business into a B Corporation

Oliver Balch

Becoming a B Corporation is no easy feat. This exacting process is the organisational equivalent of an MoT test. A firm will make the grade only once the assessors have completed thorough inspections under its bonnet and it has done all the required remedial work to their satisfaction.

When a company enters this exclusive club of sustainable businesses (Europe’s network of B Corps numbers just over 1,000), it usually sends out a celebratory press release. But that wasn’t the case for eyewear brand Ace & Tate. Once it finally passed muster in 2021, the Amsterdam-based firm issued a statement focusing on the mistakes it had made along the way. Its striking headline – “Look, we f*cked up” – got straight to the point.

So why was the company’s route to certification so arduous? And what lessons might others learn from its particular experience?

When former finance executive Mark de Lange set up the business in 2013, sustainability wasn’t on his radar. What mattered to the 42-year-old Dutchman was making affordable yet stylish eyewear that wouldn’t take weeks to get fitted.

He admits that, had he been asked about the B Corp movement back then, he probably would have dismissed it as “tree-hugger bullshit”. But his attitude changed as he became more aware of business-related environmental problems such as the proliferation of plastic waste.

Somewhat counterintuitively, de Lange became a true convert to the cause when it dawned on him that it was impossible for an enterprise to become 100% sustainable. He credits a book by Yvon Chouinard, the influential founder of US clothing brand Patagonia, for that revelation.

“I’m paraphrasing from his memoir, *Let My People Go Surfing*, but the basic message is that any company that makes a product is inflicting real harm on the environment,” he says.

“This is simply a fact that we must accept. Our duty is to do what we can to reduce that harm.”

Having engineered his business to achieve rapid growth and maximum reach, minimising its potential to do harm was to prove far easier said than done.

Some of Ace & Tate’s early mistakes were a case of not thinking holistically enough. For instance, to reduce the carbon footprint of its packaging, it introduced a glasses case made from water-based polyurethane. Although that change did indeed reduce the firm’s greenhouse gas emissions, it also massively increased its water consumption.

Other errors could be attributed to a lack of foresight. The brand’s pledge to balance its greenhouse gas emissions by 2030 is a case in point. De Lange and his colleagues had underestimated the growth rate of the business and its ramifications: operating more and more stores meant the company was emitting more and more carbon dioxide.

With the wisdom of hindsight and hard knocks, de Lange could offer plenty of advice for other companies seeking B Corp certification. Top of the list is that they must remain open and honest about their performance. Missteps will inevitably occur along the way, but pretending they didn’t happen not only creates a reputational risk; it also removes opportunities for people to learn and avoid repeating them.

He cites the example of another packaging-related blunder by Ace & Tate, this time involving bamboo. Again, the intention was good: reduce the use of plastic in its glasses cases by adding bamboo fibre to the mix. The plant-based material is both better for the planet and easier on the eye.

“We thought it was all fine and dandy,” de Lange recalls. “And then we learnt that combining the two materials would make the product particularly hard to recycle.”

Armed with this new knowledge, his product designers replaced the bamboo-plastic mix with a more sustainable option: recycled commodity plastic. The firm could obviously have kept quiet, but its confessional statement on becoming a B Corp mentioned this U-turn.

By doing so, the brand was able to get on the front foot, presenting the insights it took from the experience and explaining how these would change its approach. It was, it said, determined to make only “good changes” – ie, those offering tangible benefits for people and/or the planet – as opposed to “changes that just look good”.

While Ace & Tate’s public mea culpa stimulated an “interesting debate online” (read: a social media pile-on) initially, it has helped the firm to establish a more trusting relationship with consumers over the longer term, according to de Lange.

Also high on his list of lessons is the need to be patiently persuasive. Running a profitable enterprise is hard enough as it is. Adding an extra layer of complexity and cost by trying to become more sustainable might seem unnecessary at best – and self-defeating at worst – to many business leaders.

With this in mind, converting your suppliers to the sustainability cause is unlikely to be easy. Manufacturers are used to discussing design specs and delivery times with their clients, not sharing data on their greenhouse gas emissions, for instance. But de Lange reports that his firm has gone to great lengths to get them onside.

> **All investors today have ESG requirements. But only a few years ago they’d have been asking: ‘What is a B Corp? What’s important about that?’**

“We spend a lot of our time partnering with the factories we source from, helping them get the right certifications so they work with more planet-friendly materials,” he says.

For all its success over the past decade, Ace & Tate is no Ray-Ban or Prada. As a “small fish in a very big pond”, therefore, it couldn’t simply tell its suppliers what to do. In any case, explaining why going the extra mile is in their interests is far more effective than being dictatorial about it, de Lange notes.

He’s found that the business case that suppliers usually accept is that greener practices will give them a competitive edge. If demand for sustainability is set to grow, the logic runs, then early adopters should benefit in the longer term.

This approach does come with a caveat: if a supplier is not receptive to your arguments, you must be prepared to “move away”, de Lange says. Ace & Tate has indeed had to end relationships with certain firms for this reason.

Fortunately, the same hasn’t applied to the private investors who hold a significant stake in the business. Not that conversations with them have always been easy – de Lange recalls how his decision to pursue B Corp status stimulated “a lot of discussion” about the changes this would require.

“All investors today have ESG requirements,” he says. “But only a few years ago they’d have been asking: ‘What is a B Corp? What’s important about that?’”

As Ace & Tate’s experience shows, embracing sustainability will probably present several problems for a firm to solve. What’s more, the work is never over. While Chouinard argues that no producer of goods can ever become fully sustainable, it must always be seeking marginal gains – by fixing a design flaw here or refining an employment policy there.

The effort must then be properly resourced – another lesson that de Lange can share. For example, the firm’s B Corp qualification process alone fully occupied one manager for 18 months, plus one day of the COO’s time each week during that period.

Looking back on the experience, de Lange calls it a “nightmare”, but he doesn’t regret it. Gaining a respected certifier’s seal of approval proves that his company “actually did its homework”. He doesn’t over-egg the business benefits arising from the sustainability drive. That’s not because there haven’t been any. Indeed, the firm has made efficiency savings, improved employee retention and reduced its exposure to regulatory risk, among other things. His reticence derives more from the fact that the biggest sustainability win for any consumer brand is – in theory – higher sales. And he’s yet to be convinced that, other than for a “small subset” of shoppers, a brand’s green credentials really influence consumers’ buying decisions.

So why bother, then? Amid the cut and thrust of building a business, it’s something that de Lange occasionally still wonders. Yet he always counters that thought with another question: “If there were a less harmful way to do business, why wouldn’t you try it?”

B CORP CERTIFICATION CAN TAKE NEARLY TWO YEARS

Standard timeline of B Corp review and certification process for companies with 250 employees or fewer

Evaluation queue Company submits its initial application and waits to be assigned an analyst for evaluation	7 months
Evaluation Analyst determines whether the company is eligible for certification	3 months
Verification queue B Lab determines the company is eligible and requests additional documents for verification; analyst is assigned for B impact assessment	4 months
Verification B Lab carries out impact assessment and determines the company’s impact score; a score of 80 qualifies for certification	3 months
Improvements (if needed) If a company scores between 75 and 79 they have the opportunity to make prescribed improvements	3 months
Post-verification After verification, company pays its first certification fee and signs the B Corp agreement	1 month

B Lab, 2022

Commercial feature

Extended producer responsibility – the perfect package

The UK government’s adoption of extended producer responsibility (EPR) aims to achieve greater circularity. Packaging is the first waste stream to fall under EPR

The success of television programmes such as Sir David Attenborough’s *Blue Planet* has helped to demonstrate the problem of pollution in our natural ecosystems to huge global audiences.

Ordinary people, politicians and companies alike have been galvanised into tackling the damage that unrecycled plastic and other packaging waste products are causing our oceans, forests and wildlife. But viable solutions can be tricky when they hit the pressures of a volatile economy.

According to Beyondly (formerly Comply Direct), a market-leading compliance scheme and environmental consultancy that’s also a certified B Corporation, the reform of the UK packaging waste regulations to apply the extended producer responsibility (EPR) approach is a welcome enhancement that will help to propel the nation towards a circular economy.

Under the existing regulations, multiple parties along the supply chain must pay a proportion of the recycling costs for the packaging they make, use or sell. But under the reformed packaging compliance system – known as packaging EPR (pEPR) – the full net cost of household waste management and recycling will sit with one party in the supply chain.

As a result of this legislative change, for the first time it will be brand-owners, not the taxpayer, that must pay the full net costs arising from the collection, sorting and recycling of household packaging waste through their waste management fees.

Catherine Guy, packaging relationship manager at Beyondly, explains: “The hope is that brand-owners faced with this new reality of a greater financial obligation will strive harder to design their packaging to make it easier for it to be reused, dismantled and/or recycled at the end of life.”

Under pEPR, more brand-owners will fall within scope. A lower threshold is being introduced to integrate smaller companies into the packaging compliance system: those with a £1m-plus annual turnover that place 25 tonnes or more packaging on the UK market each year.

The household packaging waste collection service was estimated in 2019 to be costing UK local authorities about £1.7bn a year, which under pEPR will be funded by brand-owners and other obligated companies. Thus, the financial obligations under pEPR will be significant for brand-owners, which could lead to higher prices for the consumer if they look to pass on these extra costs. But the waste management fee element of pEPR has been delayed until October 2025.

“It appears that the government needs more time to calculate the rate of the waste management fees under pEPR,” Guy notes.

Nonetheless, the pEPR requirement to supply the regulator with more frequent and detailed packaging data, such as its type, weight and the country into which it’s been sold – nation data – is already in force.

> **In the drive towards a circular economy, extended producer responsibility is a welcome enhancement to the existing UK packaging waste regulations**

Beyondly can help brand-owner producers in all sectors – from food and beverage to retail, beauty and manufacturing – with data collection. It can also assume responsibility for an organisation’s legal obligations for packaging and mitigate its financial obligation before 2025.

“Brand-owners know what they want to do when it comes to being more sustainable, but they struggle to find ways to achieve it – and pEPR is complex and intricate,” Guy says. “We can help businesses optimise their packaging design to achieve greater recyclability, as well as prepare for the modulation of waste management fees under pEPR. We want to increase their confidence and help producers get future-proofed.”

The modulation of waste management fees means that fees charged to brand-owners will be adjusted based on the recyclability of their packaging. This will result in lower fees for companies using more recyclable packaging. Fee modulation is expected to be introduced in 2026, based on packaging placed on the UK market in 2025.

“That will lead to increased scrutiny of data such as the type of polymer used in your plastic packaging, but it brings the benefit of potentially reducing the financial burden,” Guy says.

The incentive and opportunity to improve how we live on our planet is there. We must all grasp it.

For more information, please visit beyond.ly

BEYONDLY