

Ethical
CORPORATION
MAGAZINE

DECISION TIME FOR THE PLANET

Will this be the decade of delivery?

**'WE CAN'T WAIT
FOR THE KIDS TO
BAIL US OUT'**

**'THE CLOCK IS
TICKING ON TACKLING
THE SDGs'**

**THE 'GRETA
WAVE' CRASHES
ASHORE**



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WELCOME TO THE JANUARY 2020 ISSUE

The failure of last month’s COP25 meeting to agree a plan for governments to deliver on the 2015 Paris Agreement, let alone to ratchet up ambition to keep within 1.5C of planetary warming, puts huge pressure on 2020 to be a pivotal year.

What we do over the next 12 months will in turn set the direction for a pivotal decade, which will determine whether we as a species can rise to the enormous challenge of changing the trajectory on catastrophic climate change and deliver on the Sustainable Development Goals.

There is a huge amount of work that must be done ahead of the crucial COP26 negotiations in

Glasgow in November, and business leadership will be critical to emboldening policymakers to make it a success.

For this month’s issue, we’ve asked thought leaders in Ethical Corporation’s global ecosystem of change-makers to give their prescription for how business can help make the 2020s a decade of delivery.

John Elkington, the “godfather of sustainability”, kicks off the issue, saying that the Exponential Twenties promise to be the most exciting, and dangerous, of his long career.

Mike Barry, architect of Marks & Spencer’s Plan A, outlines the 10 things companies need to know if they want to remain sustainability leaders in the radically different decade ahead.

Meanwhile, Henry Richards of the British Academy draws on lessons from the Tomorrow’s Capitalism inquiry to explain how companies can get real about purpose, and Forum for the Future’s Sally Uren writes an open letter to >



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C-suite executives with her nine-point plan for systems transformation.

Speaking for the sustainable investment community, Adam Matthews of the Church of England Pensions Board calls for investors and boards to form climate partnerships to develop net-zero carbon paths for sectors like aviation, autos, shipping and steel.

Meanwhile, the World Benchmarking Association's Paul Druckman explains why capital markets could be turned into a force for transformational change.

John Morrison of the Institute for Human Rights and Business says the rule of law is under threat as never before and companies will need to support initiatives to promote both the environment and human rights, while the UN Global Compact's Lise Kingo calls for business to urgently course-correct to achieve the SDGs.

Dr Jane Thomason of Fintech Worldwide argues that collaboration is key to ensuring that blockchain and other digital technologies are harnessed to bring about social and environmental progress.

Andrew Higham of Mission 2020 reflects on progress since the Paris Agreement and what will be needed to make the next climate meeting in Glasgow a success, while Jen Austin of the We Mean Business coalition hopes the walls of indifference surrounding laggard countries can be battered down by momentum from businesses, investors, cities and regions.

Justin Adams of the Tropical Forest Alliance says more inclusive, transparent and forest-positive business models in commodity supply chains are needed to turn the corner on



MASSIMO PINCA/REUTERS

deforestation, while the Nature Conservancy's Lynn Scarlett outlines how a series of international agreements in 2020 could set the stage for more sustainable economies.

Olam's Sunny Verghese continues the focus on supply chains, arguing that a global food and agriculture system in line with the Global Goals could unlock economic value of more than \$2tn by 2030.

In a rapidly urbanising world, cities are key players in forging a more sustainable future. CDP North America's Bruno Sarda says mayors the world over now have no choice but to become more resilient, given the material and physical risks now posed by global warming, while Pat Dwyer of The Purpose Business argues that sustainability leadership in Asia must begin with rethinking waste and embracing responsible consumption.

We give the last word to WBCSD's Filippo Veglio, who explains why, 10 years after its launch, Vision 2050 is being refreshed to help deliver the transformational change needed over the next decade.

At Ethical Corporation we will strive to do our part in 2020 and beyond, with our independent journalism benefiting from even greater support and editorial resources through our new ownership by Thomson Reuters, which takes effect this month.

We wish you all the best for 2020. ■



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INSIGHTS AND ANALYSIS IN 2020 TO INFORM A DECADE OF ACTION

JANUARY

Calls to action

Thought-leaders and the investment community, including John Elkington, Paul Druckman, Mindy Lubber, Lise Kingo, Sally Uren and Sunny Verghese, give their marching orders for business in the coming decade of action on climate change and the SDGs

FEBRUARY / MARCH

Deforestation Risk

In a two-part assessment of deforestation risk in supply chains we will do deep dives into palm oil and forest and timber products in February and at soy and beef in March

APRIL

Smart and resilient cities and energy efficiency

How cities are adapting to climate change through the use of nature-based solutions, and cooling technologies. Our second briefing will focus on the global drive to double energy efficiency

MAY

Climate and good governance activism

We look at the impact of employee and student activism; also Climate Action 100+ and the divestment movement. A second briefing will examine the agenda for transparency on tax, lobbying activity and procurement

JUNE

Accelerating the circular economy

Full issue focus on circular economy, featuring new developments on plastic, including involvement of investors and rise of social plastic. We also delve into e-waste

JULY / AUGUST

Sustainable marketing and communications

For our combined summer issue we look at sustainable communications and marketing, the impact on consumers and how companies are simplifying the purpose message

SEPTEMBER

Sustainable seafood and healthy oceans

Ocean-based solutions, from offshore wind and tidal power to sustainable seafood and cleaner shipping, could provide 21% of the solutions to climate change. This briefing will explore the new front in the climate battle

OCTOBER

Are science-based targets up to scratch?

A critical look at SBT, including calls for human rights to be included, and the fashion industry's sectoral approach to SBTs. Our second briefing will look at moves to standardise ESG reporting

NOVEMBER

Water risk and biodiversity

We look at growing water risk as a result of climate change. Our second briefing will be on the business-led initiatives to protect biodiversity through more sustainable land use

DECEMBER

The transformation of energy

Technology-focused issue on the energy transition, particularly looking at energy storage technologies and hydrogen, electrification. Also, the rise of geothermal energy

VIEW THE FULL CALENDAR HERE!

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AVIGATOR FORTUNER/SHUTTERSTOCK


 VIEW ONLINE

THE 'GRETA WAVE' CRASHES ASHORE

John Elkington says the next decade could be the most exciting, and dangerous, time for sustainability as we enter the Exponential Twenties

I will remember 2019 for many things, including the fact that both my parents died during the year; he aged 98, she 97. They saw vast changes during their unusually long lives. He learned to fly on rickety biplanes, then, little more than a decade after fighting in the Battle of Britain, was monitoring the fallout from nuclear bomb tests in

the Pacific and later flying jets that would once have been inconceivable. Born into a radio world, they died enmeshed in the internet.

Even so, I believe the next couple of decades will see more change than my parents saw in ninety years. Let me explain. My forecast for the 2020s, which I have come to call “the exponential decade”, is that this will be a period where things move at a blistering pace and in directions that take many – perhaps most – of us by surprise.

This is a theme that Volans will explore at our Tomorrow’s Capitalism Forum on 10 January, co-hosted with Aviva Investors. The provocative sub-title is “Step Up – or get out of the way”. >



The first round of our [Tomorrow's Capitalism inquiry](#) suggests will see things once considered impossible becoming not only possible, but seemingly inevitable. To use a phrase coined by Ernest Hemingway and more recently adopted by Silicon Valley watcher Tim O'Reilly, this will be a "gradually, then suddenly" world.

Elements of the [sustainability revolution](#) that have moved so slowly that they almost seemed to be going backwards will suddenly take off, confounding us all. As a once largely linear world becomes increasingly exponential, as sketched

The 2015 Paris Agreement unleashed a surge of energy towards sustainability.

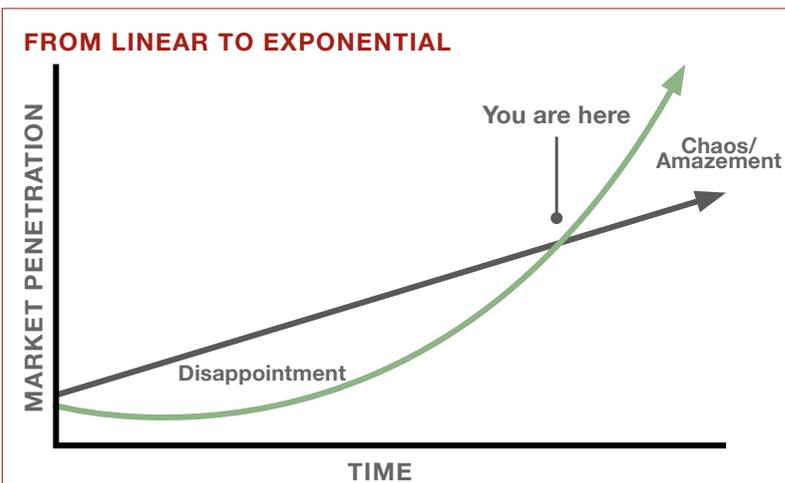
in the diagram below, the result will be chaos, amazement, or both.

One-time disruptors will themselves be disrupted. The global sustainability industry is a prime target for disruption. It has managed to move the needle to the point where business publications like the [Financial Times](#) and [The Economist](#) are spilling over with insightful coverage on related themes, but what we have learned to call the climate emergency is increasingly seen for what it is: an existential crisis for our civilisation. Whatever we're doing, and however well we think we're doing it, it's not working.

The emerging fault lines between old and new-order thinking became starkly obvious to us early in 2019, when we threw our weight behind the [Extinction Rebellion](#) protests. The CEO of a key client company emailed me wanting to know how I "dared" become "political".

Put aside the fact that I have been a lifelong activist in service of a radically different future and this outrage spotlights the growing clash between different priority sets, different senses of urgency and, albeit not in this case, different senses of the ultimate direction of travel.

At the same time, dramatically, we had issued invitations to bring the new breed of activists into ➤



Source: Singularity University



The sustainability agenda is being recreated with new energy – and fury – by younger people, who see their future under threat

corporate boardrooms, a direction we have since been pursuing both through our own projects and through such initiatives as [Business Declares](#).

Civil society organisations we work with have been shaken by the sudden shift in the political landscape. True, progress in the formal climate negotiations continue to be glacial at times as we saw in Madrid, but school climate activists – including the incomparable Greta Thunberg – have upturned expectations that the rising generations would go quietly into the climate and environmental night.

In company after company I hear senior executives saying that their children have been turning up the heat under what they see as their complacent parents. Having seen earlier youth movements flash over into violence when they sensed that the “system” was rebuffing their demands, I approach the 2020s in some trepidation, but also sensing that something has switched.

The sustainability agenda, in large part a baby-boomer project, is being recreated with new energy – and fury – by younger people, who see their futures under increasingly urgent threat.

I am a boomer, having hit the tender age of 70 in June 2019. But at a time when some of my friends have retired or are planning to do so, I see the next 10-15 years – if I survive – as the most exciting, challenging and dangerous of my working life. Indeed, I see yet another seismic shift coming.

The fifth societal pressure wave since 1960 is now peaking. It may be hard to see when Greta has made it onto the cover of Time magazine as [person of the year](#), but it is nonetheless true.



CATCHING THE WAVES

Let me conclude with a few thoughts on how we got here, and where we may be headed. The first societal pressure wave (Wave 1, keyword: environment) built through the 1960s, and peaked between 1969 and 1972. The first Earth Day in 1970 was a key milestone. The downwave, running through to 1987, saw a massive wave of regulation across the OECD world, with business largely on the defensive, forced to comply.

Wave 2 (keyword: green), peaking between 1988 and 1991, saw the collapse of the Soviet-centred communist bloc. In parallel, there was a new focus on moving business “beyond compliance”. One result was the launch through the subsequent downwave (1992-1998) of a range of voluntary market standards such as AA1000, the Global Reporting Initiative, ISO 14000 and SA8000. Business analysis embraced total quality management, triple (and then double) bottom lines, and environmental (and then sustainability) reporting. >

The Wave 3 (keyword: globalisation) agenda included many Wave 1 and 2 agenda issues but increasingly in the context of the processes of globalisation, liberalisation and privatisation. Globalisation also weakened many governments, as did the hyper-power status of the United States. As markets and supply chains globalised ahead of global governance systems, the spotlight was on multinational corporations, particularly their stumbles: think Shell, Nike, Monsanto. Then, after Wave 3 was cut short by the events of 9/11, the third downwave (2002-2006) focused on much narrower definitions of security.

Wave 4 (keyword: sustainability), peaking around 2010-2012, saw a growing use of the “S” word, with many business leaders announcing they had already “embedded” the agenda. Meanwhile, we saw the beginning of a generational handover as the boomers began to retire, and Gen X and Y made their priorities felt. New forms of social media and social networks began to transform not only business (eg, Amazon, iTunes) but also activism (eg, 350.org, Avaaz, 38 Degrees).

With governments distracted by the “great recession”, we saw the emergence of multiple theories of change, including a growing emphasis on the role of entrepreneurs (eg, cleantech, social), plus a growing interest in the rise of the BRICS and MINT economies. Business analysis increasingly embraced concepts like integrated reporting and shared value, but even deeply entrenched organisations like the World Economic Forum began to signal the systemic crisis building across what it called the [water-energy-food-climate](#) nexus.

Through the Wave 4 period, Volans was evolving its “breakthrough capitalism” agenda. We also began to shift our work from observing and mapping the waves and downwaves to creating the conditions in which the next upwave would be more like a rising tide.

Wave 5 (keywords in contention, but how about “Greta”?) kicked off in 2015, with the United Nations Paris Conference on Climate Change



CARLO ALLEGRI/REUTERS

The 9/11 attack on the World Trade Center cut short the globalisation agenda.

and Sustainable Development Goals. The surge of energy associated with this latest wave has been extraordinary, though I suspect that the Time cover may signal that this latest wave is peaking. Some may see that as a bad thing, but past experience suggests that the really useful work tends to get done in the downwaves, rather than in the frothy peak periods.

All of this has had me racing back to the drawing board with my long-standing colleague Rupert Bassett, to map out the latest trends. There have been five great economic cycles to date, tracking back to 1800, which I first studied in Schumpeterian economics in the 1960s. Now we seem to be heading into another round of Schumpeterian “creative destruction”, with an older order coming apart at the seams and a new one struggling to find its feet.

Overlaid on those long-term cycles are the more recent societal pressure waves we have now been tracking for 25 years. The obvious question is where we are headed next?

The next (sixth) economic cycle could see a breakdown trajectory as our civilisation overshoots planetary boundaries. The key question here: How >



The next economic cycle could see a breakdown trajectory as our civilisation overshoots planetary boundaries



These will be the worst of times for those clinging to the old order, yet potentially the best for those driving the new

to come. It's also a template for exponential change toward the distant goal of a sustainable future for all. Getting from here to there will be no trivial task, however. Times of disruptive change upend market and political pecking orders, creating political shock waves that can last for decades – even generations.”

As a decade, the 2020s do not yet seem to have sticky branding like the “zeroes” or the “teens”, but they will have branding, and it will likely reflect a period of exponential change. So, again, the “Exponential Twenties”? To paraphrase Dickens, these will be the worst of times for those clinging to the old order, yet potentially the best of times for those embracing and driving the new. Buckle your safety belt. ■

do we get onto an exponential upward trajectory? To get a better sense of where all this might take us, I used the [Harvard Business Review](#) platform in June 2018 to “recall” the triple bottom line and embarked on my 20th book. This will be published in April by Fast Company Press. Its title: *Green Swans: The Coming Boom In Regenerative Capitalism*.

Riffing off Nassim Nicholas Taleb’s book [The Black Swan](#), events that often take us unexpectedly in exponentially bad directions, the idea here is that green swans potentially take us in exponentially better directions.

The green swan, the opening paragraph of the book declares, “is a symbol of radically better times



John Elkington has been described as the “godfather of sustainability”. He has co-founded four companies, including Volans Ventures, where he is chairman and chief pollinator.





‘WE CAN’T WAIT FOR THE KIDS TO BAIL US OUT. WE HAVE TO REWRITE THE SUSTAINABILITY RULE BOOK, AND NOW’

Mike Barry, architect of Marks & Spencer’s Plan A, outlines the 10 things companies need to do to face up to the coming decade of consequences

 [VIEW ONLINE](#)

It’s easy to get stuck in your ways as a leader, caught in the past, not looking forward and anticipating the great disruptions that are coming. So when I left M&S this summer after 19 brilliant years I was determined to re-appraise what it >



SCOOTERCASTER/SHUTTERSTOCK

would mean to be a sustainable business leader in the radically different 2020s. I've met and listened to over 100 different people in the last couple of months and these are the 10 things they told me:

1 MOVEMENTS ARE NOT THE SAME AS STAKEHOLDER ENGAGEMENT

Business is struggling to keep up with the momentum that is building across society calling for action on the #ClimateCrisis. The neo-liberal consensus of the last 40 years has left companies “one-eyed” in looking for signals from “professional stakeholders” – shareholders, NGOs and regulators. It's become blind to emotional shifts in societal expectations (as opposed to functional requests for better phones). The global climate strikes, their scale, geographical and demographic extent, crystallises this trend, one to which companies must respond in order to remain relevant in the next decade. Intriguingly, employee movements within companies have become important catalysts for change, particularly in the tech sector.

2 IMPLEMENTATION IS FAR HARDER THAN ANNOUNCEMENTS

Business lags the shift in societal expectations but

Protests against Amazon building a new headquarters in Queens, New York, last year.

it's responding. Eighty-seven companies are signed up to 1.5C science-based targets or a commitment to achieve net-zero. Amazon and Google (the new swing voters of the global economy) show how ambitious business can be. But now the hard work starts. Systemically tackling the carbon footprint of every nook and cranny of your value chain is a massive undertaking and demands the efforts of your brightest and best teams. It should be a matter of pride, development and advancement to play a role on such an important project.

3 FORGET LOBBYING AGAINST GOVERNMENT AND GET BEHIND GOOD POLICY

The UK has seen a dramatic reduction in the cost of offshore wind, to the point where, unsubsidised, it's out-competing gas. Bold investment decisions and innovation breakthroughs have been key to this, but underpinning all of it has been a strong, consistent, long-term policy framework. The UK's macro framework to become net-zero by 2050 is bold but it needs many more detailed implementation policies like offshore wind to make it a reality.

The US has also seen a welcome business movement to fight moves by the Trump >

administration to roll back regulations on methane, lightbulbs and vehicle efficiency. Business though now needs to spin 180 degrees and go from a mindset of resisting new policy to embracing it. The UK's [Global Resources Initiative](#) taskforce and its work on sustainable supply chains shows how government, civil society and business can co-create the right, robust long-term approach.

4 WORKING IN PARTNERSHIPS IS KEY Whilst some businesses are still looking for a point of difference from their own competitors, more and more recognise the need to collaborate to build a sustainable future. Many technical partnerships have emerged over the last decade. Now though, there is a sense that these partnerships are being elevated to be owned and driven by CEOs. Paul Polman's latest venture [Imagine](#) is doing just this, seeking to get all the CEOs in a sector to collaborate for change. How will you get your CEO and leadership team to step forward and work with their competitors to drive change?

5 PLANETARY SAFETY AND SOCIETAL EQUALITY ARE TWO SIDES OF THE SAME COIN

One watch-out though for all of us is a sense that the momentum behind environmental sustainability could crowd out critical social issues. Human right abuses, the uncertainties of the gig economy and growing inequality are hardly the firm foundations for a sustainable future. And as we've seen in the last few years, the dispossessed and left behind do not automatically flock to the flag of sustainability. The words [#JustTransition](#) keep popping up on the edge of the discussion



However much we reduce the embedded carbon in any one product, these efforts will be swamped by the growth of a consuming middle class



TUEN VAN DEN DRIES/SHUTTERSTOCK

UK offshore wind is now at a point where it is out-competing gas.

about the [#ClimateCrisis](#) but need to become much more central to it as a [#lowcarbon](#) shift creates both winners and potential (and very vocal) losers.

6 FACE THE ELEPHANT IN THE ROOM, IT'S ALL ABOUT CONSUMPTION

So much hard work is now going into making production systems more sustainable. Although much of this work in forests, farms and factories is still sub-scale, effort is going into correcting the many ills of today's approach. But there is virtually no debate over the fact that however much we reduce the embedded carbon (plastics, biodiversity, water, human rights abuses) in any one product these efforts will be swamped by a consuming middle class, which will grow by one billion in the next 10 years. We need to discuss and solve sustainable consumption at scale!

7 CREATE A NEW BUSINESS MODEL BEFORE SOMEONE ELSE DOES

Having said that, there are more and more new models emerging of companies offering great food, fashion and finance in a much more sustainable way. Some are hitting \$1bn valuation. These new business models need courageous investors, stakeholder support and consumer uptake. Equally, just as the coal industry once laughed at renewables, the car companies at EVs and the meat industry at a plant-based diet, out there lurks your (sustainable) nemesis too. Find it, replicate it, buy it, but don't sit waiting to join the dodo! >

8 EMBRACE A NEW PURPOSE, AND MAKE IT STICK

There’s been a mixed response to the Business Roundtable’s new definition of business purpose, broadened beyond the obsession with shareholder returns. While the world’s leading companies on sustainability will charge beyond it, it’s still an important re-statement of purpose for the many thousands of “average” companies. And outflanking them all is the **B Corp** movement, a serious scale alternative to the traditional plc/inc/GmbH. We’ve been through (an uninspiring) version 1.0 of business purpose, little more than a few thrown together marketing slogans, but that’s almost the last thing to think about it. First and foremost listen to your colleagues and customers to understand what they think your purpose is, then build a culture and supporting engagement, governance and rewards to make it stick.

9 COMMIT TO HYPER-TRANSPARENCY

The Fourth Industrial Revolution offers lots of opportunity to build a sustainable future. Perhaps most exciting is its potential to shine a light into the deep and shady recesses of business behaviour across their traditionally opaque global value chains. Much of the prevarication of consumers, employees and investors in demanding “sustainable” has been the sheer difficulty of working out easily whether a company is “good” or “bad”. New tools are making it easy, seamless to assess and point your money/time/commitment in the right direction. Reports and supply chain maps offer a little transparency today. The future is about real time, useful insight on the realities of what you do, every hour of every day, everywhere.

10 EMPOWER AND RESKILL YOUR TEAMS

And finishing off where we started. A new movement of energised young people will help create a better future. But they will not collectively run the companies, banks and governments that shape our future for at least a decade, probably longer. And we don’t have time to wait for them to seize the reins of power. Today’s leaders need to retrain themselves now to lead sustainably today, not laze back on their excessive remuneration waiting for the kids to bail them out once they’ve retired. Business schools have a massive responsibility and opportunity to step up to help today’s executives understand responsibility, risk and opportunity.



RBLFM/R/SHUTTERSTOCK



The future is about real time, useful insights on the realities of what you do, every hour, everywhere

Ahead lies a decade of consequence, and every business must step up and be part of the sustainability revolution, or wither deservedly on the sidelines. And so too for sustainable business professionals. I’m very clear that at 52 I need to re-learn how to be a sustainable change agent in the 2020s. It’s been liberating, fascinating and fun to start to re-learn my profession. I hope you are ready to do so too. ■



Mike Barry is director of Mikebaryeco Ltd. He was architect of Marks & Spencer’s Plan A, and recipient of an honoree award at the 2019 Responsible Business Awards





‘TO MAKE THE 20s TRANSFORMATIVE, WE NEED TO GET REAL ABOUT PURPOSE’

Henry Richards of the British Academy draws on lessons from the Future of the Corporation inquiry to put forward a positive agenda for business in the coming decade

W

hether it is to create a circular economy for food packaging, raise finance for digital sector startups in India, deliver medicine to hard-to-reach village communities in sub-Saharan Africa, or provide carbon-neutral transport services in world cities, businesses have abundant roles to play in the 2020s.

Ever-greater populations with higher levels of >

 **VIEW ONLINE**

consumption will underline the need to deliver ambitious programmes for decarbonisation, create meaningful and fulfilling work and stretch new technologies as far as they will go to solve entrenched problems.

Businesses will need to hold themselves accountable for playing a considerable role in all of these areas of society and more. Their objectives, their profits and the livelihoods they support are all at stake. But so are the hopes and dreams of every person on the planet.

Our best, collective expression of these aims is in the Sustainable Development Goals (SDGs). To get anywhere near reaching these goals, we need to agree what business is for. In the British Academy’s 2018 report, *Reforming Business for the 21st Century*, Colin Mayer has proposed that the purpose of business is “to produce profitable solutions to the problems of people and planet, and not to profit from producing problems for people or planet”.

This contrasts with the orthodox view best expressed by Milton Friedman, that the social responsibility of business is to increase its profits. But many (or perhaps most) leaders do not find Friedman’s formulation suited to the 21st century, given last year’s statements on the purpose of the corporation by the [American Business Roundtable](#) and the World Economic Forum among others. If these commitments are followed up with action, it will release the potential of business to focus again on solving problems (profitably) and not simply maximising profit and shareholder value.

I think the person in the street would be surprised at how many business leaders speak about purpose. So it seems that we have moved from the “is there a



CARLSBERG

problem” box (yes), through the “what do we want from business” box (purpose, trustworthiness and ethical cultures), and we are now facing the “how do we make this change a reality” box?

The British Academy’s contribution to the debate on the last question comes in the [Principles for Purposeful Business](#) report, published at the end of last year. The eight principles set out changes to the features of business policy and practice: law, regulation, ownership, governance, measurement, performance, financing and investment. The change in each case is a shift from a focus on maximising shareholder returns to a focus on delivering the purpose and building trust with an ethical culture.

From the extensive discussions and debates around these principles I have been in, what is clear is that there are already examples of most of these principles in action, but few – if any – where all of them are in evidence in one company, particularly in larger companies. Commitments to purpose in law or legal commitments to purpose in articles of association are most frequently illustrated by what some describe as the fourth sector: benefit corporations, social enterprises, community interest companies, and other legal forms designed for businesses setting out an unambiguously social purpose.

There are well-known examples of the US “public benefit corporation” form: Danone North America is probably the largest, along with Patagonia. The big challenge, however, will be shifting the default – which will not involve what some have erroneously described as policing of purpose – but rather freeing business from the narrow confines that a singular pursuit of shareholder returns enforces. In November 2018, Bates Wells published a possible way forward for the UK on this, in a draft >



Novo Nordisk, Carlsberg and Bertelsmann have boards of directors that are accountable to the foundations that own them



VALERIYA ANURIVEVA / SHUTTERSTOCK

alternative to Section 172 of the UK Companies Act that demonstrated how changes to legislation could place stakeholders and shareholders on a more equal footing by obliging businesses to include their corporate purpose in their articles of association.

A company that has recently changed its articles is Anglian Water, which placed a duty on its directors to promote the purpose of the company and uphold a set of responsible business principles. Water is a regulated sector in the UK and the regulator, Ofwat, has a strategy with three aims, one of which is “for water companies to serve a wider public purpose”.

Most regulators currently pay attention only to economic factors and levers, that is to say setting the rules of the game. But where companies perform important public functions, like delivering clean water, regulators need to place much more emphasis on purpose, as Ofwat does. As with each of these examples, however, the challenge is not a simple statement of purpose, or even a legal commitment to purpose, but then making the purpose a systematic feature of how the business operates.

‘We need to stretch new technologies as far as they will go to solve entrenched problems.’

Ownership is the next stage on this journey. Firms can adopt forms of ownership that guarantee they are governed in the interests of achieving their corporate purposes and ensure that corporate purpose is enshrined in operations. Companies like Novo Nordisk, Carlsberg and Bertelsmann have boards of directors that are accountable to the foundations that own them, or the majority of their shares.

The foundations do not manage the company, but this ownership structure ensures the implementation of those corporations’ purposes and values. Employee ownership, a form adopted by Richer Sounds last year and is previously John Lewis and Arup Group, is another form of ownership where ideas of stewardship and trusteeship is integral. Indeed, any form of ownership should recognise that shareholders have obligations to support their companies’ corporate purposes, alongside their rights to financial benefits.

The Council for Institutional Investors (CII) considered the American Business Roundtable’s Statement on the Purpose of the Corporation >



a backwards step for corporate accountability, leaving the fiduciary responsibilities of directors unclear and muddy, and potentially leaving corporate purpose unanchored. In some ways the CII is quite right. Governing a business in the 21st century is not simple, regardless of any considerations of purpose. Failing to consider the impact of the company’s operations is increasingly hard to justify.

The climate crisis, declared by numerous institutions around the world, is changing the nature of decision-making. A board might have seen a case for investing in new extraction of coal, but with the prospects of catastrophic climate change creating systemic risks and the likelihood of heavy regulation to halt greenhouse gas emissions, such investment decisions are now being tested in the courts.

Meanwhile, consumers have never been more vocal. Peloton’s recent advert for its exercise bikes garnered such a negative reaction amid [accusations of sexism](#) that \$1.5bn was wiped off its value. Governance that is focused purely on aligning the interests of the company with its shareholders will continue to come unstuck until it is structured to align the interests of managers with the company’s purposes, and creates accountability to a range of stakeholders. Examples of this type of governance are rare, although there are some cases of two-tier models and foundation-owned businesses.

If there is one principle that many of the Future

Anglian Water has placed a duty on its directors to promote the purpose of the company and uphold a set of responsible business principles.

of the Corporation discussions have highlighted it is measurement. The eminent social impact investor Ronnie Cohen spoke at the British Academy in September and highlighted the similarities in the challenges today in harmonising measurement of impact with those of the 1930s of harmonising measurement of financial performance. Standards are emerging around framework and metrics like GRI and SASB, along with integrated reporting and new valuation techniques.

At its heart this is a positive agenda for business. And it is achievable, as demonstrated by the many examples of elements of these principles at work in real businesses, with real investors and real regulators. What we need to see in the 2020s is an expansion of this innovation and leadership, a levelling of the operating environment – policies, laws and regulations – and more businesses demonstrating most or all of these principles. And this will require new skills and knowledge, more partnerships and a positive, can-do, entrepreneurial attitude to purpose. ■



Henry Richards is head of the British Academy’s Future of the Corporation research programme



NINE LEADERSHIP SKILLS FOR SUSTAINABILITY DURING THE DECADE OF DELIVERY

Forum for the Future's **Sally Uren** writes an open letter to C-suite executives with advice on how to prepare for the bumpy years ahead

 [VIEW ONLINE](#)

You know all that stuff you've learnt over your career? It's time to unlearn it, and learn a new set of skills, ones that will help ensure that the 2020s is the "decade of delivery".

The sustainability challenges we face are urgent, complex. The world is currently on an unsustainable trajectory and many of our fundamental systems are no longer fit for purpose. We are not on track to deliver the Sustainable Development Goals.

We urgently need to reinvent how we produce and consume goods and services, our business >



GYUSZKO-PHOTO/SHUTTERSTOCK

models, and the ways in which we organise and collaborate. The leadership skills we need to navigate the 2020s are not the skills we have today. Everyone, but particularly those currently in positions of power and influence, need to:

1 IDENTIFY THE CONNECTIONS IN THE WORLD AROUND YOU, AND HOW THOSE PARTS INTERACT

By understanding these connections, we will be better placed to identify where and how to act to drive the biggest change in the shortest amount of time (something that is not on our side). For example, understanding how the climate and human health system interact tell us that shifting to low-carbon diets can create positive benefits for both the planet and people’s health. Likewise, addressing air pollution can lower greenhouse gas (GHG) emissions and improve health outcomes.

2 UNDERSTAND PATTERNS IN ORDER TO MAKE EFFECTIVE INTERVENTIONS

Einstein’s definition of insanity was trying the same thing again and again, and expecting a different outcome. And that’s exactly what happens when we

Organisations have been persuaded to change by seeing working community energy initiatives in Germany.

expect that a deluge of metrics will shift ingrained behaviours, or that the latest new technical innovation will, without the right enabling context, somehow magically reach the scale of market adoption needed. Spotting these patterns, and then asking what can we do differently, is a key feature of systems thinking. That’s why years ago at Forum we took a group of civil society leaders to Germany to see community energy at scale, for real. Previous attempts to persuade leaders in organisations as diverse as the National Trust to the WI had failed, but seeing is believing worked.

3 WORK AT DIFFERENT LEVELS OF THE SYSTEM, AT THE SAME TIME

Any system, from an organisation to an ecological system operates at different levels. To shift systems we need to be able to hold the big-picture goals at the top as well as the detail of what’s happening on the ground. That’s why I am a big fan of the work of one of our partners, Olam. Its Re-imagine Global Agriculture and Food Systems ambition requires Olam to keep a firm eye on creating an agricultural system that has regeneration and living landscapes as its goal, but also to understand the change >



SGRY/SHUTTERSTOCK

needed at farmer level, at the community level, as well as at the regional level. (See [Our planet's resource boundaries are being breached](#))

4 ENGAGE DIFFERENT PERSPECTIVES

All too often we invite slightly different versions of ourselves into our conversations. The sustainability echo chamber is very loud. But a system isn't a monoculture, it is a diverse set of actors, who will have very different perspectives depending on where they sit in the system. Ultimately, systemic change will only happen if the majority of actors in any given system are willing to do things differently. If we aren't even talking to a diverse range of actors, then there is little chance they will embrace a different set of system goals. It's why, in our first multi-stakeholder collaboration at Forum, Dairy 2020, we deliberately invited the farmer voice into the room with the retailers and government. We got a lot further than if we hadn't, although in that instance we didn't manage to transform the UK dairy industry.

5 CONSIDER DIFFERENT TIMESCALES

The relentless focus of our economy on short-term profit maximisation is possibly one of the

The Dairy 2020 initiative gave farmers a voice in a multi-stakeholder collaboration.

biggest barriers to mainstreaming sustainable practices; equally, strategies that neglect to keep the business basics running are also ineffective. Holding both Horizon 1, today, and Horizon 3 (the longer term, say five to eight years out) in strategy implementation is critical, as is having a pretty good idea of the Horizon 2 pathways that will allow the business to leapfrog to a H3 where it is contributing in a positive way to the delivery of the SDGs. This isn't easy, but as a strategy to get investors on board with ambitious sustainability plans, it is my best advice to business. Yes, we can keep the lights on, meet payroll, meet quarterly dividend forecasts and simultaneously channel time and money into activities that will future-proof the business.

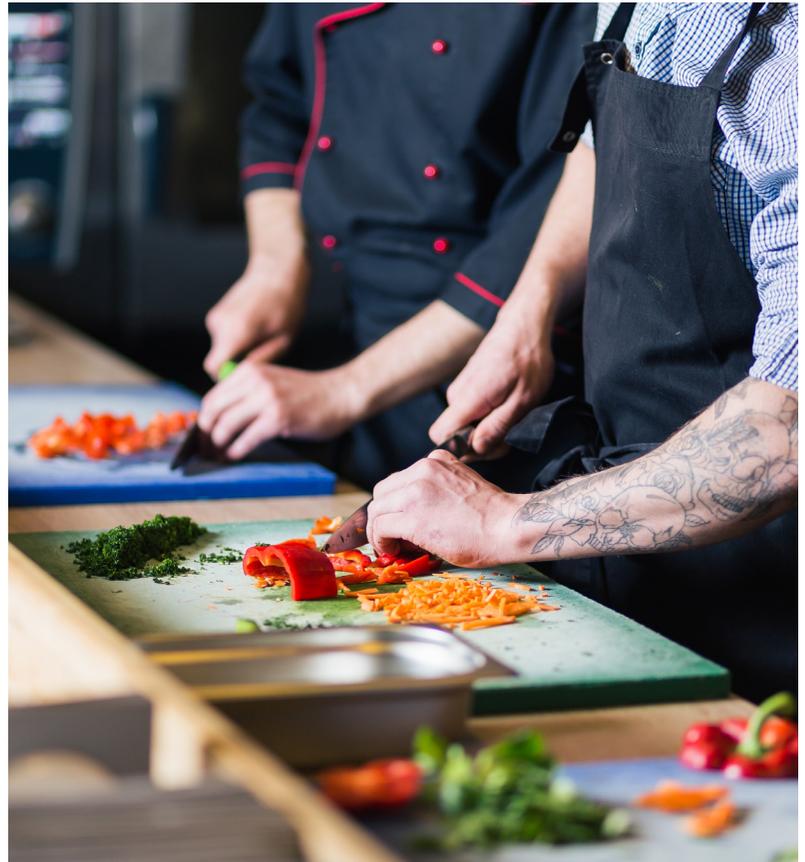
6 EMBRACE COMPLEXITY, CONSTANTLY LEARNING AND ADAPTING

Many of us like simplicity, certainty and order. Sadly though, the world is not simple, is very uncertain and, in parts, doesn't have much order. History is littered with interventions that were built on an understanding of the world as a linear system, from the first generation of biofuels to switching from petrol to diesel cars. Driving systems change for sustainability requires us all to accept this >



Forum has been working with chefs coming through catering college to cook tasty vegetarian and vegan food

complexity, create hypotheses for how we think we can change things, test these hypotheses, quickly learn, adapt and course correct. This also means occasionally giving up and starting something completely different.



UFABIZPHOTO/SHUTTERSTOCK

7 CONSTANTLY QUESTION ASSUMPTIONS ABOUT HOW CHANGE HAPPENS

In the early days of plant-based alternatives to meat, there was an assumption by some food companies that offering a new, low-carbon product would catapult it to market success. But not if it didn't taste nice. That's why in our Protein Challenge we have been working with chefs coming through catering college to cook tasty vegetarian and vegan food.

8 UNDERSTAND PERSONAL AGENCY, POWER AND RESPONSIBILITY

Exploiting power to force change won't necessarily lead to lasting change; neither will ignoring the voice and agency of others. For a system to shift towards a new set of goals, the majority of actors in that system will need to use their own power and influence to deliver change. This also means allowing those with seemingly little power and influence to exercise the one thing we all have, which is voice.

9 WORK WITH ACTIVATING AND RESISTING FORCES

When any system is reconfigured, there is often enormous energy that wants to force it back to

where it started, and resisting forces can dig in, hard. That is why a lot of the change we see today isn't self-sustaining, and many new innovations fail to scale. We need to engage, now, with those for whom sustainable development is meaningless hippy drivell.

These skills are drawn from a tool we use in our [School of System Change](#), designed to help participants build their systems change practice. As we enter the 2020s, the last skill is probably the most important. We need to engage with the hard-nosed financiers who only care about short-term value returns, the policymakers who are unwilling to be bold and imaginative, the small and mid-cap businesses who have yet to even say the word "sustainability". We need to put ourselves in harms' way, to be ridiculed. Because we are running out of time to design and deliver systems change for sustainability. ■



Sally Uren OBE is chief executive of Forum for the Future

‘2020 MUST BE THE YEAR WE FORM CLIMATE PARTNERSHIPS BETWEEN INVESTORS AND BOARDS’



BLUEPLANETSTUDIO/SHUTTERSTOCK

Adam Matthews of the Church of England Pensions Board says initiatives like Climate Action 100+ have laid the foundations for the much more ambitious action required in 2020

The transition to a low-carbon economy could be deeply disruptive. It could result in the undermining of many large businesses and their business models and could see pension fund beneficiaries retiring into a world both impacted >



MARIUSZ BUGNO/SHUTTERSTOCK



High-impact companies such as Repsol and Maersk have committed to net-zero carbon targets. Others have come to a joint position with investors

by the extremes of climate change and where their pension funds have not delivered the returns they need to enjoy their retirement.

But we are not necessarily looking at a lose-lose situation. There is the potential for a unique, effective and potentially game-changing partnership of mutual and wider societal interest to be formed between company boards and institutional investors. Importantly, 2019 provided the foundations for this partnership, and 2020 will be the year it can be formed.

Essentially, five things happened in 2019 that make this proposition possible.

First, we now have a model to drive ambitious change. Towards the end of 2018 and during 2019, we saw investors working together under the umbrella of initiatives such as [Climate Action 100+](#) to deliver real changes in company practice and performance. High-impact companies such as Repsol and Maersk have committed to net-zero carbon targets by 2050. Others, such as Shell, have come to a joint position with investors to put in place an engagement framework that supports the transition of their business to reduce their carbon intensity. Importantly, both Repsol and Shell, along with other companies responding to investor engagement, have reinforced their wider approaches by starting to address misalignment in climate lobbying by industry associations.

Second, we see that it is feasible for companies to be aligned with the goals of keeping global temperature rises to below 2 or even 1.5 degrees Celsius above pre-industrial levels. For example, the [Transition Pathway Initiative's \(TPI\)](#) analysis of the global electricity sector shows 31 (28%) of the 109 assessed companies being in line with a below 2C pathway. Of course, this should not hide that 29 energy companies (22%) still do not have either a policy on climate action or do not recognise climate change as a relevant risk. That is quite an astonishing abdication of risk management by those company boards. >



ALEXANDER ERMOCHENKO/REUTERS

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Investors in thermal coal could get their fingers burnt in the likely scenario that it is rapidly phased out

Third, investors are beginning to shift attention to the energy demand side, which is where many of the solutions lie. How autos, shipping, aviation respond will be key. However, these sectors have yet to shift gears and accelerate into the low-carbon fast lane. Direct emissions from transport currently account for nearly one quarter of total energy-related CO₂ emissions worldwide. And TPI's latest research on 57 of the world's largest transport companies finds that fewer than one-fifth (19%) are on course for a 2C future. The fact that one-fifth of are on track shows it can be done but we need change throughout these sectors.

Fourth, the intellectual clarity provided by the [Inevitable Policy Response](#) work of the Principles for Responsible Investment (PRI), with Vivid Economics and Energy Transition Advisors, provides a basis for investors to understand the rapid policy changes that are likely to become inevitable as the realities of climate change become increasingly apparent. Critically, it undermines the argument that climate is only a long-term issue for investors and makes it clear that strong climate-related policies are coming in the near-term. To take just one example, the

analysis makes it clear that thermal coal is likely to be rapidly phased out, directly challenging the continued growth in supply still advocated by certain industry association lobby groups that regrettably still receive the benefit of the doubt from too many investors.

Fifth, asset owners are asking themselves what it means to be aligned to the Paris Agreement. For example, the Institutional Investors Group on Climate Change (IIGCC) [Paris Aligned Investment Initiative](#), jointly chaired by APG of the Netherlands and the Church of England Pensions Board, and supported by over 60 major institutional investors with over €13 trillion in assets under management, is developing a practical and useable framework for investors to be able to understand what it would mean for a pension fund to align with the goals of the Paris Agreement.

Another complementary and much-needed initiative was launched by PRI and UNEP-FI at the UN Climate Summit in September. Representing nearly \$4tn in assets under management, the United Nations-convened [Net-Zero Asset Owner Alliance](#) is capturing commitments by asset owners to align portfolios with a 1.5C scenario. Such commitments >

will, I suspect, become an expectation from several governments as we run up to the Glasgow 2020 UN Climate Conference.

The consequence of these two initiatives is that more funds will make such net-zero/Paris commitments, leading them to drive change across all asset classes. It will reinforce the engagement asks being made by Climate Action 100+. It will probably also drive demand within passive investments for the kind of approach under development between TPI and FTSE Russell that integrates forward-looking analysis into indices, thereby directly rewarding those companies that are demonstrably aligned with Paris, and penalising those that are not.

While 2019 marked a watershed in terms of emerging practice and changing investors' attitudes and views, we do not yet have the level of ambition needed if we are to succeed.

INVESTMENT PARTNERSHIPS

This is why 2020 has to be the time a new partnership is formed between the company board room and institutional investors. This partnership should work across the full value chain and across all asset classes to develop net-zero carbon paths for aviation, autos, shipping, steel and cement, to name but a few.

Taking aviation as an example, such a partnership would bring investors together not only with the major airlines but with energy providers and the engine and plane manufacturers. Together they can identify the pathway and the technological and regulatory challenges that need navigating, as well as the financial incentives that could be brought into play to turbo-charge achieving the goal.

Much of the analytical work has already been done, but investors need to be at the table both applying pressure for action, looking at where new financial incentives can be created to drive such an approach. For example, should we be creating low-carbon transition bonds? Such bonds could have a key role in unlocking the application of technologies aligned to the transition.

The partnership will also require investors and companies to engage with regulators. Rather than depend on the lobbying of incumbent fossil fuel industry associations or auto associations a new standard should be developed in 2020 for positive climate lobbying.

This is something that has emerged from the foundational work of funds such as AP7, Aberdeen Standard, BNP Paribas AM and the Church of



PIROSHKA VAN DER WOUW/REUTERS

Shell under CEO Ben van Beurden has sought to work with the Church of England Pensions Board.

England Pensions Board. Such a standard will bring together those leading companies already addressing lobbying misalignment in their industry associations with progressive investors to set a new standard that works across the value chain in support of net-zero carbon pathways.

Asset owners within Climate Action 100+ are uniquely placed to instigate this new approach with companies. We have already been challenged by some, such as Shell's CEO, Ben van Beurden at PRI in Person in Paris this year, to work together. The opportunity is there and the pillars that have been put in place in 2019 provide the basis for such a partnership. I believe this is possible and that is why I go into 2020 with hope that such a new partnership to be forged.

This partnership will change the way corporate boards and investors interact but do so both in their own as well as wider societies' interest to address climate change. If we are to succeed, investors and companies will, though, need to think systemically and ambitiously as there is no longer time for half measures and incrementalism. ■



Adam Matthews is co-chair of the [Transition Pathway Initiative](#) and director of ethics and engagement at Church of England Pensions Board

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SOCIAL TRANSFORMATION

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‘RULE OF LAW IS UNDER THREAT. WE NEED BUSINESS TO PROMOTE SOCIAL PROTECTIONISM IN THE COMING TRADE WARS’

John Morrison of the Institute for Human Rights and Business says initiatives safeguarding both environment and human rights will be critical for the radical transformations that will be required in decade ahead

As we move into the third decade of the 21st century, the rules-based free trade system is under significant threat. Last month, the Institute for Human Rights and Business (IHRB), the organisation I am proud to lead, celebrated its 10th birthday by not playing it safe. Our Next >

Generation Trade conference set out explicitly to discuss one of the central inconvenient truths of our time: that multilateralism and many of our international institutions are under significant threat, not least by those tasked with defending a rules-based system of international trade.

By the time you read this, we will know if the US government has allowed the appointment of new judges at the World Trade Organization’s (WTO) appellate body, one of the few effective tools of international law. Even if the US has given way, or the WTO has found a way of patching together an alternative arrangement, no one should doubt that the international trade rules of the WTO are now contested and increasingly undermined. US-China rivalry is spilling over into a new cold war in which trade is becoming a front line.

Why is it a concern of business? Many international businesses have grown up in an era of relatively free trade. Global value chains have curled around the topographies of what might not have been a level playing field, but certainly a more level playing field than the days of the slave trade, the East India Company or the pre-second world war tariffs.

Twenty years ago, NGOs rallied to protest outside of the WTO summit in the US, the so-called Battle of Seattle. The concern then was that the rules of free trade privileged the largest companies and, in particular, the global north’s hegemony over southern markets. What is remarkable is how much this balance has shifted over the past two decades; as the global north has become more protectionist, the south has increasingly benefited from the rules-based system.



US-China rivalry is spilling over into a new cold war in which trade is becoming a front line



MILOS JARIC/SHUTTERSTOCK

Businesses used to operating in an era of free trade will have to adjust as protectionism grows.

Now the majority of global south governments, as well as NGOs and inter-governmental organisations, wish to preserve the WTO, warts and all; as the alternative – of trade backed purely by economic, political and military might – is far worse. Protectionism will force businesses to choose sides: a trend that is already under way if you look at the penalties US (or even European businesses) might face when dealing with Iran.

For those of us who have been trying to integrate environmental and social standards into trade, there is indeed a huge opportunity. It has surprised many to see that the new Nafta (United States-Mexico-Canada Agreement) is stronger in terms of labour rights and human rights standards than the old one, with specific chapters on both gender and indigenous rights. Whilst not consistent in their wording or application, bilateral EU trade agreements now routinely contain labour rights and human rights provisions, and even China’s bilateral agreements with Iceland and Switzerland protect workers’ rights.

Moving forward, we can expect both carbon and data to be key commodities in trade negotiations and, with them, much more rigorous attention to issues such as climate change, privacy rights and data protection. Climate change was a material issue in the EU-Canada agreement, whilst leaked governments papers in the UK suggest that the US >



SK HASAN ALI/SHUTTERSTOCK

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The credit rating of
low-lying countries like
Bangladesh will fall due
to sea-level rises

government has already requested climate to be “off the table” in any future post-Brexit US-UK trade negotiations. The moot point is that to allow non-parties of the Paris Climate Agreement a free pass on their carbon emissions is to confer onto them a significant trading advantage to the other party.

ESG TO THE FORE

On a warming planet, with many ecosystems under severe stress and the livelihoods of many populations threatened by the inevitable transitions and adaptations ahead, populations will demand that their governments increasingly include ESG criteria in trade negotiations. This change is likely to come relatively quickly. In parallel, international financial markets will not wish to be exposed to the significant risks of investments in the fossil fuel industry, low-lying communities or increasingly unstable economies, and they too will start discounting the value of any asset exposed to ESG risk.

This is deeply unfair for countries such as Bangladesh, whose credit rating will fall due to sea level rises that are almost entirely not of its making. The UNEP Finance Initiative Principles for Responsible Banking, launched on the fringes of this year’s UN General Assembly in New York, is just the start of how private banks will

respond, and export credit agencies, international financial institutions, sovereign wealth funds and institutional investors will all be moving in the same direction.

There is a significant opportunity for all of us who have spent the best part of our lives trying to align the non-financial with the financial basis of markets. The integration of the Corporate Human Rights Benchmark into the much broader SDG-based World Benchmarking Alliance is just one example. Watch out for many initiatives that try to link the social to the environmental as recognition grows that the radical transformations ahead to meet environmental challenges also need social acceptance. It is no coincidence that in her first speech as president of the new EU Commission, at COP25 in Madrid, Ursula von der Leyen, gave so much attention to the just transition and the green new deal.

But this success comes at a significant price. It is very nearly too late in terms of the necessary action to limit warming to 1.5C, and the undermining of multilateralism could not come at a worse time. It is not only the risk that ESG commitments are coming too late, there is also the very real danger that they will be perceived as being increasingly weaponised as part of the coming trade wars.

The US government is right to raise its voice over the suppression of democracy in Hong Kong >



and the incarceration of up to a million Uyghur Muslims in the Xinjiang province of western China, but it is becoming all too easy for China to paint such human rights concerns as little more than US protectionism. Such obscuration is only made easier if the US President shows scant regard for human rights in his own country or others where the US has significant vested interests (look no further than Saudi Arabia).

The marginalisation of Muslim communities in the world’s two most populous nations – China and India – is one of the burning issues of the year ahead, and is hard to align with commitments to “leave no one behind” in progress towards the SDGs over the remaining 10 years before 2030.

So, we have to work hard to develop objective criteria to measure the “s” in ESG as well as protect the rule of law and the civic space required for human rights defenders and civil society to hold both governments and business to account. Many will try to frame social protectionism as trade protectionism, but that is what international standards and the rules-based system are all about. The League of Nations was unable to do this as the world warmed up for the second world war; we have to hope that the United Nations fares better as we enter what will undoubtedly be the most challenging decade of the millennium so far.

Business leaders have spoken out several times

China has painted US concerns over its incarceration of Uyghur Muslims as protectionism.

during 2019 on a range of social and environmental issues, often distancing themselves from some of the policies of elected leaders in the jurisdictions in which they operate.

In undemocratic countries without a free press, business leaders do not speak out, but that does not mean they are not making interventions behind the scenes. With the exception of the arms industry, there are few businesses that profit from increasing division and we can expect louder and louder defences of the international trade system from business itself. Populist leaders might be impervious to these interventions until their own citizens start to suffer from the downturn in global growth.

Increased automation of many workplaces also means that traditional conceptions of industrial growth no longer correlate as strongly into job creation, and so sustainable growth also means new forms of equity for workers and communities. We are entering a perfect storm – let us see if we can seize the opportunities before it’s too late. ■



John Morrison is chief executive officer of the Institute for Human Rights and Business



CHRISTIAN MANG/REUTERS

‘YOUNG ACTIVISTS ARE CALLING FOR AMBITIOUS ACTION. WE MUST ALL BE ACTIVISTS NOW’

The UN Global Compact’s [Lise Kingo](#) urges business leaders to stop the slide backwards on climate and the SDGs and urgently course-correct

 [VIEW ONLINE](#)

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one of us is immune to the rapidly shifting environment we all find ourselves in, and that includes the business sector. With the planet facing unprecedented climate change, wider social inequalities and human rights violations, the time for action is here and the time for talking is over.

As we close out 2019, today’s most progressive business leaders are looking even more seriously at >



The global community has one of the few opportunities left to get back on track to deliver on the SDGs

sustainability. Most leaders fully understand that stakeholder engagement is no longer just about the next earnings season. Their actions send clear signals to their investors, their consumers and the watchful public about what their brand represents.

The private sector is turning a corner, and awareness is higher than ever before, but what's really needed at this juncture is a deeper level of action as current business action just doesn't cut it.

For the coming decade, business will need to respond more to the communities in which they operate; to undertake a transformation on a scale not seen before. They will need to better align their business strategies with the 17 Sustainable Development Goals (SDGs) and the UN Global Compact's [Ten Principles](#) – and faster.

The global community has one of the few opportunities left to get back on track to deliver on the 2030 Agenda for Sustainable Development.

For business, the opportunity should be clear. The SDGs offer to unlock more than \$12tn in new market opportunities across industries from energy and agriculture, to health and urban development.

Progress in the private sector exists and change is under way; just not enough to drive the level of change needed. Business needs to challenge itself and look carefully and ask what more can be done.

Solid action and intent from the private sector exists, but business leaders claim that the lack of progress in sustainability is because the landscape has become far more complex than before.

This year's [UN Global Compact Progress Report](#) and [UN Global Compact-Accenture Strategy CEO Study](#) revealed that companies have a firm grasp of policies in place on the Ten Principles (near 90%) and on the Global Goals (more than 80%).



BRIAN SNYDER/REUTERS

Social inequality is one of the biggest challenges the planet faces.

We heard businesses say they are keen to implement change. But CEOs also say they find it challenging to extend sustainability strategies across their companies and throughout the entire global supply chain. As complexity around sustainability rises, companies find it even more challenging to take action.

More worrisome is that in several areas we are actually going backwards. For example, there's been a marked drop in companies implementing anti-corruption policies (from 61% in 2018 versus 55% in 2019).

We need to stop the slide backwards and instead need to course-correct.

So we're challenging companies to step up in the lead up to 2030. The time has come for decisive action. Inaction is too risky. We must begin the Decade of Action.

We must all face the reality on where we are on >



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71% of companies say they believe business could have a critical role in delivering the Global Goals, but only 21% believe this is happening

the 17 Global Goals after four years. The planet faces two of the biggest challenges that need urgent and transformational action – the climate crisis and social inequality.

It's clear business plays an important role, but also critical is meaningful integration into business practices. A majority of our corporate participants

say they believe business could have a critical role in delivering the Global Goals (71%), while only 21% believe this is happening at the moment. So companies will have to become more serious and fully integrate the SDGs throughout the organisation and supply chain.

The “SDG Ambition” initiative attempts to address this disconnect between intent and implementation by offering deeper guidance to companies on how to turn risks into opportunities and how to deepen implementation across strategy, operations and stakeholder communications.

The second initiative calls for the business community to set science-based targets aligned with keeping global warming to no more than 1.5C and also to aim for net-zero emissions by 2030. A low-carbon economy alone could offer \$26tn worth of market opportunities and create 65 million new low-carbon jobs.

There is growing momentum as more and more companies commit to set science-based targets. We're already heading towards [200 companies aligning with a 1.5C scenario](#), and encouragingly these numbers are set to rise. >



Closing the economic gender gap would add a further \$28tn to global GDP by 2025

Addressing gender equality is also critical. As a firm advocate for women’s workplace rights, we should all recognise that closing the economic gender gap would add a further \$28tn to global annual gross domestic product by 2025. An impressive figure, but at the current rate of progress it’s estimated that it will take more than 200 years to close the economic gender gap – hardly progress.

For some companies, women’s equal representation at the board and senior management level are in reach, whereas for others, a target of 30% is still very ambitious. Based on current research, 30% is the minimum limit for giving women a fair opportunity to participate in representation and leadership, but also in terms of business performance and outcomes.

By working with companies on the [Target Gender Equality initiative](#) we seek to redress the imbalance. We can increase women’s representation and leadership in top management — and develop a conscious focus on including female entrepreneurs across the global supply chain. Deepening the level of action and integration within a company is essential, and a “new normal” for female representation must be established now.

And when we look ahead, would we all not benefit from identifying young business talent now to better serve people and planet. Of course we would, but ask yourself: are we doing enough? By identifying talent at an early stage, companies better position themselves to support sustainability objectives while also helping long-term business success.

Now is the moment for businesses to step up. There’s no more sitting on the sidelines. All companies will need to act more ambitiously in the coming decade of action.



MONKEY BUSINESS IMAGES/SHUTTERSTOCK

A ‘new normal’ for female leadership in companies must be established now.

Young activists across the world are already calling for more ambitious action to transform the world. It’s about time we take our cue from them.

From here on, every company in every sector needs to move with the times, adapt or risk being left behind in a changing world. After all, it is the business sector that knows better than anyone that being left behind holds consequences. So it really is time we all become activists and align our priorities with the younger generation. ■



Lise Kingo is CEO and executive director of the United Nations Global Compact

‘THE CLOCK IS TICKING ON HOLDING COMPANIES ACCOUNTABLE FOR DELIVERING THE SDGs’

Paul Druckman of the World Benchmarking Alliance explains why capital markets could turn into a force for change

 [VIEW ONLINE](#)

I want to start this article on a positive note – 2019 has seen a marked change in mindset towards understanding and articulating their role towards society by the many influential capital market players. It is the most significant year of change of rhetoric from the capital market in my near 20 years of involvement. There have been many exciting points during the year, such as the statement from the US Business Roundtable of 200 CEOs when referring to stakeholders: “We commit to all of them, for the future success of >

our companies, our communities and our country.”

It was in the Harvard Business Review of 2017 where I first saw the phrase “a company’s health, not shareholder wealth, must be management’s primary concern”. This is a long way from achieving the UN Sustainable Development Goals, but it was a compelling move away from the thinking of the investor as God.

The UK Financial Reporting Council’s new Corporate Governance Code sets up the corporate board for the new era, with principle 1A, under “board leadership and company purpose” stating: “A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders *and* contributing to wider society [my italics].” The last “and” may be one of the smaller words in the sentence, but to my mind it is the most powerful.

In all previous attempts to link social impact with shareholder primacy, language such as “having regard to” or “leading to” did not get us where we need to go.

The mission of the World Benchmarking Alliance is to bring companies to account; to build a movement to measure and incentivise business towards a sustainable future that works for everyone. This is not only admirable, but it is becoming realistic in these remarkable times.

Headquartered in Amsterdam, the World Benchmarking Alliance is, as the word “alliance” implies, a new organisation that is creating, and coalescing, benchmarks based on the UN Sustainable Development Goals. Our allies are global, including asset managers, financial institutions, multilateral bodies, civil society organisations and business networks. Together we all are playing an active part in building the benchmarks and are committed to using them.

The WBA was launched at the UN General Assembly in September 2018, with reinforcement in a plenary session at the 2019 General Assembly. From the outset, let me be clear that we are building the first free, transparent and publicly available benchmarks and related rankings based on the UN Sustainable Development Goals. It is a well-used quote of Albert Einstein that “we cannot solve our problems with the same thinking we used to create them”. It is time for new thinking.

At the WBA we consider the route to the delivery of the SDGs to be through systems transformations, seven in all. ➤



1 SOCIAL TRANSFORMATION

Achieve universal human development by respecting human rights, promoting equality and empowering people to pursue the opportunities and choices they value.

2. AGRICULTURE AND FOOD SYSTEM TRANSFORMATION

Produce healthy and nutritious food to feed a growing world population, while staying within planetary boundaries, and offer farmers, fishers and their families a decent standard of living.

3 DECARBONISATION AND ENERGY TRANSFORMATION

Provide universal access to modern energy services while significantly reducing the world's dependency on carbon-based energy.

4 CIRCULAR TRANSFORMATION

Decouple consumption and production from natural resource use and design out waste and pollution.

5 DIGITAL TRANSFORMATION

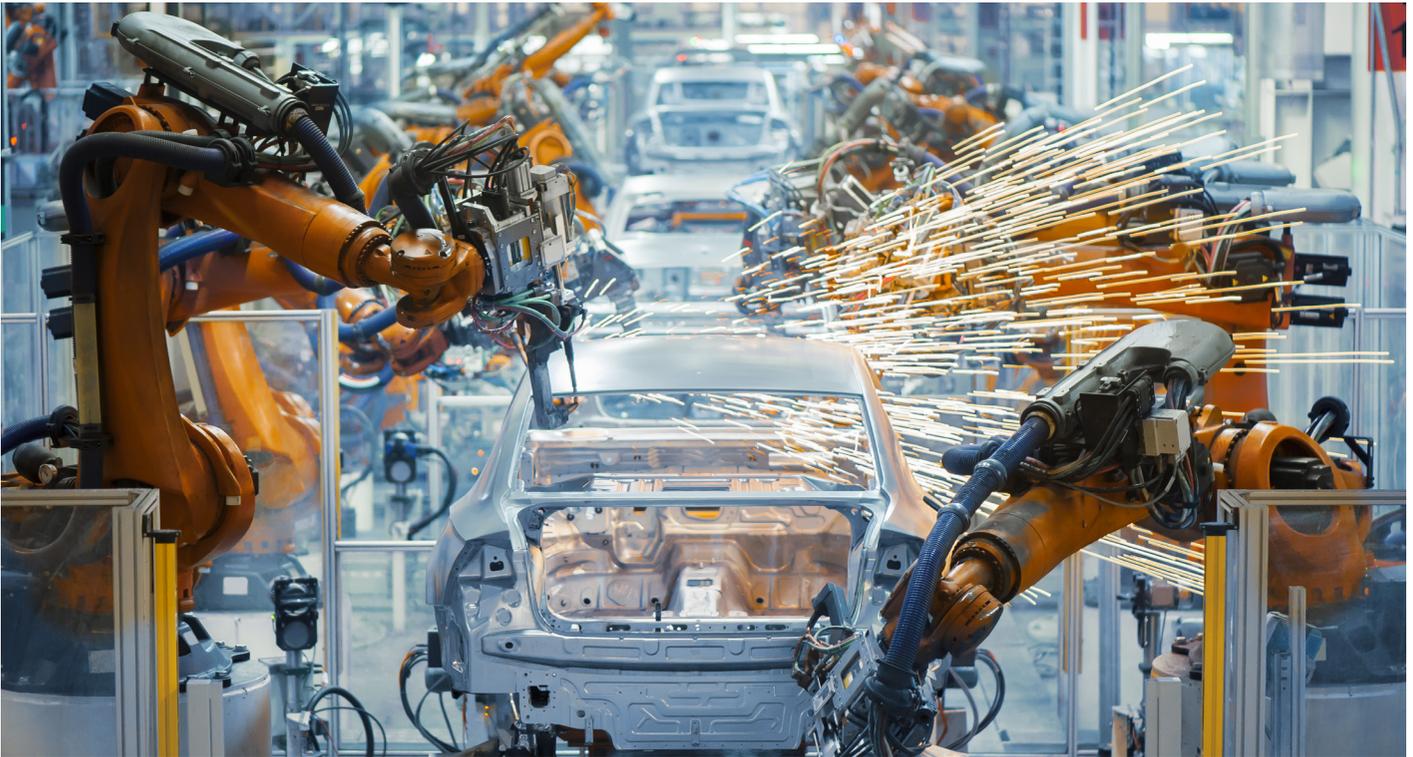
Harness the potential and benefits of digital technologies for all while managing risks, including safeguarding against undesirable effects.

6 URBAN TRANSFORMATION

Create sustainable, inclusive and connected cities that are safe, resilient and clean.

7 FINANCIAL SYSTEM TRANSFORMATION

Reorient the flow of resources and exercise good stewardship to accelerate the economy’s transition towards long-term sustainable development.



JENSON/SHUTTERSTOCK

Our thinking is founded on systems theory that aligns to that mantra of Einstein. Systems place the SDGs in a wider narrative and illustrate the interlinkages between them, whilst at the same time showing corporate accountability to the system(s) closest to a company’s core business.

At the World Economic Forum in Davos at the end of January 2020 we will announce the 2,000 keystone companies that will be included in the WBA benchmarks.

We have coined the phrase “keystone companies” to classify those organisations that are fundamental due to their scale, influence and, above all, impact on this planet’s habitats and inhabitants. A dictionary definition of keystone is “the central part of a policy or system on which all else depends.” Together these actors have the ability to shift trends in their systems, with our benchmarks providing the incentive to manage what is measured.

We have already started. The Corporate Human Rights Benchmark, part of the social transformation, released its third year of results in November; the first Seafood Stewardship benchmark, part of the agriculture and food system, was launched; as well as the new [automotive benchmark](#), decarbonising energy, at COP25 in Madrid. In 2020 we will be launching climate and energy, social, digital inclusion and food and agriculture benchmarks.

So, what does a benchmark tell us? A good

The new automotive benchmark was launched at COP25 in Madrid last month.

example is from the recent results of the Corporate Human Rights Benchmark. The story over the three years centres on a lack of substantial improvement, despite all the rhetoric. Of the 200 companies included in the benchmark, more than half scored less than 20% while only 20 companies scored over 50%. There are of course leaders and it is only fair to congratulate Adidas for its outright leadership in this space. Others now must demonstrate improvement to provide comfort that they are doing the right thing.

To conclude on an optimistic theme, I started by saying that the capital markets have the ability to mitigate the damage by being a force for change to achieve the SDGs. My hope is that 2019 saw the start of what Malcolm Gladwell wrote about in his book, Tipping Point, where from a tipping point there follows an epidemic. The clock is ticking and the epidemic needs to multiply without limit. By utilising the power of the market, we at the WBA are an agent of this epidemic. ■



Paul Druckman is chairman of the World Benchmarking Alliance



‘WE MUST GRASP THIS ONCE IN A MILLENNIUM CHANCE TO BRING ABOUT TRANSFORMATIVE CHANGE WITH BLOCKCHAIN’

Dr Jane Thomason of Fintech Worldwide says collaboration is key to ensuring that advances in digital technology yield rapid dividends

 [VIEW ONLINE](#)

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here is no doubt of the potential of technology to be harnessed for social benefit. However, there needs to be a global collaboration to make this a reality. We need to catalyse the partnerships between disparate groups that will result in scalable digital impact. To address this >

The World Food Programme is deploying blockchain in refugee camps to tackle issues from identity to cash transfers.



WFP

gap, Fintech Worldwide held the first Digital Impact Summit in London on 11 November, 2019. This brought together people from technology, government, industry, NGOs, startups, investors, academics and students to learn, network and be inspired about the opportunity for digital transformation and social impact. It was a powerful way to catalyse new learning, networks and future action.

Blockchain was highlighted as one of the technologies that will accelerate progress towards the SDGs. Despite some negative sentiment stemming from speculative cryptocurrencies, the dark web and initial coin offerings, blockchain has a lot to offer.

Here are just a few of examples of how blockchain is already being used for social and environmental impact:

- ▶ Blockchain-based digital identity can unlock many barriers faced by the poor, as well as facilitate greater economic growth through ease of transactions. Once a person has an identity, they can potentially have access to a range of services. Humanitarian organisations, like the World Food Programme, are deploying blockchain in refugee camps to address a multitude of issues beyond digital identity: cash transfers and remittances, integrity of donor fund flows, property registry, employment rights, human trafficking, education and asylum-processing.



Emerging technology can enable the green bond market to scale dramatically from 2% of the current trillion-dollar bond market

- ▶ In agriculture supply chains, AgriDigital has used blockchain-enabled technology to create globally frictionless systems for the grains and cotton industry. AgriDigital ensures farmers continue to own their commodity right up until the moment they are paid, solving the problem of matching delivery to payment and opening up flexible financing options.
- ▶ Poor-quality medicines are a major public health threat, and blockchain advances in medical supply chain management, such as FarmaTrust, leverage both digital and data analytics to improve the tracking and authenticity of medicines and consistency of availability and quality. ▶

- Blockchain is also being used to unlock capital to meet the Paris Agreement. At the UN General Assembly this year, the Sustainable Digital Finance Alliance and the HSBC Centre of Sustainable Finance launched [Blockchain Gateway for Sustainability Linked Bonds](#), which outlines how emerging technology can enable the green bond market to scale dramatically from 2% of the current trillion-dollar bond market. The report points to a future where the current reporting burden is alleviated to make the bond market far more efficient and accurate so that it is better able to lead the transformation.
- The other climate opportunity is at the community level, facilitating the installation of small-scale distributed energy systems. The price of solar panels has dropped more than 80% over the last decade. With blockchain, someone from a village can buy small solar panels and plug them to an off-grid network of cables in order to produce electricity for their local community. Smart contracts allow individuals to buy and sell solar energy using digital tokens that can be redeemed for a local cryptocurrency. For example, startup [Azuri](#) produces low-cost solar panel solutions for off-grid areas in rural Africa, bringing clean energy to markets where the only option is highly polluting kerosene. Blockchain can aid financial exclusion and poverty, with digital currencies able to provide widespread access to financial services, providing traceability and efficiency in disbursement to connect with the large segments of rural populations that are unbanked. Among the financially excluded are migrant workers and their families in their home countries. Current remittance processes are slow and expensive, penalising the most vulnerable. For example, the Philippines receives about \$30bn in remittances a year. [Coins.ph](#) provides Filipino users a mobile, blockchain-based platform to allow them to send money at a more affordable and faster rate.



MILTON RODRIGUEZ/SHUTTERSTOCK

AgriDigital's blockchain technology is helping cotton and grain farmers match delivery to payment.

blockchains and the efficiency and scalability of private blockchains, with industry pivoting to a growing interest in the latter. Regulators continue to struggle with the decentralisation of the financial system and the ability to manage economic stability and protect consumer interests in the event of this occurrence. But problems such as the big issue of legal language, cross-border jurisdiction and territoriality for smart contracts, and the fact that no party is ultimately responsible for the ledger are being solved as the technology develops.

However, there is room to be optimistic. People count and money talks. Millennial investors are demanding change, 67% of millennials believe investments “are a way to express social, political and environmental value”, and 90% of millennials want to direct their allocations to responsible investments. When investors demand profit and purpose and intentionally invest their money into things that generate social and environmental returns, we have a chance.

We need to lean in, get engaged, and make sure we do not squander this one in a millennium opportunity to effect rapid and transformational social change. ■



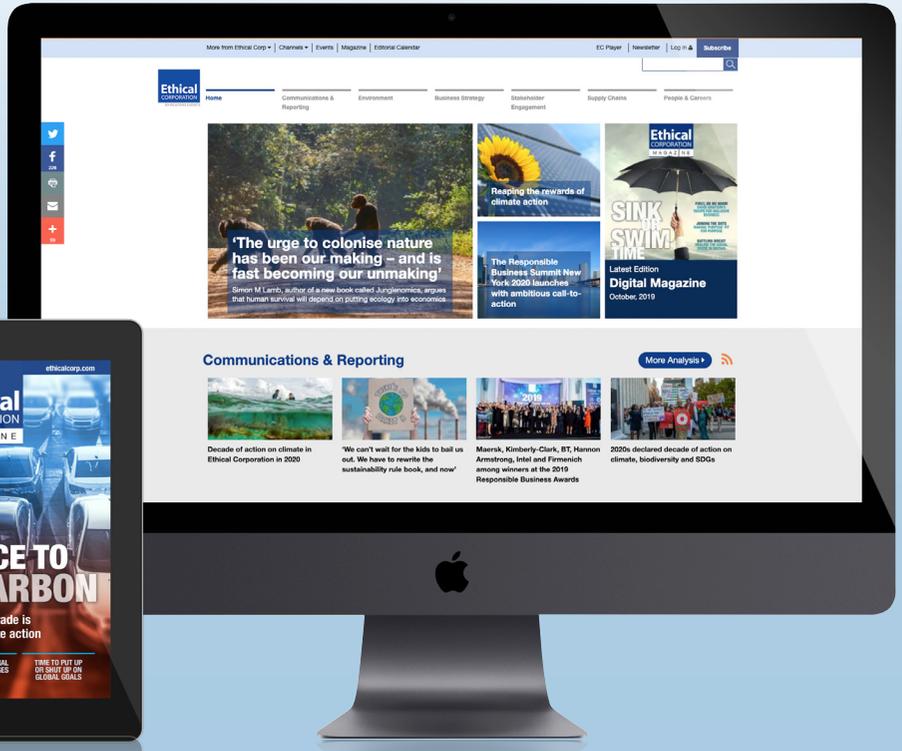
These are great examples that show the potential of blockchain to accelerate the achievement of the SDGs, the most important social and environmental changes for the planet by 2030. But how do we get there?

There are technological and regulatory challenges to be addressed. We are seeing a trade-off between the security benefit of fully decentralised



Dr Jane Thomason is CEO of Fintech Worldwide, the world's leading network for fintech, blockchain and digital impact, and was recognised in Forbes Magazine (2018) as blockchain's leading social development evangelist

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FUYU LIU/SHUTTERSTOCK





JASON MICZEK/REUTERS

‘THIS IS THE YEAR WE RESOLVE TO AVERT THE WORST IMPACTS OF GLOBAL WARMING’

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e can see the climate crisis quickly spiraling out of control, and yet much of the economy is still fueling it. At the same time, the solutions, commitments and support for the changes that are needed to stem this disaster have never been stronger.

Those are the two opposing realities we face this decade.

Decisions by governments, businesses, financiers, voters and consumers in 2020 will determine whether we avert the worst impacts of global warming by limiting it to 1.5C, or remain on this road to 3C or more.

We know how to shift to the more liveable path. Greenhouse gas emissions must fall by at least 50% by 2030, or nearly 8% per year over the decade, the United Nations Environment Programme’s [Emissions Gap report](#) warned in November. >

Andrew Higham of Mission 2020 says we must make 2020 the turning point, when emissions peak and begin their slide towards net-zero by 2050



VIEW ONLINE



The day after we clinched the Paris Agreement we knew the challenge would be to translate excitement around its long-term goals into immediate action

Reviving forests, oceans and other natural carbon sinks will improve our chances.

2020 should be the year we look back on as the turning point, when emissions peaked and began their slide towards net-zero by 2050. We can get there, if governments and businesses decide to push coal-fired power and combustion engines out of the system, tax rather than subsidise fossil fuels and focus investment on low-carbon alternatives.

We don't know exactly what a net-zero economy will look like in 30 years, but we know it's within reach because clean technologies and infrastructure are maturing and cheapening faster than many expected. The Paris Agreement created a system that guides governments and businesses towards that long-term goal, by bringing them together every five years to assess progress and raise efforts according to what is necessary, desirable and achievable.

2020 is when we put that system in motion, with the first five-year gathering at the UN summit in Glasgow this November.

We created Mission 2020 to help prepare governments and the real economy to make this universal step-up by the end of the year. The day after we clinched the Paris Agreement, we knew the challenge would be to translate the excitement around its long-term goals into immediate action. We knew we couldn't afford to let political leaders, chief executives, financiers and others wait for 2020 to begin their work.

Four years into our five-year mission, have we succeeded? In some ways yes; in others, not yet.

A lot has changed since 2015. On the plus side, we



Clean technologies are maturing and becoming cheaper faster than expected.

now have clear, irrefutable science on the different routes needed to meet the 1.5C and below-2C goals agreed in Paris, and the sharp differences in their impacts. Renewable energy is cheaper and more widespread, and battery and electric vehicle technologies are quickly maturing. Governments, financial institutions and business conglomerates have set goals for net-zero emissions by 2050, public support and pressure for climate action has entered the mainstream, and visible impacts like wildfires, floods, heat, drought, storms and air pollution are feeding awareness and concern.

Yet significant obstacles still stand in the way. We ended 2019 with a series of stark assessments. Greenhouse gas emissions rose by 1.5% per year in the last decade, hitting a record high in 2018, according to UNEP. The level of greenhouse gases in the atmosphere also reached a new high in 2018, with year-on-year surges in carbon dioxide, methane and nitrous oxide, according to the World Meteorological Organization's [Greenhouse Gas Bulletin](#) in November.

So the task before us this decade is simple, but also complicated.

Technologies that still seemed nascent and uncertain five years ago have strengthened and spread exponentially, exceeding expectations. In 2014, variable renewables were the cheapest source of new electricity in just 1% of the world; in 2019 it was two-thirds; by the early 2020s renewables >



HANNIBAL HANSCHKE/REUTERS

are set to become the cheapest source in all major markets, according to a Carbon Tracker [report](#) from September.

The full cost of new renewables in many countries, including solar in India and wind in Germany, is now cheaper than building new fossil fuel plants or buying raw materials for existing fossil fuel plants, Carbon Tracker said. Batteries are reducing the intermittency of renewables, and the cost of the two combined is expected to become cheaper than fossil fuels in the later 2020s.

The foundation for a low-carbon economy is set and strengthening. But it's hard to be optimistic about this potential when we see dangerous business-as-usual trends marching on.

Coal, the dirtiest form of fossil fuels, remains an immediate threat. Globally, coal-fired electricity is estimated to have made its largest-ever annual drop in 2019, by 3%, [Carbon Brief reported](#) in November. This is the result of record declines in Germany, the European Union overall and South Korea, a downturn in India, and flat in demand growth in China.

But in the same year, coal generation in the developing world made its biggest increase in five years, by 7%, according to BloombergNEF's [Climatescope report](#) in November. On top of that,

Wind power in Germany is now more cost-effective than building new fossil fuel plants.

the number of new coal power stations in China, the world's largest emitter, outstripped plant closures in the rest of the world between January 2018 and June 2019, according to [Global Energy Monitor](#) analysis from November.

We can change the game in 2020, if big emitters can show that they are making clear, decisive breaks with incumbent habits and business models.

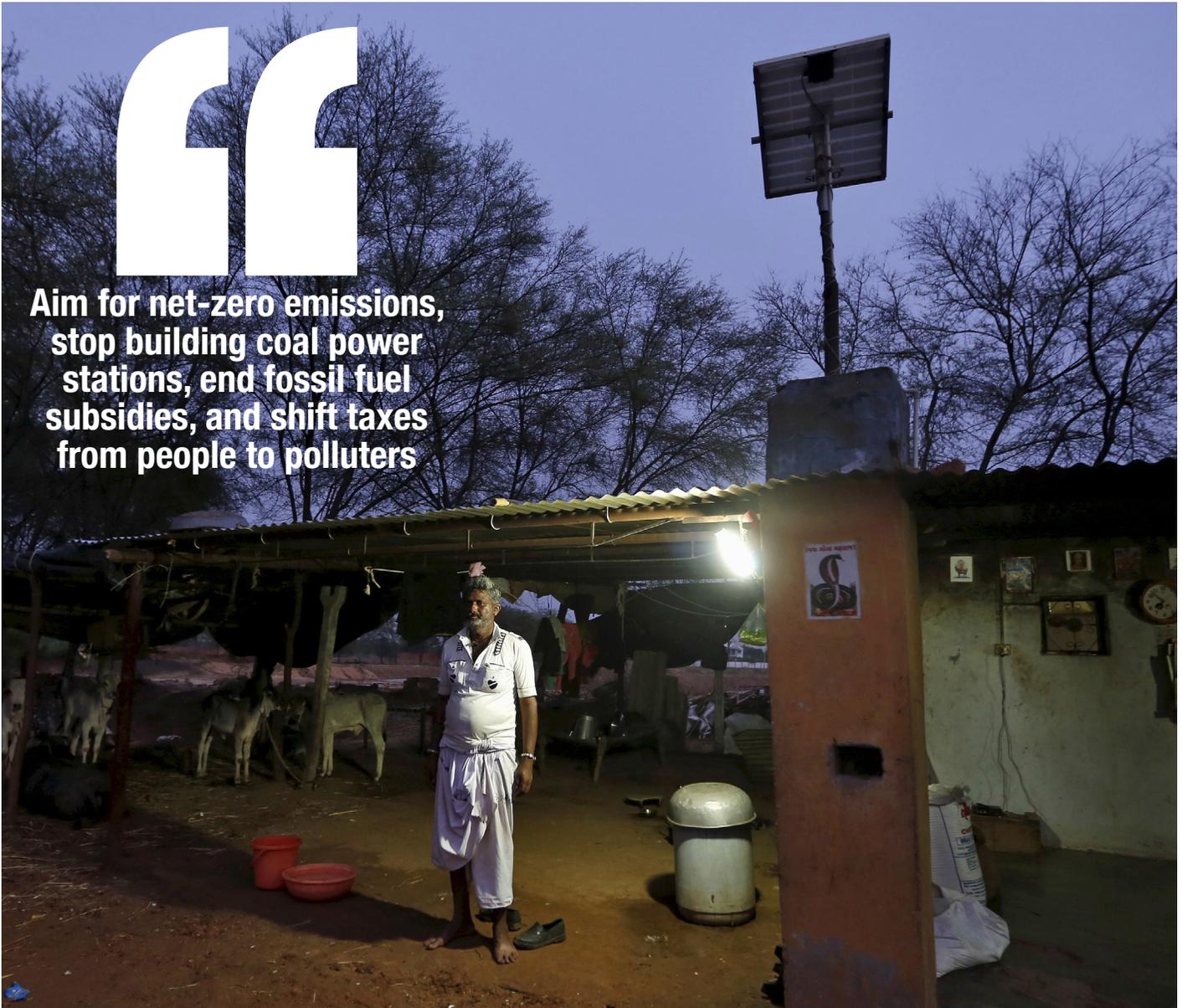
Polluting economies such as the European Union, China, India, Indonesia, Japan, South Korea and South Africa must raise their emissions reduction targets and heed the science-based demands that UN Secretary-General António Guterres has made to everyone: Aim for net-zero emissions by 2050, stop building coal-fired power plants by 2020, end fossil fuel subsidies, and shift taxes from people to polluters.

Business and finance leaders can encourage this shift by turning climate action from a burden to an opportunity. They need to set goals to halve their own emissions by 2030 and reach net-zero by 2050, and follow the Paris Agreement's five-year roadmap by communicating their progress and plans to governments every five years — starting in Glasgow this year.

Pension funds, sovereign wealth funds and other investors should join, or emulate, the UN Net-Zero >

“

Aim for net-zero emissions, stop building coal power stations, end fossil fuel subsidies, and shift taxes from people to polluters



Asset Owner Alliance, whose 15 members are responsible for around \$4tn in assets. These asset owners committed last year to decarbonising their portfolios by mid-century, and to regularly disclose progress and strengthen efforts in line with Paris.

Oil and gas companies, meanwhile, need to recognise the scientific reality that their current business models would contribute to millions of avoidable deaths and trillions of US dollars in avoidable damage. They should begin their transformation by quickly ceasing the exploration and expansion of oil and gas reserves, eliminating methane from their value chains, and applying their expertise, resources and influence to clean energy alternatives wherever possible.

At the end of our mission, I hope Mission 2020 will have helped focus climate efforts on the 1.5C

Solar is fast-growing in India – one of the countries that must raise its emissions targets.

goal and encouraged governments and businesses to follow the Paris rhythm for assessing and accelerating progress. I want to have elevated the opportunities and advantages that come with a 1.5C limit above what was long perceived as an unwanted burden. I want to look back and know that, in 2020, we reached the turning point in our path towards a more liveable planet for future generations. ■



Andrew Higham is chief executive of Mission 2020

'BOLD CLIMATE ACTION FROM BUSINESS AND CITIES WILL BE NEEDED TO PERSUADE LAGGARD GOVERNMENTS'



ALEXFAN32/SHUTTERSTOCK

Jen Austin of the We Mean Business coalition says the next decade will be critical in setting the world on the road towards a zero-carbon global economy

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he last decade ended with a collective political whimper from most major governments, with a disappointing outcome from the annual UN Climate talks. At COP25, major governments did not seize the moment to increase the ambition of their national climate plans, despite the fact that >

 [VIEW ONLINE](#)



At COP25 major governments did not seize the moment to increase the ambition of their national climate plans

the risk to human wellbeing and economic stability posed by climate change is growing fast.

The story from business is more optimistic. More than 1,100 companies are now taking bold climate action through the [We Mean Business Take Action campaign](#). And nearly 200 of them are doing so in line with the goal of limiting warming to a maximum of 1.5C. Business groups and investors representing thousands of companies and tens of trillions of dollars of market cap and assets under management are calling for governments to strengthen policies and targets to match that ambition.

As we head into 2020, governments must step up and seize the opportunity to accelerate the transition to the zero-carbon economy. By setting a clear target to achieve net-zero emissions no later than 2050 and delivering strong plans for the next 10 years that will get us on track to achieve that target, governments will support those companies that are already taking action to move even further and faster. It will also give those that are slower on the uptake the clarity and confidence they need to invest decisively in zero-carbon solutions.

There has been some good news on the policy front that we hope will be replicated elsewhere. An increasing number of governments are recognising the economic benefits of rapidly transitioning towards a net-zero carbon economy. The European Council endorsed the goal of a climate-neutral EU by 2050, and Canada joined the Ambition Alliance led by the Chilean COP25 presidency, an early sign that it intends to put forward a strong net-zero 2050 plan next year. The nearly 4,000 US signatories of the [We Are Still In declaration](#) who remain committed to the Paris Agreement were represented at COP25, along with the bipartisan US



Brazil environment minister Ricard Salles.

Climate Alliance, to showcase the continued climate action in the United States. This is not only by US businesses and investors, but also by more and more city and state governments.

The growing group of leading businesses that have signed the 1.5C pledge delivered a strong push for bold climate policies at the High-Ambition Day at COP25. The number of companies committed to the [Business Ambition for 1.5°C — Our Only Future campaign](#) had doubled to 177 in a little over two months since the first group of [87 pioneering companies](#) were announced at the UN Secretary-General summit in September 2019.

The signatories have pledged to set [science-based targets](#) that align with limiting global temperature rise to a maximum of 1.5C above pre-industrial levels and reaching net-zero emissions by no later than 2050, in line with the most ambitious goals of the Paris Agreement.

Collectively the companies have a combined market capitalisation of over \$2.8tn and represent over 5.8 million employees, span 36 sectors and >



are headquartered in 36 countries. They are also equivalent to the annual total of France’s direct CO₂ emissions.

The latest cohort included International Airlines Group (IAG), owner of Spanish airline Iberia and British Airways, car rental firm Europcar Mobility Group and construction firm Landsec. In addition, the number of companies committed to [science-based targets](#) has surged to over 740. More than 50 companies in the fashion industry have also committed to align with a 1.5C future through the [Fashion Pact](#), and more than 500 members of the B Corp community have committed to aim for [net-zero emissions](#) by 2030.

They were joined by a group of investors managing close to \$4tn in assets who have committed to converting their investment portfolios to net-zero emissions by 2050 through the UN-convened [Net-Zero Asset Owner Alliance](#), while more than [600 asset managers](#) and asset owners, with \$37tn in assets, have banded together to urge for action against global warming.

The failure to get agreement on Article 6 negotiations, intended to synchronise and fast-track the international trading of carbon credits, was another missed opportunity for governments to provide clear policy direction and increase investment in climate solutions. However, getting the details right on Article 6 is more important than simply getting a deal done at any cost. Article 6 rules must ensure the environmental integrity of carbon credits and make certain that no reductions are double counted. Companies need to have full

confidence in what they are buying and selling. Anything less would be a risk to the value of the credits and the reputation of the companies trading them.

While the official outcomes of COP25 fell far short of what was needed, the wave of momentum coming from businesses, investors, cities, civil society and forward-looking governments is set to grow in 2020 and beyond. It’s critical that 2020 is the year that exponential growth in business, investor, city and regional ambition and action breaks through the thick walls of indifference surrounding laggard country governments and accelerates action this year and throughout the decade.

In 2020, businesses must continue to step up and call on governments to take note of this groundswell of action from those who will play a major role in limiting global warming. This will give governments the confidence to ramp up their national climate plans in line with the latest climate science, as a matter of urgency. In 2020 we need to turn the corner towards becoming a zero-carbon global economy. We have the means to do it, we just need to all go faster together. ■



Jen Austin is policy director of the We Mean Business coalition

REBUILDING TRUST BETWEEN TROPICAL FOREST AND GLOBAL FORK

To reverse deforestation in the 2020s, brands must embrace SDG17 and deepen strategic partnerships, argues [Justin Adams](#) of the Tropical Forest Alliance

 [VIEW ONLINE](#)

B

y 2030 a global population swollen by a billion more people will escalate demand for agricultural goods – soybeans, cattle, palm oil, pulp, rubber and cocoa – produced in tropical regions. If the past is any indicator, one casualty of growth will be trees. Since 2010 our >



TROMAN MAKEDONSKY/SHUTTERSTOCK

hunger for commodities has eradicated roughly 50m hectares of primary forest, an annual loss equivalent of Belgium.

Trees aren't the only assets destroyed each day. Deforestation sacrifices water security. Its erosion silts up hydropower. It devastates biodiversity, erasing potential medicinal breakthroughs and natural pollination. Smoke from burning chokes lungs in distant cities. Worse, forest clearing emits CO₂ instead of acting as the global carbon sink they should be, accelerating climate change.

In short, deforestation exacts a catastrophic human toll. The pain ripples up supply chains from frontier roots among displaced tribes and impoverished farmers, to stressed wholesalers, anxious traders, and conflicted aggregators. Ultimately it leaves brands – corporate names behind burgers and chocolate bars and shampoo and phone cases – exposed to operational, financial and reputational risks.

As 2019 fires burned across the tropics, corporate executives faced questions from customers, shareholders, and employees. Outside, civil society becomes less civil. Social activists and environmental advocates trace products to forest origins, and rightly demand transparency. Negative press, protests, and litigation imply guilt by association, diagnose “business as the problem”, and prescribe boycotts as the solution.

Biodiversity and potential medical breakthroughs are at risk from deforestation.

To be sure, finger-pointing has proven effective in ratcheting up pressure on corporations to do better. It has nudged high-profile companies to increase transparency and clean up supply chains. But it is a blunt instrument and we're seeing diminishing returns. There's only so much business leaders – or for that matter NGOs, donors, lenders and governments – can do all by themselves.

For the last decade these parties mostly did try to go it alone, taking individual action: calling on a nation to crack down, funding a donor pilot project, seeking carbon finance for a forest, launching an NGO attack, holding a company accountable. Such linear approaches did yield praiseworthy outcomes, such as Norway and Guyana's pay-for-performance [agreement](#), or Brazil's [moratorium](#), which shifted soybean production onto already-degraded pasture.

Yet all these combined measures utterly failed to turn the global tide. Worse, the unilateral and top-down focus reveal a dangerous dynamic rising between buyers in the north and producers in the south.

The reality is that half of forests cleared for agriculture is illegal. Some threats are less cocoa growing than illicit coca production. Public corruption undermines consumer faith. Online competition weakens consumer will; many claim they'll pay premiums for deforestation-free >



“

Deforestation exacts a catastrophic human toll, with the pain rippling up supply chains from frontier roots among displaced tribes and impoverished farmers

goods from the Amazon, then click low-priced tainted options on Amazon.com. China and other emerging economies (just starting to apply sustainability criteria) provide a ready outlet for dirty forest commodities. Even clean wins leave a bitter taste: environmental victory for some is for others neo-colonialist hypocrisy.

COLLECTIVE ACTION

Let's take a hard look in the mirror. Converting forests for agriculture has driven economic development for rural communities not only in Brazil, Gabon or Indonesia today, but across Europe and the US over centuries. It's rather convenient for rich countries to inform forest countries that the scientific consensus now means their primary forests simply can't be cleared. Unless the north can genuinely enable alternative economic opportunities, unless its consumers pay more to be deforestation-free, unless its governments apply the same restrictive codes to its own temperate forests, the global chasm between healthy field and hungry fork will widen.

Thankfully, such introspection has begun. Each year we find more tools that closely monitor and better assess what's happening where beneath the tropical canopy. Stakeholders keep identifying more inclusive, transparent, and forest-positive models

that can shift the current dynamic. Indeed, never have we had a better grasp of how much is needed, at every level, to turn the corner on deforestation.

As we cross the 2020 threshold, truly durable and resilient solutions can only emerge as forest stakeholders learn to work together, graduating from feel-good individual efforts to the irreversible transformation that comes through collective action.

Collective action does not absolve companies of their responsibilities or commitments. To the contrary, it demands they deepen engagement to work beyond their own individual sourcing. The limits of voluntary corporate action require us to match demand-side measures (eg regulation) in market countries with stronger capacity and enforcement in producer countries, with financial incentives for green supply chains.

Our collective action agenda may sound novel or abstract. In fact, it is taking shape prominently under United Nations directives, and quietly among forest stakeholders.

Deforestation rationales are embedded in UN Sustainable Development Goals. Primary forests capture carbon (SDG13) and generate income (SDG1), they secure nourishment (SDG2), freshwater (SDG6), medicinal plants (SDG3), biodiversity (SDG15), and meaningful work (SDG8). What's surprising is that the last, >



Without trust, primary forests will continue to be sacrificed; with it, we can slow, stop and even reverse tropical deforestation



NACHO DOCE/REUTERS

understated and often overlooked one, SDG 17, matters more than all of them put together. SDG17 calls on parties to bind their diverse ambitions under new global partnerships for development, leveraging finance, capacity-building, systemic issues, technology, and trade.

In parallel, the Tropical Forest Alliance (TFA) exists to remove deforestation from supply chains. We will all collectively (not just companies) fall short of the original 2020 milestone. Yet as a neutral broker for some 160 committed governments, NGOs and companies, TFA's platform is proud to have enabled conditions at the centre where collective action can gain traction.

Multiple NGOs and companies now partner with local governments at the landscape level, where parties decide where to expand production and where to conserve tropical forests. New national pacts and partnerships on dairy, beef and palm oil have been launched in Colombia. Partnerships in the Africa Palm Oil Initiative bind 10 nations and leading companies to a regional pledge that steers palm oil development (a native tree and food staple in much of Africa) to degraded lands and supports smallholder inclusion. Indonesian partnerships across the supply chain and with strong government action have helped reduce deforestation more than 30% in the last two years compared with the 2002-2016 average.

To accelerate progress against deforestation beyond 2020, collective action takes three forms. Under shared action, individual or institutional goals remain intact, but stakeholders step out of their comfort zones to seek out new partners

with whom to realise these outcomes. Next, a community of purpose helps competing interests transcend their polarised rhetoric to develop solutions. Finally, through high-impact partnerships trade or commodity associations work through jurisdictional and national coalitions to ensure accountable governance.

Collective action is neither dramatic nor glamorous. It means embracing points of tension, loosening ideological rigidity to achieve meaningful results. As elusive win-win daydreams soften into messy trade-offs amidst mutual suspicion, collaboration offers nothing but a hard, uphill slog against headwinds.

But it's worth it. By working through the wrenching process of honest disagreement, of open debate, of accepted conflicts, of sticking around the table to forge a compromise framework no one loves but all can accept, something valuable starts to take root: trust.

Trust is the glue that unlocks human progress. Without trust, primary forests will continue to be sacrificed. With it, we can slow, stop and even start to reverse tropical deforestation, entering a decade of more equitable and responsible development from field to fork. ■

An illegal logging operation in the Amazon.



Justin Adams is the executive director of the World Economic Forum's Tropical Forest Alliance





ETHAN DANIELS/SHUTTERSTOCK

‘THERE IS TIME TO CHANGE COURSE, BUT ONLY IF WE START TURNING THE WHEEL NOW’

Nature Conservancy’s **Lynn Scarlett** says a series of international agreements in 2020 could set the stage for more sustainable economies by 2030

Imagine a massive container ship moving across the ocean at top speed, headed straight for a rocky island. The island is one mile away, which might seem far off, but turning a large ship moving at high speeds takes considerable effort. There’s still time for the ship to avoid running aground, but only if it starts the turn now.

This is the situation all of us are in today. The imminent collision we face is a world wrecked by climate breakdown and biodiversity loss, and the container ship – well, we’re all on that ship, and the engine of the current global economy is driving us straight toward the rocks.

These are the no-longer hidden costs of economies based on fossil fuels and unsustainable management of natural resources: the impacts of rising temperatures, rising sea-levels and the rapid extinction of species around the world. Businesses are not blind to these costs; some are already seeing them hit their bottom line, not to >



PHOTONEYE/SHUTTERSTOCK

mention threatening communities around the world. Indeed, many businesses are working to change their operations, but are we making our turn fast enough?

The seminal [1.5C Degree Report](#) from the UN’s Intergovernmental Panel on Climate Change in 2018 warned that we face accelerated climate impacts if we don’t drastically reduce emissions by 2030, the same year set for achieving the UN Sustainable Development Goals, and continue with even steeper reductions through mid-century.

That gives us roughly 10 years to put the world on a safer path.

But economies, like container ships, don’t change course overnight. Creating a sustainable future in

2030 requires us to achieve net-zero emissions and implement significant changes across sectors like agriculture and heavy industry at a global scale – starting, essentially, today.

How would we do this? We would need all nations to meet their Paris Agreement targets for climate action and then dramatically increase their ambitions, commit to greater biodiversity protection and establish protective regulations and economic incentives to realise these targets.

Ambitious? In fact, we have three convenings this year through which nations can set these goals.

First, in March we’ll see the fourth and hopefully final round of negotiations for a new [High Seas biodiversity UN treaty](#). Why is this so significant? Currently there is little governance of the high seas, the areas outside of national sovereignty, which cover nearly 50% of the planet. As a result, the ocean has been badly degraded by largely unregulated human activities.

Overfishing, habitat loss, pollution and the impacts of climate change have [pushed marine environments to the brink](#). And with deep-sea mining and bioprospecting [set to accelerate in the next few years](#), we could expect to see more >



Overfishing, habitat loss, pollution and climate change have pushed marine environments to the brink

MR. MEIJER/SHUTTERSTOCK



profound damage in open water environments if such practices are not carefully managed. This would be a catastrophe, as the high seas are home to some of the most wondrous species on our planet, not to mention a crucial source of food for billions of people.

The new high seas biodiversity agreement, along with new regulations coming out of the [International Seabed Authority](#) in July, could finally bring consistency, and enforcement to the current patchwork of sector-based regulations, and help ensure that the marine world is conserved and not just seen as a bottomless well of resources. With strong treaty text, this could be one of the most important environmental agreements in decades.

A NEW DEAL FOR NATURE

Marine ecosystems in national waters will also be on the docket, along with the rest of the natural world, in Kunming, China, in October, when the 196 countries that are party to the Convention on Biological Diversity (CBD) gather to finalise a new framework for the global protection of nature.

Biodiversity is in a [quieter state of crisis](#) than the climate: instead of floods and fires, it manifests as empty fishing nets and fields gone silent because the insects have disappeared. But all these creatures are key to the very systems that make up and keep the planetary ecosystem healthy: if this system is significantly disrupted, we can't even fathom the full repercussions yet.

The biodiversity targets that get the most attention tend to focus on parks and protected areas, the purview of the environment ministers who typically lead negotiations for the CBD. But the big and necessary opportunity on the road to



The shrill carder bee and tansy beetle are two of the many species of insect on the endangered list.

PHILMACDPHOTO/SHUTTERSTOCK



Biodiversity is in a quieter state of crisis than the climate: instead of floods and fires, it manifests as empty fishing nets and fields gone silent

Kunming is to involve key officials from finance, planning, transportation, energy and agriculture in negotiations for the new framework. These are the people who have the political and economic clout to drive change and integrate the protection of nature throughout political and economic systems.

This is a chance for governments to reassess wasteful and damaging agricultural subsidies, for example, or create incentives internationally for agribusinesses that can prove their imports are produced without converting natural habitats. Similarly, leaders may look to establish more robust planning and mitigation efforts related to energy, transportation, and infrastructure, and establish measurable outcomes for each target, holding accountable businesses and governments alike. >

CLIMATE COMMITMENTS COME DUE

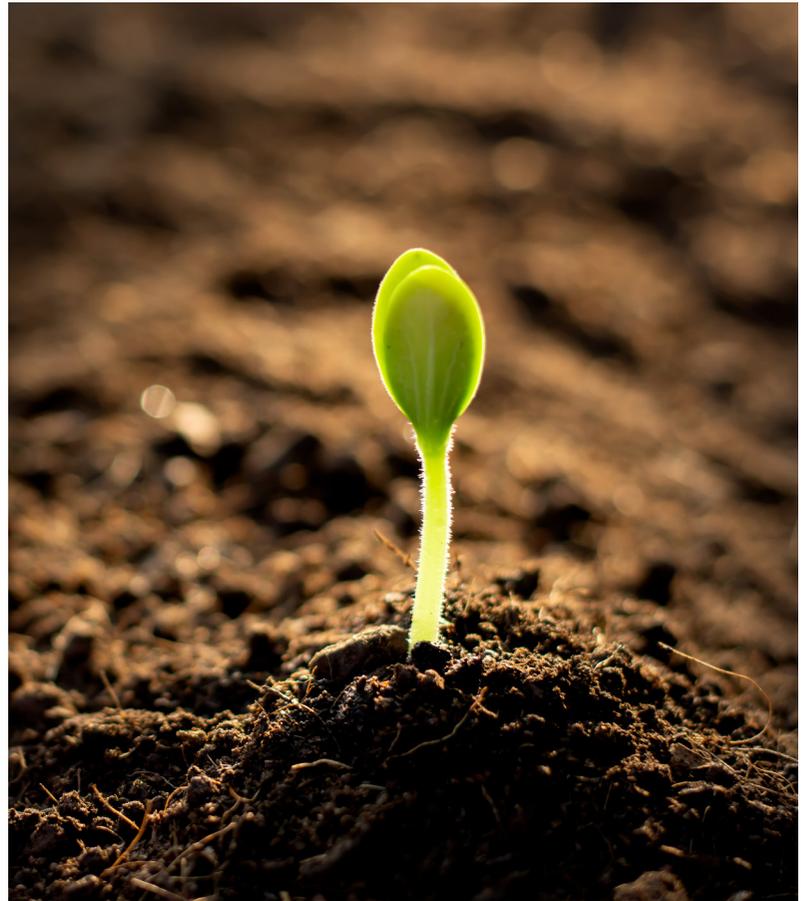
Finally, there is the UN’s annual Climate Change Conference (COP), which the UK will host in Glasgow this November. [This year’s gathering, COP26](#), holds particular weight, as countries will be held accountable for the national commitments made in Paris in 2016 and pressed to make new, more ambitious commitments. This could finally start to put the Paris Agreement model to the test: if enough countries meet or raise their targets, we can finally see what implementation of climate action on a global scale looks like.

If the countries party to the Paris Agreement collectively put forward more assertive emissions reductions programmes – as they must, if we are to keep climate change within safer limits – it would behoove them to facilitate investment in the broad range of climate solutions available. With the costs from climate change increasingly visible, and rising, it is essential to start pricing its cause: greenhouse gas emissions. And as consumers and investors become more aware of the consequences of climate change, there is ever more rationale and demand for new technological alternatives.

Putting it all together, what does this mean for businesses? First of all, it doesn’t mean an end to economic growth. We have [good evidence](#) that it is possible to have global GDP growth even as we implement measures to slow climate change and protect the natural world that we depend on. But it does mean change.

As with any policy shift, some sectors or individuals will incur new costs; this is especially true for policies addressing pollution, biodiversity loss, and other consequences that until now have rarely been accounted for in marketplace transactions. We may see new policies that hold polluters accountable, embrace investment in natural infrastructure, establish and enforce more protected areas, and support smarter planning, both on land and at sea.

For some sectors of the economy, this will require major adjustments. But for many sectors, and especially for the most proactive businesses within those sectors, upending the status quo could also create opportunities for growth. The renewables industry will likely continue growing, of course, but more surprising sectors can benefit too: research from the Nature Conservancy shows more sustainable soil management can actually generate billions of dollars in value, from carbon storage to increased crop yields.



KRAM9/SHUTTERSTOCK

Sustainable soil management can generate billions of dollars of value.

The global economy is not going to change overnight, even under the best possible outcomes from these convenings. But this year could provide the turning point we need. And the businesses that thrive in the future will be those that see where our ship is headed, and lend their efforts now to turning the wheel in the right direction at this critical juncture. ■



Lynn Scarlett is chief external affairs officer at The Nature Conservancy. In this role, she influences climate and nature-based solutions policy, in the United States and the 72 countries in which TNC influences conservation



'OUR PLANET'S RESOURCE BOUNDARIES ARE BEING BREACHED. WE MUST CHANGE HOW WE PRODUCE OUR FOOD TO ACHIEVE THE SDGs'

Olam's [Sunny Verghese](#) says a global food and agricultural system in line with the Global Goals would unlock economic value of more than \$2tn by 2030

 [VIEW ONLINE](#)

Are you reading this with a cup of coffee? A piece of chocolate? Or maybe a protein bar with nuts and puffed rice? And if the answer is yes, then have you considered the whole back story that the coffee or cocoa bean, nut and grain carries with it before reaching your cup or plate? >



“ The vast bulk of the world’s food is grown under the sun, exposed to warming temperatures and also the disease, pests, floods and drought it causes

The reason I’m asking is because I need you to appreciate the journey of how these ingredients made their way into your hands, and that in many cases that journey needs to change. Our planet’s resource boundaries are being breached, exacerbated by poor farming practices in many regions.

We are seeing these stressors even before we get to 2050 and add another 2 billion people.

Although we are seeing the emergence of underground farms and giant high-tech, temperature-controlled greenhouses, the vast bulk of the world’s food production is grown under the sun and therefore exposed not just to warming temperatures but also the disease, pests, floods and drought that those warming temperatures can cause.

This is further compounded by the fact that we need to keep global temperatures to a 1.5-degree increase to avoid a “hot house” situation. As a contributor of 11% of all man-made emissions, agriculture must get its own house in order, but we need the energy, transport, construction and other sectors playing their part to reduce greenhouse gas emissions.

We also need business to identify new solutions and innovations. Tech companies, for example, are producing remarkable software to ensure we only use the precise amount of water, fertiliser and pesticide required.

Meanwhile, Accenture found that 53% of UK consumers last year prefer to buy goods and services from companies that stand for a shared purpose that reflects their personal values and beliefs, and are ditching those that don’t. There is opportunity among consumers and thus profit to be made in sustainable business.

Ultimately, business success over the coming decade hinges on achieving the Sustainable Development Goals, the UN’s blueprint to achieve a better and more sustainable future for all by 2030.

The transformative agenda of the SDGs cannot >



SATYRENKO/SHUTTERSTOCK



The transformative agenda of the SDGs cannot be achieved by business as usual, nor by a few disruptive innovations

be achieved by “business as usual”, nor by the singular approach of a few disruptive innovations here and there.

Consider a global food and agricultural system in line with the Global Goals; one that feeds the growing population, generates higher incomes and restores natural resources and vital ecosystems. This

would unlock economic value of more than \$2tn by 2030 and would be much more resilient to climate risk. This makes it a commercial imperative for business leaders to work with sector peers to drive systemic change.

I chair the World Business Council of Sustainable Development (WBCSD), a CEO-led organisation of over 200 leading businesses such as Nestlé, Unilever, Santander, Toyota and Microsoft. Together we are working to usher in the transition to a more sustainable world and help sustainability-focused companies become more successful.

WBCSD has translated the ambitions of the SDGs into six work programmes which bring leading companies together to drive transformation across a series of key economic systems. Specifically, efforts are focused around: circular economy; cities and mobility; climate and energy; food and nature; people; and redefining value. For those that choose to embrace the SDGs through this framework, it will help strengthen their licence to operate and manage operational and regulatory risks. Much of their combined experience is available as free guides on the [WBCSD website](#). >

Tech companies are innovating to help find more climate-resistant solutions to producing crops.



BUILDING ALLIANCES TO SCALE IMPACT

Olam has benefited from many collaborations and these can open up opportunities for public sector funding. [The Sustainable Rice Landscapes Initiative](#), for example, involves WBCSD companies, the Food and Agriculture Organization, UN Environment, Sustainable Rice Platform and development agencies, and is working to cut methane emissions from rice production. Every year, the production of this staple crop around the world emits the same amount of greenhouse gases as Germany, making it a key contributor to climate change.

Meanwhile, being a member of the [Climate Smart Agriculture](#) project has also helped evolve our thinking around climate change strategies that drive business improvements, such as providing weather stations right across the West Africa cocoa belt. For farmers, this new access to weather data means they can time applications of inputs and farm practices with the right conditions, which translates into higher yields and income. As for the business benefits for all involved; food companies get higher volumes and data to inform trading strategies, while

The Sustainable Rice Landscapes initiative is working to cut methane emissions from production.

chemical companies can more efficiently meet crop protection demands.

There has been much talk recently about whether business should only be focused on creating value for shareholders, or whether there is also a responsibility for preserving our planet and ensuring progress for wider society that we are a part of. Whatever your view, I would at least urge you to think about how your business activities may directly or indirectly affect the farmers growing the food we eat, who it may be beneficial to partner with, and help us to collectively re-imagine our shared future. ■



Sunny Verghese is co-founder and group CEO of Olam International Ltd and chair of the World Business Council for Sustainable Development

‘CLIMATE CHANGE IS ALREADY WREAKING HAVOC IN CITIES. HERE’S HOW THEY NEED TO STEP UP’

CDP North America’s **Bruno Sarda** says global warming poses a material and physical risk for mayors. They have no choice but to act



GENE BLEVINS/REUTERS

 [VIEW ONLINE](#)

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hen Oxford Dictionaries named “climate emergency” its 2019 word of the year, I was struck by the implications. Months prior, The Guardian announced it would begin using “climate emergency” exclusively in its reporting, ditching the less resonant “climate change”.

More than 1,400 local governments in 26

countries have declared a climate emergency and committed to action to drive down emissions at warp speed. The message is loud and clear: we must no longer think of environmental threats as approaching dangers: they are here now, already wreaking havoc on America’s cities.

At CDP, a global environmental disclosure nonprofit where I lead our work in North America, our conversations have moved well beyond rising sea levels; climate change is a multi-layered danger that hurts cities across the US, be they inland, coastal, dry, rainy, north or south. In 2019 alone, we saw fires tear through southern California, the Mississippi river flood at historic levels and >



record-breaking heatwaves and cold spells endanger life across the Midwest.

American cities must act now to protect their citizens and economies in the face of the climate crisis. But how?

Unlike companies, cities cannot pick up and move to safer ground. And if a city’s citizens and businesses did relocate due to environmental risk, what would that mean for the city? After all, in 2017, 18 million people around the globe were displaced by climate change, many of whom continue to face almost insurmountable difficulty.

It is an existential question for urban leaders, and local economies are in jeopardy for this very reason, even beyond the ongoing and expensive impacts of environmental disasters when they strike. Cities today face the question: do they retreat from action? Re-invest their spending? Or wait out the (sometimes literal) storm and see what calamities come their way?

Alongside recent climate emergencies, some of 2019’s most critical environmental moments emerged out of cities: the rise of Extinction Rebellion in London and massive mobilisation by young people at urban climate strikes around the



2019 saw extreme consequences of climate change across the US, from wildfires to record-breaking heatwaves

world; the Chilean president forced to cancel plans to host the UN annual climate conference after severe economic inequality sparked protests in host city Santiago; preliminary momentum building toward the US 2020 election and the rise of the Green New Deal. These moments do not exist in a vacuum. They are proof that cities are feeling the impacts of climate change already, and their citizens are pushing back.

Wall Street is taking note of how cities are managing climate risk. Climate change poses a material risk to city bond issuances and rating agencies’ assessments. In 50 or 100 years, if city hall is underwater or there are no substantial >



Some of 2019's critical environmental moments emerged out of cities, such as the anti-government protests in Chile

taxpayers left, how could a city pay back what it has borrowed?

In 2017, Moody's S&P Global and Fitch Ratings issued reports warning state and local governments that their exposure to climate risk could affect their credit ratings. And municipal credit analysts and ESG fixed-income managers in firms like Invesco and AllianceBernstein are taking stock of how cities are transparently reporting these risks to factor into their credit analysis.

City planners are taking note. CDP saw more than a 20% increase in disclosure from local governments between 2018 and 2019, from 750 to 920 global cities, states and regions. This transparency is crucial for understanding risk and acting on it.

TAKING THE LEAD

When it comes to action, cities are on the forefront, leading when the current federal government is not. There are many examples of leadership here in the United States. American cities are well represented on CDP's A-List, from West Palm Beach to Seattle. The score is based on how cities are effectively managing, measuring and tackling greenhouse gas

emissions and adapting to climate risks. Still, just 7% of cities – 43 worldwide, including 24 in North America – received an A for climate leadership and action.

Cities need to increase transparency through robust environmental disclosure and build their physical resiliency while simultaneously reducing their footprints. For example, New York City, a CDP A-List city, utilised the findings from its post-Hurricane Sandy Resilient Neighborhoods Study to safeguard waterfront buildings and better protect more than 250 hectares of tidal and freshwater wetlands in Queens and Staten Island, a natural flood barrier protecting communities that lie on the Atlantic coast.

Resiliency must go hand in hand with equity. As city leaders tackle climate change, they are accountable to do so in a socially equitable way. Environmental injustices have a disproportionate impact on communities of colour and low-income communities in the United States and around the world.

Cities report to CDP the social risks they believe will stem from climate change. Top long-term concerns are population displacement and the >



spread of disease. But cities tell CDP that wealth inequality is a significant barrier to combatting climate change: 54 cities in 2019 to be precise, according to our [new Cities at Risk report](#).

But solutions do exist. [CDP's Matchmaker](#) is a platform for cities to build resiliency by seeking investment in their climate infrastructure goals, while ensuring those projects are developed with social equity in mind. Out of the \$96.9bn in project value disclosed by cities to CDP in 2019, \$25bn has not been secured. Increased funding for city climate initiatives will be required to drive down emissions and adapt to climate risks.

Finally, collaboration is key. Cities can only do so much on their own. They can't reach these environmental goals without the support and insight of nearby business, as [some cities control only 4% of their carbon emissions](#). More than 60% of cities disclosing to CDP in 2019 are already engaged in city-business collaboration, and we are seeing continued demand for partnerships. Cities are joining forces to find solutions on a local as well as a national scale; the mayors of the Mississippi

River Cities and Towns Initiative address shared climate challenges like flooding and extreme heat regionally, and the US Climate Mayors is a bi-partisan peer-to-peer network of mayors working together to demonstrate leadership on a national scale.

By 2050, 70% of the world's population will live in cities. By this time, eight times as many city dwellers will be exposed to high temperatures and 800 million more people could be at risk from the impacts. With the clock ticking toward 2030, the year by which the IPCC tells us we must halve emissions globally in order to limit warming to a 1.5C rise, cities must act now. ■



Bruno Sarda is president of CDP North America

IN ASIA, SUSTAINABILITY LEADERSHIP MUST START WITH RETHINKING WASTE

ELOISA LOPEZ/REUTERS



Pat Dwyer of The Purpose Business looks at the need for a paradigm shift if Asia is to be on track to deliver on responsible consumption

In mid-2019, the McKinsey Global Institute released a discussion paper entitled [Asia's future is now](#), saying that Asia is on track to top 50% of global GDP by 2040 and drive 40% of the world's consumption. Traditional models indicate that >

 VIEW ONLINE



TESTING/SHUTTERSTOCK



By 2030, Asia could account for more than half of the world's consumption but the circular economy continues to be elusive

where there is consumption, there is waste. The need for strategic waste management is amongst the most needed, yet achievable for the region.

Also around mid-year, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) released [Asia and the Pacific SDG Progress Report 2019](#). ESCAP noted that “Asia and the Pacific will not achieve any of the 17 SDGs by 2030 if the region remains on its current trajectory.” Asia is regressing on SDG 6 (clean water and

The need for strategic waste management is both most needed and achievable in Asia.

sanitation), SDG 8 (decent work and economic growth), and SDG12 (responsible consumption and production). The circular economy, for all its obvious promise to address these three SDG goals in particular, continues to elude Asia's waste-management system.

By 2030, Asia could account for [more than half of the world's middle-class consumption](#). Population growth, increased demand and overall economic progress have led to a misuse and abuse of resources. Solid waste, in particular single-use plastics, has become the poster child issue that most countries in the Association of Southeast Asian Nations (ASEAN) rallied against in 2019. This is expected, when ASEAN member states make up [six of the top 20 countries](#) ranked by size of mismanaged plastic waste, according to one 2015 study. Much of the resulting plastic pollution ends up in the ocean, given the concentration of populations along vast river systems and coastlines.

While it is evident that this is largely due to a severe lack of adequate waste management across the region, it also casts light on a much-needed basic understanding. Waste, foremost, is nothing but a by-product of production and consumption, so while a standard “reduce, reuse, recycle” strategy has been >

a much-heralded approach, in this new decade we need to shift our efforts around efficient production systems and redefining consumption habits. Using mechanisms such as a [waste wheel](#), companies can join up thinking, and start taking action at any stage of design and production, consumption, collection and disposal or closing the loop.

Alternative materials are being introduced to design and production. This includes increasing recycled content, decreasing raw materials, or switching to renewable materials. Whether in retail or public goods, as well as in the service industries, Asia needs to grasp the early, encouraging signs of shifting to a circular economy, beginning to be demonstrated by incorporating its largest untapped supply: waste.

In 2018, Siam Cement and Dow Thailand Group announced a joint effort to turn [recycled plastics into asphalt roads](#), helping reduce plastic marine debris, enhance road performance and potentially reduce greenhouse gas emissions during road construction. Similar schemes in India repurposed 100 metric tons of end-of-life plastics into 40 kilometres of roads between Pune and Bangalore.

In Hong Kong, discarded clothes, garments and textiles become part of more than 300 tonnes of textile waste that are dumped in the city's landfills daily, according to [Redress](#), one of the most successful NGOs based in the city, working to [reduce textile waste](#). Under the Hong Kong Research Institute of Textiles & Apparel ([HKRITA](#)), there now exists an alternative, brought by a local textiles firm Novetex. The [Billie system](#) is an innovative waterless system that, when fully equipped, will spin three tonnes of recycled fibre



REDRESS

NGO Redress is working to reduce textile waste in Hong Kong.

from roughly the same amount of textile waste daily, without affecting cost or quality.

Switching to reusable items or establishing policies that allow for goods to be distributed in alternative packaging, help reduce unnecessary consumption. These include anything from whole fruit to top-up cards wrapped in single-use plastic. While businesses should primarily evaluate the need for unnecessary packaging, they too can work with local distributors to provide their product in bulk and give incentives to better take-back mechanisms and refill programmes. The popularity of the recently opened bulk and refill stores in [Hong Kong](#), [Singapore](#) and [Thailand](#) are a good indication of the market's interest in reducing excess packaging.

DEVELOPING WASTE DISPOSAL SOLUTIONS

New systems encouraging education on proper disposal of waste through segregation, lies at the core of the solution. This will necessitate appropriate labelling, policy, and most importantly, staff training. When The Hongkong and Shanghai Hotels (HSH) announced its [plastic commitment](#), it had spent almost a year rethinking a process of alternatives. The company issued a decision tree that empowered staff to take a clear line of action at every point of the single-use plastic review. The actions included assessing the need for the item; >



The popularity of recently opened bulk and refill stores in Hong Kong, Singapore and Thailand indicate interest in reducing excess packaging



switching to multi-use items (to reverse need for single-use plastic); and where single-use items were unavoidable, to follow the recommendations for compostability or recyclability.

The success of collecting waste material requires a collaboration between the private and public sector to invest in the right technology, develop technical expertise to maintain a proper waste processing system, and in a number of cases, particularly in Asia, create a secondary market for waste materials.

In Hong Kong, home-grown soy milk brand Vitasoy has long been committed to nutrition, taste and sustainability, and has been investing in infrastructure that collects and recycles. It launched a pilot scheme to collect recycled materials, beginning with Tetra Pak cartons from across 75 schools.

The Philippines has been called out as the world's

The Billie waterless system produces almost tonne for tonne recycled fibre from waste textiles.

third-most prolific producer of mismanaged waste. This is largely because there is no formal system to manage waste. There is, in fact, no formal process for collecting or processing recyclable materials. Coca-Cola Philippines is partnering with the government to invest in the country's first recycling facility, scheduled to open in late 2020. Coca-Cola recognises the general public's sceptical reception of its initiatives, but its financial and infrastructure investment, facility development, and community engagements have so far communicated that they are systemically addressing waste in the Philippines.

These examples show that at least some of the solutions exist right now. So why is the region not making better progress? While most organisations have made significant progress in their waste-reduction initiatives, it remains a challenge to close the loop due to the lack of a comprehensive, systematic and centralised collection/processing system. Yet, it is also clear that it is the business mindsets that need to evolve quickly, and for that we need active and conscious leadership to bring the scale and the mainstream demand that the region and the world needs.

To get this all going, we need to ensure strong governance, accountability and leadership in managing complex issues such as waste. There is >



Coca-Cola is partnering with the Philippine government to invest in the country's first recycling facility



The Global Plastic Action Partnership has brought together businesses, donors, governments, community groups and experts to collaborate on beating plastic pollution

some [amazing sustainability talent in the region](#) but the responsibility for waste, or the wider environmental, social and governance (ESG) agenda is not a simple, one-person job. In fact, the biggest champion of sustainability should go even beyond the CEO – it ultimately rests on the board of directors.

Boards have the fundamental role of planning and strategising a company’s short and long-term goals, and as such have the duty of ensuring that the company is future-proofed versus environmental and social risks the company may be facing. As the [Hong Kong Exchange](#) stipulates: “The board has overall responsibility for an issuer’s ESG strategy and reporting.”

One of the long-standing challenges to fully embracing sustainability in Asia is that companies in developing countries think sustainability costs businesses more. Faced with challenged economies, low purchasing power and issues on basic needs not being met, it is understandable why companies shy away from investing in sustainability. However, this is what lies at the heart of future-proofing businesses. If one is to run sustainable businesses, boards must be driving it.

The Global Plastic Action Partnership (GPAP), launched in 2018, has brought together businesses, international donors, national and local government, community groups, and world-class experts to collaborate on beating plastic pollution. In Indonesia,

The Philippines is the third-highest producer of mismanaged waste globally.

the coordinating minister of maritime affairs leads the pilot and is supported by the biggest impact companies, such as Chandra Asri Petrochemical, Coca-Cola Amatil, Dow, Giti Group, Indofood CBP Sukses Makmur, PepsiCo, Nestlé, among others. By collecting local waste-management data and building a data-driven decision-making framework, the work will evaluate solutions that can contribute to 70% reduction by 2025.

So, just as we look at inter-relations throughout supply chains to manage waste on an operational level, the benefits of connections between industry and civil society partnerships are becoming more apparent. Here we see a pattern for success. What is certain is that business leadership needs strategic sustainability alignment, ownership and accountability and a shift in mindset towards managing resources better. Without it, we will not be inspiring impactful change. This, particularly for Asia, is an opportunity no business can afford to waste. ■



Pat Dwyer is founder and director of The Purpose Business

‘THE FUTURE IS DETERMINED BY WHAT WE DO NOW, AND THE WINDOW OF OPPORTUNITY IS CLOSING FAST’



SUTADIMAGE/SHUTTERSTOCK

WBCSD's **Filippo Veglio** explains why, 10 years after the launch of Vision 2050, it is being refreshed to help deliver the transformational change needed over the next decade

“Walk into the boardroom of a typical Fortune Global 500 company today and the talk will be about today’s challenges. In an environment that rewards short-term gains, immediate concerns understandably dominate management’s time and attention. Many companies with relatively long business horizons are still effectively looking at their watches rather than their calendars. So what would happen if the people in those boardrooms asked themselves this simple question: What will the world look like in 2050?”

The paragraph above is an extract from a letter sent to members of the World Business Council >

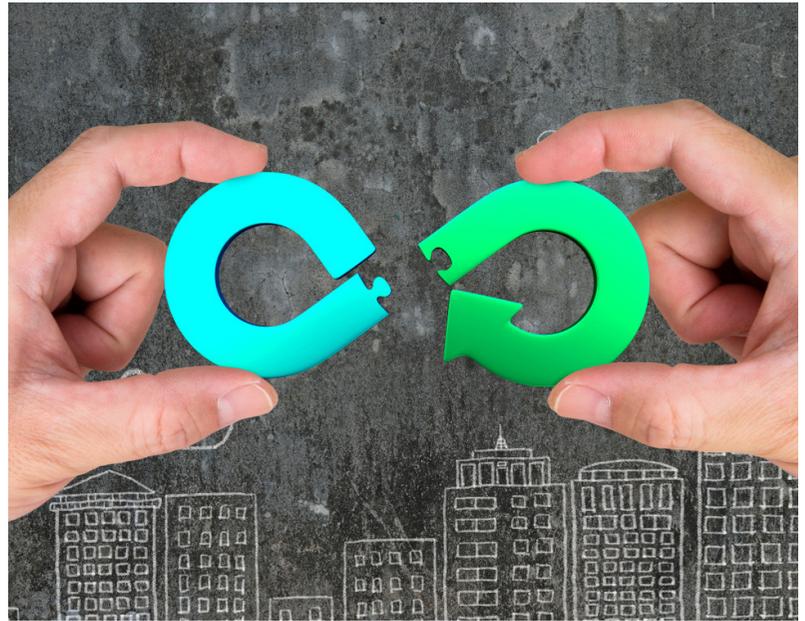
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for Sustainable Development in January 2010, informing them of the launch of [Vision 2050](#), an ambitious study mapping out the transformative changes necessary to allow over 9 billion people to live well and within the boundaries of the planet by mid-century. Declaring that business as usual was not sustainable, Vision 2050 explored what a sustainable world would look like in 2050, how such a world could be realised, and the role of business in making that vision a reality.

Vision 2050 had the attributes of successful business planning: understand the current situation, identify obstacles to success, and create a pathway to overcome those obstacles. The conclusion: we need to transform the way the world produces and consumes everything, from energy to agricultural products. Vision 2050 went on to identify unprecedented opportunities for those businesses that understood they could no longer operate in business-as-usual, autopilot mode.

Almost 10 years on, the key concepts of Vision 2050 have largely stood the test of time. It accurately identified the importance of systems transformation and predicted the key action areas for initial progress, including new concepts, such as the circular economy, which have since become firmly established as part of the broader business landscape. It also coined the term “turbulent teens” to describe the current decade – turbulence that seems highly likely to continue for some years to come.

Inevitably, however, a number of topics have either increased in importance or emerged as critical new areas, such as the deep changes being driven by technology. Furthermore, the world that



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The circular economy is now a firmly established part of the business landscape.

business is operating in continues to change: social tensions and environmental impacts are on the rise, leading to fundamental questions being asked about the role of business, and the economy as a whole, within society. Business has a material interest in shaping a viable long-term operating environment.

DO WE REALLY UNDERSTAND WHAT SYSTEMS TRANSFORMATION WILL INVOLVE?

Although significant progress has been made in recent years, we are not yet on the cusp of the wholesale transformation of economies, societies and business models that is needed. We cannot yet see a clear path to bringing about a sustainable world at the rate or scale required, even though we have a much better idea today of what needs to be done than we did 10 years ago.

As United Nations Secretary-General António Guterres put it in a message to WBCSD members in mid-October, “visionary business leadership backed by tangible actions has never been more important. We must transition our economies towards net-zero emissions by 2050; boost the development prospects of the world’s most vulnerable countries and most marginalised people; and look at the 2030 agenda not through the prism of the economy of the last decade, but the economy of the next decade, seizing the potential of the fourth industrial revolution and safeguarding against its dangers.”

Driven by the ambition to identify a clear action agenda for business for the next decade and beyond, over three dozen member companies from 16 countries, representing more than 10 industry >



Although significant progress has been made, we are not yet on the cusp of the wholesale transformation that is needed



sectors, over 4 million employees and a combined \$2 trillion in annual revenue, [have come together around the ambition to refresh Vision 2050](#).

A revisiting offers the opportunity to analyse social, economic and political shifts, and to incorporate the new critical elements that have emerged. And through this process we can create a renewed collective, positive, business action and leadership agenda for the decade to come.

The transition to a sustainable future requires open eyes, coupled with collective and immediate action. For WBCSD, it is paramount for this piece of work to paint a positive picture of an achievable future that businesses can see themselves in and are excited and energised to work towards – finding new growth, lowering their cost of capital, and being more resilient. This will be crucial for catalysing the transformational efforts at the scale and speed that we need.

In addition, the vision should be rooted in clear action points that companies can take in the next decade, including descriptions of those current activities that need to stop in order for the vision to be achieved. Unavoidably there will be questions that will not be fully answered. It is therefore also important to identify key “must-solve” challenges that business will have to tackle in the coming years.

The environmental impacts of the climate emergency are on the rise.

Lastly, this effort offers an opportunity to shape important discussions around the role of business and the future of capitalism. The recent CEO statement by the Business Roundtable [has triggered a high-profile debate on the workings of our current model of capitalism and areas for improvement](#). There is a clear opportunity for WBCSD to help shape the narrative on how we can move from statements to action.

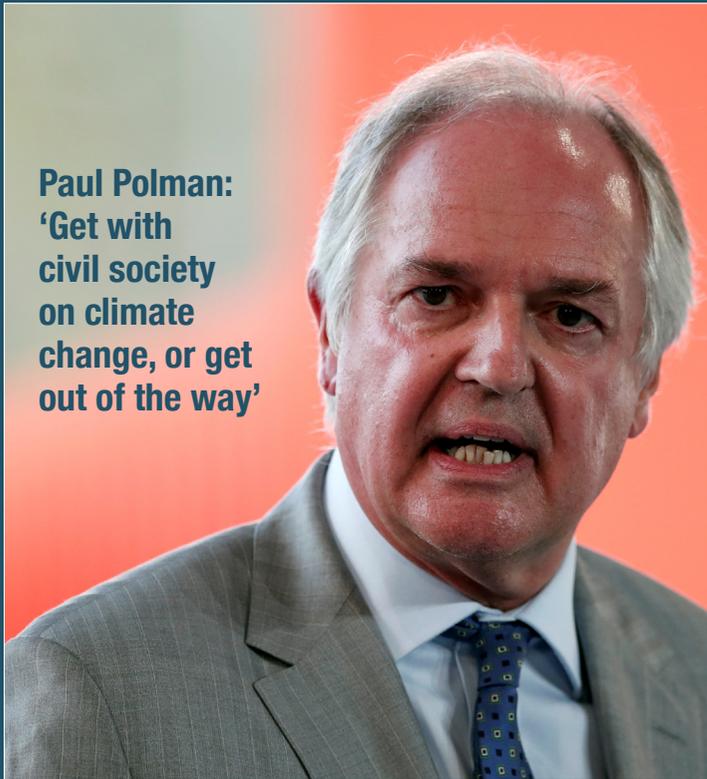
The future is determined by what we do now and the window of opportunity is closing fast. WBCSD will continue to shape and advance this work ahead of the projected launch of our revamped vision in October 2020. Throughout 2020 and beyond, we at WBCSD look forward to playing our part across solutions, technologies, innovations and partnerships as we embark on a decade of action and delivery, for the benefit of all. ■



Filippo Veglio is managing director, people program and outreach, for the World Business Council for Sustainable Development (WBCSD)

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SEVEN BEST PRACTICES IN SUSTAINABLE SUPPLIER ENGAGEMENT

The momentum for a strong corporate sustainability strategy is present and growing. Shareholders, corporate boards, and employees are demanding ambitious and management-endorsed sustainability strategies. These strategies are not bound to an organisation – they also cover the supply chain, alleviating unpredictability between suppliers and buyers. Setting ambitious strategies is a good start, but realising these ambitions is the main challenge.

Supply chain management is complex due to the large number of players, the lack of available data (transparency), and that companies can only indirectly influence decisions made by suppliers and the resulting effects.

Navigant distilled seven best practices from leading companies challenging their suppliers to become more sustainable. These are essential lessons for companies looking to develop and implement a sustainable supplier engagement programme.

1. COMMITMENT THROUGHOUT THE ORGANISATION IS THE FOUNDATION

Commitment from the board and the sustainability and the procurement departments is essential when engaging suppliers to start discussing sustainability issues.

Committing to an overarching and holistic target-setting approach like the one provided by the Science Based Targets Initiative helps create buy-in throughout an organisation.

To achieve science-based targets, almost all parts of an organisation need to be involved and need to have greenhouse gas (GHG) reduction targets. GHG reduction targets related to purchased products and services and endorsed by a company's board are key for a procurement department to start conversations with suppliers about the supplier's impacts and reduction options.

Alignment between the sustainability and the procurement departments is

Sustainable procurement

“As a procurement representative I need the support of my sustainability colleagues to receive practical insights and discussion points for my supplier interactions. I want to understand the main impacts and feel sufficiently comfortable to bring them up in discussions.”

often suboptimal. Yet, collaboration between these departments is indispensable for a successful supplier engagement programme. The sustainability department typically has the most knowledge on sustainably aspects and is responsible for target setting, while the procurement department has the relevant relationships with suppliers. More often sustainability and procurement functions are merged, resulting in senior sustainability procurement >

managers, for example. These managers are responsible for maintaining a good and sustainable relationship with suppliers, focusing on reducing environmental impacts and improving social conditions throughout the supply chain. Besides reducing environmental impacts, a driver for these new functions is to limit environmental risks to secure sourcing and guard the brand reputation of the buying organisation

2. SMART PRE-SELECTION OF SUPPLIERS MAKES SUPPLIER ENGAGEMENT MANAGEABLE

Large companies often have thousands of suppliers from various sectors and countries, which is a major challenge in designing and implementing an effective and efficient supplier engagement programme. The first step in programme design is to reduce the number of suppliers you work with, focusing on those suppliers that contribute to the largest part of the company’s carbon footprint. Often, a small number of suppliers are responsible for the largest part of a company’s supply chain GHG emissions. Focusing on these suppliers is key because that is where emissions can be reduced most efficiently.

3. SUPPLIER ENGAGEMENT STARTS WITH OPEN COMMUNICATION AND SHOWING COMMON BENEFITS

The best start to collaborating with your suppliers on sustainability is open communication. Try to understand the position and stakes of your suppliers and make sustainable supplier engagement more marketable for them. Working together on sustainability can be positioned as better marketing to clients. Moreover, you can stress the business continuity benefits from supply security. Supplier recognition and awards can also help to establish participation.



Ten automakers have joined forces to define key performance indicators for climate and water for suppliers through CDP.

CHIZHENOK/SHUTTERSTOCK

From commodities to engagement

“We started a journey: from commodities to partnerships with our suppliers, broader than just sustainability.”

4. LONG-TERM RELATIONSHIPS AND CO-CREATION ARE EFFECTIVE WAYS TO ENGAGE WITH SUPPLIERS

Suppliers can be targeted in different ways to make a company’s supply chain more sustainable. At first, it sounds logical that a sustainable supplier engagement programme will be the best strategy to enhance the sustainability of suppliers that deliver strategic items because there are limited or no alternative suppliers. However, we recognise the trend of developing long-term relationships with commodity suppliers, where price is usually the main differentiating element. In line with this trend, some companies select suppliers based on shared values and beliefs, as this is a solid basis for developing joint projects.

5. INCENTIVISE SUPPLIERS IN A WAY THAT FITS YOUR COMPANY AND YOUR SUPPLIERS

How you incentivise your suppliers should fit with your company size, culture, and position in the value chain, among others. The following are the most often used ways to collaborate (described further in Table 1 on page 84):

- Being supportive/informative
- Inducing competition among suppliers
- Enforcing or derivations thereof

6. SCALING UP SUPPLIER ENGAGEMENT THROUGH SECTOR EFFORTS

To make a real difference, it is essential to scale up supplier engagement efforts. The large number of suppliers from a wide variety of sectors and countries make this a challenge. A sectoral approach and using large companies as magnifiers can be solutions to this issue. For example, about 10 automobile and parts >

Mars Inc has vastly simplified its palm oil supply chain.



manufacturers have joined forces to define key performance indicators (KPIs) for climate and water for their suppliers through the CDP Supply Chain Programme. Suppliers need to report their impacts and efforts to CDP, preferably making them public.



7. MONITORING SHOULD BE DESIGNED WITH GOALS IN MIND

Monitoring upstream impacts, like GHG emissions, is crucial to a successful supplier engagement programme. Most companies are still searching for effective and efficient ways to monitor progress towards targets. The main lesson learned up to now is that monitoring should be designed by using the supply chain target (e.g., the climate target) as the starting point:

- Define a clear and common baseline and develop a policy when the baseline needs to be adjusted.
- Understand what is needed to achieve the target as this will determine the KPIs you want to track and monitor.
- Agree on specific actions that can be monitored with suppliers.
- Keep it simple – sometimes actions can be tracked without extremely detailed data collection.

Table 1. Three main forms companies use to collaborate with suppliers

Collaboration	Description	Recommended use
Being supportive	Promote action for reduced GHG emissions by supplier, usually without obligations. Includes marketing, informing, communicating expectations, and lobbying. A soft agreement that can be applied to direct and indirect suppliers.	For companies that want a less direct approach
Inducing competition among suppliers	A comparative assessment of supplier standards, quality, GHG emissions reduction performance, and progress, creating competition.	For companies that have a range of competing suppliers
Enforcing	General minimum requirements set for suppliers—for example, with a code of conduct or section in the contract.	For larger, high revenue companies that have leverage over their direct suppliers

Source: Table adapted from report: *Value Change in the Value Chain: Best Practices in Scope 3. Greenhouse Gas Management, November 2018. Science Based Targets Initiative, Gold Standard and Navigant, a Guidehouse Company.*

Front-running companies are exploring ways on how to best engage with their suppliers to realise their sustainability ambitions in the supply chain. Taking responsibility for the impact arising upstream makes business sense and is good from an environmental point of view. It strengthens supply security and prepares a company for the upcoming low-carbon economy, both topics with high investor interest.

Navigant, a Guidehouse company, believes that sustainability can be a game-changer in procurement policies. It is important for companies to anticipate these upcoming changes by starting to develop a sustainable supplier engagement strategy and reap the benefits of a green supply chain. ■

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