

**BUSINESS GUIDE**

**CBI**  
THE VOICE OF BUSINESS

# People, products, planet

How to put sustainability at  
the heart of your business



IN COLLABORATION WITH



# 72%

**OF COMPANIES IN THE  
GOLDMAN SACHS LIST OF  
COMPANIES WITH STRONG  
ENVIRONMENTAL AND  
SOCIAL GOVERNANCE  
OUTPERFORMED THEIR  
PEERS BETWEEN AUGUST  
2005 AND MAY 2007**

SOURCE: GOLDMAN SACHS

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## Foreword

Tackling the challenges presented by the economic slowdown will inevitably be the main focus for business in the coming months. The impact of the credit crunch, the squeeze on household budgets and inflation in energy and commodity prices mean tough times are ahead – and are already here for some.

There is a high degree of uncertainty over what might happen over the next year or two. But whatever the challenges, business cycles come and go, and companies need to keep their eyes focused on what is required to prosper in the longer term.

One area where this is undoubtedly the case is the need to adopt more sustainable business practices. Sustainability has risen high up the boardroom agenda in recent years, and isn't going to go away. In environmental terms, for example, the need to tackle climate change remains pressing, while greater energy efficiency will benefit hard-pressed consumers and businesses alike. The CBI has been very active in this area, and is currently working on a range of initiatives to implement the recommendations of its Climate Change Task Force and make the transition to a low-carbon economy a reality.

In other areas, too, sustainability can offer significant benefits. Opportunities are out there for companies that can develop more ethical or environmentally friendly products or services. Employees are increasingly looking for their employers to show a commitment to ethical practices and to creating a more inclusive workplace. And, as the economic outlook looks more gloomy, reaching out to local communities and supporting the most disadvantaged members of our society will be more important than ever.

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**RICHARD LAMBERT**

Director-general, CBI



## Introduction

“In a free enterprise, the community is not just another stakeholder in the business but in fact the very purpose of its existence.” The words of our founder, Jamsetji Tata, are as relevant today as they were when he founded Tata 140 years ago.

Long before corporate sustainability became a fashionable term, Tata companies have been working with and giving back to local communities, the environment, and social and welfare causes.

Jamsetji Tata was keen to avoid “patchwork philanthropy”, preferring to pursue activities that delivered sustained developmental impact. Tata companies have, since the earliest days, embedded these values in their core.

The group has been quietly active in the UK for more than a century and so has its desire to be a good corporate citizen. In 1912, the London School of Economic’s Sir Ratan Tata department (subsequently the Department of Social Sciences) was established to research the causes of poverty.

Similarly, the Lady Tata Memorial Trust was set up in 1932 by Sir Dorab Tata to support research into leukaemia and other blood diseases. It has been administered in the UK for more than 60 years and awards significant funding to leading institutions around the country.

Like so many other companies, we seek to support the communities where we operate in the UK.

We hope that this Business Guide will provide further food for thought and help UK businesses translate good intentions into sustainable actions. It is now commonly accepted that being good in business is good for business. While progress has undoubtedly been made, we all have some way to go.

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**ANWAR HASAN**

Managing director, Tata Limited



# 1 Sustainability in action

**Being perceived as environmentally and socially aware pays reputational and financial dividends for firms.**

**C**hanging times bring changing demands. Employers looking to recruit the best talent are themselves being questioned, on their environmental and social records. Businesses want to be sure suppliers are sourcing materials and labour ethically. And consumers want to know that their purchasing decisions are not contributing in a negative way. But instead of seeing these pressures as a negative force, responsible companies see how meeting this new demand can itself present opportunities.

Take Vodafone, says David Grayson, director of the Doughty Centre for Corporate Responsibility at Cranfield University, and former joint managing director of Business In the Community (BITC). Vodafone, through its corporate community involvement team, helped develop a new product in Kenya that was designed to help people without bank accounts to have basic banking services through their phones. M-Pesa was so successful that it quickly became a commercial product for the country's Safaricom, in which Vodafone has a significant stake.

“There is a set of opportunities around developing new products and services that address the greater demand and need for sustainability in the global economy,” says Grayson. “It may be about creating an entirely new service or adding an extra component to an existing product or service.”

## **Keeping in tune with customers**

Bringing products to market designed with the consumers' best interests in mind can be a significant draw for customer loyalty. For example, since evidence emerged of the detrimental

impact of excessive salt in the diet, Heinz has consistently reduced salt levels in its leading products. There is now 30 per cent less salt in its baked beans, 40 per cent less in its tomato ketchup and 60 per cent less in its pasta shapes. According to Heinz, there has been no detrimental impact on sales, with half a million cans of beans continuing to be sold each day, and the move has allowed the company to position itself as in tune with its customer base.

Similarly, Procter & Gamble, through its Ariel “Turn to 30” campaign, was able to increase brand awareness while encouraging consumers to change their washing behaviour for environmental good.

Winners of the BITC Big Tick award for responsible marketing, the company has been instrumental in the fact that in the past five years, the number of consumers washing

clothes at 30 degrees has risen from just two per cent in 2002 to 17 per cent in 2007. Independent research showed that 88 percent of consumers who changed their behaviour to wash clothes at 30 degrees associated the message with Ariel.

As well as changing customer needs, demographics can also play a role in shaping demand for a more sustainable approach. With 80 per cent of the nation’s wealth wrapped up with those aged 50 and over, it is no coincidence that cars today have been designed with bigger instruments and more headroom for easier access, for example.

“Moving to an ‘opportunity’ mindset requires embedding a genuine commitment to responsible business and sustainability, so you move from sustainability being a bolt-on activity to business operations to the point where it is built into the strategy,” says Grayson. “If you take this seriously and not in a cavalier way, you are more likely to gain the business benefits as well as optimise the societal benefits.”

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**“THERE ARE A SET OF  
OPPORTUNITIES AROUND  
DEVELOPING NEW PRODUCTS  
AND SERVICES”**

**DAVID GRAYSON, CRANFIELD**

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### **Sustainable growth**

Take the example of Regeneris, which works with mobile phone operators to collect unwanted handsets. It was launched

(as Fonebak) in the UK in 2002 as the world's first mobile phone reuse and recycling solution. All phones received are thoroughly tested and refurbished, and sold in developing economies, providing a more affordable means of communication. Phones which are unsuitable for reuse are sent for recycling, and well over four million handsets have been processed in total. From these beginnings, the company has grown significantly. It now provides total life-cycle solutions for high-end electrical products across Europe – from initial testing on import, through to safe and responsible materials recycling.

Part and parcel of the creation and development of innovative, sustainable products is ensuring that their

journey to market has been ethically sound. Businesses need to know the origins of raw materials, that workers in the supply chain have been fairly treated and what impact manufacturing

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**“WE WANTED SOMETHING  
RELEVANT TO OUR BUSINESS  
THAT MADE A PERMANENT  
DIFFERENCE”**

**SARA HOWE, TETLEY**

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processes have had on the environment. In an increasingly global world, ensuring that every part of the supply chain has behaved responsibly is a complex but essential task. The secret lies in collaboration. Working together will highlight any areas that are falling short of the standards desired, and will help in the development of solutions for mutual benefit.

“If you are in an adversarial, transactional relationship with your supply chain and are out to screw them down on price, then you will find it much harder to get their active engagement and collaboration,” says Grayson. Instead, sell what you are trying to do in terms of sustainability. “You have to try to enthuse them, to demonstrate what is in it for them, rather than just another burden imposed by you.”

### **Shared benefits**

The more you can create opportunities to explain what you are trying to achieve and share learning experience, the better. Since Marks & Spencer launched Plan A, a five-year, 100-point plan addressing climate change, waste, the safeguarding of natural resources, ethical trade, and building a healthier

## SUSTAINABILITY IN ACTION: TETLEY

Tea manufacturer The Tetley Group sought a project to demonstrate its newly stated commitment to sustainability. “We wanted something relevant to our business; it needed to make a permanent difference, as opposed to being a short term relief effort, or worse, a white elephant,” says Sara Howe, who has responsibility for sustainability at Tetley. Key to success was finding the right partner. “We could provide funding and relevant business skills, but needed access to development project experience. Finding a credible charity which shared our values, was rooted in making a difference on the ground and was comfortable working with business, was very important. For us that was Hereford-based Concern Universal. Then we both needed to develop a respect for who was bringing what to the table.”

The project chosen was the provision of safe water to villages in southern Malawi, one of the world’s poorest countries. There was a clear link to Tetley’s supply chain, as the company is the single largest importer of Malawian tea. Before the project started, village water was non-existent or unsafe, and there was a high prevalence of water and sanitation related diseases. The project focused on drilling boreholes, upgrading shallow wells and repairing broken water points. Now more than 30,000 villagers have access to clean water. There has been a reduction in levels of serious illness and death due to waterborne diseases. Women have the time and are sufficiently healthy to grow subsistence/cash crops, while children are able to go school. Other activities were developed to leverage the close Tetley/Concern Universal partnership.

Two Tetley employees, skilled in marketing and logistics, completed secondments that built Concern Universal’s capacity in Malawi, while offering them a unique personal development opportunity. Howe helped develop the charity’s communication strategy, and representatives from Concern Universal visited a primary school supported by the Tetley Group. The school used the project as part of its citizenship curriculum.

nation, its director Richard Gillies has been delighted with the enthusiastic response.

“Every week that goes by, something comes across my desk or I see something in a factory somewhere or I meet someone who has a solution to a potential problem we have tried to overcome,” says Gillies. “By laying out the tasks and targets, many in the supply base have come forward to help. They wouldn’t have done so if we hadn’t set ambitious targets.” The company is sharing its own operational experience of running an “eco-factory” (one designed to minimise its environmental impact) with suppliers, a significant number of which are looking to build similar facilities.

Collaboration should be supported by the regular use of ethical and environmental audits across the supply chain. Membership organisations such as SEDEX (Supplier Ethical Data Exchange) or ETI (the Ethical Trading Initiative) can help, by allowing members to share ethical data with the aim of improving corporate codes of practice and driving continuous improvement. By avoiding duplication through shared use

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**“YOU HAVE TO BE CAREFUL  
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AUDIT’S SAKE”**

**RICHARD GILLIES, M&S**

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of data, the burden on suppliers is also lightened. However, an audit is just one tool, and not sufficient in itself. “You have to be careful about auditing for audit’s sake, and

shouldn’t just rely on an audit,” says Gillies. Neither should a company walk away from a supplier that fails an audit. “With the ETI mandate we have strong rules. If they fail the ETI audit, it is about bringing their standard up, rather than just walking away.” If a company discovers suppliers who are performing way above the audited standard, there should be a responsibility to share that best practice with other suppliers, so that all parties are constantly striving to get above the level of baseline audit.

The issues can be complex. If a company discovers child labour issues with a supplier, for example, immediately taking the business elsewhere might not be the best solution, as it could jeopardise a family’s livelihood. An alternative might be to provide a school on-site.



## Building a better workplace

# 2

**Keeping your people engaged and happy can help improve morale, staff turnover – and customer service.**

**W**hen George Cadbury said that he wanted his confectionery business to be a force for good in a troubled world, it was a pioneering notion. He and his brother Richard set about building a factory village with houses, gardens, a library, football pitch and churches, while also devoting much of their time to teaching in the adult schools movement. Well over a century later, the notion of a caring workplace is firmly back in vogue. Companies which look after their workforce potentially benefit from greater loyalty, enthusiasm, and productivity. In the war for talent, a company that can show that it provides ongoing training and career development prospects as well as a flexible working environment will be viewed more favourably than one with a less imaginative approach.

That is certainly the belief at telecoms firm O2. “The penny dropped that unless your people are happy, they won’t deliver a brilliant customer experience,” says Annabel Sweet, head of people strategy and employee experience at O2. “We created the ‘people promise’ - the way we wanted to be for our people. If they are happy, they will go that extra mile and stay with you.” Employees have an impressive range of benefits from which to choose, including medical insurance, extra holiday entitlement, gym membership and concierge services. Great emphasis is also placed on training line managers, on the basis that the benefits will count for little if line managers fail to engage or enthuse their people. The company measures, among other things, absence and labour turnover, both of which are coming down, according to Sweet.

She believes this inevitably feeds into service standards.

## SUSTAINABILITY IN ACTION: AXA

Financial services giant Axa has an impressive history of longevity and loyalty, with staff turnover at eight per cent and almost one fifth of the workforce having been there at least 15 years. “We have an open and inclusive style of senior management, which helps employees feel valued,” says Mitch Smith, best people programme manager. “They walk the shop floor. Senior managers send messages out regularly, and encourage feedback. They have an ‘Ask David’, or ‘Ask Paul’ page on our intranet, and these are managed carefully and answered regularly. It is a two-way communication channel.”

Axa has now embarked on a programme that will provide employees with a greater understanding of Axa values, generating greater unity and shared purpose to increase loyalty and retention. “We had lots of straplines, logos and vision statements, which was confusing,” says Smith. “We have now distilled that into one word – ‘trust’. We need to have it internally and our customers need to have it in us.” To this end, all employees – from the chief executive down – undergo an experiential programme, involving role play and real-life scenarios. Managers attend “Trusted Manager” courses, which are run in-house and specifically tailored for each team. Employees have access to Ourspace, an online discussion forum, where experiences and comments can be shared. Plans are in place to pilot the creation of a company vision, devised by Axa people. “We are trying to move the ownership and care about where Axa is going to the people who work for Axa,” says Smith. Since embarking on the programme, employee satisfaction has risen from 69 per cent in July 2007 to 77 per cent in July 2008.

“We are number one in the industry for customer satisfaction and are tracking upwards,” says Sweet. “We see a correlation between that and the upward trend in our overall engagement levels that we survey annually. It is fundamental to us that if you look after your people, they will look after your customers.”

## A range of approaches

There's no one-size-fits-all guide to making the workplace a more positive environment. Essential to a constructive working environment is the nurturing of team spirit. To achieve this, a company has to create an inclusive atmosphere, involving employees regardless of age, sex, religion or race. Companies with a culturally diverse employee base should celebrate this and present opportunities to learn from each other. One suggestion is to hold informal receptions after work, in which employees from outside the UK are invited to give a presentation on their home country, creating greater understanding.

Flexible working policies can help staff to feel trusted and engaged and develop a better work-life balance – an increasing consideration for many employees, particularly those with children. It can also help staff be more productive – though managers need to be on-side and clear about how output should be measured.

Award-winning central-heating installation firm Heat focuses heavily on health and wellbeing. Benefits offered to staff include chiropody, sight and hearing tests, body MoTs, posture awareness and head massage. The company employs its own company doctor and provides each member of staff with private health insurance. It also devotes one month a year to raising awareness of specific health issues and bringing in a range of services, free for the benefit of its workforce.

## Silver skills

Given the ageing population and its implications for the war for talent, companies should also be considering how best an elderly workforce can be welcomed and utilised. “Part of sustainability must be using the resource of the older population, as without it we won't be able to compete and get the right skills,” says Baroness Greengross, chief executive of the International Longevity Centre and former director-general of Age Concern. “Skilling up, training and retraining,

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**“IF YOU LOOK AFTER YOUR  
PEOPLE, THEY WILL LOOK  
AFTER YOUR CUSTOMERS”**

**ANNABEL SWEET, O2**

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and flexible working all apply very much to older workers. There is a lot of prejudice that old dogs can't learn new tricks," she continues. "Old dogs can, you just have to train them the right way, building on the knowledge they already have." Knowledge transfer is a two-way affair. While many elderly people are fit, able, keen to continue working and willing to learn, they equally have an important mentoring role to play. "They can pass on skills as they are not in the competitive race to build a career," says Baroness Greengross.

And there are other benefits. It is almost 20 years since B&Q

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first opened a store in Macclesfield staffed entirely by the over-50s. An independent survey published two years later showed that in practically every respect – customer service, short-term

absenteeism, staff turnover and sales – the Macclesfield store's staff outperformed other stores. Profits were higher by 18 per cent, staff turnover was six times lower and absenteeism was down 39 per cent.

"B&Q did remarkably well out of it, and got huge publicity, being the first. People like talking to an experienced person who has actually used a hammer," says Baroness Greengross.

Training and plans geared towards the personal development of staff are rated very highly by young and old alike, and can contribute strongly towards growth, talented leadership and strength in the marketplace. At McDonald's, measures such as the creation of an e-learning portal allowing shift workers to access skills for life training from home, from PCs at work or at internet cafes, have helped 80 per cent of its restaurant managers to develop from crew members, paid by the hour.



## Engaging with the community

# 3

**Making use of your company's resources to help the wider community can also bring skills benefits for employees.**

**C**ompanies have a direct impact on the communities in which they operate. If conducted responsibly, the way in which a company recruits, purchases and invests can bring the mutual benefits of creating opportunities to build thriving communities as well as stronger businesses. Responsible businesses will be providing jobs at a fair wage, paying local taxes, which will help towards supporting local amenities such as hospitals and schools and will be contributing towards prosperity in the region. Beyond that, many companies also recognise that there are a number of reasons why it makes sense to encourage staff to volunteer with local organisations, giving their time, professional expertise and/or money. The most compelling business case was brought forward 25 years ago when high unemployment and unrest led to the Toxteth riots. Several business leaders pulled together to form BITC, recognising that without a community, there were no customers. Business had a vital role to play in offering solutions, driven not by pure altruism, but because it was the right thing to do for business.

“It’s what we used to call the seven Ps,” says David Grayson, director of the Doughty Centre for Corporate Responsibility at Cranfield University, and former joint managing director of BITC. “Community involvement that makes use of people, premises, product, purchasing, promotions, power and profit.” Companies can work in partnership with charitable organisations – donating money or donating in-kind goods to charities; encouraging employees to engage with the community by giving time, skills and resources to community-based activities; and using cause-related marketing to raise funds and awareness about charities and good causes.

## Picking the right issues

The most important point is for companies to recognise and therefore help address the social issues that are most relevant to their business and most pressing to the communities they work with.

“A company needs to be able to answer the question ‘why are we doing this?’ It needs to be able to pick out some of the key issues that may be affecting business in the community. It may be something that staff are concerned about and want to get involved with, or an issue in the community affecting all businesses,” says Grayson. One example was a group of CBI member companies which got involved with tackling homelessness in London. The initiative was driven in part by young female staff working late at night and feeling

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**DAVID GRAYSON, CRANFIELD**

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very uncomfortable at having to step over homeless people sleeping rough in doorways. The result was Business Action on Homelessness, a unique partnership between business, homeless

agencies and the government, which helps homeless people to find employment and achieve independent living. Many of the organisations involved have filled skills gaps by recruiting from this excluded group. More than 350 companies have been involved over the past five years, with 2,700 people passing through the scheme.

While volunteering in the community may be seen by some as one of the “softer” elements of the sustainability agenda, the business case can be just as compelling in terms of employee development and loyalty. Yorkshire Water has publicly stated that one of its objectives is to “become a national role model for volunteering by 2010.” During 2006/07, the company involved 38 per cent of its workforce in volunteering. Activities typically involve gardening or decorating for community groups, such as a local hospice. By engaging in team volunteering, Yorkshire Water believes that it saved £60,000 that would have otherwise been spent on team-building activities. What is more, 82 per cent of volunteer team leaders say that they have

an improved perception of the company through their volunteering activity.

The company has now launched “One million green fingers”, a volunteering initiative that will involve more than 750 Yorkshire Water employees creating sustainable and healthy gardens in 350 primary schools across Yorkshire. The enthusiasm has been such that the project has already attracted more volunteers than anticipated, both from Yorkshire Water and contractors. “Involving our contractors has given us the opportunity to demonstrate that collaborative working can develop existing relationships, engage others in community involvement projects, and bring enhanced benefits to communities we work in,” says Anne Reed, community affairs manager.

In assessing how they can best make use of their resources to help the community, companies need to think of their core skills and how they can best be deployed, both for the good of the community but also to develop employees’ skills.

### Exploiting core skills

“Historically we have focused on volunteering activities, such as planting trees. Now we are trying to provide more opportunities for people to use their core skills in a more focused way,” says Stephen Blakeley, global corporate citizenship manager at KPMG. “Under the Millennium Cities initiative, we are using our corporate finance professionals to assess second-tier cities, for example

Kisumu in Kenya, to identify investment opportunities and encourage the flow of capital and development from that perspective. The aim is to make markets work

in a way that benefits the poor.” The firm also provides pro bono services to NGOs such as Save the Children. “Our UK advisory team advised them on harmonising their core processes across 14 countries. They have grown organically and we used our skills to help develop plans to harmonise management processes and improve efficiencies.” Blakeley says

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**“WE ARE TRYING TO PROVIDE OPPORTUNITIES FOR PEOPLE TO USE THEIR CORE SKILLS IN A MORE FOCUSED WAY”**

**STEPHEN BLAKELEY, KPMG**

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that partners decide to allocate staff to such projects partly for personal reasons, and partly because it is seen as a good way of developing staff, helping them build core skills and providing opportunities they wouldn't otherwise have.

Community involvement will have a greater chance of promoting loyalty and engendering team spirit if the work with which the employees is involved has a certain resonance across

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**“WE HELPED DEVELOP  
PLANS TO HARMONISE  
MANAGEMENT PROCESSES”**

**STEPHEN BLAKELEY, KPMG**

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the company. Physical activities such as tree planting may work well for younger staff, but there is a lot of value to be had in engaging in activities in which elderly employees are

the prime movers, argues Baroness Greengross.

“In CSR roles, older people can get a foot in the local community in which they live, and they have much to offer as they have a better understanding of what is needed. They are building up their skills for when they do retire, as well as building loyalty, which is very rewarding. It is very good socially for them to have anchors in the community already, in anticipation of retirement.”

It's also important for organisations not to focus all their sustainability efforts on the environment. “The environment might get more publicity in terms of the annual report or shareholders, but think in terms of the staff – what would they enjoy doing that would equally reap benefits in terms of loyalty and reward?” Baroness Greengross adds.

## SUSTAINABILITY IN ACTION: TATA CONSULTANCY SERVICES

Seeing an opportunity to aid urban regeneration in deprived areas of east London, Tata Consultancy Services (TCS) chose to support Stepney Football Club, an amateur youth club. TCS could align itself with the club's goals of promoting health, education and football in a deprived and disadvantaged sector. From initially providing financial assistance, the company was soon involved with improving the boys' job skills. TCS initiated and sponsored a motivational trip to India for the club, for which the boys helped raise funds. The trip included fitness training, football coaching and matches at the Tata Football Academy at Jamshedpur as well as opportunities to see the effects of poverty and disability within a vastly different culture. The boys attended workshops at the company's offices and were then asked to give presentations putting their case forward for additional funding. The exercise raised the self-esteem and confidence of the boys, who came from a culture of low aspiration.

During the trip, the boys attended the Leonard Cheshire Disability Home and were visibly moved. "They thought they were reasonably badly off, but when they saw the general conditions in India and these children with disabilities, a number of them gave away their football boots. They also raised some money before they left to give to the home," says Malcolm Lane, UK & Ireland director of corporate affairs for TCS.

"We are now meeting with a number of heads to see how we can partner with local schools," he adds. "Interestingly, one of the schools has asked for help with gifted and talented children, as government support is geared towards those who are struggling." The plans are to wrap the football club into a larger programme that TCS is trying to develop with the schools. Plans are also being discussed to develop a partnering and exchange programme with schools in India.



## 4 Protecting the environment

**Tackling climate change and improving energy efficiency is a key element of any sustainability strategy.**

**E**ven in the midst of an economic downturn, hurricanes and floods, energy prices and pressure from consumers have kept climate change high on the business agenda. And there's also the legal dimension – with the Climate Change Bill due to set targets to reduce carbon dioxide emissions by 60 per cent by 2050. In November 2007, the CBI Climate Change Task Force published the report *Climate Change: Everyone's Business*, which warned that the UK was slipping behind its carbon emission reduction targets and that climate change will only be tackled if it becomes an urgent, shared national priority for companies, consumers and the government. A CBI climate change board has now been established, responsible for turning the report's words into actions via 12 workstreams – looking at issues such as carbon reporting or development of low-carbon products and services – all of which will require collaborative input.

So what can a company do? The first step is to work out its current emissions level – its carbon footprint. There are plenty of sources of help. The Department for the Environment, Food and Rural Affairs (Defra) has issued guidelines containing information on how to set about measuring carbon emissions, what processes are likely to generate them, and how to calculate carbon emissions data from activities such as electricity consumption. The Carbon Trust, meanwhile, has an online calculator that organisations can use. The Climate Group also offers a range of steps organisations can take.

### **Mapping the supply chain**

As with all areas of sustainability, a company achieves greater

results by working in collaboration with suppliers and other key stakeholders. For many businesses, the supply chain represents the main carbon impact, rather than activities within owned operations.

James Wilde, director of insights at the Carbon Trust, cites Walkers as a good example of a company that has successfully worked with its suppliers to reduce emissions along the chain. Focusing on the manufacture of crisps, “we first mapped carbon emissions from raw materials, the growing of the potatoes, through to the transportation, the manufacture of the crisps, the packaging, distribution, and finally disposal,” Wilde explains. “That gave us a really clear picture of the full carbon-embodied footprint of the end product and what the key contributing factors were across the supply chain.” It transpired that the potato growers were keeping their potatoes in humidified environments to retain a high water content, and thereby increase their weight (the measure by which potatoes are sold). Yet at the next stage, Walkers was frying the potatoes to burn off the excess

water. “By putting a tighter requirement on the water content of the potatoes, you could save energy at both

steps in the supply chain – lower humidity and less frying. That makes financial sense for both parties and can unlock significant carbon savings,” says Wilde.

Typically, there are three key areas in which companies should focus: energy use, transport and waste (water, paper, packaging etc).

Part of the strategy can and should include some quick wins that will go some way to ensuring the buy-in of both the board and employees across the company. Simple steps include switching off office equipment at night and at weekends (if left on this can increase running costs by up to four times) or reducing room temperature by 1°C, which can reduce the annual heating bill by eight to ten per cent. Government agency Envirowise suggests that simple measures, such as fixing dripping taps and leaks, installing cistern bags or changing the timing on urinals so they do not flush at night or weekends, can make a huge difference. It estimates that UK businesses are

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## **THE FIRST STEP IS TO WORK OUT A FIRM'S CURRENT EMISSIONS LEVEL**

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using three times the amount of water they need.

Reductions can be made to transport emissions by encouraging less air travel and more video-conferencing, or promoting employee car-sharing schemes. Waste paper can be disposed of more efficiently, into central recycling areas rather than into bins under individual desks.

### Long-term strategies

While quick wins will help secure enthusiasm for energy-efficient initiatives, greater success will come from a clearly thought-through long-term strategy that encompasses all areas of the business. KPMG has launched a three-tier global green initiative encompassing its offices worldwide. “The first tier is to take responsibility for our own carbon footprint,” says KPMG’s Stephen Blakeley. Having measured emissions from buildings and business travel, the aim is to reduce it by 25 per cent by 2010. At the next level, KPMG is using its expertise to support environmental projects. One example is the Prince’s Rainforests project. “At present, the rainforest is valued more highly dead than alive. We are helping to evaluate it while alive, in terms of its ecosystem and climate change benefits.” With a true value on standing rainforests, there will be greater incentives to prevent their destruction. At the third tier, KPMG is using its influence to work with its employees, clients

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**“AT PRESENT, THE  
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**STEPHEN BLAKELEY, KPMG**

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and suppliers to help them measure their own impact.

To ensure success, energy efficiency initiatives must be led from the top. At Marks & Spencer, the “How

We Do Business” committee, an executive committee headed by chairman Sir Stuart Rose, meets every month to report on environmental and sustainability issues. Each store has a Plan A champion and each major business area has a person dedicated to Plan A whose job is to co-ordinate activities and report back. Successes and results are shared across the company.

Just as collaboration along the supply chain is helpful in making real inroads towards reducing environmental impact, so is inter-company collaboration. Bodies such as the World

## SUSTAINABILITY IN ACTION: CORUS

Corus is Europe's second largest steel producer, with annual revenues of around £12bn and a crude steel production of more than 20 million tonnes. The company has embarked on a climate change strategy encompassing reduced CO<sub>2</sub> emissions, the development of low CO<sub>2</sub> breakthrough technology, product development (such as advanced high-strength steel used to make lighter, more fuel-efficient cars) and employee engagement. As part of the strategy, Corus is investing £60m in additional energy management technology at its Port Talbot site. Corus' aim is to reduce carbon emissions by at least 20 per cent from a 1990 baseline figure.

The iron and steel process generates gas that has a calorific value that can be used to generate power. The project captures that gas generated inside the basic oxygen steel (BOS) plant and takes it to the in-house power station, where it contributes 15 megawatts of electricity – ten per cent of what is required on site. As far as Dr Paul Brooks, director of environment and climate change at Corus is concerned, it is a win on all counts. “We do not need to import so much natural gas and have become more self-sufficient. The project will reduce direct CO<sub>2</sub> emissions by 240,000 tonnes and indirect emissions by 70,000 tonnes a year, which, incidentally, is in line with the national target for Wales. We will have to buy less natural gas and electricity and will be better insulated from both energy market fluctuations and the European Emissions Trading Scheme.”

Corus is also a leading member of ULCOS, a consortium of 48 European companies and organisations engaged in co-operative research and development to enable significant reductions in CO<sub>2</sub> emissions from steel production. Corus Group hopes to reach a target of reducing CO<sub>2</sub> emissions by 50 per cent by 2050, through the use of emerging breakthrough technologies. It devotes time, money and technology to the €59m project, which is part-funded by the EU.

Business Council for Sustainable Development (WBCSD), a member organisation of around 200 global corporates, are actively engaged in considering how businesses can contribute to sustainable development. “We have just completed a lot of work on sustainable consumption and how businesses interact

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**“CLIMATE CHANGE WASN’T  
ON ANYBODY’S AGENDA  
JUST TWO YEARS AGO”**

**RICHARD GILLIES, M&S**

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with consumers to encourage sustainable behaviour,” says Blakeley, who is also KPMG’s liaison delegate to the WBCSD. “At the moment, the growth of our businesses is linked

to consuming finite resources. How do we address that and de-link growth from consumption both by shaping consumer demand and innovating and providing advances that reduce the amount consumed?”

The group is also looking at how businesses can communicate the value of sustainable development to investors. “If you are not getting financial recognition for something that you think is very important to your business, then that is a challenge. There is a mismatch between the decisions being made by a business leader and the way in which investors are valuing your business. If there is a value that the investment community hasn’t spotted, it is in everyone’s interest that it is highlighted. But it is no straightforward task,” he concludes.



## Sustaining the momentum

# 5

**Starting is one thing, but how do you keep the impetus behind corporate sustainability in the long term?**

**S**tarting initiatives to enhance corporate sustainability is all well and good. The question is how, once the initial enthusiasm has passed, to sustain the momentum. The good news is that protecting the environment and creating a sustainable future are subjects about which many people feel passionate. They want to know that the initiatives with which they have been involved are making a difference, and that both they and the company are having a positive impact.

“We have noticed a greater degree of commitment by our people when we ask them to do something specifically plan A, when benchmarked against other business initiatives – business efficiency programmes, for example,” says M&S’s Richard Gillies. “This becomes quite emotional, which means you get a much better result than if people are rationally complying with what you ask of them.”

“Values change. ‘British made’ at one time was seen as important and climate change wasn’t on anybody’s agenda just two years ago. Now it is very high up,” Gillies continues. “Staff are proud of plan A and what we are doing, and there is a thirst for more knowledge on it. There is a real drive and demand that the company should stick to its principles.”

### **Changing the culture**

Sustainability may be a relatively new addition to the corporate agenda, but the keys to success remain the same.

“We are not reinventing the laws of business here,” says David Grayson. “This is the same as other aspects of continuous improvement. You need to achieve sustained culture change within an organisation.” To do that, Grayson says, you need

leaders who can articulate a vision and put in place the requisite plans. Success will depend on effective communication. The business leader needs to be able to inspire the organisation by clearly mapping out the course and enthusing staff on the role they can play. Targets need to be set and when milestones are met, this should be recognised. Champions who can bolster support in different areas of the business need to be brought forward and given regular opportunities to report progress. Any successes should be praised and communicated across the company.

New recruits to the company should be made aware, on joining, of the sustainability values within the organisation, and if appropriate, be asked to agree to uphold them.

There are some suggestions that enthusiasm might wane in the face of an economic downturn. Gillies disagrees. “In some ways, the economic drivers have become more important. Energy prices continue to rise, as do raw materials and commodity prices,” he says. “Anything you can do to save those resources hits both environmental, social and hard-nosed business targets. They are in synergy with one another.”

### **It's about leadership**

Sustaining the momentum is a responsibility that falls on all businesses. But it is a responsibility that should be shared, with government and, indeed, consumers needing to play their part. “The leadership propositions from some of our big companies is as good as any I have seen anywhere in the world,” says Jonathon Porritt, chair of the Sustainable Development Commission. “That said, businesses still can't do as much as they'd like to do if markets aren't incentivised in the right way. If government moves in the wrong direction on tax and depreciation, then they won't be doing as much as they could be doing. The business response is very dependent on how the government frames the market to enable more sustainable outcomes to emerge.”

“In reality it is about what government can do, what business can do and what citizens can do in their own ways to reduce the negative impacts of the way we live today and improve the quality of life benefits from living very differently,” he concludes.

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**CBI**  
Centre Point  
103 New Oxford Street  
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Writer **Jo Russell**  
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Assistant editor **Anne Petrie**

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