

Leading a Green Recovery

Sustainable business is not only the right thing to do it also attracts customers, investors and talent to your organisation. Criticaleye community members tell **Emma Carroll** how they are using this shared sense of purpose as an anchor for their recovery

It's now or never when it comes to climate change. If there's any chance of limiting global warming to 1.5 degrees Celsius, as set out in the Paris Agreement over five years ago, then policymakers, financial institutions and businesses need to fully embrace sustainable thinking.

Governments around the world are increasingly vocal about setting goals and targets to limit the impact of global warming. Last year, China pledged to go

carbon neutral by 2060, and the UK has set itself an ambitious target of reducing emissions by at least 68 percent by 2030. Allied to this, corporates are accelerating the timelines for their net zero strategies, and investors and institutions, through ESG (Environmental, Social, Governance) initiatives, are also ramping up the pressure.

In [Criticaleye's CEO Research for 2021](#), sustainability claimed the third spot as a key priority for the year ahead – ousting

favourites like digital disruption and performance management. CEOs are also protecting ESG budgets, with only 4 percent cutting that spend, compared with the 88 percent targeting investment in property and facilities.

At a time when restructures are rife and costs are under pressure, is this any more than a lofty aspiration? We asked members of the Criticaleye Community what a sustainable recovery means to them. >



Nick Challoner

Nick Challoner, Group Chief Scientific Officer & Sector President for Life Sciences at Croda International, explains how being an early adopter of sustainability can make you a partner of choice for customers

If you believe that we are on the road to a world in which climate change and its impact on the environment is going to make all of our lives very difficult in terms of the basic elements of survival – food, water and health – and that if we don't operate in a more sustainable manner the world has got a very dark future ahead of it, then the choice is to be more sustainable or see ourselves create a world that will challenge our very existence. It's as simple as that.

We made a very positive decision last year, that sustainability was going to be our primary overriding objective for the organisation, which everything else we do would fall under.

Selection of your target customers is important. If I'm thinking about who we can direct our resources towards, then I'll select those that are going to embrace our sustainable principles and reward us as a valued partner in their supply chain.

You need to be working out which doors are open to you and which ones you want to push. Some doors might be closed, but you can engage and influence, and we're finding there's a real interest in sustainability.

We've been working on this for around 13-14 years now and are quite a long

“ We are seeing people in the older demographic increasingly concerned about what they are passing on to their children and grandchildren ”

way on the journey. We're finding it's a great opportunity to educate our customer base and that is where the value comes from. If you have a strong belief that sustainability will be an important element of the economy of the future, and if you act on it now, you'll get early-adopter advantage.

The United Nations Sustainable Development Goals provide a fantastic template for businesses to identify what they should be working on. We identified carbon impacts & climate change, land & water use, and gender & diversity, as being core elements for our organisation.

We pulled together action plans around those elements, which have allowed us to move to a more sustainable footprint. That has also enabled us to align ourselves with our customers and provide them with new opportunities.



Claire Singleton

Claire Singleton, CEO for Home Finance at Legal & General, advocates keeping initiatives 'tangible and core'

There are a lot of different green initiatives, and it can be difficult to know where to place your time, energy and attention. The risk is, you try to do all of them and spread yourself a little too thinly and so don't achieve something that's tangible and core.

It's looking at whether you can deliver it and how difficult that will be versus what difference it will make to climate change. Then [you should consider] the cost or return. Not everything we do has to generate a return immediately, but if you cannot prove the long-term business case then that's difficult. Some of these things can be loss making for a number of years – and it's a long-term game plan – but they've got to be sensible business decisions.

The key for my business in Home Finance is to make sure that we improve our housing stock in the UK and retrofit older housing stock to leave a positive legacy. That's where our key focus is in terms of climate change. Our products are targeted at people aged over 55. We are seeing people in the older demographic increasingly concerned about what they are passing on to their children and grandchildren when it comes to the world we live in.

We recently launched our energy saver cashback product, which offers an additional cashback incentive for customers who are making energy-efficient home >



improvements. We see that as very much in the customer's interest, because it's encouraging them to make energy efficient home improvement. However, it's also in our long-term interest to encourage people to maintain the sustainability of the housing stock in the UK and to reduce everyone's CO2 emissions.



Harry Morrison

Harry Morrison, *Managing Director and UKI Lead for Sustainability at Accenture*, says there is growing momentum behind circular economy initiatives.

The concept of build back better is not simply a nice sounding mantra – businesses are increasingly recognising that sustainability is a commercial opportunity. We're moving from a world where sustainability has been seen as a bolt on to one where it is intrinsic to business strategy.

The circular economy is a great example of innovation that's happening in this area right now and where collaboration is fundamental to success. It is about building an economy where we decouple growth and the services that everyone needs from the use of scarce or harmful natural resources.

It relies on recycling but also on the idea of eliminating all forms of waste, such as wasted capacity and product lifecycles, across the value chain and the sharing of resources. Assets can also be maintained and last longer, so you can cut material use at many different points in the cycle.

Circular economies depend on collaboration with customers and suppliers because there

“ *Building a circular ecosystem requires a new level of collaboration* ”

are very few companies that span the value chain and do everything – you don't tend to manufacturer, retail, maintain, run the waste collection and manage the reprocessing for a product. Organisations have to build business models that work for their partners and optimise how they interact with governments and regulators. That often means thinking about how you can jointly innovate solutions.

For example, when recycling plastics the regulatory requirements are incredibly important. Across Europe, extended producer responsibility schemes are growing, and plastic taxes are emerging. Those schemes help promote better sourcing and the recovery of plastics by shifting businesses towards products that are easier to recycle. Rather than having multiple plastics in one item, products are redesigned to include just one material, which means it becomes easier to sort and recycle them as well as reducing costs and regulatory exposure.

Building a circular ecosystem requires a new level of collaboration between

companies across the value chain – plastics & packaging companies, brands, retailers, waste disposal companies – everyone needs to work together.



Dominic Emery

Dominic Emery, *Chief of Staff at BP*, discusses the stakeholder challenge of transitioning to an integrated energy company

Sustainability is now a key factor for organisations in the eyes of customers, investors, their staff and society at large. It's not a side activity for a separate CSR group. At BP sustainability is now very much at the heart of what we do and, having laid out a new sustainability framework in 2020, we will seek to live up to it.

Our strategy – to transform from being an international oil and gas company to an integrated energy company – has been welcomed overall by investors. As ever, the proof will be in the delivery as we enter new business areas.

Some investors might say we're going too fast – particularly with an aim of 40 percent reduction in hydrocarbon production over the next 10 years. Others will say we are not exiting quickly enough. Our job is to create the right balance as we transform the business.

As well as speaking to our investors, we have also built up a new set of stakeholders with civil society. They are providing – but not unconditionally – support for our plans. And I think that helps set the right backdrop for many of our investors, where ESG is playing >



an increasingly important part in making judgements on investment decisions.

When our CEO, Bernard Looney, spoke about our new purpose and ambition, one of his first acts was to go out and talk to those who would criticise us. Let's learn from our critics, as there is limited value from just speaking into an echo chamber.

If you have ambition, people are going to be watching your every move. They want to see if you are living up to what you say. That's a good dynamic.



Matthew Blagg

Matthew Blagg, CEO of Criticleye, says *there are strong tailwinds driving sustainable businesses forward*

The momentum behind sustainability is growing. There were a number of factors that were already having an effect and COVID is accelerating those.

OTHER FINDINGS FROM CRITICLEYE'S CEO RESEARCH 2021 INCLUDE:

- 62 percent of CEOs feel isolated in their role
- 69 percent say it will take a year or more for revenues to recover from the impact of COVID-19
- Only 60 percent say the Chair effectively supports the goals of the executive team
- Mentoring is the most effective leadership tool
- Improved organisational agility is set to be the biggest change in 2021

The focus on purpose is huge and from a people-agenda perspective that has become a differentiating factor. Externally – particularly in consumer product businesses – you've got your customers demanding more sustainable services. Internally, you have the people working for you who are looking to align their values with yours. Those are two sides of the same coin.

Then there is capital, which is flowing into these growth areas.

That is accelerating the trend, because it's clear that businesses can make money from sustainable business models. This isn't just with listed companies. Private equity is investing massively in alternative energy and renewables, which is driving up valuations. I think you'll see increasing interest in sustainable business models as multiples come through that are clearly influenced by that agenda.

The other hugely significant factor is governments, because they are recognising that if they put money into these areas then it will create jobs. The commercial impetus for sustainable business is increasing.



Steve Parkin

Steve Parkin, CEO of Mayborn Group, sees *the company's sustainability goals as exciting in their own right, but also as a unique driver of employee engagement*

From a consumer packaged goods lens, the sustainability agenda is massively important. If you look at how consumers are deciding which brands they want to support, then the integrity of the brand's

purpose, and what the brand is doing for the environment, is becoming more and more important – particularly for that Millennial and Gen Z consumer.

It's also clear that sustainability is really important for employees. In our engagement survey, it came out in the top three. And that's the same group – the Millennials and Gen Z – who want to be involved in something that they believe is meaningful.

As part of our strategic update in April of 2020, we made sustainability a strategic pillar. It has its own strategy and sits alongside our digital strategy, our innovation strategy and our productivity strategy. That forces us to talk about it in everything that we do.

We've taken the United Nations approach to environmental sustainability to provide a platform for our strategy. There are 17 sustainable development goals that the UN have set for the next 10 years, and we've taken four of those that we think are relevant to our brand and our business. Then we've tailored the specific deliverables to what we can do and shown them as three-year targets, plus the long-term goal for 2030.

What I'm super excited about is that if sustainability is that much of a game-changer, then we have an open door to really help drive employee engagement – and we'll be using something that is also powering a strategic imperative within our organisation. ■

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