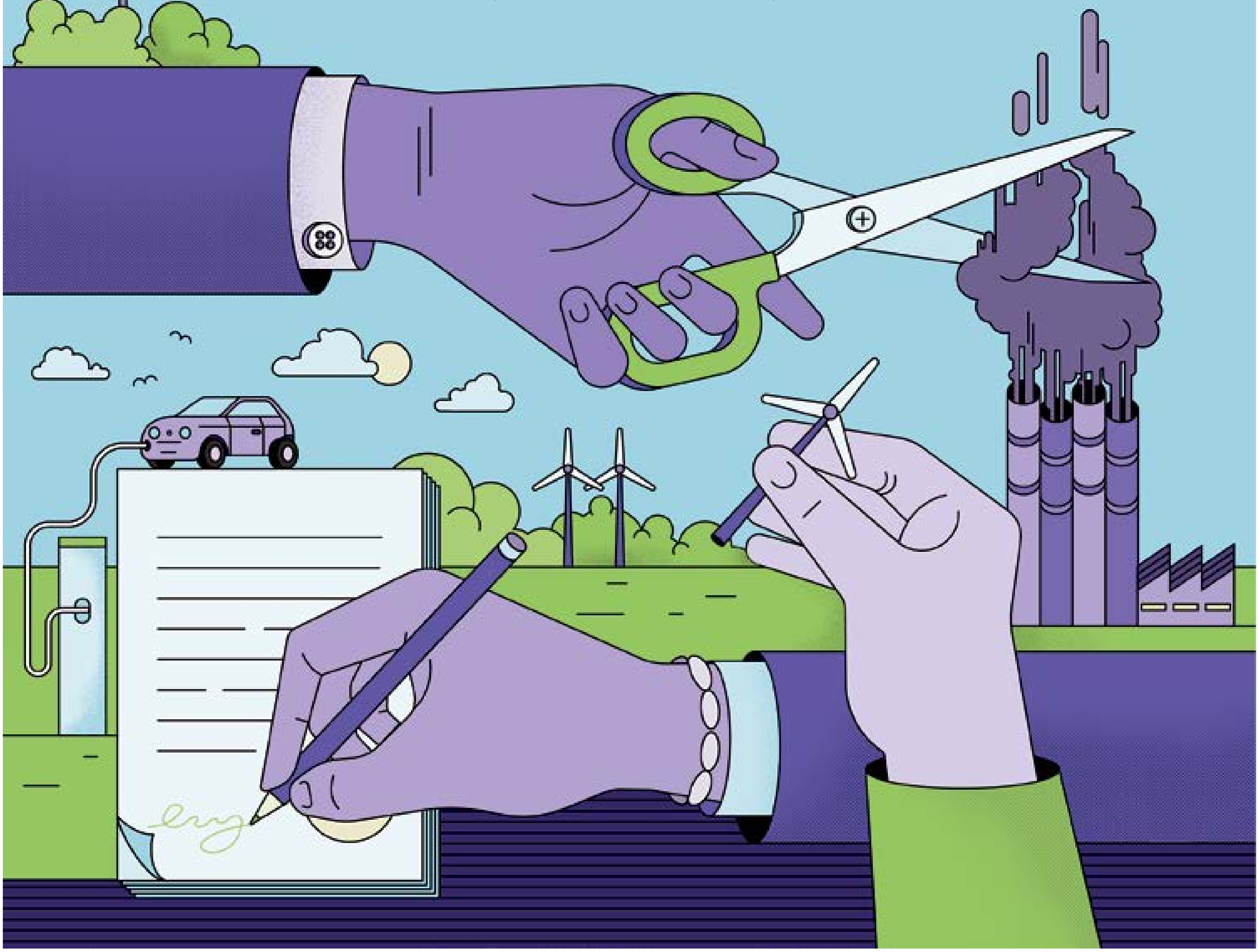
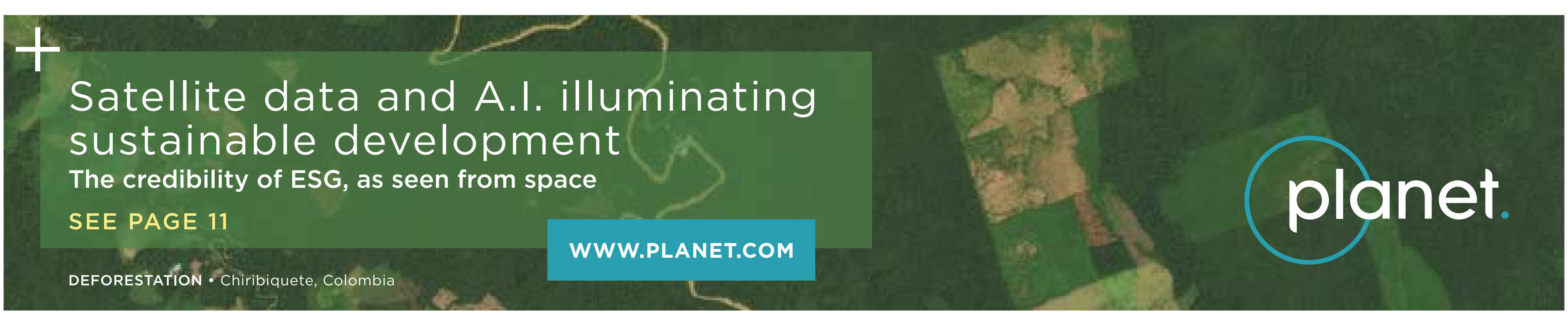
SUSTAINABLE BUSINESS





SUSTAINABLE BUSINESS

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Contributors

Oliver Balch
A freelance journalist and writer with two decades' experience of writing about the role of business in society and all aspects of the sustainability agenda.

Sam Forsdick
Raconteur's staff writer, with particular interests in technology and the future of work. He has written for publications including *Press Gazette* and the *New Statesman*

Sam Haddad
An award-winning journalist and writer specialising in travel, with work published in *The Guardian*, *The Times* and *The Economist*'s *1843* magazine.

Mark Hillsdon
A freelance writer specialising in environmental issues and the great outdoors. He is a regular contributor to *The Guardian*, *CountryFile* and *Ethical Corporation*.

Andy Jones
An experienced journalist and broadcaster who has written for every major national newspaper in the UK and produced business content for the BBC and Channel 4.

Jonathan Weinberg
A freelance journalist, writer, media consultant and trainer who specialises in technology, the social impact of business and the future of work and society.

raconteur reports

Publishing manager
Chloe Johnston

Managing editor
Sarah Vizard

Deputy editor
Francesca Cassidy

Reports editor
Ian Deering

Sub-editors
Neil Cole
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Design
Pip Burrows
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Nita Saroglou
Jack Woolrich
Sean Wyatt-Livesley

Illustration
Sara Gelfgren
Celina Lucey

Art director
Joanna Bird

Design director
Tim Whitlock

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EMISSIONS

Why 'business as usual' is no longer an option after COP26

With governments falling short of an outright ban on fossil fuels at Glasgow, what role can the private sector play in keeping the goals of the UN's Paris accord alive?

Mark Hillsdon

When the final wording of the UN's Glasgow climate pact emerged, few observers were surprised that compromise had won the day, enabling governments to claim success at the COP26 conference even as environmental activists talked of betrayal. But where does it leave business?

While the deal offered a starting point to strengthen net-zero commitments, critics considered it to be a return to business as usual. Still, the pledges came thick and fast.

More than 450 financial institutions – controlling a total of $130tn (£98tn) in assets – signed up to the Glasgow Finance Alliance for Net Zero to help fund the transition to a low-carbon economy. Additionally, 60 of the FTSE 100 joined the UN's Race to Zero campaign.

There was also a deal to halt deforestation by the end of this decade, backed by more than 100 world leaders; a UK-led plan to accelerate the adoption of affordable clean technologies; and an agreement among 40 countries that the use of coal would be "phased out".

The private sector will be key to achieving these ambitions. During the conference, the CBI's director-general, Tony Danker, stated that businesses were ready, willing and able to deliver a net-zero world.

"We can, we must and we will make greater commitments, accept deeper accountability and raise more capital for the task," he said.

Peter Simpson, CEO at Anglian Water, believes that private enterprise is already "deeply engaged in transformative climate action", but needs more support.

"Progressive businesses have not waited for governments to act. They have instead taken a leading role in addressing the climate challenge head on," he says. "But we cannot do this alone. It's crucial that we receive supportive legislation, policy and financing frameworks so that we can accelerate."

Charlie Kronick, a senior programme adviser at Greenpeace UK, sounds a more cautious note. He describes the policies on the table as "good" and the pledges as "amazing", but only if businesses act on them. For activists such as Kronick, pledges are worthless if they're not mandatory. The worst of climate change "could be averted, no question", he says. But, while UK businesses are capable of following the rules, the rules must be set in place.

Clara Murcia via Getty Images

"Unless there are regulations that actually say what it means to align with keeping global warming within 1.5°C degrees and the Paris agreement, businesses are going to do what they're always going to do – they never walk away from the money," Kronick argues. "The voluntary approach hasn't worked."

Speaking at COP26, chancellor Rishi Sunak indicated that he was thinking about taking the regulatory route. But Kronick fears that progress will be slow.

"GDP will be hit much harder by the impacts of climate change than it will ever be hit by regulations," he says. "Businesses simply do not have either the government mandate or the courage to make things happen now."

If the private sector fails to act, the inevitable policy response will be a "massive crackdown", with the wrong kind of measures taken too late in the day, Kronick argues.

Barry Clavin, senior ethics and sustainability manager at the Co-operative Group, agrees.

"It's vital that the commitments that have been announced actually have more substance and impact than they have had previously," he says. "But we're also up for the opportunities as well. We have to start viewing this through a more positive lens, particularly for consumers if we're going to bring them on that journey with us."

At Glasgow, the Co-op – along with M&S, Sainsbury's, Tesco and Waitrose – pledged to reduce its environmental footprint as part of the World Wide Fund for Nature's Retailers' Commitment for Nature.

Other UK businesses also stepped forward, including Burberry, which introduced a biodiversity strategy designed to ensure that all its key materials are 100% traceable by 2025, and OVO Energy, which committed itself to planting 1 million trees in the next 12 months.

Call them enlightened, call them pragmatic, but a growing number of British businesses are in no doubt that change needs to happen now. More than 850 businesses, including Innocent, Virgin and the John Lewis Partnership, have signed up to a campaign calling for the amendment of the Companies Act 2006 such that corporate board members are made responsible for advancing the interests of wider society and the environment, as well as shareholders.

Chris Turner is director of the campaign, which is called the Better Business Act. He says the amendment aims to provide a legal framework for businesses to answer why they should be concerned about society and the environment, rather than focusing on individual pledges or minimum standards.

"Our own research has shown that businesses run on these principles have outperformed competitors during the pandemic," Turner says. "What we need is a level playing field, so that these businesses aren't undercut by those driven purely by short-term profit incentives without consideration for people and the planet."

But is UK plc ready to fill all the gaps that the government has left? "Absolutely", insists Turner, who believes that environmental issues are "firmly on the agenda" in corporate boardrooms. But he warns that business decision-makers are often limited by their fiduciary duties and the need to act in ways that benefit shareholders above all else.

"Changes to our corporate framework could unlock the innovation and investment we need to achieve a green industrial revolution," he argues. "That would position British business at the forefront of a transition to a renewable future and help to bring the UK closer to realising its climate objectives."

WHAT WAS AGREED BY PARTICIPANTS AT COP26

30% reduction in methane emissions by 2030

200 parties signed the Glasgow climate pact, aimed at keeping global warming to 1.5°C above pre-industrial levels

The Glasgow Finance Alliance for Net Zero was formed, with its signatories controlling assets worth **£98tn**

Commercial feature

How global problems are solved by local action

Businesses that support local good causes are winning the trust of customers and achieving meaningful progress against ESG objectives

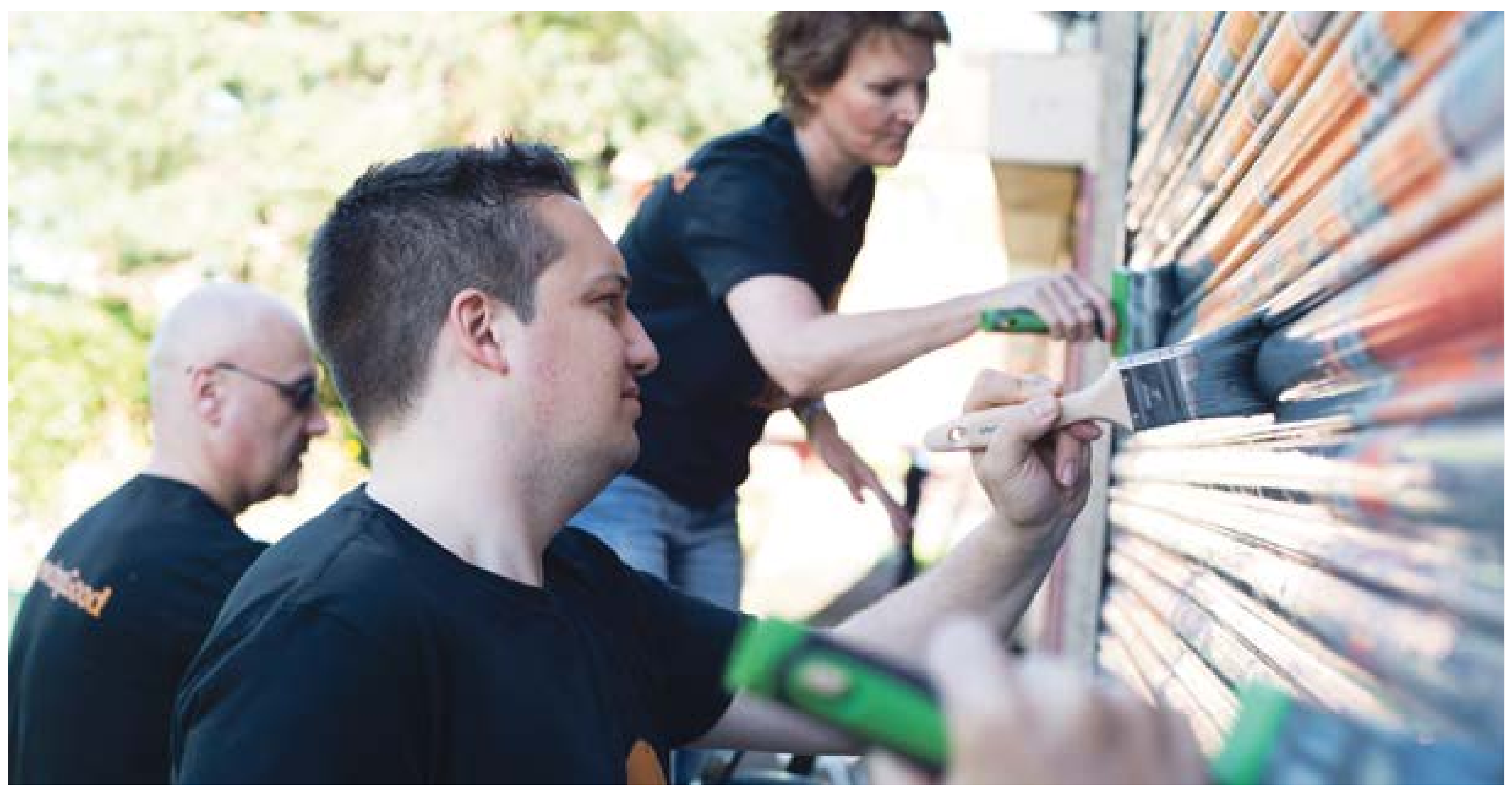
During the pandemic, businesses and consumers have seen the power of local action. A spotlight has been shone on small charities embedded within their communities that have offered knowledgeable and effective support, and made a vital difference in neighbourhoods across the country.

Recent research by YouGov shows that 69% of consumers trust businesses more if they, in turn, support these local good causes and that trust has never been more valuable. It is trust that builds brand preference and it is trust that generates lasting loyalty – and much of it comes from the knowledge that a company genuinely wants to make a difference to society, to do good, to improve lives. Put simply, that it has a sense of purpose beyond profit.

This sense of purpose underpins successful ESG initiatives, which have become an increasingly important part of core business strategy. Investors, regulators, employees and customers see ESG as the yardstick for measuring a company's commitment to achieving long-term sustainability and creating a more equitable society. In short, good intent is no longer good enough when it comes to environmental and social issues. Action is what counts.

Businesses that have struggled to move beyond tick-box corporate social responsibility are likely to come unstuck in this new world. Many UK companies will soon be mandated to disclose climate-related risks and opportunities, following the UK's Greening Finance: A Roadmap to Sustainable Investing announced in October. A new International Sustainability Standards Board was also announced at COP26 and more than 450 firms representing £95tn in assets already belong to the Glasgow Financial Alliance for Net Zero. The signatories must commit to using science-based guidelines to reach net-zero carbon emissions by mid-century and to provide 2030 interim goals.

All of these initiatives are closely tied to the ESG agenda, which recognises that businesses have a serious responsibility toward the communities they operate within. In the past, this responsibility may have been exercised through sponsorship or partnership of charities with high brand recognition. But as social impact and purpose become key elements of business strategy, businesses that act locally can maximise the impact of their ESG efforts by helping to build sustainable communities.



Targeted action

Charities and good causes operating at a local level are performing vital work and are in great need of financial support from businesses, as they are often overlooked due to perceived complexity. Small charities are less likely to have access to large grants that can offset administrative costs such as building rent, utilities and salaries. What's more, they don't have the capital to compete with the ad campaigns and fundraising drives of large brand-led charities.

Many local charities have also been forced to do more with less during the pandemic. Those working to support vulnerable communities have seen a huge uptick in demand for their services. Meanwhile, traditional methods of generating income have been disrupted by lockdowns and social distancing measures. But despite these challenges, they have demonstrated phenomenal agility and creativity.

Channelling money into local causes keeps the money in the local economy too, supporting jobs and community resilience. Smaller, community-based charities can also draw upon local knowledge, resources and goodwill, and are deeply embedded within the communities they serve. They are therefore trusted to deliver what those communities truly need, whether that is food, advice, financial support or environmental action.

Businesses can help small charities address these community needs and create a significant local impact that also meets their community-focused ESG objectives. But first, they need to identify and engage with local charities that align with their sense of purpose.

Traditionally, that hasn't been easy. It takes significant time and resource to identify and vet hundreds, or even thousands, of small charities. Many of them won't have a huge digital presence or means of measuring their impact, which makes it hard to align any partnership with ESG targets. However, these issues can be overcome with the right tools.

> “Businesses can help small charities address these community needs and create a significant local impact that also meets their community-focused ESG objectives

Delivering impact at scale

Neighbourly, for example, is a community investment and impact platform that connects businesses with thousands of local good causes across the UK and Ireland, ensuring that resources end up where they are needed most. Not only does this benefit the communities that these causes serve, it benefits businesses by helping them to align their purpose with local impact.

It's not just about making grants available to these organisations: businesses can also provide volunteering support and redistribute surplus products. Aldi, for instance, has donated more than 20 million surplus meals to local good causes since partnering with Neighbourly in 2019.

Another initiative, 'Seeds of Change', brought together support from Danone, Southern Co-op, RSA Insurance, Cadent, Coca-Cola EP and M&G in the run-up to COP26. Micro-grants were directed to local causes for planting and other environmental activities, and employees volunteered their time and skills to projects including climate education, carbon capture, tree planting and urban greening.

"In effect, the Neighbourly platform acts as a matchmaker, communicator and data aggregator," says Steve Butterworth, CEO of Neighbourly. "It connects businesses and good causes locally, but at scale, and maps the 'inputs' of the business with ongoing local activities that meet specific social and environmental goals. Its ability to track the inputs and outputs of support offered also enables businesses to measure the impact of their support and the value created for the community."

By enabling businesses to support local good causes, Neighbourly ultimately helps them to gain that crucial business currency: trust. At the same time, it also allows them to play a major role in building more sustainable and resilient communities. In other words, for businesses looking to address their community impact objectives as part of their ESG initiatives, and in line with their corporate purpose, focusing on local action simply makes sense.

For more information please visit neighbourly.com

neighbourly

CONSERVATION

EU takes initiative in the fight against deforestation

Deforestation in the Amazon region caused by the expansion of agriculture

Proposed EU legislation would ban commodities linked to deforestation from entering the trade bloc. The measure has been widely welcomed, although it's not without its critics

Sam Haddad

Wide-ranging draft legislation proposed by the European Commission marks a global first in the battle against deforestation. Its measures have drawn praise from environmental campaigners, although some believe that these could and should go further.

Tackling deforestation is a central pillar of the EU's plan to deal with the climate crisis. In November, the commission proposed a law that would ban all beef, palm oil, cocoa, coffee, soy and wood products with links to deforestation from entering the trading bloc. If supported by the European Parliament and the Council of the EU, it could enter the statute book by the end of 2022 or early 2023. It's important because it would cover all deforestation, not only what's deemed illegal in the country of origin, as was the case in the UK's recent environment bill.

The response to the draft law from NGOs has been broadly positive. Nico Muzi is Europe director at environmental campaign group Mighty Earth. He notes that, although the regulation has been a long time coming, having first been discussed in 2008, it is visionary nonetheless.

"It's a world first in addressing the responsibility of European consumers in driving deforestation, both legal and illegal," he says. "That sets a big precedent, because it's saying that there is no 'legal' deforestation. Any deforestation is a violation. It goes beyond the legality of the country in which it occurred."

Michael Rice, forest-risk commodities lawyer at environmental law charity ClientEarth, also welcomes the measure. "The EU is the world's single largest market, so it's a massive signal to the agriculture sector globally that we can't carry on with business as usual," he says.

Rice is impressed with the mandatory due diligence embedded in the regulation, which includes a requirement for companies to state the exact locations of the farms from which they source their products. "This is a big step forward in what we call full supply chain traceability," he says.

It means the companies can no longer turn a blind eye to what is happening in their supply chains.

It seems to Rice that the European Commission learnt lessons from a previous regulation on illegal timber, which had some ambiguity in terms of compliance that made it harder to police. Enforcement will now be in the hands of the member states, each of which must establish agencies to monitor compliance.

Although the law has won a lot of praise, there are some criticisms. One is that it doesn't cover other commodities – rubber and maize, for instance – that pose a significant deforestation risk. It also applies only to forests, not "other ecosystems that are both carbon stores and biodiverse habitats," explains Muzi, who adds that Mighty Earth and other NGOs "are pushing to extend the regulation to include savannahs, wetlands and peatlands".

> “The EU is the world's single largest market, so it's a massive signal to the agriculture sector globally that we can't carry on with business as usual

Many Southeast Asian oil palm plantations are in former peatlands. These are hugely effective carbon sinks, so it wouldn't make sense to leave them out, he argues.

"The legislation is politically very complicated, so they want to get that right and address forest loss first," says Muzi, noting that there is a review clause after two years, when the feasibility of including other ecosystems will be examined.

The law has also been criticised for not covering the social ramifications of deforestation. Rice observes that "chopping down trees often goes hand in hand with land grabs and very significant and lasting human rights impacts for indigenous communities in affected areas".

Until now, companies trading in forest-risk commodities could rely on voluntary third-party certification schemes to vouch for their products' sustainability. But the system was not working well enough, hence the need for a statutory approach. Nonetheless, those companies that have engaged with the voluntary schemes and tried to make their supply chains more transparent will be at an advantage, according to Muzi.

"The front-runners will benefit because they won't be penalised for having already taken steps [to make their supply chains more sustainable], because everyone will soon have to do it on a market-wide basis – and that extra cost will be diluted by so many consumers [450 million in the EU]," he argues.

Several businesses wanted the law and actually lobbied for it. A Unilever spokesperson says: "We have long been calling for mandatory EU-wide due-diligence legislation covering environmental impacts and human rights. The initiative is fully in line with our deforestation-free supply chain commitment."

Cathryn Higgs, head of food policy at the Co-op, had hoped that the UK's environment bill would be more in line with the EU's draft legislation in terms of covering both illegal and legal deforestation.

"We'd urged the government to set robust due-diligence requirements as part of the environment bill, reflecting some of the elements of the EU's draft such as covering both legal and illegal deforestation," she says. "It's vital to create a level playing field, so that businesses of all sizes in every sector are expected to conduct meaningful due diligence when sourcing forest-risk commodities."

Once the EU law is enacted, companies in the bloc should have greater leverage to make their supply chains more sustainable, according to Rice.

"Every company in Europe trading in these commodities will be asking all of their suppliers to deliver that traceability at the same time. That is really going to drive change at a global level," he predicts.

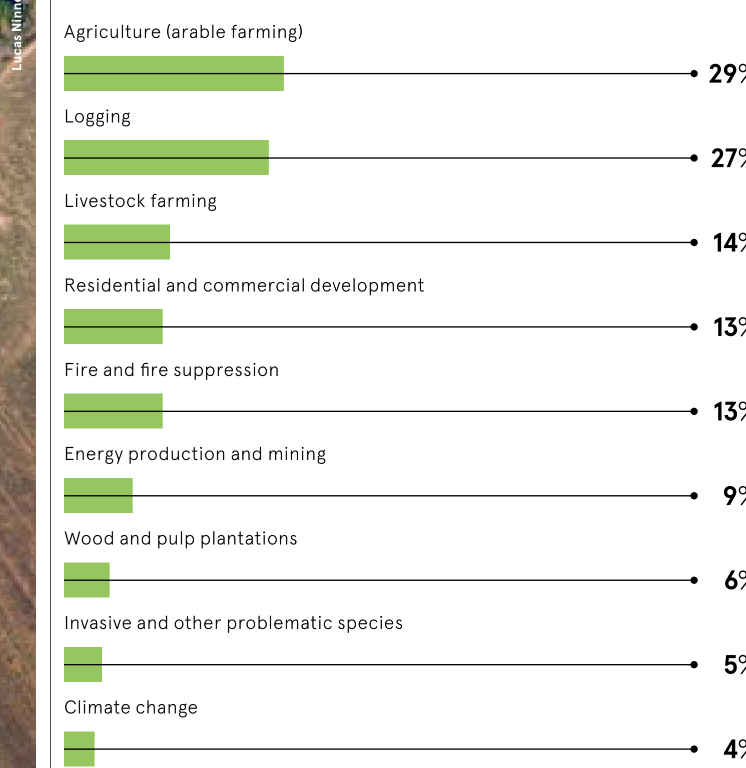
Does this mean we're likely to see more regional boycotts or businesses banishing certain products, such as palm oil, from their supply chains?

Boris Saraber is director of operations at the Earthworm Foundation, an NGO that works with large corporations including Nestlé and Colgate-Palmolive. He isn't sure that this would be the best approach.

Saraber acknowledges that "there is a point at which you need to delink from suppliers that aren't engaged in order to build change". But, if there are several other firms sourcing materials from the same area, "you're much better off using responsible purchasing power to build long-term change in that region".

AGRICULTURE IS THE NUMBER-ONE THREAT TO ENDANGERED TREE SPECIES AROUND THE WORLD

The main threats and the proportion of endangered tree species they put at risk



Botanic Gardens Conservation International, 2021

INNOVATION

‘Business needs to understand that it can have higher goals’

Despite all the rhetoric, most firms still have a mountain to climb to achieve true sustainability. So says environmentalist, entrepreneur and explorer Rick Ridgeway, who urges them to leave the foothills behind

Oliver Balch

Rick Ridgeway has the kind of résumé that most of us can only dream of. The 72-year-old Californian is an award-winning filmmaker, author, eco-campaigner and adventurer, whose exploits have ranged from hiking unaided across the Tibetan plateau to climbing K2 without supplementary oxygen.

He’s found time to fit in a lucrative career in business too, first as a product development and marketing consultant to Kelty, a high-end brand of camping equipment. He then founded a successful photographic agency, Adventure Photo & Film, which he sold before joining US clothing brand Patagonia, taking the lead on its environmental initiatives until 2020.

As an early proponent of sustainable business, he has watched the field grow from the fledgling concern of a few wacky eco-brands to a multibillion-pound industry.

So what has Ridgeway learnt along the way? One factor that’s stayed constant throughout his 50-year career is the deep, symbiotic link between environmental wellbeing and economic health, he says.

01
Rick Ridgeway scaling a rock wall in the Antarctic

02
Ridgeway (centre), with The North Face co-founder Doug Tompkins (left) and Patagonia co-founder Yvon Chouinard at the summit of Cerro Kristine in southern Chile

> There is no business to be done on a dead planet

When the Earth is functioning fully, we are blessed with abundant raw materials, flourishing markets and prosperous societies. When it isn’t, scarcity and crisis loom. As David Brower – the co-founder of Friends of the Earth who became a hero to Ridgeway and his former Patagonia colleagues – warned: “There is no business to be done on a dead planet.”

So self-evident is this truth to Ridgeway that he wonders how anyone could fail to accept it. Yet many business leaders “just don’t seem to understand”, he says.

Ridgeway saw the light at a young age. In his early twenties, he formed lasting friendships with Yvon Chouinard and the late Douglas Tompkins, the founders of Patagonia and The North Face respectively, based on their shared love of mountaineering. Both men were giants of the early sustainability movement. To this day, Ridgeway quotes their maxims when holding forth on the subject.

Take Chouinard’s views on companies that adopt strong positions in support of social and/or environmental causes. His advice: shout about these from the rooftops by all means, but ensure that you have a brilliant business to back up your words. Otherwise, to quote Greta Thunberg, all you’d be saying is “blah, blah, blah”.

It’s a principle that Patagonia has certainly stuck by. With its annual sales revenues regularly exceeding $1bn (£750m), the vocal US brand can well afford to bankroll its own high-profile environmental campaigns and provide generous grants – more than $140m to date – to front-line eco-activists.

Success in the market also amplifies a company’s voice in the wider world, Ridgeway argues. “As Yvon said one time: ‘It’s OK to be eccentric – as long as you’re rich. Otherwise, people will just think you’re crazy.’”

In a similar vein, Tompkins taught Ridgeway most of what he knows about sustainability marketing – a key tool in alerting consumers to issues of concern and persuading them to change their behaviour.

Patagonia’s full-page advert in the *New York Times* on Black Friday 2011 featuring the slogan “don’t buy this jacket” has become legendary in marketing circles. But what few people know is that Tompkins had run a very similar ad campaign for The North Face in the late 1980s.

“We need marketers who understand how to make an emotional argument,” Ridgeway says. “That’s what Doug was really good at.”

Another principle for which he credits Tompkins is that of taking one’s whole self to work. Corporate sustainability statements and policies abound these days, but most get little traction, he says. The few that genuinely connect with employees do so because they resonate with their personal values.

As Ridgeway observes about his mountaineering “posse” in his new book, *Life Lived Wild*: “The professional side of our lives was never the central defining attribute of who we were.”

For someone who’s been up one mountain or another for much of his life (he reckons that he has spent nearly 2,000 nights in tents), Ridgeway is remarkably grounded in the realities of commercial life. For one thing, he fully accepts that it’s crucial for businesses to generate a return for their investors. His only proviso is that they are best doing so when they value people and the planet on an equal footing to profitability.

> We need marketers who understand how to make an emotional argument

“Business needs to understand that it can have higher goals and still achieve its fundamental objective of providing value to shareholders,” he says. “The two aren’t mutually exclusive.”

Ridgeway recognises that, for all its progress in recent years, the private sector is still a long way from achieving true sustainability – and has little time in which to do so. For that reason, he says, its leaders need to show genuine leadership.

It also requires big brands to work more closely with companies in their supply chains to deal with substantial environmental and social problems. Such engagement is beginning to happen. Ridgeway cites a tool that has been developed by the industry-led Sustainable Apparel Coalition (SAC), which he used to chair: the Higg Materials Sustainability Index helps firms to assess the social and environmental impacts of about 800 materials. The coalition’s 280 members, which include global players such as Gap, H&M and Levi’s, use the tool to identify areas of particular risk and discuss with suppliers how negative impacts can be mitigated.

The SAC is looking to work with manufacturers in other sectors to adapt the tool to their own operations – something that Ridgeway believes would be “pretty easy to do”. One of the goals of this project is to make supply-side impacts clearer more generally, which would create a commercial incentive for suppliers across the board to improve their performance.

Encouraging consumers to vote with their wallets is another area in which businesses need to show greater leadership, according to Ridgeway. Again, he takes heart from emerging cases of good practice. For instance, a clutch of clothing brands are using the SAC’s tool to publish information about the eco-credentials of the fabrics they use. Participants in this scheme, which remains in a trial phase, include H&M, Tommy Hilfiger and Calvin Klein. Their motivation? “To get their customers to pay more attention to these issues, because they know that they need a healthy planet to have a healthy business,” Ridgeway says.

Despite such initiatives, the route to true sustainability is mountainous for most firms. A few business leaders, like him and his former colleagues at Patagonia, will be led by their instinct. Others will adopt a more calculated view, seeking out benefits such as brand reputation, employee retention and/or long-term resilience. Yet many are happy to continue tiptoeing around near base camp.

Ridgeway understands this tendency, which is why he believes that government intervention is required if sustainable business is ever to go fully mainstream. He estimates that about 40% of players in the apparel industry are on board with the sustainability agenda. As he admits: “That is real scale, but still not where we need to be. We have to get them all.”

Full adoption of sustainability practices will happen only when governments make the use of tools such as the Higg Materials Sustainability Index mandatory, he argues.

“The cool thing is that we have already built these tools and they’re working really well,” Ridgeway says. “We just need to scale things up.”

Commercial feature

Learn from the food industry as you lead on sustainability

As business moves towards net zero, there is plenty to learn from each other, says **John Rowley**, vice-president of the global food division at NSF International

The food industry is already playing a role in the move towards net zero and zero carbon, but reducing emissions alone is not enough. Instead, we must aim to become net-positive contributors, putting more back into the environment than we take out.

However, the food sector’s challenges are not unique, meaning our successes - and stumblings - can inspire and guide others on their sustainability journeys.

That is why below I have outlined some of these challenges and how they can be overcome, with an action to replicate when meeting this critical and time-pressured transition.

Acknowledge climate change affects us all

All industries rely on nature. For the food sector, crop production, water quality and scarcity align with higher global demands for food. This requires greater sustainability and systems regeneration to ensure natural resources are available.

This can be addressed by quickly meeting calls for more environmentally conscious products, services and business practices, such as looking towards sustainable sourcing for ingredients and offering plant-based options as meal alternatives.

Other industries also have resource challenges and, like us, must reduce waste. Studies show food waste accounts for up to 8% of global greenhouse gas (GHG) emissions. Some food businesses are even innovating with new products created from edible product leftovers and using digital software to reduce waste.

Action: Create a climate action plan and focus on all the areas where you can drive a change, however small. Look towards innovation to diversify from traditional demand cycles.

John Rowley
Vice-president, global food
NSF International

> Developing a more sustainable supply chain system and final product must start from the C-suite

Brand reputation and market share is at stake

Unethical and unsustainable practices store up huge problems. Consumers care about a company’s sustainability record – and your employees do too. It’s important not to ignore this.

Thankfully, the tide has shifted in the food industry. Many businesses have succeeded with introducing good farming and management practices, and these are now growing in use. Regenerative agriculture has been another success, as have anti-bribery and anti-slavery policies.

Conducting materiality assessments means companies can identify the most critical issues to simplify their reporting and sustainability efforts, while using data to see how practices match up to peers. You also cannot manage what you don’t measure and that includes the likes of GHG emissions, freshwater depletion and deforestation.

Action: Integrate sustainability into your core business strategy, going beyond CSR. Work with an accredited third-party certification body to conduct audits and certifications.

Your entire supply chain must become more sustainable

Developing a more sustainable supply chain system and final product must start from the C-suite. There must be a willingness in the boardroom to work with supply chain partners to identify and implement sustainable practices at every step of the supply chain.

This can involve sharing best practices with vendors and partners or requiring them to meet your standards. Attaining accreditation from third-party certification bodies, such as NSF International, and company-sponsored incentivisation programmes are common methods to achieve such goals. Performing your own version of ESG due diligence can also ensure any major social or environmental risks are addressed by key suppliers.

Reporting has helped to communicate successes around food waste reduction, traceability, transparency, sustainable packaging improvements and more efficient distribution methods.

Action: Consider the positive influence your company can have with its supply chain partners and peers to convince them to play their part as your own sustainability successes grow.

Get started

Your efforts will never be perfect, nor perfectly comprehensive. But by building a green team and getting your people involved, you will ensure buy-in from the ground up. This might identify brilliant suggestions and solutions that would otherwise go unnoticed or unoffered.

Within the food industry, companies have been able to identify a sustainability champion to spearhead development of corporate sustainability strategy. Product certification has also been key to the food industry’s successful sustainable transition.

By calculating the baseline of your business’ environmental impact and understanding it, you can also gain support across the business to develop key actions. Then, use a science-based approach to bring emissions down within clearly set targets and goals.

Action: Identify quick wins to build energy and support, and then gradually increase efforts. Communicate these to your people and your consumers, enabling them to influence others.

For more information please visit nsf.org/testing/sustainability

NSF

MOVING BUSINESS TOWARDS NET ZERO

If UN member states are to keep global warming within the 1.5°C degrees above pre-industrial level agreed by the Paris accord, business has to play a key role. A growing number of companies are duly pledging to become net-zero emitters of greenhouse gas by 2050, if not sooner. What do the private sector's emissions look like now – and what exactly are businesses promising to achieve?

WHEN BLUE-CHIP COMPANIES PLAN TO GO GREEN

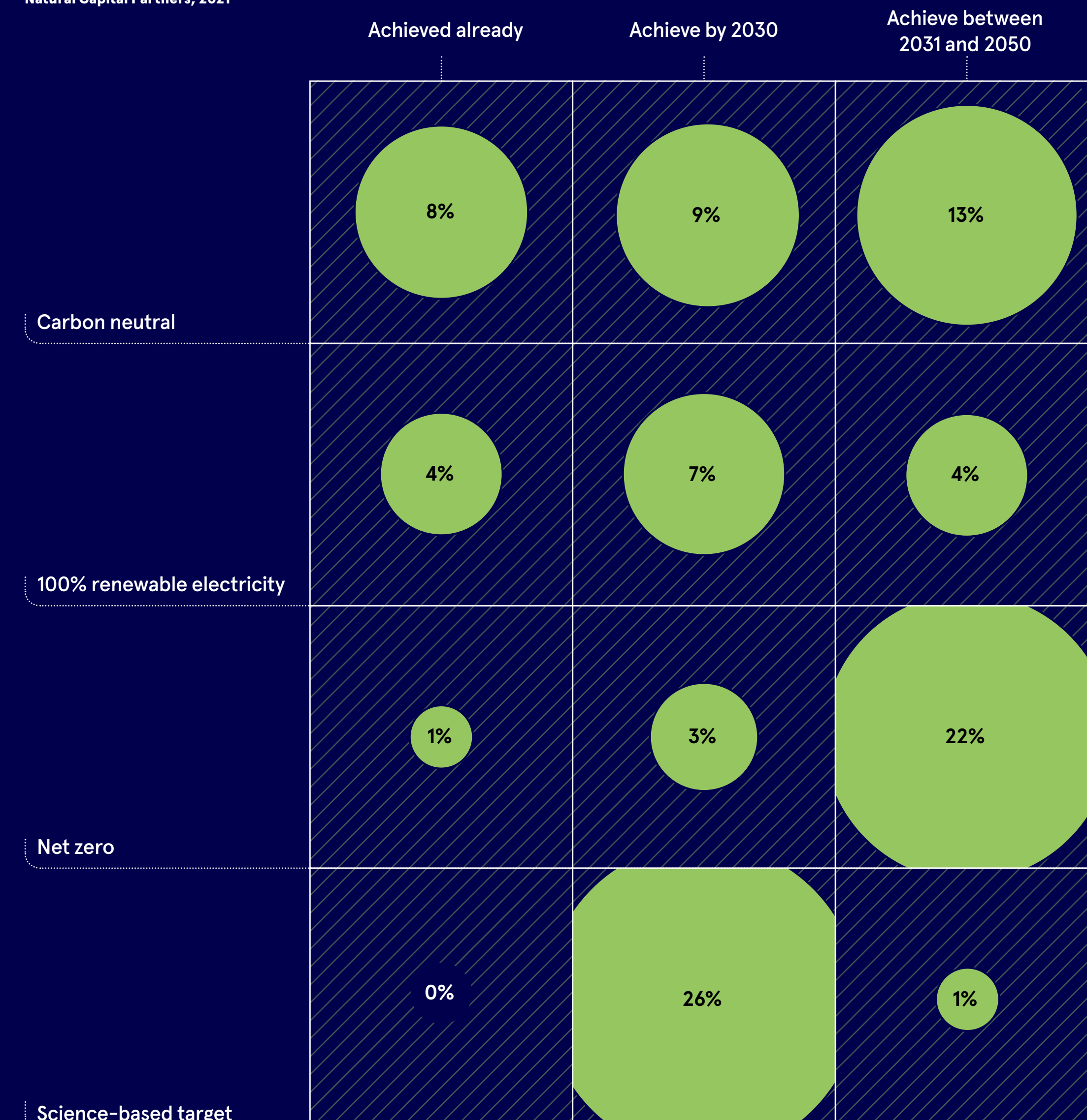
Years by which a selection of FTSE 100 and FTSE 250 members have pledged to achieve net-zero greenhouse gas emissions

Company	Extent of pledge	Year
AstraZeneca	Its global operations	2025
Legal & General	Its operational footprint	2025
Aviva	Its own operations and supply chain	2030
BT	Its own operations	2030
Rolls-Royce	Its operations and facilities	2030
Severn Trent	Water supply to customers	2030
Vodafone	Its own carbon emissions	2030
Unilever	All products	2039
Aviva	Its investments	2040
Barratt Developments	Its operations	2040
BT	Its supply chain and customers	2040
Burberry	"To be climate positive"	2040
Marks & Spencer	Its supply chain and products	2040
Sainsbury's	Its own operations	2040
British American Tobacco	Its entire value chain	2050

COMPANIES NEED TO GO FURTHER IF THE CLIMATE CRISIS IS TO BE SOLVED

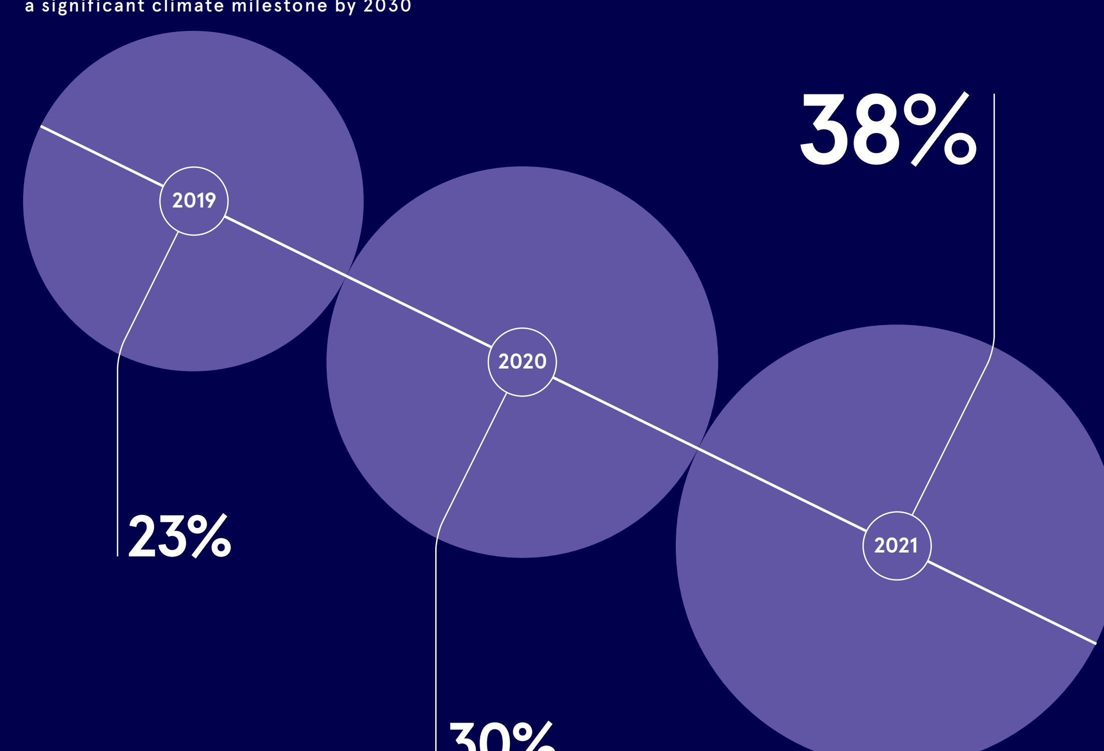
Percentage of Fortune Global 500 companies that have commited to do the following

Natural Capital Partners, 2021



CORPORATE CLIMATE ACTION AND 2030 COMMITMENTS ARE RISING

Percentage of the Fortune Global 500 that have attained, or have publicly committed to attaining, a significant climate milestone by 2030

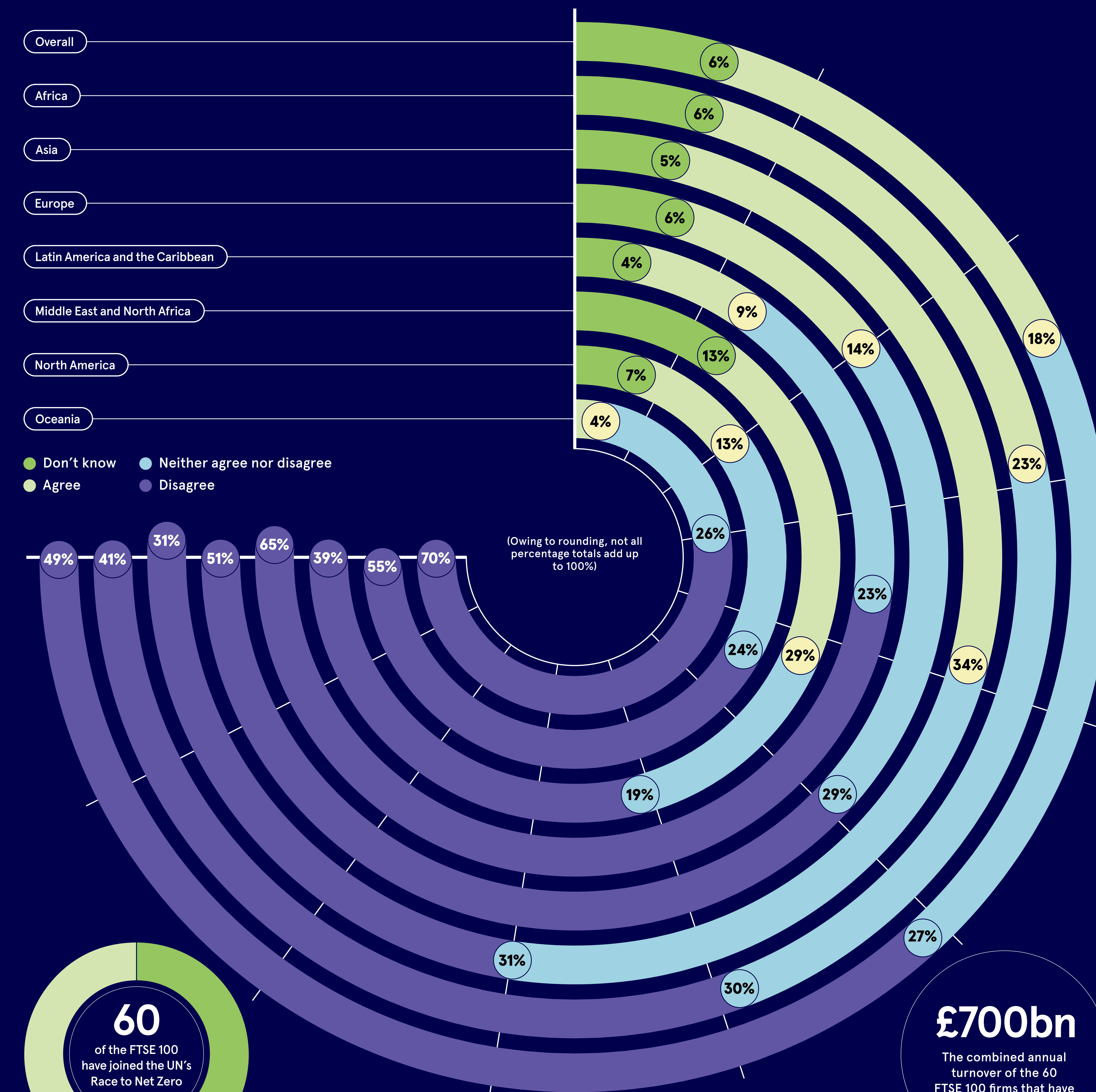


Natural Capital Partners, 2021

CEOS DO NOT BELIEVE GOVERNMENTS ARE PROVIDING ENOUGH CLARITY ON HOW TO CUT EMISSIONS

Percentage of CEOs asked to what extent they agree governments and policy-makers have given business the clarity to operate in line with a 1.5C warming trajectory

Accenture, UN Global Compact, 2021



60
of the FTSE 100 have joined the UN's Race to Net Zero campaign

Department for Business, Energy and Industrial Strategy, 2021

£700bn
The combined annual turnover of the 60 FTSE 100 firms that have joined the UN's Race to Zero campaign

Department for Business, Energy and Industrial Strategy, 2021

BUSINESS TRAVEL

In for the long haul: the quest for more sustainable business travel

Covid-19 and COP26 are changing how and where we work. How can business leaders develop travel policies that pass muster environmentally?

Jonathan Weinberg

The spread of the omicron variant of Covid-19 has thrown commercial travel plans back into disarray, just as overseas business trips had become an option again for many people. For leadership teams, it's presenting deeper questions about the true benefits of racking up thousands of air miles.

With the recent reopening of air routes and the introduction of vaccine passports, many of us were getting back to some sort of normality. But the global movement of employees looks set to be restricted once more by border closures and strict quarantine rules. Before the pandemic, attending meetings, conferences and trade shows in another country was the norm. But, after nearly two years of restrictions, many firms are wondering whether such travel is beneficial, either environmentally or economically.

They are thinking about adopting more sustainable travel policies instead, influenced by COP26 and changing attitudes to greenhouse gas emissions, particularly among younger employees.

Based in Abingdon, Oxfordshire, Intralink is a consultancy that helps western firms to expand into Asia. Before the pandemic, its employees took a lot of flights on business. But, when it examined the Covid-enforced reductions in their mileage, it found that these had had no detrimental impact on the number of deals they'd made. In fact, the annual total has risen from 75 in 2019 to 166 over the past 12-month period, with the firm organising virtual roadshows and trade missions instead and using local proxies to represent clients at in-person events in Asia.

As well as the environmental benefits this change has brought, Intralink's travel costs have been slashed, while employees no longer suffer from jet lag and can spend more time with their families, reports its CEO, Greg Sutch.

"You might expect us to be balancing these huge environmental benefits against a marked downturn in business, but that isn't the case," he says. "This is down to increased efficiencies and how the pandemic spurred Asian firms to embrace virtual communication."

Intralink will resume some business travel in future, Sutch adds, but more selectively "now that we know what we can achieve without it. I sincerely hope other firms do the same, for the good of the planet, as well as their bottom lines."

The results of a recent survey by Trainline Partner Solutions suggest a growing appetite for change. It found 75% of business travellers want to reduce their reliance on flying for work because of its environmental impact, while two-thirds expect their employer to make sustainable travel options available.

Moreover, 53% felt that firms were irresponsible before the pandemic based on their levels of unnecessary business travel, with 70% saying that those companies not offering sustainable travel options were setting a bad example for future generations. One-fifth of respondents aged 16 to 24 said they would consider leaving their firm if they disapproved of its travel policy.

As the co-founder and CEO of climate action platform Ecologi, Elliot Coad has seen his business grow by 650% over the past nine months, thanks primarily to a greater desire among individuals and businesses to become climate positive. He believes that the travel restrictions have prompted firms to consider new approaches based on necessity, rather than "convenience and extravagance". Such restraint should be maintained if they are serious about being more environmentally responsible, he argues.

"Cutting out needless short-haul and internal flights while encouraging employees to use more efficient forms of transport instead is one way forward," Coad says. When combined with guidance on accessing the best virtual collaboration tools to minimise the need for face-to-face meetings, this "can help to reduce carbon emissions in line with what is needed to reach global net-zero targets".

Business travel and commuting is included within the so-called scope three definition of carbon emissions, meaning those that come from a company's supply chain and customers. Experts suggest that a new sustainable outlook should include everything from hiring electric vehicles when abroad to 'workcations' that roll in leisure and holiday time. Embracing technologies such as virtual reality is also an option, with slower travel by train and sea other considerations.

Florian Hübner is co-founder and CEO of Uberall, a technology company specialising in the customer experience. He thinks that business travel must now be considered by boardrooms when they discuss corporate sustainability. For example, Uberall no longer requires every new recruit to visit its Berlin HQ.

"We've significantly decreased the amount of business travel we undertake, changing in-person employee inductions and customer meetings into remote ones," Hübner says. "We have even transformed our annual summer party into a 24-hour 'world tour', where we book venues in each city so that almost no one needs to fly."

He adds that, given that the company has hundreds of employees and seven offices worldwide, such adjustments make a notable difference to its carbon footprint.

Those servicing the business travel industry are also looking at more sustainable ways of working. Green Tourism, a membership body promoting sustainable travel, has introduced a 'Green Meetings' standard that enables venues to benchmark their performance against sustainability metrics.

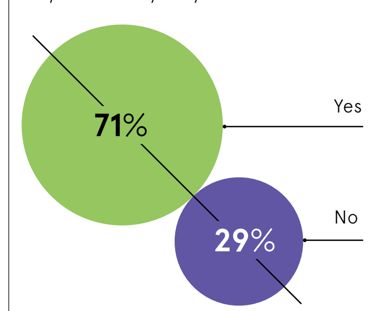
Business accommodation specialist AltoVita, meanwhile, is developing a platform feature that shows which hospitality operators have implemented sustainability practices and/or gained sustainability certifications. This enables companies to choose accommodation that fits their values. Its co-founder and CEO, Vivi Cahyadi Himmel, expects to see fewer but more important business trips overall, with some lasting longer than usual, so that travellers can do more with the time while reducing the need for multiple flights back and forth.

Adam Kerr, founder and CEO of business travel platform Tripism, believes that firms need to look beyond "token gestures" to create sustainable business travel policies based on changing employees' attitudes. Giving travel teams a baseline of data showing the impacts made by what they book can create an "increased understanding" to support more sustainable choices.

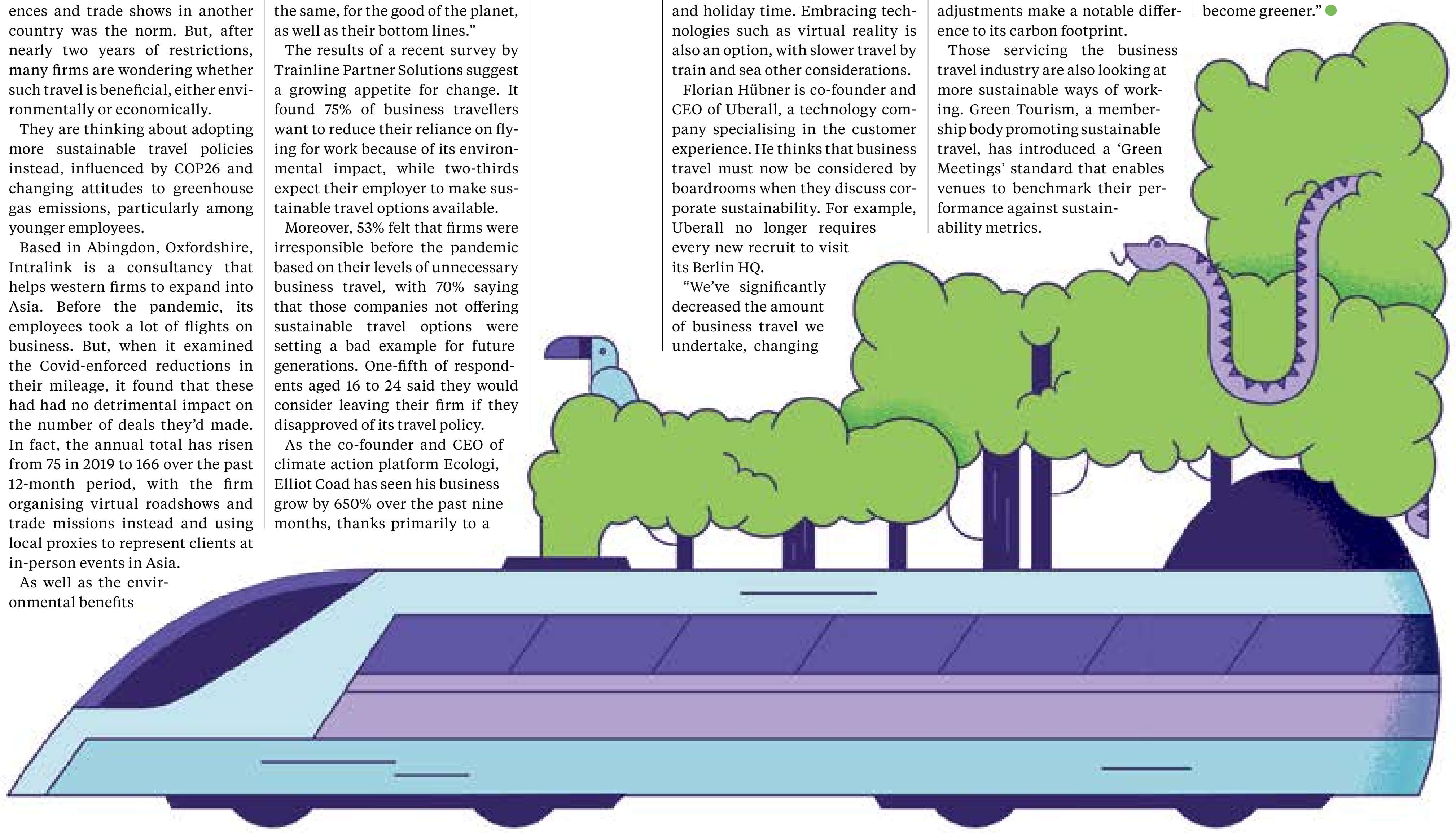
"Through a collaborative effort", Kerr says, "the end users of business travel can demand more sustainable options and push for the corporate travel industry as a whole to become greener."

BUSINESSES ARE WORRIED ABOUT THE CARBON FOOTPRINT OF TRAVEL

Percentage of commercial travel buyers who say they are concerned



Business Travel News Europe, 2021



Commercial feature

The credibility of ESG, as seen from space

Measuring ESG data has always been tricky but now companies can make use of satellite technology and AI to ensure they are complying with regulations

Spurred on by COP26, the global transformation of financial markets is gathering pace; and at its heart are environmental, social and governance criteria.

Environmental, climate and biodiversity risks, the social impacts associated with company operations, and the quality of corporate governance are increasingly being treated as financially material by investors, regulators and the public alike. For ESG, the time is now.

An age of accountability, beyond greenwashing

As a result, the market is booming. According to Bloomberg, ESG-linked assets surpassed $35tn in market value in 2020 and could top $50tn by 2025, when they would constitute more than one in every three dollars of assets under management.

This rapid emergence of ESG means all associated sustainability commitments made by governments and corporations are coming under intense scrutiny. In 2020, ESG risks were a material credit consideration in 85% of Moody's debt ratings, up from 32% in 2019.

So, as markets look to move beyond greenwash, accountability is in high demand.

From responsible sourcing and supply-chain mapping, to disruption resilience and disaster response, everything is in the spotlight. Those who thrive will therefore need data to prove not only regulatory compliance, but verifiable provenance and insurance.

Yet, here is the big disconnect: in many cases, ESG data is still inconsistently measured and self-reported – there is a lack of credibility. In a blizzard of competing standards and frameworks, visibility across the value chain is often piecemeal and poor.

What is needed is a comprehensive view from above – literally, from space.

Earth observation, monitoring and measurement

Earth observation satellites are not new. The first artificial Earth satellite, the Soviet-era Sputnik 1, began sending back signals from space in 1957.

Fast-forward to 2021 and satellites are making headlines of a different kind, helping inform the climate debate by evidencing the damage being done to the planet.

In February, for instance, radar images captured by the European Space Agency Copernicus Sentinel-1 mission showed a giant iceberg, almost the size of Los Angeles, breaking away from the northern section of Antarctica's Brunt Ice Shelf.

Understanding the scale of climate risk represents a critical first step in doing something about it, says chief impact officer at Planet, Andrew Zolli. "We are in a once-in-a-lifetime realignment of humanity and the planet, in which we have the opportunity to build real systemic change.

"By combining Planet's satellite data and the tools of AI, we can rigorously and consistently measure things like climate- and biodiversity-related risks, which have historically been treated as 'externalities' to capital markets. These powerful new indicators will transform ESG reporting and drive more regenerative and responsive economic systems. Global actors that align with this shared earth database can achieve sustainable and resilient outcomes."

Geospatial data underpin ESG performance

Planet provides daily satellite data that helps businesses, governments, researchers and journalists understand the physical world and take action in real time. In particular, geospatial data provided by Planet's satellite imagery can play a significant role in improving ESG monitoring, reporting and verification.

Combining and analysing this intelligence, in conjunction with the latest physical asset and financial data, can detect countless global risks such as floods, fires and deforestation, effectively as they are happening.

Initiatives showcased by Planet at COP26 included measuring deforestation across the tropics, working with the Norwegian Government and Food and Agriculture Organization of the United Nations. Data from Planet helps power the United Nations Programme on Reducing Emissions from Deforestation and Forest Degradation.

Image of deforestation in Chiribiquete, Colombia, taken on January 16, 2021

Analysis of this data helps in the creation of financial incentives for countries to reduce emissions by avoiding deforestation and investing in low-carbon paths towards sustainable development. By continually imaging Amazon rainforests, Planet supports more than 9,000 users from 130 countries across the world to monitor natural resources and better understand the drivers of forest loss and degradation.

In terms of measuring greenhouse gas (GHG) emissions, Planet is also a key provider of data to Climate TRACE – a global coalition of scientific and technical organisations, and NGOs created to make meaningful climate action faster and easier.

Climate TRACE harnesses satellite imagery and other forms of remote sensing, AI and collective data science expertise to independently track human-caused GHG emissions in real time, with unprecedented detail. Climate TRACE aims to provide verification of emissions-related phenomena, allowing companies and governments around the world to monitor and quantify their climate reductions with greater accuracy.

Planet is also a key partner in Carbon Mapper. This pioneering public-private partnership is building a space-borne monitoring system for methane and carbon dioxide point source emissions, empowering a new era in climate emissions transparency, accountability and remediation. Carbon Mapper will also produce more than 25 other environmental indicators that can be used to track ESG and sustainability commitments.

> "If you're able to see the change occurring on our planet every day, you're able to act every day

Sustainable growth opportunities for business

By making the invisible visible, Planet helps hold climate actors, both countries and companies, to account. Data provided by Planet also supports policy-makers in responding to the climate challenge, with Earth observation seen as a key tool for implementation of the European Green Deal.

Evidential impact data is becoming increasingly valuable to companies and investors, too, as the rising cost of non-compliance on climate issues raises the stakes on ESG.

Under new government legislation coming into force in April next year, for instance, the UK will become the first G20 country to make it mandatory for Britain's largest businesses to disclose their climate-related risks and opportunities.

For all parties and stakeholders, therefore, satellite data offers an objective, independent, consistent, global and near-real-time source of information about our changing planet.

Openly shared, this data can be used to protect and manage natural resources, as well as verify regulatory compliance and identify sustainable growth opportunities for business.

Turning corporate ambition into climate action

Ultimately, turning ambition into action is a matter of making informed decisions in a timely manner. That responsiveness, in terms of both climate adaptability and corporate agility, depends on full and fast 360-degree visibility, says Tara O'Shea, director of forestry and land use at Planet.

"If you're able to see the change occurring on our planet every day, you're able to act every day," she says. "Advances in satellite data and AI are illuminating new pathways to sustainable development, and enabling companies and governments to finally add natural capital to their balance sheet, taking stock of not only the impacts of their profits and losses, but the impact they're having on our environment."

For more information please visit planet.com

planet.

HISTORICAL EMISSIONS

Carbon backdated – how firms are honouring a long-term debt

Businesses are starting to address their historic greenhouse gas emissions in a bid to become 'lifetime carbon neutral'. What does this process entail – and will it become standard practice?

Sam Forsdick

WWF Denmark, Jonas Lysholdt Ejderskov

As most organisations focus on reducing their current and future greenhouse gas emissions to address the climate crisis, the concept of becoming 'lifetime carbon neutral' is relatively novel. This requires an organisation to take responsibility for its past polluting actions by taking all the CO_2 it has emitted throughout its existence back out of the atmosphere.

Microsoft was one of the first companies to make such a commitment, pledging to remove all the CO_2 its operations have produced since it started trading 46 years ago by 2050. Explaining the policy in 2020, the company's president and vice-chair, Brad Smith, said that simply becoming carbon neutral was "not enough to address the world's needs. While it is imperative that we continue to avoid emissions… we see an acute need to begin removing carbon from the atmosphere."

Window manufacturer Velux has traced its contribution to climate change all the way back to its foundation year of 1941. By sifting through its historical sales and production data, some of which was kept on handwritten notes, the Danish company has worked out that its activities have emitted 4.3 million tonnes of CO_2 over its lifetime.

"You have to take responsibility for what you've done in the past," says Velux's vice-president of external relations and sustainability, Ingrid Reumert. "It's not just a question of improving your future performance. If you can do more, you should do more – and that's the situation we find ourselves in."

Since Microsoft made its commitment last year, very few companies have followed suit. Backdating emissions remains "at the forefront of leadership on climate-change strategies", says Aoife Brophy, business and sustainability researcher at the University of Oxford.

"Backdating is a fascinating trend that speaks to the true nature of the climate crisis. Looking at how that stock of carbon has historically accumulated is a really positive move," she adds.

In September 2020, Google's CEO, Sundar Pichai, announced that the company had managed to eliminate its legacy emissions, albeit largely through carbon offsetting.

Brophy notes that the tech giants "have been part of a really big focus of backdating, as they try to position themselves for the future", but smaller businesses are also rising to the challenge. For instance, website design agency Webbed Feet has offset all its CO_2 emissions dating back to 2008, when it began operating as a limited company.

The Salisbury-based firm's director, Aaron Whiffin, used a simple formula to calculate its historic carbon footprint. He took its emissions in its year of greatest activity and multiplied this figure by the number of years Webbed Feet has been trading. Given that the business has grown consistently throughout its existence, this is an overestimate.

Whiffin recognises that the process of "improving the situation by making up for the damage you have already done" won't be so straightforward for every firm. "It's been easy for us to estimate our impact, as we've been a limited company for only 13 years, but those that are 50 years old are going to struggle."

Indeed, it took Velux a year to come up with a satisfactory estimate for its historical CO_2 emissions. The process required the company to make several assumptions about the energy mix it was using and the types of vehicles that were being driven on business, for instance. As a result, it added 25% to the total calculated to compensate for any underestimates. Even with this buffer added to the target, Reumert reports that the firm is on course to become lifetime carbon neutral in time for its centenary in 2041.

"If you can work out your past environmental footprint, in regard to the damage you have caused while producing money-making goods, there is an obligation to do so," she argues.

Once an organisation has worked out its historic emissions, the next challenge is to remove them. To this end, Microsoft is looking to the development of technology that removes CO_2 from the atmosphere. It has already committed \$1bn (£730m) to an innovation fund in this field.

Velux, by contrast, has entered a partnership with the World Wide Fund for Nature to create and conserve forests in Myanmar and Ghana. Reumert explains that this move was informed by the company's commitment to tackle the biodiversity crisis, which is intrinsically linked to climate change.

"There are several crises facing the planet, so any initiatives that you undertake should try to tackle as many of these as possible," she says.

When assessing the best ways to deal with the climate crisis, both Reumert and Brophy are keen to stress that a company should prioritise efforts to cut its current emissions over any work required to meet historical targets.

Brophy says: "It's very important to focus on reducing your existing footprint first before thinking about residual emissions. Getting the right balance between your carbon-reduction efforts and your future investments in removal is a fundamental challenge facing policymakers and companies."

She adds that the idea of backdating emissions also raises important questions concerning historic responsibilities for climate change.

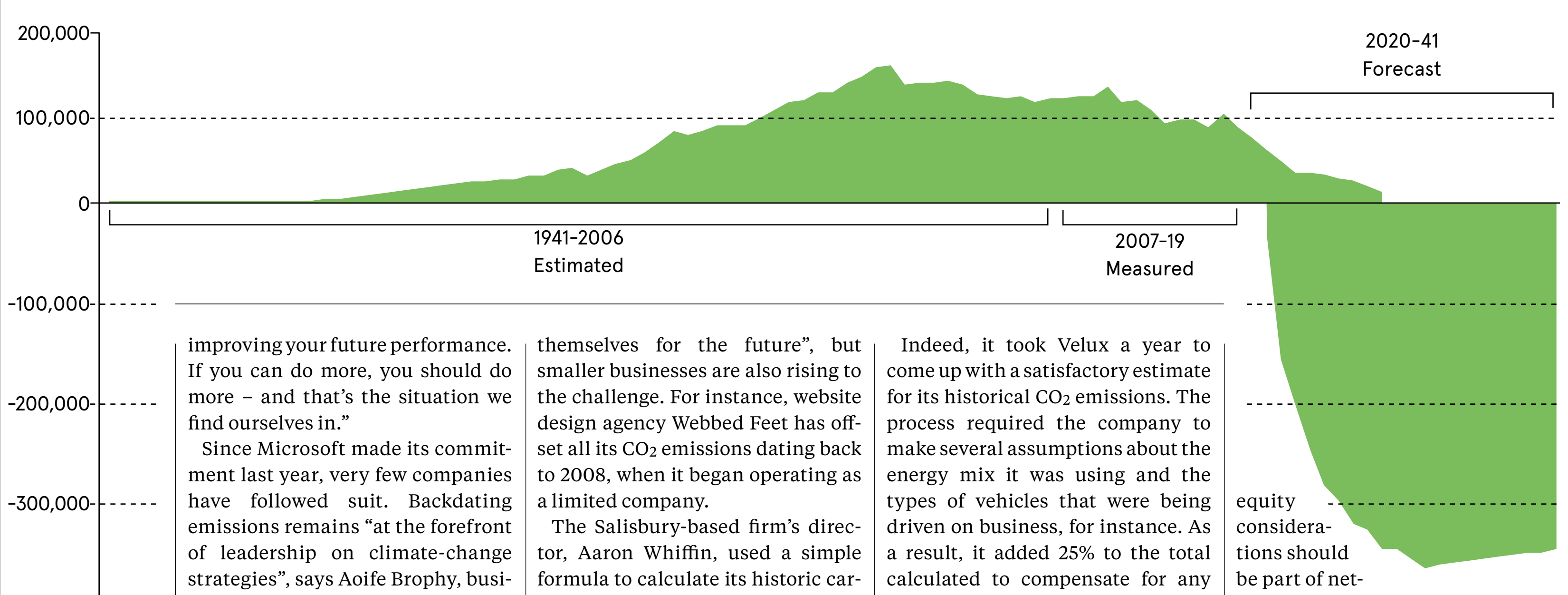
"The Global North has been responsible for a huge proportion of cumulative CO_2 emissions to date, whereas the impacts of climate change will be concentrated on the Global South," Brophy says. "Such equity considerations should be part of net-zero targets. This is where a focus on backdating could be helpful."

Although backdating remains a nascent area of industrial climate action, it has the potential to fuel advances in carbon-removal tech and encourage companies to consider their wider responsibility for the crisis. The efforts of firms such as Velux, Microsoft and Webbed Feet demonstrate that it is possible to become lifetime carbon neutral. The wider uptake of this more holistic approach to climate action may be necessary if we are to reach our most ambitious net-zero goals.

VELUX'S ESTIMATED HISTORIC CARBON EMISSIONS AND PROJECTED CARBON-CAPTURE PLAN TO REACH ITS LIFETIME NET-ZERO GOAL BY 2041

Annual scope-one and scope-two greenhouse gas emissions (tonnes of CO_2 equivalent)

Velux, 2021



It's not just a question of improving your future performance. If you can do more, you should do more

OPINION

'Sustainability now forms the basis for decision-making and strategy development for government and business alike'

Major changes have occurred in the field of corporate responsibility and sustainability over the past 20 years.

To any enterprise other than a truly forward-thinking company, 'responsible business' used to mean nothing more than donating to a worthwhile cause. Although some large corporations employed environmental specialists, their work was often an adjunct instead of a core strategic element. Discussions about the environment tended to be responsive rather than a key part of a formal planning process. And corporate responsibility and sustainability (CRS) professionals were focused on specific disciplines.

I am thrilled that we have moved towards a more strategic approach to responsible business over the past two decades, while the key skills of CRS professionals have broadened.

Reporting became a key function, which led us into wider business areas such as diversity and ethics (HR), supply chain (procurement), products (operations) and customer service (marketing). We did still rely on functional specialists to deliver, but this shift meant that we had to hone our influencing skills, improve our stakeholder engagement efforts and better understand business.

Our profession continues to evolve. We're starting to see purpose-led businesses that give equal weight to social, financial and environmental considerations. The idea of value is much broader than a purely economic concept; it also covers the long-term societal contribution of an organisation and its stakeholders.

There has been good progress: climate change, diversity, the circular economy and many other issues are being addressed by boards. ESG is no longer the preserve of a few niche investors. There are also mounting regulatory CRS requirements. These range from the environmental (in areas such as climate change, CO_2 emissions and energy consumption) to the social (on issues including slavery, the gender pay gap and stakeholder engagement) – and they are only likely to grow in number.

This has led to a move away from standalone CRS disclosures. These are now being integrated into companies' annual reports. Meanwhile, the rise of the C-level sustainability director means that we finally have a seat at the top table, where our knowledge, expertise and ability to challenge constructively is crucial. And the creation of the first CRS apprenticeship programme makes it clear that this is a good career choice for the next generation.

At COP26, we saw the first steps on the 1.5°C pathway, but political and territorial barriers meant that these weren't the bold strides that many of us had been hoping for. It seems that global companies, which are able to invest, innovate and thereby transcend international boundaries and geopolitical obstacles, may be best placed to deliver the change that's needed.

The growing global movement of people who hold governments and businesses to account will be a crucial factor. Sustainability now forms the basis for decision-making and strategy development for government and business alike. And knowledgeable and networked CRS professionals are needed to deliver.

We at the Institute of Corporate Responsibility and Sustainability, help CRS professionals be brilliant at what they do. Given the need for collaboration in this field, our knowledge-sharing has never been more important. We understand sustainability and the challenges of working with complex issues across organisational boundaries. And we support the next generation of professionals through the expertise of our fellows, regional and specialist hubs, and mentoring programme.

My wish for the future is that CRS is finally recognised as a profession – and that a clear and structured career path is made available for those who choose to join this extraordinary group of people. ●

Anita Longley
Chair, Institute of Corporate Responsibility and Sustainability

Commercial feature

Navigating the fast-changing ESG real estate landscape

If the UK is to achieve net-zero emissions then the commercial building sector will need to up its focus on building sustainability into all its projects, both for new buildings and retrofits

Hollis recently managed the refurbishment of a 43,036 square foot warehouse space that has achieved net-zero status

As the UK moves towards its goal of net-zero emissions by 2050, the real estate sector is expected to play a defining role. Non-domestic buildings account for around 18% of the country's carbon footprint, which must fall by at least 80% for the UK to hit its target.

Yet the transition will be far from easy. Investors, developers and landlords must embed environmental, social and governance (ESG) considerations at every stage of the property lifecycle, from due diligence and acquisition to asset management. And that can be costly and complex without a carefully considered plan.

Regulations are changing fast and building owners and landlords are racing to keep up. All new buildings must now meet nearly zero energy requirements. And from 2023 any privately rented property must have a minimum energy performance certificate (EPC) score of 'E', with this likely to increase to 'C' by 2027 and 'B' by 2030.

Property owners must act now to future-proof their portfolios, but many are unsure how to put an effective plan into place.

Hollis, an international real estate consultancy, specialises in helping building owners, occupiers, landlords, asset managers and public sector partners across the UK, Ireland and mainland Europe to navigate the fast-changing ESG real estate landscape.

Its large multi-disciplinary team advises clients on how to invest in, develop, manage and occupy property sustainably, overseeing everything from the acquisition of assets to maintaining a building's value throughout its lifecycle.

"Real estate operators need to make ESG part of everything they do, not treat it like an afterthought," says Hollis' head of ESG consulting, Katherine Beisler. "Yet many are putting off taking action, which will only make the inevitable transition harder."

Hollis recently managed the refurbishment of a 43,036 square foot warehouse space in Park Royal, London, for real estate investment and development company SEGRO. The site, Unit E Premier Park, achieved net-zero carbon from an operational perspective, an 'excellent' BREEAM rating for sustainability and won a 'Building Performance Award' at the 2021 Building Awards. Crucially, it also added significant long-term value to the property.

Hollis managed the complete remodelling of the unit, and provided in-house ESG, mechanical and electrical consultancy. Among other sustainability measures, it installed photovoltaic panels on the roof to supply electricity, enabled heat recovery of up to 85% throughout the building and cut water wastage by more than 400,000 litres a year using features such as non-concussive taps and rainwater harvesting feeds for WCs.

Hollis also added electric vehicle charging points for the building's occupier and the public to use, created a woodland walk to attract wildlife and improve employee wellbeing, and added secure bicycle parking to encourage staff to cycle to work.

"When discussing ESG, people refer mostly to environmental sustainability while the 's' for social tends to get overlooked," says Beisler. "In reality, it is about ensuring buildings serve the communities in which they are based. That's why we focus on creating spaces that help drive behavioural change, support employee health and wellness, and foster productivity and interaction."

In another example, Hollis helped international law firm Taylor Wessing refurbish its new office at Edward Pavilion in Liverpool to meet BREEAM 'excellent' standards. The Grade I Listed building at Liverpool's Royal Albert Dock needed a huge retrofit to meet modern ESG standards, but Hollis worked quickly to coordinate the adaptation of the design and specifications, all while keeping the project on programme and budget.

The work was recently awarded 'Fit-out/Refurbishment of the Year' at the Liverpool City Region Property Awards.

Adapting your existing property portfolio for a sustainable future needn't be an overwhelming task, says Beisler. The financial benefits are much more immediate than many realise too. The real risk is inaction or greenwashing, both of which create financial and reputational risk.

"Already a two-tier market is emerging of sustainably-focused assets and inefficient ones," Beisler says. "Those who do not adapt risk being left with stranded assets they can only sell at a deep discount."

Those who take action can avoid the pitfalls and reap the gains, she adds. And those gains are set to grow, as the world gets closer to a net-zero future.

Property owners must act now to future-proof their portfolios, but many are unsure how to put an effective plan into place

To find out more about embedding ESG into your real estate, visit hollisglobal.com/our-expertise/services/esg-consulting/

HOLLIS

INNOVATION

Goods for a spherical economy

The urgent need to cut the planet's CO_2 emissions is spawning a generation of inventive new products, ranging from printable solar panels to space-saving wine bottles

Andy Jones

In the Sixth People's Hospital in Jinan, China, doctors and nurses work day and night to improve their patients' quality of life. But so too does the building. Many surfaces at this 10ha facility are coated with a paint that removes harmful chemicals from the air – an extremely useful property in a country beset by high levels of atmospheric pollution.

The paint, which contains no volatile organic compounds, has been applied to thousands of buildings in other parts of the world, including the UK. Two murals in London and Bristol will not only have an aesthetic function but also absorb CO_2 from their surroundings.

"Our paints remove it from the air as they cure. A single 15-litre pot will take out nearly 5kg of CO_2," explains Patrick Folkes, director of the UK operations of Graphenstone, the Spanish firm that makes the paint, which is based on an ancient-and-modern mix of lime and graphene.

Making every surface work harder is key to reducing carbon emissions, according to Dr David Greenfield, managing director of sustainability consultancy Social, Environmental and Economics Solutions. He cites Biohm, a wall insulation fibre that repurposes orange peel and coffee grounds, as an exemplar.

"Home insulation is often made from fossil-fuel-derived materials," he says. "To have the same insulation properties with a natural material creates a net-positive product."

Similarly, what if we could reduce fossil-fuel emissions by enabling any surface to generate power from light? Solving some of the main drawbacks of conventional solar panels – that they tend to be costly, inefficient, bulky and unsightly – Swedish firm Exeger makes a low-cost, wafer-thin material called Powerfoyle. The product, which can be custom-finished to resemble a range of materials, doesn't even need to be placed in direct sunlight to work, according to Exeger's co-founder and CEO, Giovanni Fili.

"It will generate electricity under any light condition, even indoors, and will integrate into the surface of any device so that you won't even notice it's there," he says.

The company produces 30 million Powerfoyle units each year. Most of these are used on household devices such as e-readers and headphones but, because they're slim enough to be printed, they could soon enable items ranging from cars to curtains to convert light into electricity.

It's crucial that every product is used to its maximum potential if nations are to achieve their net-zero targets. So says Barbara Chandler, founder and judge of Green Grads, an annual competition that recognises the best in sustainable innovations. "The greater challenge is to eliminate waste completely through a circular economy," she stresses.

Tennis is one of the most polluting sports in the world, mainly because the balls have an extremely short life, according to research conducted at Loughborough University in 2006. Reusing this waste material while helping to improve the lives of people living in high-density housing is Soundbounce – one of 30-plus innovations that the Green Grads scheme showcased in London in September. Developed by Mathilde Wittock, a postgraduate student at Central St Martins art and design college, this product is a noise-absorbing screen that recycles 225 used balls per m^2.

Fugeetex is another UK firm seeking to support the circular economy. Staffed almost entirely by newly arrived refugees, it salvages 10,000 garments destined for landfill from the wasteful returns process each year. In mainstream retail, many garments with minor defects are discarded because repairing them is not cost-effective. The same is true of unwanted clothing that, because of the fleeting nature of fashion, isn't returned to the retailer in time for a profitable resale, says Haider Abdo, head of nShift Return, a Fugeetex partner that manages the returns process for several retailers.

> **Blockchain makes it possible to reliably trace the history of a product and, with that, its full social and environmental footprint**

01
Garçon Wines manufactures a recycled PET bottle that's thin enough to be posted through a typical letterbox

02
The brainchild of design student Mathilde Wittock, Soundbounce is a noise-absorbing room divider that gives used tennis balls a new lease of life

"We have the chance to help retailers extend the life of any product, take responsibility for that product throughout its lifecycle and establish truly sustainable production," he says. "Because Fugeetex operates locally and plans to grow in Europe, in future no goods will need to be shipped back and forth."

Such changes will help companies to implement more flexible and resource-efficient models in their value chains. These can be enhanced through the use of blockchain, a digital ledger that stores indelible information about a product's ownership, says Mario Calderini, professor of management for sustainability and impact at the Polytechnic University of Milan. When applied to consumer goods, this technology can track the path of each item through the manufacturing process.

"Blockchain makes it possible to reliably trace the history of a product and, with that, its full social and environmental footprint," Calderini says. "This feature will have a vital role in creating trust and raising consumer awareness."

If carbon neutrality is ever to be achieved, customers need to be granted easy access to data relating to their choices, he adds. One factor could be climate receipts.

Take Norwegian online grocer Oda, for instance. The firm has replaced plastic bags with reusable cardboard boxes to transport the goods it delivers. It also ensures that every item comes with a climate cost and a receipt that details its carbon footprint. This enables consumers to make informed decisions, while also encouraging producers to reduce their CO_2 emissions.

When consumers won't change their habits – for instance, by reducing their consumption of red meat, which generates 60kg of greenhouse emissions per kg of product – producers can meet them halfway.

"Enterprises such as Dutch company Mosa Meat are growing meat in the lab, starting from actual living cells," Calderini says. "They're producing burgers that are made of true meat, not substitutes."

Other innovators have got creative with their packaging. Many unnecessary carbon emissions are caused by the poor utilisation of space – the use of needlessly large containers, for instance – particularly in the international wine industry, where the bottles have much to answer for. Research published by the California Sustainable Winegrowing Alliance has found that the production, transport and recycling of glass bottles, together with the packaging needed to move this spatially inefficient, heavy and fragile container safely, account for just over two-thirds of a typical wine's carbon footprint.

British firm Garçon Wines makes flattened bottles, made of recycled PET, that can fit through the average letterbox even when packaged. This simple change has a hugely beneficial impact, according to the company's co-founder and CEO, Santiago Navarro. "By going flat, we offer bottles that take up 40% less space than their conventional equivalents," he says. "Some wine companies will pack as few as 450 bottles on a pallet. We can fit close to 1,100."

Achieving a significant reduction to a product's carbon footprint with such a simple, affordable innovation is something that we can all raise a glass to.

Commercial feature

How sustainable companies large and small are challenging industry norms

Sustainable business are not only good for the environment, but their efforts to change encourages other companies within their industries to become more sustainable, too

Brittany Golob

Leather is unsustainable. Chocolate contributes to deforestation. Cosmetics stifle biodiversity. Technology leads to waste. Signage isn't carbon efficient. These are but a few of the industry stereotypes that the businesses who met at a recent roundtable – Avon, Epson, JC Decaux, Love Cocoa and Young Soles – are changing.

Instead, they hope that list will read something like: vegan leather is sustainable; chocolate can support small farmers and the environment, cosmetics can nature thrive, technology can be innovative, signage can be a positive contributor to the urban landscape. And they are all making the kind of change their respective industries need to become leaders in sustainability.

"I think the first steps consist of integrating sustainability into your business strategy," says Lénaïc Pineau, CSO at JC Decaux. "Sustainability requires you to be consistent at every level. Every business decision should be consistent with your commitments. And your actions should be consistent with your CSR strategy. What you say should be consistent as well, with what you do."

That commitment rang true with the rest of the panel, who agreed that sustainability has to be integrated into a brand's purpose. A commitment to fighting climate change touches every aspect of the company, from sourcing to staffing to creativity.

"Being a microbusiness brings a lot of other challenges around sustainability. It's about how you maintain the company and how a company is going to be here in five- or 10-years' time as well as the impact that you have on the environment, the community, your consumers and your employees," Stu Anderson, CEO of children's footwear company Young Soles says. He adds though, that small businesses have the advantage of remaining nimbler than their larger counterparts; capable of making positive change with greater ease.

And, it's not just about making change within an organisation, but influencing change across an industry.

$1.2m

per day is invested by Epson into research and development

Epson, 2021

That was the ethos with which Love Cocoa was established. Run by James Cadbury, the chocolate brand was built with a sustainable, ethical mindset in place. Cadbury says he hopes his company's practices – including working with small farmers, sustainable sourcing and plastic-free packaging – will influence bigger companies. "A lot of the change is driven by the microbusinesses and SMEs who show the big ones how it's done. Eventually we will have that influence. Small businesses can do something to kick things off. The bigger corporations need to start to play a bigger part in [sustainability]," he adds.

Sourcing is a crucial element of sustainable practice for most of the panellists. Imaging technology brand Epson has focused on auditing its supply chain to avoid sourcing conflict minerals. It is also working with innovative startups on closed-loop sustainable materials development, like plastic made from algae. Epson's head of sustainability and government affairs, Boris Manev, says: "Companies have a responsibility to help consumers make sustainable choices. Obviously, there are not always standards in a certain industry that you're able to measure against. But this is where innovation should play a role."

To source responsibly, a business also needs to understand its industry and uncover the levers of change. In cocoa farming, deforestation is a huge issue. But, by working with farmers, and by reforesting, chocolate companies can make a difference. "It's working with people. A lot of the farmers are actually small, family farmers and then they sell to bigger corporations, who will sell to another company," Cadbury says. He adds that education about the impact of deforestation will help not only the farmers, but major companies working in chocolate to reconsider their practices.

Those decisions will also be affected by changing consumer choices. Avon – which has always been a socially dynamic business – is seeing this across the beauty industry. "Women were selling Avon through their social networks 30 years before they had the right to vote in the US," Avon's director corporate affairs and sustainability, Natalie Deacon, says. "Sustainability is about building a resilient, futureproof business that truly gives back to people and the planet. It's about communities and human rights as much as it is about the environment."

> **Companies have a responsibility to help consumers make sustainable choices. Obviously, there are not always standards in a certain industry that you're able to measure against. But this is where innovation should play a role**

Avon is working toward its B-Corp certification and is introducing new recyclable strategies and sustainable products. But its challenge is that while customers are supportive of these changes, they often balk at paying the higher price tag that may come with them.

Anderson agrees, saying his company's vegan shoe line was brought about because of customer demand, but the price point is still higher than he'd like. He adds: "One of the biggest challenges in the fashion industry is how we can influence consumer behaviour to shift away from cheap disposable fast-fashion to something more substantive and sustainable."

But the drive toward sustainability goes beyond customer demand. For the businesses that truly want to make a difference, sustainability is part of every aspect of its operations. "Sustainability is a never-ending quest," Pineau says. "We can always improve ourselves. You have to listen to the stakeholders in order to transform your company. And at the end, it's also about collaboration." She champions breaking through company silos to work across teams and inspire creativity.

Collaboration is also something that resonates with Deacon. Avon is spearheading a partnership across the beauty industry to unite the likes of LVMH, Henkel and L'Oreal to create a rigorous eco-scoring system to be used across cosmetics packaging. Open to companies of all sizes, the objective is to make sustainability an industry-wide value and communicate that clearly to consumers. "One of the amazing things about working in this industry is it's so innovative and forward-thinking. We have to do this. We have to work together to drive change, and to be that change," Deacon says.

Similarly, Cadbury's approach to plastic-free packaging and oat milk chocolate is generating interest and creating change in the wider industry. This, he hopes, will drive the price down as bigger companies work with suppliers in more sustainable materials. The impact must extend beyond any single company to really make a difference in the world.

At JC Decaux, this is the name of the game. The company works hard to ensure its assets and street furniture have a low impact on the environment. Its digital advertising screens are carbon neutral. And it uses those credentials as part of its point of differentiation with advertisers. "We want to help our clients better understand the footprint of their campaigns," Pineau says. "If you want to make the industry move, you have to help it to better understand the impact it has and where they can have a real role to play."

Collaboration across industries and across business siloes is essential to making a difference. Epson's focus on R&D means it is tackling both issues of supply and issues of consumer hesitancy by integrating sustainable materials into its products. This facilitates a stronger relationship between sustainability managers and channel partners, sales teams and business partners. "We explain that business partners first need to embed sustainability into their management philosophy at the highest level, and then, start from there and understand what their stakeholders, requirements and materials are. Then, put that into concrete action," Manev says.

Brand purpose lies at the heart of these strategies. Anderson says: "Your brand strategy is how you think, and your sustainability strategy is how you act. They are two sides of the same coin." For businesses striving to make industry-wide change, positive, meaningful action is not only good business, but business that does good.

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