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SMART ENERGY



IMPACT INVESTING



TRUST & TRANSPARENCY



NATURAL CAPITAL



SUSTAINABLE DEVELOPMENT



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SOCIAL ENTERPRISE

Make money while doing good

Ethical business practices, placing the wellbeing of people and the planet alongside healthy profits, are gaining traction among established corporations and radical startups alike

OLIVER BALCH

ivy League graduate Andy Moon had the big job, the fat salary and was primed for the house in New York's Hamptons. But he chose a different tack. Today, the 29-year-old ex-McKinsey consultant helps bring affordable solar electricity to hospitals and schools across rural Nepal.

So a do-gooder? Yes, but with a difference. Instead of joining a charity, Mr Moon opted to deliver on his social mission through his own for-profit company.

"When I launched SunFarmer in 2014, we felt that the best way to accomplish this was by starting locally run solar energy businesses in developing countries," the young entrepreneur explains.

SunFarmer is part of a new wave of so-called social enterprises that set out to harness market forces for social or environmental good. But why the shift and what hope, if any, is there of the business world following?

The trend has a lot to do with generational changes. Having a sense of purpose is increasingly important to early-career millennials. The more ethical their employer, research shows, the longer they will stay.

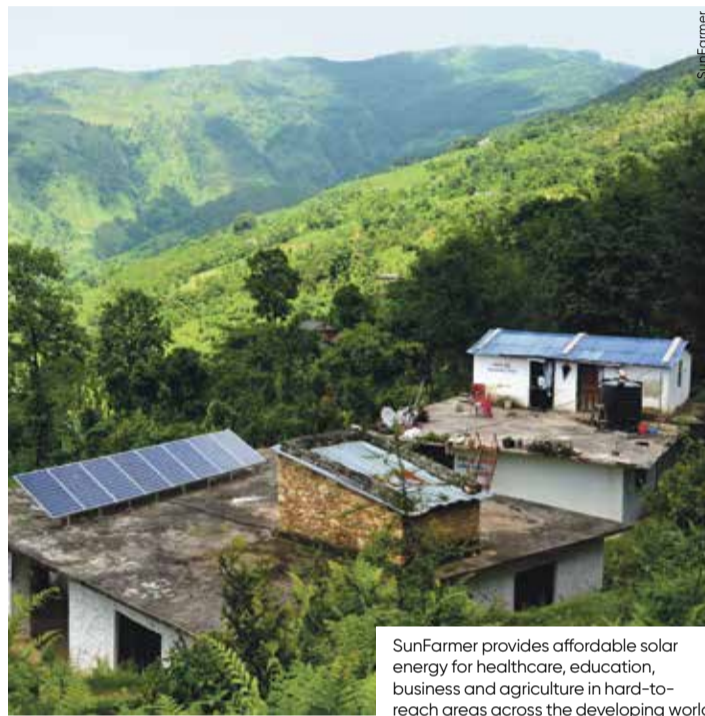
The surge in socially oriented startups also stems from a belief that the market can deliver where others have failed. Governments and charities have ploughed billions of dollars into worthy causes, but to little effect. For the most part, the poor are still poor and the planet continues to warm.

Business, in contrast, has a suite of different tools at its disposal: innovation, efficiency, persistence, and acute attention to people's wants and needs. Put these to good use and serious inroads into social and environmental problems can be achieved, advocates of sustainable business say.

"When business uses its awesome power to nurture and restore our society and our planet, then it can become a real force for good," argues Charmian Love, co-founder of B Lab UK, a charity that verifies mission-minded businesses as "B Corps".

A tad optimistic, perhaps? Business's track record for putting people before profits isn't exactly stellar, after all. Yet the explosive growth of the B Corp movement points to a change in the air. If nothing else, it shows that a more balanced approach is at least feasible.

That doesn't quite cut it though. Big business needs to be convinced that being more sustainable is not just possible, but profitable. Again, the winds of change are blow-



SunFarmer provides affordable solar energy for healthcare, education, business and agriculture in hard-to-reach areas across the developing world

ing. A recent study by global bank Schroders found that investors – a group not known for their bleeding hearts – were motivated to invest in sustainable funds as much for the financial returns as for the societal impacts.

For John Elkington, the business guru behind the influential concept of the triple bottom line – people, planet and profits, together – it all comes down to a question of framing.

Take time scales. Imagine if business leaders started looking five or even ten years ahead, rather than just to the next quarter, Mr Elkington conjectures. Suddenly, the fact that the world has less water or fossil fuels cost more takes on a more bottom-line hue.

The same can be said for how companies conceive of abundance, value

creation, design, resources and even morals. See these concepts differently and, so the theory goes, today's headaches become tomorrow's breakthrough business opportunities.

For B Corps and their ilk, this future-fit agenda is likely to be wired in from the outset, says Mr Elkington. For most large corporations, it is not.

So can big business change its spots? Some are sceptical. Genuine sustainability isn't about doing a bit more charity work here or introducing an eco-product there. It's about a root-and-branch reform in what companies do and how they behave.

So says Edward Davies, a recent graduate from London's Cass Business School and co-founder of Wearth London, a new online retailer selling sustainable products from small UK firms.

"I think it will be very difficult for these large companies to properly adapt as, in the short term, it might conflict with their shareholders' interests," Mr Davies says.

Almost all large retailers now have supply chains that stretch across the globe, he adds. The idea of buying oranges grown in Spain or t-shirts made in Mexico presents a "definite contradiction" with shopping in an "eco-conscious way".

Others are more optimistic. For Tim Heard, co-founder of the Circle of Young Intrapreneurs, a global non-profit movement, large corporations are not beyond learning from today's ethical upstarts. Yes, these firms may be minnows, but so were the likes of Uber and even Amazon once.

Mr Heard's confidence lies in the growing cadre of corporate employees who buy into the sustainability agenda. He sees growing potential for these insiders to work with the SunFarmers of this world on shared social and environmental challenges.

"The latter bring proven impactful business models, while the former bring capital to scale these business models," he says.

Examples are beginning to emerge of just such a collaborative dynamic. Take coffee chain Starbucks, which recently teamed up with the recycling design firm Pentatonic to produce eco-chairs for its stores. Or Brazilian cosmetics giant and B Corp member Natura, which just acquired the ethically vocal Body Shop brand.

Such acquisitions can work both ways. The story of Green & Black's is cautionary here. First acquired by UK confectionary firm Cadbury in 2005, the plucky fairtrade chocolate brand eventually found itself part of the cut-throat Kraft empire. It is no longer so plucky.

Well managed, however, and such mergers can assist large companies to "accelerate their own adoption of sustainable practices", according to Andy Milligan, co-founder of consultancy firm The Caffeine Partnership.

He points to Coca-Cola's 2013 acquisition of game-changing beverage brand Innocent as a positive example. Unilever, widely cited for its sustainability leadership, has also bought up a host of small ethical brands over the years, including the radical ice-cream brand Ben & Jerry's.

"Sustainable business is not a fad," Mr Milligan insists. "It is quickly becoming about the fundamentals of doing business for all businesses." ●

INVESTOR APPETITE FOR SUSTAINABILITY GLOBAL SURVEY OF 22,000 INVESTORS



78%

of investors feel sustainable investing is more important to them now than five years ago



64%

have increased their sustainable investments



42%

often or always invest in sustainable investment funds

Schroders 2017

Impact investing has become a powerful, responsible business reality

A highly effective opportunity to improve the planet, while securing an attractive return, is proving essential for smart investors

Impact investing, combining finance with sustainability, has been around since the 1940s, but in the last few years demand has strengthened as the environment reaches a crunch point. Policy-makers are now piling pressure on the private sector and the desire for positive investments is reaching a peak.

Some \$22 billion was invested last year in impact projects, according to the Global Impact Investing Network. Ninety one per cent of last year's projects equalled or bettered expected financial returns, and European development banks alone calculate that in a year they created four million jobs and \$11 billion in local tax revenue.

Impact investing is paving the way by allowing investors to change their behaviour. They are collaborating with fast-growing partners for a two-way gain and playing an essential part in supporting local sustainable development goals.

So far, investors have made a near-even split of equity and loan investments, and the big focus has been in finance and infrastructure, as well as manufacturing, and agricultural and service businesses, according to the Association of European Development Finance Institutions.

Impact investing's model is different from other sources of finance. "Impact investment banks will push capital into places where traditional investors have found it difficult,

paving the way for future growth. We can open up markets for investors and for our commercial banking partners, while helping local businesses and their communities to prosper," says Jürgen Rigterink, chief executive at Dutch development bank FMO. "As well as our expectation of healthy returns, we have an equally clear demand for sustainability and social development."

“We can save costs, raise productivity, improve risk management, enhance access to markets and cut the environmental footprint

Money invested in this way is typically profitable. "Investors want to see their money grow and our experience shows financial returns go hand in hand with impact," Mr Rigterink says, adding that development banks analyse, reduce and somewhat shoulder the risk. "They also can be assured they are aiding environmental and social development."

FMO is among the banks most experienced in this area, operating for almost 50 years, providing capital, knowledge and networks to responsible businesses. The Dutch firm handles approximately \$10 billion of



assets in more than 80 countries, and works strictly within the well-established equator principles and World Bank International Finance Corporation performance stand-

ards, which stipulate high environmental and social requirements.

On the ground, its impact improvements include everything from cutting emissions, better use of resources and improving energy access to reductions in inequality and unemployment. Results of the investments in local prosperity are analysed and reported in terms of job generation and energy efficiency, often with the assistance of big data, to ensure impact is measurable and visible.

In an age where local and global environments face unprecedented challenges, there can be no denying the urgency of private sector impact investments. "We have to stop unsustainably overloading the planet; the Earth has reached a tipping point. Businesses, governments and individual investors now think about how to be a force for good and not only mitigate the bad," says Mr Rigterink. "This approach, combined with well-judged investments, ensures a hugely positive, much-needed impact."

He maintains that the traditional banking model "is disappearing fast" for investors, as more banks take the opportunity to join the

“We have to stop unsustainably overloading the planet; the Earth has reached a tipping point

movement. "Even though development banks have been in the lead, established commercial banks are now moving fast on the impact investment continuum," Mr Rigterink notes. "And for the firms invested in, by increasing their value, we can save costs, raise productivity, improve risk management, enhance access to markets and cut the environmental footprint."

As businesses, investors, their partners and governments increasingly recognise the growing urgency for change, impact investment has built an unstoppable momentum. The opportunity to generate reliable profits in the long term, while helping local people, their economies and environments, is unmissable.

To find out more about impact investing and how FMO can help please visit www.fmo.nl

IMPACT INVESTMENT IN ACTION

Sustainable solutions can involve everything from helping women in business, ensuring safe work conditions and bolstering governance to improving fishing techniques, and bettering the use of water and chemicals.

FMO is involved in a large range of projects across Asia, Eastern Europe, Africa and Latin America, with investors funding activity in finance, energy, agriculture and other industries.

One of the notable businesses in its investment portfolio is Kenyan financial firm Umati Capital. FMO provided an approximately \$350,000 convertible facility to the company, enabling it to grow its business and loan portfolio, which is focused on small and medium-sized businesses. The funding originated from MASSIF, a financial inclusion fund FMO manages for the Dutch government.

Umati offers micro-finance loans and banking to businesses through technology, without branches. In addition to the FMO finance, the company is also being connected to the Dutch firm's own banking and micro-finance clients. Umati expects the initial investment to lead to further capital injections so it can lend to more small-scale local businesses.

Another project is with Astarta, a Ukraine-based agricultural business focused on sugar and oil seeds. This summer, FMO provided a \$25-million loan to the company, financing its environmental programme.

Astarta is now upgrading its machinery to cut costs and improve efficiency. It is also building a wastewater treatment plant to halve its water usage, after FMO

commissioned a feasibility study of the plant. The improvement will not only reduce local environmental harm, but also help provide a more efficient workplace for the 13,000 staff employed by the company.

Meanwhile in the Middle East, FMO recently partnered with the European Bank for Reconstruction and Development, lending \$65 million to fund a solar plant in Jordan. The loan, provided to Al-Safawi For Green Energy PSC, enables the final of five projects that establish Jordan as a regional leader in renewable energy. As well as improving the environment, it will also stimulate local employment, and the organisation's owners have established an educational scholarship for future leaders.

SINGLE-USE PLASTICS

Costa Rica turns fire on plastics

The Central American country of Costa Rica is proud of its green credentials – now it wants to eliminate single-use plastics

OLIVER GRIFFIN

Costa Rica, which runs almost entirely on green energy and boasts some of the world’s happiest citizens, has set itself yet another impressive goal to eliminate single-use plastics by 2021.

“Even though Costa Rica is a very small country, this is an important move,” says Dominic Waughray, senior director and head of environmental initiatives at the World Economic Forum (WEF). “Any country, if it puts its mind to it, can do what Costa Rica is doing. The more countries that start doing it, the better.”

Plastic pollution is a huge problem driven by the throw-away convenience of plastic bottles, bags and cutlery, among other everyday items. According to WEF’s *The New Plastics Economy* report, 95 per cent of all plastic, worth up to \$120 billion each year, is discarded after just a short use. At present, roughly one dustbin lorry-full of plastic finds its way into the sea every minute. If this continues, by 2050 the amount of plastic in the world’s oceans, by weight, will be greater than the amount of fish.

In a bid to help avert this disaster, Costa Rica is now setting an example to the world as it attempts to eliminate single-use plastics. This is no mean feat. Costa Rica may be a regional leader in Central America, but it still has challenges to overcome.

In 2015, Costa Rica pledged to implement the 17 Sustainable Development Goals (SDGs) as established by the United Nations. In some areas, it is struggling. Some 20 per cent of its population still live in extreme poverty, with 47,000 boys and girls not attend-

ing school. The gender pay gap is persistent, and discrimination against women, LGBTI people, Afro-descendants and many more demographics continues.

However, there are some areas where Costa Rica is excelling. Poverty rates are starting to fall, stable infrastructure is being built and, in particular, the country is making strides in upholding goals of responsible production and consumption. This includes elimination of single-use plastics, which is starting to get the support of some businesses.

“Action first comes from the government and the actions of government institutions,” says Fernando Mora Rodríguez, Costa Rica’s vice minister for the environment. “In this case, it starts with the institutions choosing to reduce plastics in their own purchases.”

The best thing about the removal of single-use plastics is the plan sets Costa Rica in good stead to succeed in not just one, but several of the UN’s SDGs. As well as helping the country to follow through with goals focused on sustainable consumption, it also helps meet requirements for those concerned with keeping the seas clean, climate action and, by reducing pollutants, health and wellbeing.

Mr Mora Rodríguez believes that businesses in Costa Rica, perhaps unsurprising for such an eco-focused nation, are making significant progress. “Businesses, without looking for us, without needing to join in with a strategy, took the decision to swap plastic bags for reusable, renewable or compostable materials,” he says. “One large bakery is now in the process of removing plastic bags from its stores, avoiding the use of 40 tons of plastic bags per year.”

But with the support of the government, Mr Mora Rodríguez explains, businesses are starting to switch from conventional oil-based plastics to biopolymers, which begin to breakdown quicker and with fewer toxins than their more traditional, and more polluting, counterparts. One biopolymer used is made from yuca, a starchy vegetable that breaks down after 180 days, much quicker



Nature Picture Library / Alamy

01



YURI CORTEZ / AFP / Getty Images

02

01 Plastic waste and driftwood washed in by the tide at Nancite Beach in Santa Rosa National Park, Costa Rica

02 Volunteers clean the banks of the Virilla River in Ciudad Colón, Costa Rica

than the 12 years it takes for normal plastic bags to disperse.

Despite its clear focus on eliminating single-use plastics, the Costa Rican government is not insensitive to the needs of businesses. After all, the government will need to keep the private sector on side if it is to succeed with the rest of the SDGs.

“We have said that it is not our aim to hit [the Plastic Industry Association of Costa Rica, Aciplast], but rather to achieve awareness among citizens so they properly dispose of this type of waste,” says Mr Mora Rodríguez, adding that the government also hopes to foster ideas that turn into viable alternatives to single-use plastics. Over time, this will reduce the cost of renewable and reusable options, making them more attractive to businesses.

For others, changing consumer opinion on the issue of single-use plastics is the best option when it comes to making sure businesses, both domestic and international, don’t abandon the end-goal of eliminating these plastics just to protect their profit margins.

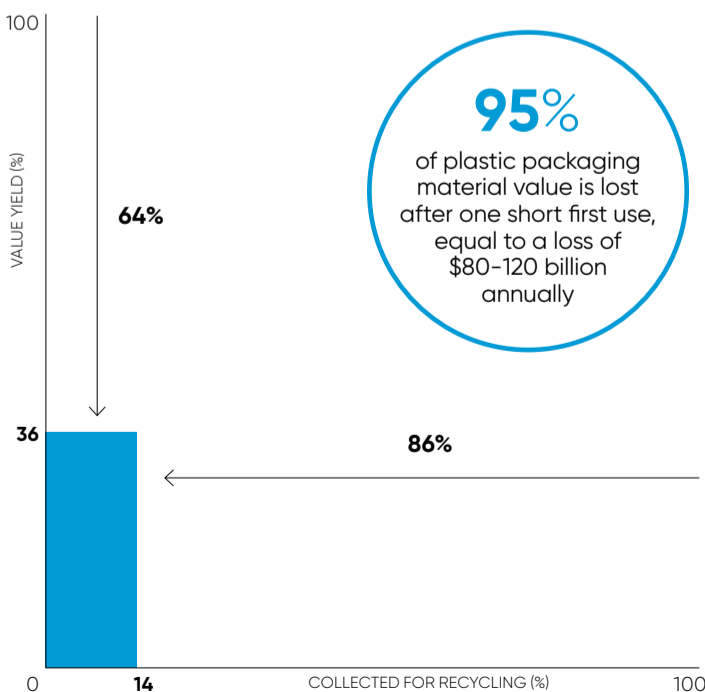
“The consumer is a very powerful force to persuade businesses,” says Jorge Jiménez, director general of MarViva, an NGO that focuses on maritime conservation. “We are seeing examples of consumers who come into shops and request not to be given straws, plastic cutlery or containers. That is causing companies to start changing, even though it represents a greater cost for them.”

Mr Jiménez believes that businesses can be persuaded to stay the course with a mix of public pressure, which will eventually become legal, and political pressure as it gathers momentum.

“I believe that pressure from the public, and eventually the legal and political pressure, including taxes which make it more expensive to import plastic resins for this type of product, will end up convincing companies they have to make a change,” he concludes. ●

PLASTIC LOSS IN VALUE

PLASTIC PACKAGING MATERIAL VALUE LOSS AFTER ONE USE CYCLE, COMPARING VALUE YIELD WITH RECYCLING RATE*



*Value yield equals volume yield (output divided by input volumes) multiplied by the price yield
Plastic News/Deloitte/Eurostat/EUWID/World Economic Forum



Roughly one dustbin lorry-full of plastic finds its way into the sea every minute

BIG SOCIETY

Enterprise is fulfilling government roles

As governments cut spending on welfare, and a range of social and environmental services, private enterprise is stepping in to fill the void left by the state

CHARLES ORTON-JONES

If you've had some keys cut or shoes repaired in the past decade, there's a good chance you've been a customer of John Timpson. He's the chairman of the Timpson chain, found in almost every shopping centre and high street across the UK. And now this modest man is Sir John, though it's not clear which of his many good works earned him his recent trip to Buckingham Palace.

He's a phenomenal businessman. His company has 1,600 stores and is reliably profitable. He's a great thinker. The company is run with his "upside-down" philosophy, which gives autonomy to store managers to decide how their domain is run. He's an extraordinary citizen and with his wife Alex, now Lady Timpson, he fostered 90 children, which was cited in his knighthood. And he's a philanthropist.

For many years the Timpson company has employed ex-prisoners. Sir John is the author of the guide *How Prison Leavers Can Find A Career*. He opened premises behind the walls of Liverpool Prison. The scheme trains dozens of new employees a year in the art of key-cutting and cobbling. The company is regarded as a model for getting prisoners back into productive and enjoyable employment.

That's not all. The company offers a free suit-cleaning service for anyone unemployed with a job interview. Fund-raising by employees has raised more than £2 million for



Starbucks

01

the charity Childline. And Sir John is a vocal advocate of helping others in business, sharing his lessons with countless young entrepreneurs.

Now here's the question. Is Sir John unusual? He's a one-off personality, clearly. In fact, his ethos that companies can improve society via more than their profit and loss is going mainstream.

Companies are doing the work governments are supposed to handle. In education, combating climate change, demanding better working conditions in emerging markets – these are just some of the areas where the private sector is filling in the gaps left by the state.

Education is a great example. Indian engineering giant Tata, which owns Jaguar Land Rover, is committed to ethical business practices and runs an astonishing range of schemes to help children learn about science. Its programme in the Netherlands introduces technology to schoolchildren. It runs the Kids of Steel programme for eight to thirteen year olds to promote healthy lifestyles. The reason? It harks back to founder Jamsetji Tata, father of Indian heavy industry. He advocated a commitment to the local community beyond mere profit and



Justin Chin/Bloomberg via Getty Images

02

01 Starbucks ensures its supply chain is accredited by Conservation International

02 BlackRock chief executive Larry Fink says businesses need to embrace environmental, societal and governance reporting

Larry Fink, chief executive of BlackRock, the US asset manager with \$5 trillion in funds, wrote last year about the need for businesses to embrace ESG reporting. In a letter to chief executives at S&P 500 companies and large European corporations, he said: "Generating sustainable returns over time requires a sharper focus not only on governance, but also on environmental and social factors facing companies today."

If there was any doubt, he stressed that investors would demand ESG reporting as it reduces risk from misbehaviour and correlates with clearer strategy. "At companies where ESG issues are handled well, they are often a signal of operational excellence. BlackRock has been undertaking a multi-year effort to integrate ESG considerations into our investment processes and we expect companies to have strategies to manage these issues," wrote Mr Fink.

The headline is that companies are moving fast to rectify problems in their own sectors and within society as a whole. The public supports the move. A global survey by Ipsos found strong approval for brands which make contributions beyond just providing good services and products, averaging 68 per cent in favour compared with 20 per cent against. In emerging markets, where environmental issues and labour relations are hot subjects, this rose to more than 80 per cent: 86 per cent in Indonesia, 83 per cent in India and 80 per cent in China. Even the Pope has chipped in, calling unbridled capitalism "the dung of the devil".

Saintly characters like Sir John Timpson are proving the private sector can contribute to social causes. Commercial performance need not suffer for ethical ideas. To the contrary, customers will reward it. And investors will increasingly demand it. ●

loss. It's an ethos taught to Tata executives today.

Spanish telecoms group Telefonica runs educational programmes in multiple territories. In Peru it offers an online portal, publishes materials for teachers and provides tuition to children in hospitals; over 16 years, the scheme has helped 55,000 children in 11 hospitals.

The environment is a growing concern for big businesses. Car hire firm Avis and media company Sky are just two of the many carbon-free businesses.

Working conditions used to be a governmental issue. Now companies are taking action. US coffee chain Starbucks ensures its supply chain is accredited by Conservation International. Marks & Spencer has its own human rights policy for suppliers.

The appetite to be recognised as a responsible business has given rise to two official standards in business.

The first is what's known as integrated reporting (IR). This is an accounting approach which includes all secondary information relevant to the company's long-term story,

including the "six capitals" of financial, manufactured, intellectual, human, social and relationship, and natural. Investors can therefore make a more informed decision around the prospects of a company.

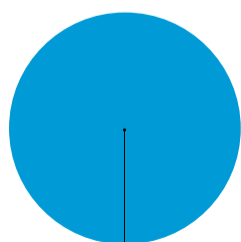
IR was introduced in 2013 and backed by organisations such as the Chartered Institute of Management Accountants. This is significant as these bodies are renowned for their rigour. Wishy-washy mission statements won't cut it. IR is a global initiative, used by every company on the South Africa stock exchange.

The second strand is environmental, societal and governance (ESG) investing. Companies investigate these three elements and report any impact, positive or negative. They are expected to take action to mitigate the negative. It's a huge factor in global investing.

“Companies are moving fast to rectify problems in their own sectors and within society as a whole

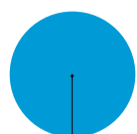
IMPORTANCE OF CORPORATE RESPONSIBILITY

GLOBAL CONSUMERS WERE ASKED WHETHER FUTURE SUCCESSFUL BRANDS WILL BE THOSE THAT MAKE THE MOST POSITIVE CONTRIBUTION TO SOCIETY BEYOND JUST PROVIDING GOOD SERVICES AND PRODUCTS



64%

Agree



20%

Disagree

Ipsos 2017



What's in the box? A new idea for reducing CO₂ emissions.

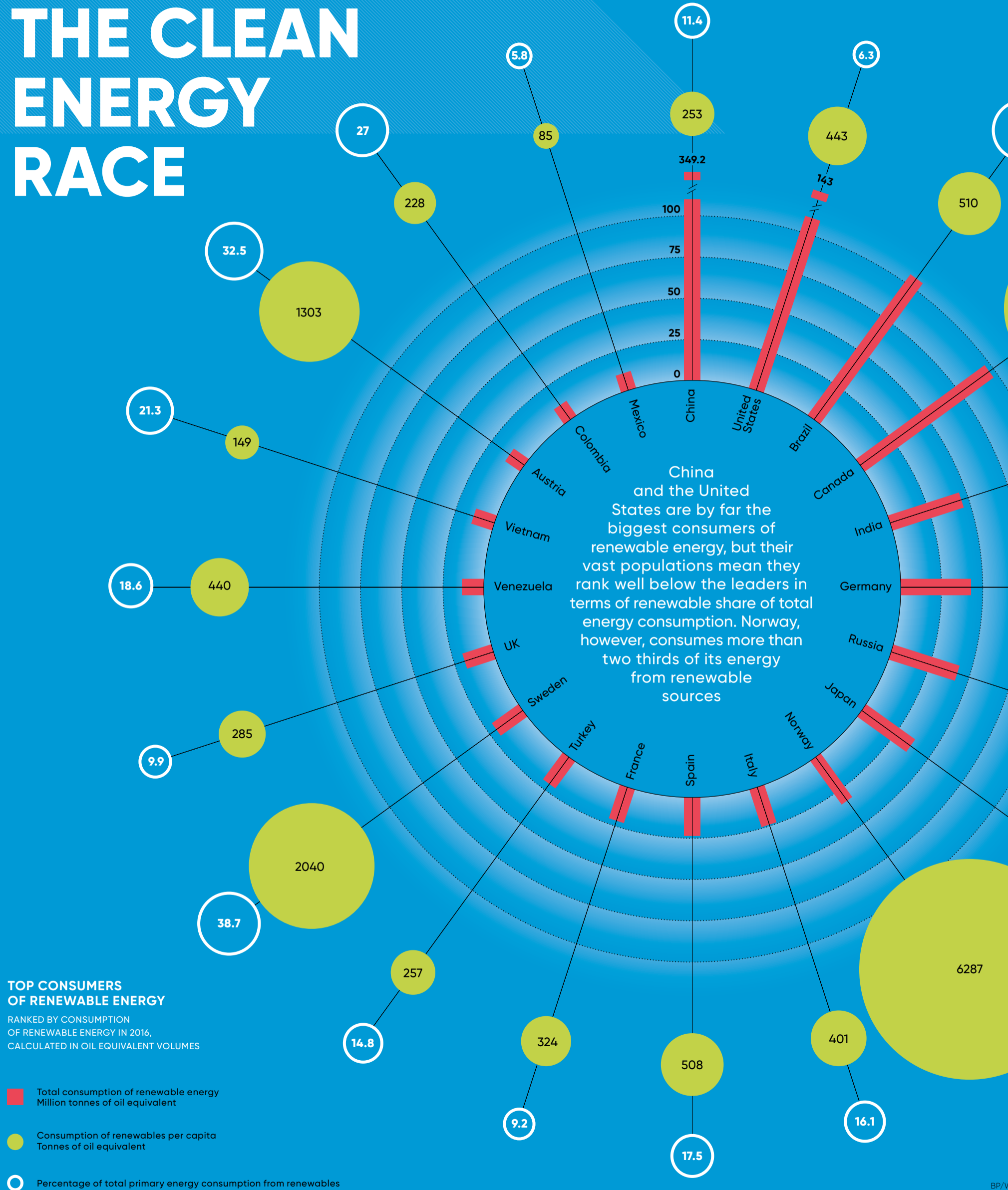
At ExxonMobil, we're researching new technology for capturing CO₂ from natural gas power plants. Using fuel cells like the ones in this box, we could potentially capture up to 90% of a plant's CO₂ emissions while also generating more power. It could mean significantly reducing their CO₂ emissions while providing more electricity for the homes and cities that need it. Learn more at EnergyFactor.com

Energy lives here™

ExxonMobil

Mobil  Mobil 

THE CLEAN ENERGY RACE



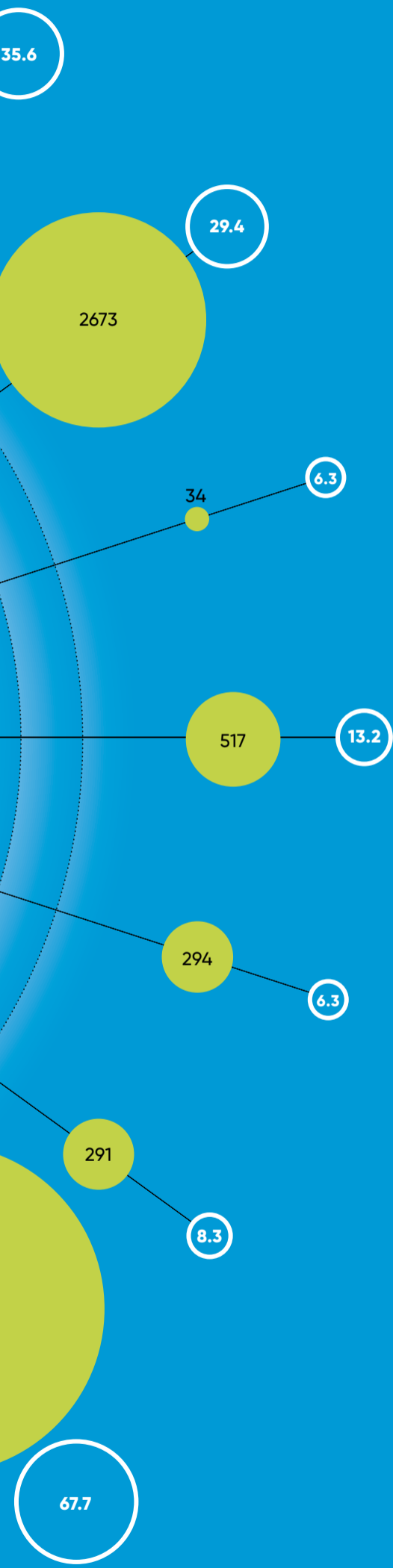
TOP CONSUMERS OF RENEWABLE ENERGY

RANKED BY CONSUMPTION OF RENEWABLE ENERGY IN 2016, CALCULATED IN OIL EQUIVALENT VOLUMES

■ Total consumption of renewable energy
Million tonnes of oil equivalent

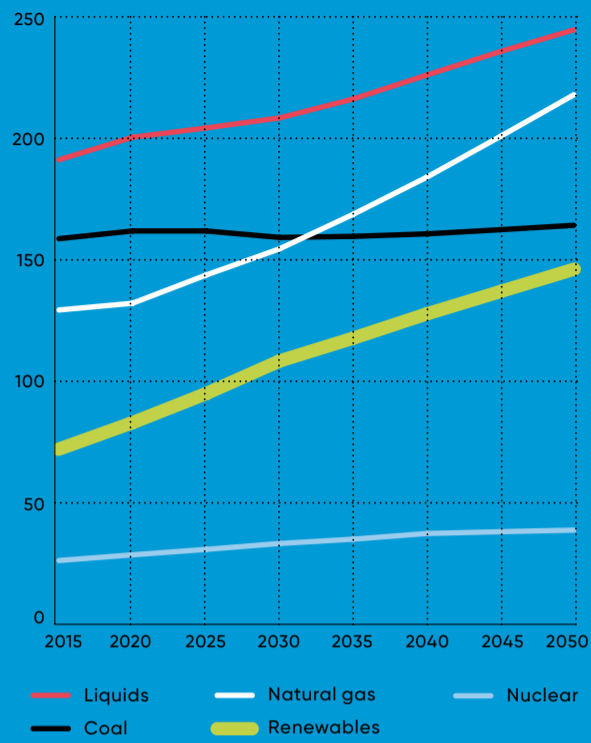
● Consumption of renewables per capita
Tonnes of oil equivalent

○ Percentage of total primary energy consumption from renewables



PREDICTED SHARE OF ENERGY CONSUMPTION

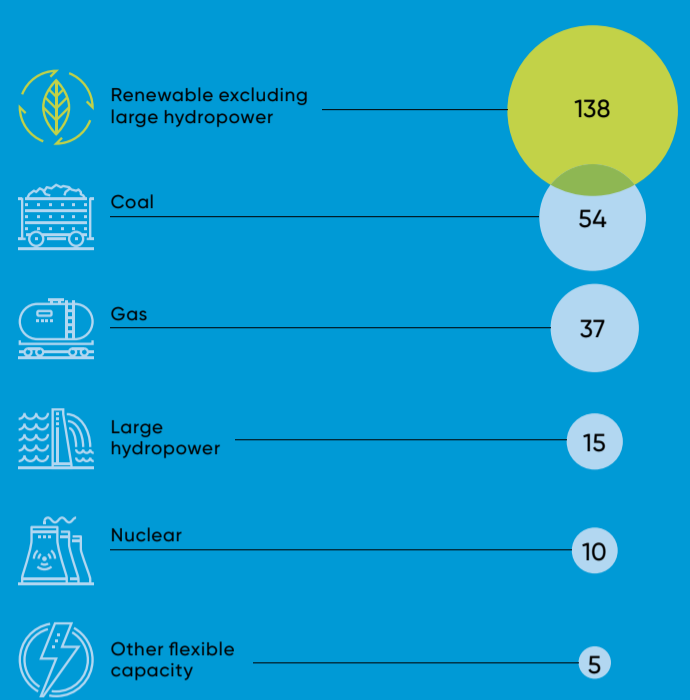
BY QUADRILLION BRITISH THERMAL UNITS



Energy Information Administration 2017

NET POWER GENERATING CAPACITY ADDED IN 2016

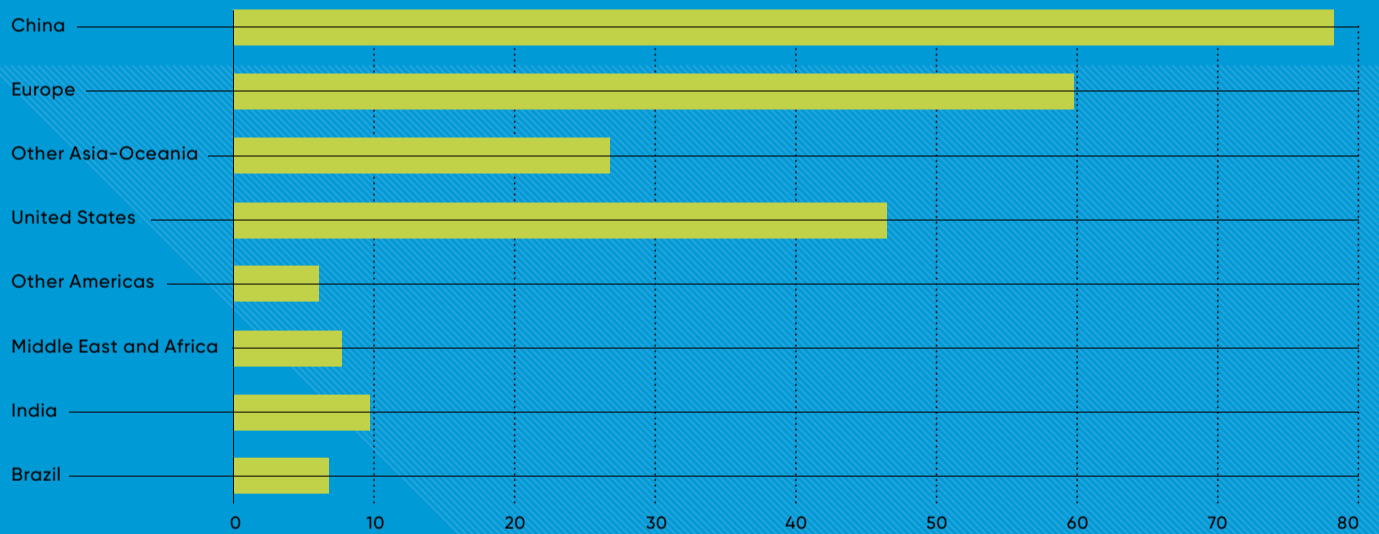
IN GIGAWATTS



Energy Information Administration 2017

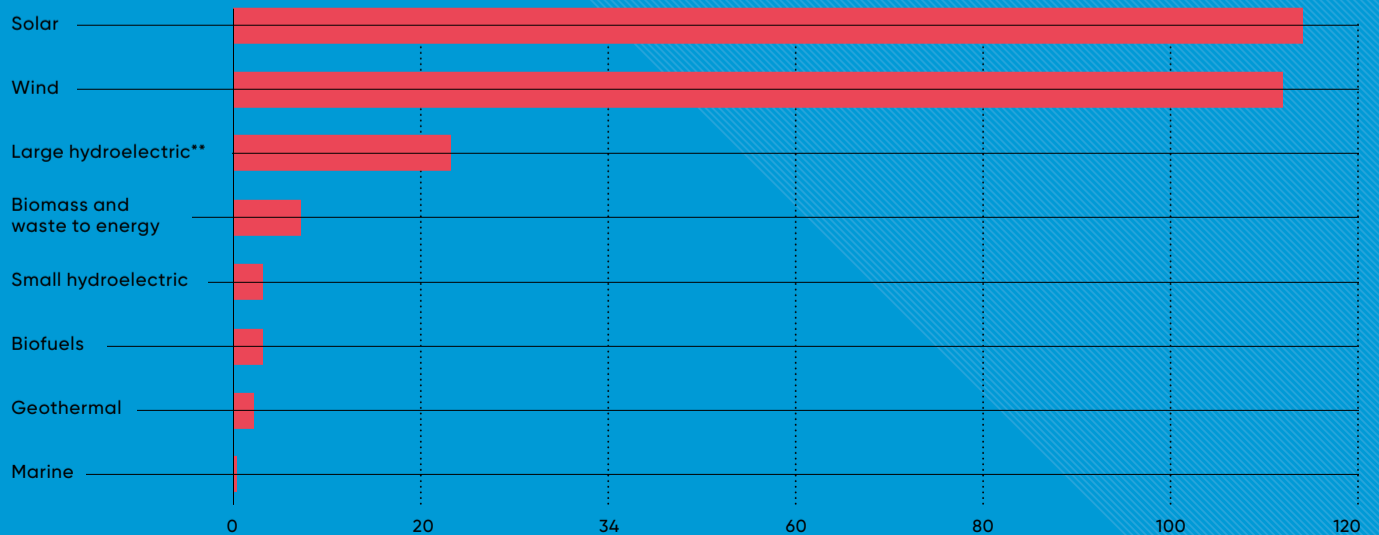
NEW INVESTMENT IN RENEWABLE ENERGY BY REGION IN 2016 (\$BN)*

INCLUDES CORPORATE AND GOVERNMENT RESEARCH AND DEVELOPMENT, VENTURE CAPITAL, PRIVATE EQUITY, PUBLIC MARKET AND ASSET FINANCE; EXCLUDES LARGE HYDROELECTRIC PROJECTS



NEW INVESTMENT IN RENEWABLE ENERGY BY TYPE IN 2016 (\$BN)*

INCLUDES CORPORATE AND GOVERNMENT RESEARCH AND DEVELOPMENT, VENTURE CAPITAL, PRIVATE EQUITY, PUBLIC MARKET AND ASSET FINANCE



*New investment volumes in 2016, adjusted for reinvested equity and including estimated undisclosed deals
 **Estimated final investment decisions

LANGUAGE OF URGENCY



ISSOUR SANOGO / AFP / Getty Images

01



roger parkes / Alamy Stock Photo

02

Watch your language to be heard

Effective communication may be as much science as art, but it is increasingly important in an era of information overload

FACTFILE

THE BYSTANDER EFFECT

This is a social psychological phenomenon in which individuals are less likely to act when others are present. Environmental campaigns often fail due to this behaviour as people tend to engage less with an issue that is perceived to be a collective responsibility rather than the responsibility of them as an individual.



MATTHEW CHAPMAN

Encouraging changes in behaviour is notoriously difficult, even when the stakes are so high that failure poses a threat to the very future of the human race.

Social messages unfortunately often fall on deaf ears and, at a time when US President Donald Trump is tearing up climate change agreements, there has never been a more critical moment for effective messaging.

Language can play a vital role in framing an issue that will appeal to the human psyche, whether it concerns saving the world or something as mundane as paying council tax.

One key factor is making the message relatable. Rory Sutherland, founder of behavioural interventions agency Ogilvy Change, believes the failure of a lot of environmental campaigns is down to the “bystander affect”.

“We are much less frightened of things that threaten all of us than things that threaten us individually,” says Mr Sutherland.

To illustrate his point he says the best thing a doctor can tell you is “there is a lot of it about” and the worst thing to be told is “this is an extraordinary condition and I’ve never seen anything like it”.

Anders Gundersen, chief executive of environmental consultancy Sensonomic, is currently trying to warn shareholders in companies that buy cocoa of an impending shortage.

He says the challenge is to overcome the “cognitive, geographic and topical dissonance” the subject can engender.

01 Using the language of persuasion is key to convincing chocolate buyers of the impact of the impending cocoa shortage, says Anders Gundersen of Sensonomic

02 Advertising guru Rory Sutherland says having an opinion can often distinguish brands from one another

“The best way is not to scare people, but make it relevant to their day-to-day life to make them change their ways,” explains Mr Gundersen. “It usually resonates if I say there’s a great chance that if you do not pay more for your chocolate [to increase the wages of cocoa farmers] then you won’t have chocolate at all in ten years.”

Using the language of persuasion is only one component of affecting behavioural change. It is also necessary to appeal to the irrational element of human nature.

Ivo Vlaev, a professor of behavioural economics at Warwick Business School, drew up the Mindspace framework on nudge theory for the Cabinet Office to help appeal to the fallible side of the human brain.

Professor Vlaev argues that education about issues can only go so far. “Smokers overestimate the risk of cancer, but they still don’t stop smoking,” he says. “Education is not enough. By using persuasion and changing beliefs you can change intentions and desires to change, but only a few of those people actually change their behaviour.”

“What you can do to bridge the gap is use nudge theory or behavioural economics in addition to reflective education, information and incentives.”

Mindspace is an acronym for what are believed to be the most influential ways of influencing behaviour. The letters stand for messenger, incentives, norms, defaults, salience, priming, affect, commitments and ego. These can be used in very simple ways to change behaviour at little cost.

Croydon Council has appealed to the ego by sending those ignoring letters asking them to pay their council tax a text message that makes them aware their non-payment is a deliberate ploy.

The message reads: “Previously we treated your lack of response as an oversight. Now if you do not call this number we will treat this as an active choice.”

Professor Vlaev says this works because once people have been told this “they can’t fool themselves any more that they are a nice person”.

Such Mindspace techniques have also been used by corporations ranging from McDonald’s to Capital One.

McDonald’s has cut down sugar intake at its branches in England by changing its self-service kiosks to display reduced sugar drinks first to pander to salience. Capital One has used priming to increase repayments on credit card debt above the minimum by implanting figures in people’s minds, through suggesting repayments of £15 or £25 in mailouts.

In a business world increasingly obsessed by purpose, behavioural change can still be effective even when it lacks authenticity. The classic example is airline websites claiming there are only a limited amount of seats remaining at a certain price.

“I know they are trying to exploit my scarcity bias, but it still works. I still book the flights,” says Mr Sutherland. “You can see why scarcity bias in evolutionary terms is a naturally baked-in human instinct.”

However, businesses acting authentically can help reinforce their messages rather than simply pay lip service to a corporate social responsibility (CSR) agenda.

Mr Sutherland cites Unilever as an example of a company that is truly dedicated to its CSR stance because he believes the impetus comes right from the top, from chief executive Paul Polman.

“In certain cases having an opinion is an appropriate thing to do and it is also a distinguishing thing, which may be the most important thing,” says Mr Sutherland.

The explosion of data and information in the internet era has increased transparency to the extent where consumers know the impact of their actions.

“In our lifetime we will have a real choice about whether we want to hurt or help someone with our consumption,” says Mr Gundersen. And ultimately the decision to choose good over evil or vice versa could come down to irrationality.

Mr Sutherland warns too much store can be placed on neo-classical economics, which relates an individual’s rationality to their ability to maximise utility or profit. “Neo-classical economics has a very narrow view of human motivation, and is disproportionately influential in government and business decision-making,” he concludes.

Ultimately the decision to choose good over evil or vice versa could come down to irrationality

COMMERCIAL FEATURE

Trust is the kingmaker as businesses search for long-term value

Growing feelings of distrust towards businesses are causing anxiety in the boardroom and driving a desire to demonstrate long-term strategic value to society at large



In the midst of an unsettled political climate defined by distrust in the establishment, public perceptions towards businesses have eroded. Consumers are increasingly dismissing traditional factors used to assess a company's value, prioritising its ethics over the strength of its products, customer service or balance sheet.

The current environment is leaving customers alienated and pessimistic, and companies are struggling to communicate their value.

The UK isn't the only country suffering a diminishing relationship between the public and establishment. According to the 2017 *Edelman Trust Barometer*, trust in society's core institutions – business, government, NGOs and media – is in crisis around the world. In a survey of 33,000 people in 28 countries, only 37 per cent consider these institutions credible spokespeople, an all-time low since the survey began in 2001. When quizzed on businesses specifically, only a third of people think chief executives are credible and two in three are more likely to believe leaked news over formal press releases.

With inflation continuing to outpace wage growth and sky-high prices in the house rental market further squeezing living costs, the majority of people feel they're going to be worse off than their parents. Add to this the widespread view the public felt the impact of the last recession more than those responsible and the result is a growing feeling that economic models are failing. Capitalism only works successfully when businesses deliver the moral duties society asks for in return for the financial rewards.

"These are issues that manifest themselves into people thinking our current system of capitalism isn't working for the majority," says Hywel

Ball, managing partner for assurance in the UK and Ireland at EY. "Then you get trends like social media, big data and the availability of news, which people feel companies haven't responded to and don't meet the expectations of transparency demanded from society at large.

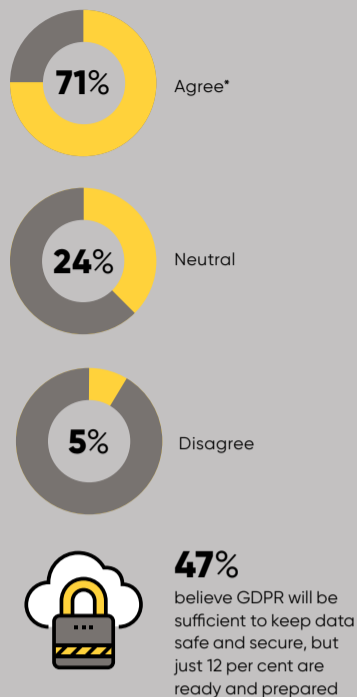
"We've got this plummet in societal trust in the establishment of which business is a key part and it's building. Companies need to realise they're part of the problem. If they're not part of the solution, society is going to demand the politicians do something about it, and we may get some knee-jerk regulation and possible unintended consequences."

One regulation borne from the intermingling of data, ethics and trust in today's society is the General Data Protection Regulation (GDPR), which replaces and unifies all existing data protection legislation across the European Union and aims to give citizens more control over how their personal data is used by companies.

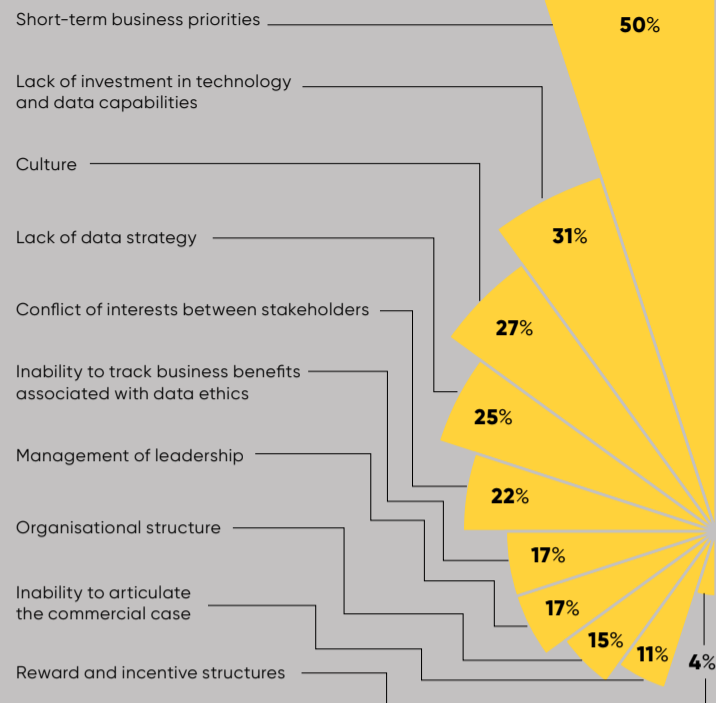
The need for GDPR, which comes into force in May 2018, was flagged amid the worrying growth in data breaches. Just this year, cyberattacks have compromised or exposed data from a large number of organisations. But more regulation doesn't necessarily equal more trust.

"It depends what it finds out because, if companies aren't responding to GDPR, it might just raise the profile that actually companies aren't looking after people's data as well as they should be," says Mr Ball. "In the first instance, it might not achieve what the politicians say it will. It'll take a few years before that kicks into the system. But what it is doing is showing that more companies need to have a core capability around data management, not just for their commercial competitive advantage,

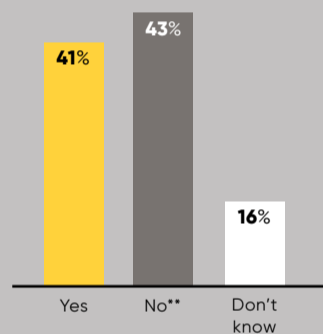
BUSINESS LEADERS CAN ARTICULATE THE COMMERCIAL CASE FOR DATA ETHICS



MAIN BARRIERS TO ADOPTING DATA ETHICS

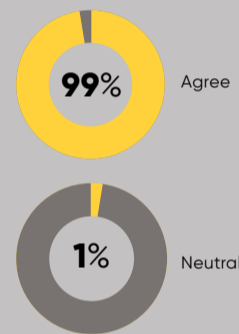


PROFESSIONAL TRAINING ON ETHICAL DECISION-MAKING RECEIVED

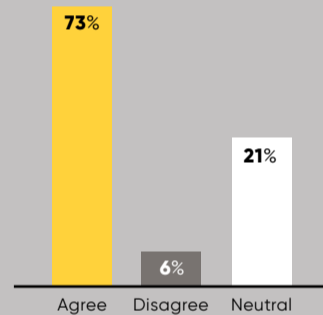


*Includes "strongly agree" responses **Includes corporates who have not been trained yet

BEING TRUSTWORTHY IS IMPORTANT TO OUR ORGANISATION



WE HAVE TO WORK HARDER TO DEMONSTRATE AND KEEP TRUST



EY Trust survey, 2017

but equally for their responsibility to society at large, and how they protect and look after that data.

"Most companies now in the knowledge economy are moving to being data managers in some shape or form. If people don't comply with GDPR or underestimate the risks of not handling data in the correct way, I think we'll just carry on having this series of what feel like mega cyber incidents where people are losing their data. As people become more aware of the personal value of their data and how organisations probably are exploiting them, the general awareness is going to increase the pressure on companies."

To deal with this pressure, companies must equip staff with the expertise to make ethical decisions. In a recent survey by EY, 71 per cent of business leaders said they can articulate the commercial case for data ethics, but 50 per cent feel that short-term business priorities prevent them from adopting this approach and 43 per cent have no training on ethical decision-making. Some 99

per cent said being trustworthy is important to their organisation, but 73 per cent believe they have to work harder to demonstrate and keep that trust.

Doing so will require an end to the culture of short-term decision-making fuelled by the desire to please investors and shareholders with fiscal milestones. Businesses that survive and thrive in today's environment of distrust will be those showing their value to local and global communities. Measures taken must not only be fully transparent, but also extend beyond corporate social responsibility box-ticking and encompass the long-term, sustainable value created by the company, resulting in a new-found trust between business and society.

"Companies need to get more interested in how they're demonstrating and talking about the value they're bringing to all their stakeholders," says Mr Ball. "They must do that not just to ensure the investors or shareholders have a good understanding of how they're trying to create long-term value to offset this short-termism pressure that's in the current system, but also to communicate to society at large how they're adding value to them. This can be fixed by more communication about true intent and transparency."



HYWEL BALL
ASSURANCE MANAGING PARTNER
EY

Trust and ethics will become even more important as technology continues to remove some of the barriers to entry that previously existed in business. "If you look at us as a professional services company, we do three things: we know stuff, we act on behalf of people and society, and we behave ethically," says Mr Ball. "The first two are going to be partly disrupted by the use of technology and analytics, so therefore our ethical behaviour becomes even more important because that is the bit people will be looking for."

To learn more about the importance of trust in business please visit EY.com/longtermvalue

“Capitalism only works successfully when businesses deliver the moral duties society asks for in return for the financial rewards

COMMERCIAL FEATURE

Aroma of change

There is more to a cup of coffee than meets the eye

NESPRESSO®

For millions around the world, coffee is a comforting beverage; a morning pick-me-up or the ideal accompaniment to a good book. For thousands of coffee farmers, however, it's a livelihood. Nespresso's The Positive Cup vision advocates a reality where coffee not only delivers a moment of pleasure, but also replenishes wider social and environmental resources, ensuring producers see coffee as a gateway to a peaceful and sustainable living.

The backdrop for this vision was the 2015 Paris Climate Agreement when the world made a unanimous commitment to the United Nation's Sustainable Development Goals (SDGs). The overarching aim was to end poverty, protect the planet and ensure prosperity for all. This was the conclusion to then-UN secretary-general Ban Ki Moon's famous message: "We don't have plan B because there is no planet B."

Unlike the Millennium Development Goals, the SDGs directly called businesses to action alongside governments and international agencies, as key stakeholders in the consultation process. This catalyst propelled an evolution of corporate social responsibility to become the centre of core business operations.

Following this direction, consultancy Earth Security Group's 2017 report outlines a practical approach for global business to identify the areas, metrics and steps that are instrumental to their sustainable growth. This presses organisations to align their expansion to the rising demands for social inclusion and environmental stability, now defining the geographies in which they operate alongside the wider SDGs. The chal-

lenge outlined is no easy feat, but requires businesses, governments and communities to work together, translating global aspirations into local realities.

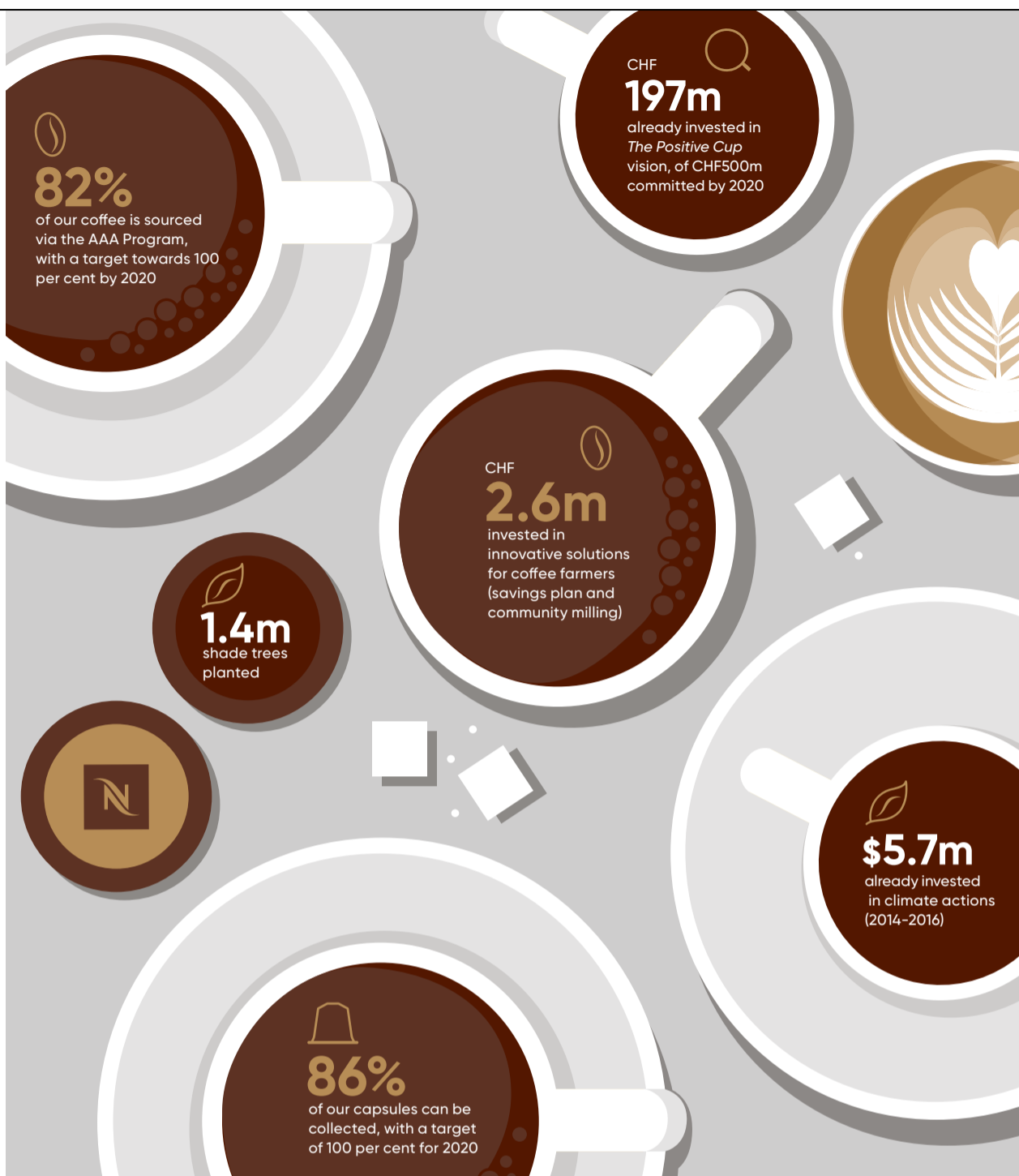
This holistic approach is never far from the mind of Jerome Perez, global head of sustainability at Nespresso. As a premium coffee brand reliant on high-quality coffee sourcing, there are two key priorities moving forward. Ensuring coffee farming is an economically viable business for smallholders, combined with the urgency to protect bio-diversity and the ecosystems that guarantee healthy coffee terroirs.

"Back in the 2000s when Nespresso started to grow tremendously, we had to rethink our coffee-sourcing model, to allow long-term commercial growth with evolving socio-environmental systems," says Mr Perez. This ignited their partnership with Rainforest Alliance to design the Nespresso AAA Sustainable Quality Program™. Focusing on Nespresso's coffee-sourcing process, the scheme is anchored on long-term farmer relationships and the adoption of sustainable agricultural practices.

"This is to drive up quality and consistency for consumers, by providing a reliable quality of life for farmers in the supply chain," says Mr Perez. Now tens of thousands of producers across 12 key sourcing countries, including many emerging markets, are part of this transformative journey.

Farmers in developing countries are vulnerable to a myriad of challenges, from climate change and degradation to youth exodus and armed conflict. Nespresso understands this and is determined to dilute this risk to their livelihoods. "We see our role as a driving force to transform the sector, to facilitate innovative solutions and turn challenges into new opportunities," says Mr Perez. This philosophy engendered Nespresso in 2014 to partner with the Colombian government and Fairtrade International to launch the first retirement savings plan for smallholder farms in Caldas.

"What gives me satisfaction is that this work takes real life into cups of coffee – our customers can directly appreciate the production of Caldas coffee farmers with the limited edition Colombia Aguadas.



I hope they understand what value is behind each cup," says Mr Perez.

Nespresso's current campaign, The Choices We Make, has the company's approach at the heart of its message. It features a series of farmers' stories expressing how the decision to invest in a coffee facility has opened the door to a world of opportunities. These personal stories are representative of the tens of thousands of AAA farmers instrumental in creating Nespresso's high-quality coffee.

Another lesser-known fact around premium coffee-sourcing is that beans are more sustainably grown in the shade of trees. The shade not only complements growth, but captures carbon, improves nutrients in the soil and conserves water. In the long run, it also offers income diversification through timber value to farmers. "We believe in shade-grown coffee as a regenerative model

“ Nespresso's The Positive Cup vision advocates a reality where coffee not only delivers a moment of pleasure, but also replenishes wider social and environmental resources

and resilience asset for coffee growers," Mr Perez explains.

Hence the AAA Program promotes agroforestry models, planting native trees in and around coffee farms. To enable the amplification of the deployment, Nespresso has taken a dual approach with the promotion of climate 'smart practices' adoption, as part of the training received by farmers, and more recently the financing of trees for AAA farmers that will generate carbon credits to mitigate the company's greenhouse gas emissions, an approach called inssetting. "With inssetting, we are internalising the environmental cost of our operational carbon footprint, while reinforcing the resilience of our supply chain," says Mr Perez.

Equipped with the learnings from sustainable coffee-sourcing, in 2012 Nespresso also embarked on a similar approach to aluminium. The goal was to enable responsible and traceable aluminium-sourcing. Partnered with the International Union for Conservation of Nature, Nespresso is proud to have facilitated collaboration between fellow businesses and civic bodies, creating the Aluminium Stewardship Initiative.

For the last decade, Mr Perez and his team have been implementing transformative sustainability strategies throughout the wider company, harnessing the collaboration of employees, NGOs and investors. "In this arena, there are always new things to learn, so that we can adapt our value chain," he says.

The last two years have shown an incredible acceleration in large corporations adopting responsible business practices. There is a clear heightened awareness within the private sector on the challenges that global business faces, as well as the potential opportunity, estimated by the Business and Sustainable Development Commission to be worth \$12 trillion. There's also an undeniable shift in purpose-led brands to ensure that the products we buy as individuals are allies for the change we want to see in the world.

As for next steps, Mr Perez notes: "The focus remains communicating these wider impacts to customers, so they make every purchase actively and consciously." Nespresso recognises it is one piece in a complex puzzle, with daunting challenges ahead. But, with the achievements so far, Nespresso remains determined and hopeful.

For more information please visit www.nestle-nespresso.com



JEROME PEREZ
GLOBAL HEAD OF SUSTAINABILITY
NESPRESSO

PARTNERSHIPS

Listening to the cries of Mother Earth

Striving for their voice to be heard, indigenous peoples may offer an example for businesses to follow in sustainable development



Taylor Weidman/LightRocket via Getty Images

01

SHARON THIRUCHELVAM

Until the 21st century, indigenous peoples were viewed as victims of the effects of climate change, not to mention colonialisation, rather than agents of environmental conservation.

This self-identifying collective of 370 million people is broadly defined by the United Nations as peoples who have inhabited lands prior to settlers of different origin arriving. They encompass groups defining themselves as “first nations or aboriginals and others, and those defined by outsiders according to their way of life and geography, such as hunter-gatherers, nomads, bushmen and hill people.

Evidence is mounting to suggest that the inclusion of indigenous people in environmental governance could be extremely beneficial, and enshrining their land rights in law could help protect ecosystems and carbon sequestration.

Indigenous peoples’ territories compose an estimated 24 per cent of the world’s land and account for 80 per cent of its biodiversity. For millennia, the majority

of indigenous peoples have lived a sustainable way of life founded on a phenomenal knowledge of local ecosystems.

Indeed in 2016, the World Resources Institute (WRI) found that deforestation rates are two to three times lower in forested areas inhabited by local communities and indigenous people, and one-tenth of the total tropical forest carbon is held by indigenous peoples and communities lacking formal land rights.

Increasingly, indigenous people are becoming political actors in state-making, and reshaping legal principles and the legal basis of their relationship to the land.

In Ecuador, Bolivia and New Zealand, indigenous activism has born a novel legal phenomenon, the notion that nature possesses rights. In 2008, Ecuador became the first nation to establish the rights of nature in its constitution. Just two years later in Bolivia, President Evo Morales, the first indigenous head of state in Latin America, rewrote Bolivia’s constitution to enshrine the law of Mother Earth or *Pacha Mama*, the Andean goddess said to sustain life on Earth.

01 Indigenous Mundurucu men protesting against the construction of a hydroelectric dam in Pará, Brazil in 2013

02 Bolivian President Evo Morales rewrote the country’s constitution to enshrine the law of Mother Earth or *Pacha Mama*

Both nations legally codified the beliefs of the Quechua people, ten to eleven million of whom live in the Andes across Peru, Ecuador, Bolivia, Argentina, Chile and Colombia. The Quechuan principle of *sumak kawsay*, a notion deeply embedded in Andean culture, which translates imperfectly into English as “good living”, teaches living in balance with nature.

This is a radical departure from conventional understandings of sovereignty and elevates nature in the eyes of law from merely property to being a rights-bearing entity, with all the attendant implications of protection and freedom from exploitation.

In practice, however, the demands of social development mean both Ecuador and Bolivia depend upon extractive industries; 14.8 and 12.6 per cent of their GDP respectively came from natural resources in 2014.

In Ecuador, the rights of nature are subject to principles of national development, legally all natural resources are the property of the state, and the state can decide to exploit them if deemed in the national interest.

New Zealand has taken a slightly different approach to rights of nature by awarding legal personhood to specific natural entities, such as land and rivers, which are sacred to particular native communities, who were instrumental in creating these new legal frameworks.

In 2014, the 821-square-mile Te Urewera Park, ancestral home to the Tuhoe tribe, became its own legal entity co-governed by the Tuhoe and the state, while more recently, in 2017, the Whanganui River Treaty passed into law, concluding an 80-

INDIGENOUS PEOPLES’ TERRITORY ACCOUNTS FOR...



24%

of the world’s landmass



80%

of global biodiversity



JORGE BERNAL / AFP / Getty Images

02

“Indigenous people are becoming political actors in state-making, and reshaping legal principles and the legal basis of their relationship to the land

year campaign by Maoris to protect the life-force and identity of the New Zealand’s third-largest river. New Zealand’s then-attorney general Chris Finlayson acknowledged the Maori thinking underlying the shift, saying: “In their world view, ‘I am the river and the river is me’.”

More often, governments fail to recognise indigenous peoples’ and communities’ customary rights to the lands they inhabit. When these rights are not recognised, lands can more easily be allocated to outside investors for development.

But as communities fight for the customary rights, the cost of dealing with land conflicts is rising for companies, says Peter Veit, director of the Land and Resources Rights Initiative at the WRI.

“Many companies I work with no longer believe that the lands being offered to them by some states are indeed vacant, idle and available for investment, and want to do their own due diligence, so WRI has developed tools like Landmark that offer first-order title searches,” says Mr Veit.

He adds that many companies would rather deal directly with communities if land registration documentation were available, while suggesting the time is coming for

companies to do more to implement consistent company-wide policies on land issues in ways comparable to how labour issues are managed.

Many multinationals are striving to improve their environmental and social records, especially overseas.

“The quasi imperial approach to developing commercial opportunities is coming to an end,” says Rick Wheatley, director of the Vanguard Leadership programme at the environmental consultancy Xynteo, which helps companies apply their commercial capabilities to address countries’ development problems.

Across the developing world, governments, companies and NGOs are rightly engaged in the processes of modernisation and development. But in cases concerning indigenous peoples, they must recognise that protecting these peoples’ rights will mean protecting their right to choose not to develop.

Indigenous peoples should be allowed to choose themselves what degree of integration they have into the global economy and polity. If allowed to exercise these rights fully, they may even provide exemplary approaches to truly sustainable living. ●

'A natural capital approach enables organisations to identify, measure and value their dependencies, as well as their impacts, on the natural world'

MARK GOUGH
Executive director
Natural Capital Coalition



The way businesses, governments and individuals assess their relationships to nature has been rapidly evolving over the past half century, and this awareness has surged in the last decade.

In the mid-20th century, the burgeoning impacts of humanity on the natural world were becoming increasingly evident. A tipping point was reached in 1970 when, for the first time, the Global Footprint Network estimates that our consumption of natural resources outstripped the planet's ability effectively to provide for our needs.

In the following years, while the discourse around humanity's impacts on the environment continued to gather momentum, there was an increased consideration over our collective dependence on the natural world. Academics began to ponder the consequence on our economies and societies, should our activities erode the elements of nature on which we depend for continued growth, development and prosperity. At first, this talk was largely limited to discussions around non-renewable sources of energy: what would we do if the oil ran out?

Our current scientific understanding, however, makes it impossible, or at least incredibly foolish, to constrain this type of talk to fossil fuels or energy alone. Natural processes, such as water filtration, nutrient cycling, crop pollination, seasonal weather cycles, waste management and carbon sequestration, all flow from the natural world, and their health underpins all human activities.

The Earth is now home to more than twice as many people as it was in 1970 and its life support systems are increasingly strained. Responsible management of these ecosystem services and the organisms and phenomena that generate them, alongside ecosystem goods such as oil and timber, is critical for our continued enterprise and success.

The natural capital movement, which has risen to prominence only in the last few years, has united the global community around this goal, most notably, in the development of the natural capital protocol.

A natural capital approach ena-

bles organisations to identify, measure and crucially value their dependencies, as well as their impacts, on the natural world.

While we have become adept at measuring the impacts that we have on nature, impact measurement alone often fails

to lead to better decision-making. This is because it only provides us with a number and one that is often largely devoid of context. Being told that you are using x million litres of water or emitting x million tons of CO₂, without any idea of what this means for your business, for society or for the planet, is unlikely to galvanise any serious action.

Natural capital approaches address this challenge by moving from measuring only impacts to also measuring dependencies. Connecting the impact you have on natural assets to your dependence on the health and availability of those same assets can be a watershed moment for the organisations we work with.

Another insight of this approach is to move beyond measuring to also valuing. Value can be represented in monetary terms, but the important thing about value is it defines the relationship with nature based upon the relative importance, worth or usefulness it provides. Identifying value – what nature means to us – makes it visible in decision-making and means it is much more likely to be taken seriously at a management level.

A natural capital approach also necessitates that we take a systems view of the environment. Rather than focusing on individual issues, such as energy, water, waste and biodiversity, in isolation, as has been the routine approach, we must instead address these issues as parts in an interconnected system.

As our understanding of the fantastically complex and interconnected natural world continues to develop, the importance of seeing the world, including ourselves, as part of an integrated whole has become clear. Only then can we take appropriate action to conserve and enhance the natural capital on which we depend, and ensure our future resilience and success in the process.

Human rights are now part of business

Companies and their supply chains are increasingly involved in safeguarding human rights

JIM McCLELLAND

When it comes to reputation, a company is only as good as its supply chain. Responsibility begins long before the check-out or factory floor and earlier, even, than the quarry lorry or farm gate.

Managing supply-chain risk, though, remains a challenge, says Duncan Brock, director of customer relationships at the Chartered Institute of Procurement & Supply (CIPS). "Modern supply chains are often very complex and assessing all the potential ethical and environmental implications can be extremely difficult," he says. "The best way is to conduct a full risk analysis upfront to determine where effort should be targeted."

Strategic supply-chain mapping can identify priorities. However, research by Action Sustainability for the Supply Chain Sustainability School has highlighted just how complex a supply-chain map can get. Their study looked at a basic staple of health-and-safety procurement, the hi-vis vest.

Mapping its production revealed no fewer than six different countries involved – India, China, United States, Germany, Morocco and UK – with multiple journeys between them. Navigating this supplier maze means understanding what happens where, says Dr James Cadman, lead consultant with Action Sustainability. "Supply-chain mapping is a useful tool to help you prioritise your actions and decisions on supply-chain risk," he says. "It is not the answer, but it is part of the solution."

Even auditing from top to bottom is not enough, adds Mr Brock. "Businesses also need to be wary of developments in the wider world. The CIPS Risk Index is close to its all-time high, largely due to widespread political uncertainty and protectionism," he says.

Extending the remit to factor in events and externalities beyond direct impacts takes business into the arena of human rights. As well as forced and child labour, this might mean looking at wider community and societal issues, such as water abstraction in drought areas, polluting emissions in countries with weak regulation, bribery and corruption, or even trade indirectly funding conflict or terrorism.

In response, international companies and global brands have begun producing standalone human rights reports to account for broader responsibilities and demonstrate transparency.

One such organisation, along with ABN Amro, Coca-Cola and Unilever, is Marks & Spencer. As well as being a matter of principle, this focus also serves a practical purpose, explains corporate head of human rights at M&S, Louise Nicholls. "There is no place for modern slavery or any human-rights abuse in any business. That's why we've taken action to prevent it across our supply base. Training suppliers to spot often hidden signs and giving them tools



International companies and global brands have begun producing standalone human rights reports to account for broader responsibilities and demonstrate transparency



to train their suppliers builds resilience into their business and, in turn, your business," she says.

In some respects, global scrutiny around human rights appears on the up, with expectations increasing on business.

Special rapporteur on human rights defenders (HRDs), Michel Forst, recently reported to the United Nations general assembly that the "responsibility of businesses to respect human rights not only entails a negative duty to refrain from violating the rights of others, but also a positive obligation to support a safe and enabling environment for HRDs".

The shocking number of attacks on HRDs is also rising, though. Global Witness reports killings of defenders not only growing, but spreading. In 2016, it documented 200 killings across 24 countries, compared with 185 across 16 in 2015.

Companies and industries are in the spotlight. In the last 30 months, the Business & Human Rights Resource Centre (BHRR) has tracked more than 770 incidents of attacks and harassment against people raising concerns around business activities. Their public database reveals 75 per cent of cases relate to land-intensive industries, such as extractives and agriculture, but also wind-turbine and dam-building renewable-energy projects. Latin America is highest risk, with Colombia, Brazil, Mexico, Honduras and Peru accounting for more than half of cases logged.

In defending HRDs, advocacy is vital, but so too is back-up on the ground. Front Line Defenders works to provide practical



Marks & Spencer

Marks & Spencer, which published its inaugural *Human Rights Report* in 2016, outlines the steps the retailer is taking to support and respect human rights

production of avocados, also resulting in widespread privatisation and emergence of illegal pipes.

Mr Mundaca and members of MODATIMA have faced death threats, criminal charges and harassment. They have been threatened with violence and imprisonment and targeted with defamation campaigns.

Isolating activists can be part of a recognisable pattern of attack, explains Erin Kilbride of Front Line Defenders. "In the vast majority of cases, HRD killings were preceded by warnings, death threats and intimidation which, when reported to police, were routinely ignored," she says. "Often, even before threats begin, defenders are subjected to smear campaigns and defamation, labelling them 'anti-development' or 'eco-terrorists', to strip away the activists' networks of support."

Such attempts to shrink the ability of civil society to raise concerns are increasing in the Western world and the negative effect on supply-chain visibility is not just detrimental to transparency, but also bad for business intelligence, concludes Ana Zbona, human rights defenders project manager at BHRR. "Crackdowns on civic freedoms threaten companies' access to information about what is really going on in their supply chains. Businesses should recognise and acknowledge the importance of these critics in the process of human-rights due diligence," she says.

From product miles in a hi-vis vest to violence in the humble avocado of your guacamole, supply-chain stories can be complex, even criminal. The responsibility involved carries risk, but also brings reward. Either way, companies are now in the business of human rights. ●

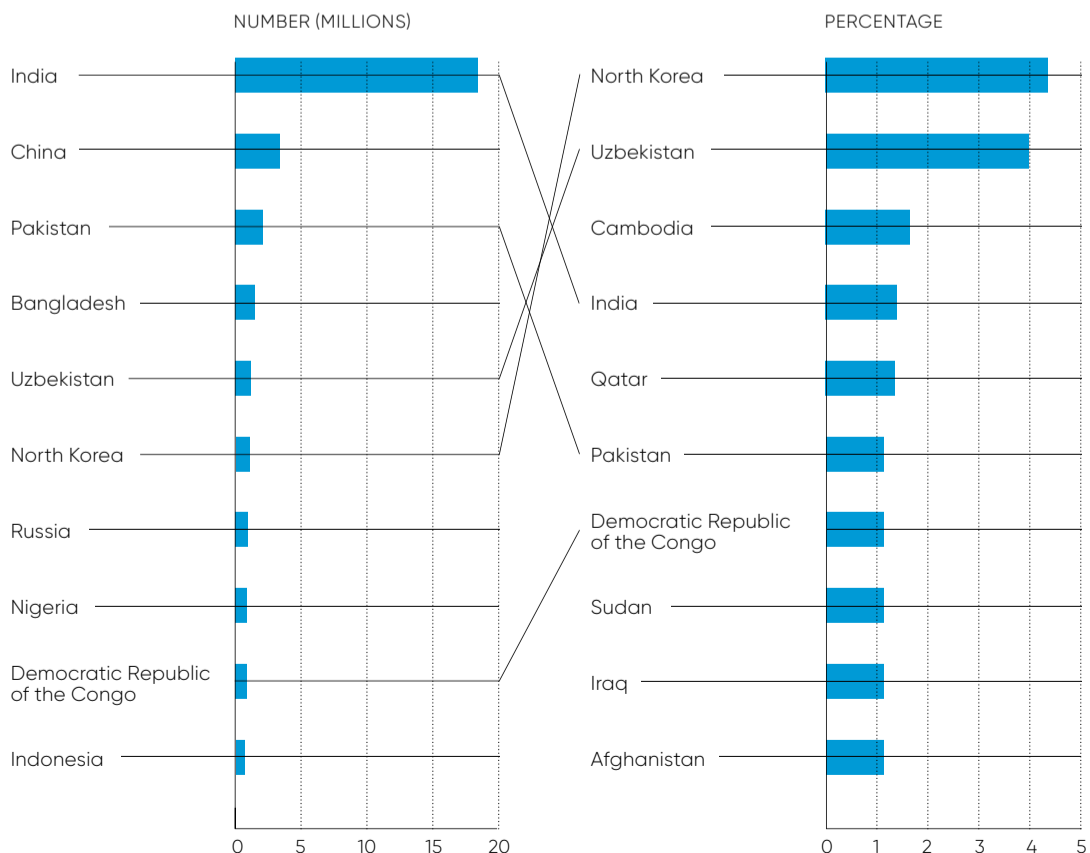
support, including emergency assistance, protection and security guidance to individual HRDs, alongside international advocacy. One of their active cases is Rodrigo Mundaca, at risk in Chile. Featured in Amnesty International campaign Brave, he is an agricul-

tural engineer and spokesperson for MODATIMA.

MODATIMA works to promote water rights in Petorca, where local community access has deteriorated dramatically. Shortages caused by droughts have been exacerbated by huge increases in water-intensive

MODERN SLAVERY

COUNTRIES WITH THE LARGEST NUMBER AND PERCENTAGES OF PEOPLE IN MODERN SLAVERY



Walk Free Foundation 2016

'Only when we reboot the financial system, will the movement towards a more equitable, inclusive and sustainable world get the traction and scale we need'

PETER BAKKER

President and chief executive
World Business Council for Sustainable Development



It is becoming ever clearer that for us to create a society that supports a healthy planet with happy people, we must change our course drastically.

The Sustainable Development Goals (SDGs) and Paris Climate

Agreement outline a clear framework with goals to achieve the future we want. Business knows it has a leading role to play in the transformation that is ahead. It can bring innovation, financing power and management talents. But what's sometimes left out of the conversation is the role the financial system needs to play in speeding the transition.

The current aim of the financial system is too narrow. It moves and manages the returns on financial capital and that's pretty much it. It was not designed to consider impacts and dependences on other forms of capital, such as the value of nature or people, for example. As a result, it misses a lot of value-creating information.

Focusing solely on financial performance has meant that companies and their investors have blind spots with respect to their risk profiles and performance. The incentives are simply not covering all relevant areas of risk and opportunities.

In the context of today's turbulent geopolitical environment, businesses need to redefine their conception of "value" to go beyond traditional financial terms. It is only by taking the integrated approach that we will create a socially, environmentally and economically successful future.

It all starts with better business decision-making. If companies can get better at understanding and disclosing environmental, social, governance-related (ESG) risks, they will better inform their decision-making processes to improve over the long term. Companies need to future-proof their enterprise risk management processes to capture and prioritise ESG risks and improve their corporate governance.

Key developments in this respect are recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). These focus on improving processes, disclosures and scenario-analysis which will have a material impact on corporate governance.

Governments and other stakeholders are also pushing for better corporate transparency. Because of this, business is increasingly expected to know how to reduce negative social and environmental impacts.

However, many businesses do not disclose any ESG information and those who do are mainly focused on backward-looking data, whereas what we need is to measure and manage the risks in the future.

According to the Business & Sustainable Development Commission's *Better Business, Better World* report, 79 per cent of investors say they're unhappy with their ability to compare sustainability reporting between companies in the same industry.

Boards need to ensure that the businesses they oversee are transparent, and management needs to disclose investment grade, forward-looking and decision-useful ESG information to meet the demands of their investors and better understand their risks and opportunities, while adhering to their fiduciary duties.

Doing so will allow investors to integrate the sustainability risks in their valuation models and as such lower the cost of capital for more sustainable companies.

To report consistent, comparable and meaningful information, we need prescriptive, generally accepted methodologies to assess non-financial information, such as natural and social capital.

The new World Benchmarking Alliance that will create benchmarks within sectors against the SDGs is going to help drive compatibility and disclosures in the conversations between corporates and investors.

Beyond that the implementation of the recommendations from the TCFD, maturing reporting standards and mainstream adoption of ESG disclosure will ultimately change the way we make decisions, integrating all impacts and benefits, including the way we govern our companies and, ultimately, society.

We have to realise that only when we reboot the financial system, will the movement towards a more equitable, inclusive and sustainable world get the traction and scale we need to deliver the SDGs.

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