

DOING GOOD IS GOOD FOR BUSINESS

Supply chain sustainability
to profitability

RWRC
CONNECT[^]
BY ASCENTIAL

In association with

IBM

AT A GLANCE

“In the 20 years since I first started talking about the impact of climate change on our world, conditions have changed far faster than I ever imagined,” Sir David Attenborough told the BBC as part of its *Climate Change – The Facts* television programme earlier this year.

He warned: “It may sound frightening, but the scientific evidence is that if we have not taken dramatic action within the next decade, we could face irreversible damage to the natural world and the collapse of our societies.” Stark words from one of the world’s most respected broadcasters and natural historians.

Concern for the environment has emerged from the periphery and has now reached fever-pitch. The result: a demand for us all to strive towards a more sustainable way of living that spans generations.

“How dare you – you have stolen my dreams and my childhood with your empty words,” activist Greta Thunberg told world leaders at the 2019 UN Climate Action

Summit in New York. Just 16 years old, Thunberg has proven a somewhat divisive figure, but has doubtless helped to widen the reach of the environmental agenda, particularly among the young.

This has big implications for retailers, brands and the wider retail ecosystem. For example, a 2018 Retail Week study of global consumers showed that in the UK 45% of people were more concerned about the impact they were having on the environment than they were the previous year, and 29% had started shopping with retailers with more ethical practices as a result.

Doing Good is Good for Business provides a state-of-the-nation analysis about the wider retail sector’s drive towards sustainability, incorporating a holistic view of how retailers, brands, transport firms and other suppliers are leading transformation.

This report reveals how embedding sustainable practices within businesses will lead to a better company culture, a more engaged consumer and, ultimately, overall growth within the sector.

WHAT DOES THIS REPORT UNCOVER?

- Why retailers need to act now when it comes to sustainability
- How to tell your brand’s story incorporating renewed green credentials
- The evolving tech driving change in sustainability measures
- Why greener practices throughout the supply chain are key
- The retailers going above and beyond to tackle the climate crisis

RWRC CONNECT: DOING GOOD IS GOOD FOR BUSINESS

Head of Commercial Projects

James Knowles 020 7715 6167
james.knowles@retail-week.com

Acting Commercial Production Editor

Rebecca Dyer 020 3033 2806
rebecca.dyer@retail-week.com

Contributors Nick Hughes,

Emily Kearns, Judy Kenny

Global Key Accounts Manager

Hannah Ngakane 020 7715 6551
hannah.ngakane@retail-week.com

PARTNER

VIEWPOINT

ALEXIS BENNETT

CONSUMER MARKETING, IBM UK

At IBM our focus on the environment and sustainability has been at the heart of our business since 1971, when we established our first environmental policy. In the time that has passed, we have seen monumental amounts of positive change within our business. Globally, we've set ourselves aggressive goals to increase our use of renewable energy and reduce CO2 emissions.

On top of our own efforts to be more sustainable, we are working with clients around the world to help save energy, preserve clean water and refine agricultural processes. IBM technology has been instrumental in the positive outcomes of many projects with global significance.

Take, for example, the Green Horizons project, an IBM initiative that harnessed the power of cognitive computing and the Internet of Things to work to improve air quality. Our technology has also been utilised to help communities around the world facing extreme drought to analyse their water wastage. Then there's the Plastic Bank initiative, which swaps plastic ocean waste with blockchain-based token rewards and life-changing goods for challenged communities. And Wastenet, IBM's innovative waste classification system

for Marwell Zoo, which uses IBM Watson artificial intelligence (AI) to tell visitors which bin they should recycle material in. Our hands-on approach to issues impacting the climate is a source of pride for us.

We push hard for change by investing in new thinking. IBM researchers are developing a new polymer that is fully degradable in response to the problems plastic is causing for our world. We also frequently challenge developers to use our products' capabilities to find solutions to climate change. The \$200m [£155m] we've invested in helping citizen scientists combat climate change speaks volumes about our commitment to a greener world.

On October 16, 2019, World Food Day, IBM ran its UK Think Summit, where we talked about IBM Food Trust among other things. The trust reaches all parts of the food ecosystem, aiming to promote freshness and safety, and minimise waste. Through blockchain technology, IBM Food Trust has created a delivery mechanism that gathers data at every touchpoint to ensure increased visibility and accountability for consumers.

IBM has the ability to solve 'big world' problems, but we all know even the smallest shifts have the power to influence big change towards protecting our future.



Our hands-on approach to issues impacting the climate is a source of pride for us



IBM

Alexis Bennett leads consumer marketing for IBM UK and is passionate about sustainability, specifically the overuse of plastic packaging.

[linkedin.com/in/alexis-bennett-03611a4](https://www.linkedin.com/in/alexis-bennett-03611a4)

@AlexisVBennett

CONTENTS



CHAPTER 1
TIME TO ACT
PAGE 5



CHAPTER 2
A SUSTAINABLE
BRAND STORY
PAGE 10



CHAPTER 3
THE SCIENCE PART: THE
ROLE OF TECHNOLOGY
PAGE 14



CHAPTER 4
MANAGING CHANGE AND
DRIVING A SUSTAINABLE AGENDA
PAGE 18



CHAPTER 5
THE SUSTAINABILITY
CHAMPIONS
PAGE 24



CONCLUSION
HOW FAR CAN WE GO
AND HOW QUICKLY?
PAGE 29

A polar bear and its cub are shown on a melting ice floe in the Arctic. The bear is standing on the right, looking towards the right, while the cub is walking on the left. The ice is fragmented and surrounded by dark water. In the background, a vast, flat, snow-covered landscape stretches to the horizon under a cloudy sky. The sun is visible in the upper left, creating a bright glow and reflecting off the water.

CHAPTER I

TIME TO ACT

With environmental issues and the climate crisis front of mind like never before, retailers cannot afford to turn a blind eye

When the story of the business response to the climate crisis is written in years to come, 2019 may be remembered as the year when sustainability finally moved from the margins to the mainstream.

The year has been punctuated by a series of seismic events that have reframed the entire debate around the urgency of the challenge posed by environmental and climate breakdown, and the adequacy – or otherwise – of the current response.

In June, UK Parliament legislated to achieve net-zero emissions by 2050 following a vote in May to declare a climate emergency. Teenage activist Greta Thunberg – though her vehement rhetoric divides opinion – has inspired millions of people across the world to take to the streets in protest at the perceived lack of action by governments and global institutions to safeguard their futures.

Extinction Rebellion protests, while similarly divisive, have succeeded in making climate breakdown and biodiversity loss mainstream political and public issues after years on the periphery of the agenda. This, together with the vocalism of millennials and Generation Z, has led to all generations now being spurred into action. This has been an essential

development, as it is the older generations that wield the most power and are the most able to effect real change.

What has been so notable about the protests is the business response. Rather than bemoan the disruption to their operations, companies have largely chosen to remain silent or, in certain cases, express their support for protesters.

Paul Polman, until recently the boss of one of the world's largest consumer goods companies and long-time champion of sustainability Unilever, joined a group of business leaders in stating their support for Extinction Rebellion in a national newspaper, and calling for an “urgent redesign” of global industry.

Sustainability for all

The speed and scale of the business response to other critical issues, such as plastic pollution, deforestation and food waste, provides further evidence that the mood on sustainability has shifted decisively. In addition to sustainability champions such as Unilever, businesses from across the retail spectrum, such as Tesco and Ikea, are now taking action.

The drivers of this new approach are multifaceted. Businesses, especially those operating in sectors such as food that are at



Corporate responsibility is increasingly being monitored by investors. They are using sustainability criteria as KPIs

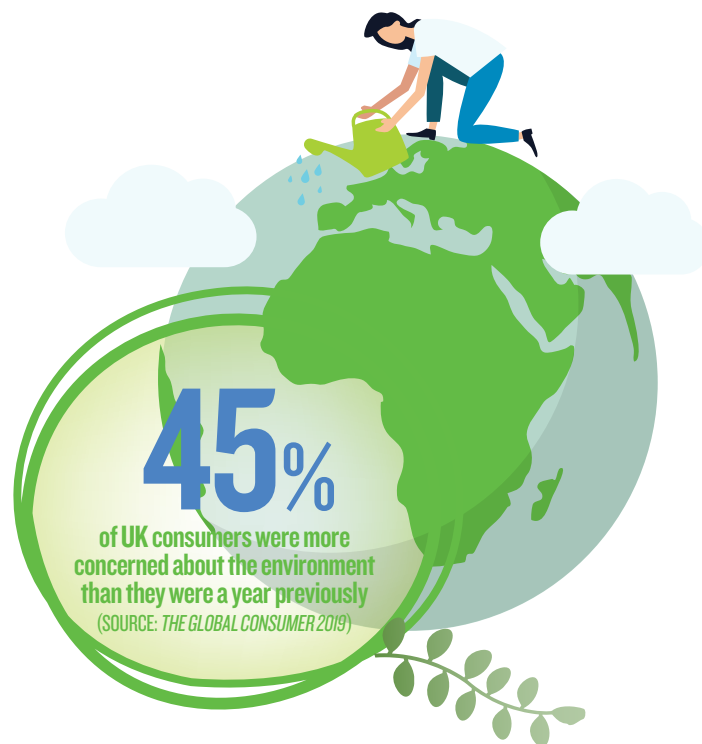
ROBERTO BATTISTONI, IBM



particular risk of climate change, are starting to work to ensure the future resilience of their supply chains. Emphasising the imperative to act with urgency, governor of the Bank of England Mark Carney said in a recent interview that companies that fail to respond to the challenges of climate change would be unable to cope with structural changes in the economy and will eventually go bankrupt.

Pressure from NGOs is mounting on issues such as plastic and palm oil, forcing businesses to take action or face their reputations being tarnished. Legislators too are taking a keen interest in environmental issues, as evidenced by recent proposals to introduce a tax on plastics and make producers bear the full cost of their disposal.

The investment community also has its eye on the boardroom response. “Corporate responsibility is increasingly being monitored and measured by investors,” says Roberto Battistoni, IBM consumer product industry solutions lead. “They are using sustainability criteria as KPIs, leveraging the work done by the UN, which codified sustainability into 17 Sustainable Development Goals (SDGs).”



Government, investor and NGO pressure are all important drivers of business action on sustainability. But, as Gudrun Cartwright, environment director at Business in the Community (BITC), observes: “Perhaps most critical is the changing attitude of the public.”

A 2018 Retail Week survey of global consumers found that 45% of UK consumers were more concerned with the environment





than in 2017, compared with just 8% who cared less. Significantly, 29% said they are shopping with new retailers as a result.

The case to act becomes even more compelling when the data is broken down by age. The most environmentally concerned group comprises those aged 25 to 34, of which 54% are more concerned about the impact we are having on the environment, compared with 2017. Almost half (47%) of this group have started shopping with more ethical and sustainable retailers as a result.

Purpose drives profits

When new Unilever chief executive Alan Jope took over from Polman in January 2019, he asserted that “it is not about putting purpose ahead of profits, it is purpose that drives profits”.

In July of this year, Unilever announced it was focused on discontinuing brands that “do not contribute positively to society”, with Jope naming just 28 brands out of its 400 that are ahead of the sustainability curve. Those not named included Marmite, Magnum and Pot Noodle.

The company has been taking the lead on sustainability long before it became a ‘popular’ issue at the forefront of consumers’ minds. Back in 2012, Unilever’s then chief executive, Polman, served on the UN’s High-Level Panel of Eminent Persons of the Post-2015 Development Agenda, seeking to ensure the voice of business was heard.

“What I think we’ll see in the coming years is that the economics of needing to be sustainable will become a driver, whereas before it’s been more of a personal choice,” says Jeremy Bassinder, services leader for consumer products, retail and T&T at IBM. “That’s an opportunity for a retailer because the consumer is more aware and willing to pay for it, or expects it to be part and parcel of the offering.”

The international business community has woken up to the effects of global warming in the past few decades





The challenge lies in waking up to the scale of transformation that the new sustainability landscape demands

GILES GIBBONS, GOOD BUSINESS



Sustainability can certainly come at a cost – for evidence, look no further than the premium commanded by organic foods and cosmetics – but brands such as Ikea, H&M and Adidas are showing that there are other ways to valorise sustainable business.

Each retailer is trialling its own innovative circular-economy initiative whereby products that would previously have gone to waste retain a value after their end of use through reuse or recycling.

“Sometimes these new circular models are actually cheaper in the long run, and so you get the effect that you’re retaining your consumer but it’s actually costing you less to produce the product,” says Bassinder.

More broadly, transformative action on sustainability can build value with all

stakeholders, according to Giles Gibbons, founding partner and chief executive at consultancy Good Business.

“It helps build an employer brand and drives employee loyalty; it motivates employees and turns them into brand advocates; it builds goodwill among communities; it drives positive coverage from journalists and NGOs; it makes suppliers walk towards you and it builds a powerful differentiator into your consumer appeal, which in turn builds investor value.”

The challenge, says Gibbons, no longer lies in making the business case for sustainability: “It lies in waking up to the scale of transformation that the new sustainability landscape demands.”

SOLVING THE TRANSPARENCY CONUNDRUM

For large multinational retailers, the challenge in achieving total visibility of their end-to-end operations is considerable. “These are some of the largest companies in the world operating a complex web of global supply chains,” explains IBM consultant Jeremy Book. “Trying to unpick these is not easy.”

Book suggests retailers questioning how to make their supply chains more transparent and traceable don’t need to begin from scratch. He believes the B-Corp movement (B-Corp certification indicates that a company meets high standards of social and environmental performance, helping to differentiate a business from competitors) has helped provide a framework for the types of questions businesses should be asking themselves – questions such as “What choices ensure the fair treatment of workers?” and “How can the responsible use of natural resources be ensured?” By applying these questions to their own operations “they are learning things about their supply chain that they didn’t know before,” Book says.



An underwater photograph showing a large, brownish-orange fish swimming in the lower half of the frame. The upper half of the image is filled with a dense layer of plastic waste, including bags, bottles, and fragments, floating in the water. The text 'CHAPTER 2' is centered in the middle of the image, between the fish and the plastic.

CHAPTER 2

**A SUSTAINABLE
BRAND STORY**

Wise retailers, brands and suppliers are weaving green credentials into their messages to market

Tune into a McDonald's TV or radio advert these days and there's every chance it will reference the fast-food giant's organic milk, Marine Stewardship Council-certified fish or 100% UK and Irish beef.

It hasn't always been this way. After years of silently suffering jokes about the alleged various animal parts that went into making its burgers, the brand has successfully shifted perceptions of the sustainability of its operation. It now puts these credentials front and centre of its marketing, often with knowing nods to its past reputation.

Communicating the message

"The best way to build in sustainability is to make it an integral part of the brand and its communications, and apply the same levels of creativity, design, aspiration and fun as you would to anything else," says Good Business' Gibbons.

For established brands such as McDonald's, talking openly with consumers about sustainability represents a leap of

faith, not to mention years of work to ensure supply chain practices stand up to scrutiny. For many start-ups, however, it is a central plank of their brand story.

Allplants was launched in January 2017 by brothers JP and Alex Petrides. The business delivers plant-based dishes to customers' doors, frozen and ready to eat. Every meal is made from plants, with evidence showing plants on average produce lower greenhouse gas emissions than meat and dairy. Dishes are made by chefs daily and delivered in carbon-minimal packaging by carbon-neutral couriers, with all packaging either 100% recyclable, compostable or reusable.

"Business has proven to be one of the most powerful forces on our planet, and we need every business harnessing that power positively into the change our planet needs to survive and thrive," says Ellie Harrison, procurement and sustainability manager at Allplants.

Harrison names US outdoor clothing brand Patagonia as an example of a retailer



Plants are the more sustainable option compared with meat and dairy

leading the way in what she refers to as “stakeholder capitalism”: “It identifies its most deeply held social and environmental values, then abides by them.”

In September, Patagonia took the unprecedented step of closing its stores in solidarity with the youth activists striking for climate action so that its employees could join the strikes. The retailer underscored its position by displaying adverts along protest routes in cities around the world and across print, digital and social media platforms, featuring photos with “Facing extinction” emblazoned across the faces of youth activists.

“Our customers are demanding we act – this generation of youth is not backing down and neither should we,” says Rose Marcario, president and chief executive of Patagonia, explaining the brand’s stance.

Patagonia’s marketing resonates with its target market because of the brand’s track record on environmental issues. Its Worn Wear initiative allows customers to sell used Patagonia items at a discount and gives those that trade in their old garments money off new items. It also offers advice on how to repair items of clothing.

Partnering wisely

Patagonia is an example of a retailer that wears its green credentials on its sleeve. But for businesses that prefer to communicate more subtly, the companies they partner with can tell consumers all they need to know about the seriousness with which the brand takes the sustainability agenda.

Gnewt works with brands such as Asos to deliver parcels in London through its fleet of electric vehicles. Gnewt vans travelling around London are wrapped in Asos-branded non-PVC livery; incorporating a green message lets customers know that their parcel has been delivered emission-free for the final mile.

“Having a genuine environmental agenda, which is proactive and engaged, is now not only a valuable sales tool, but something that those without will be penalised for,” says Gnewt founder Sam Clarke. “As consumers increasingly challenge the brands they use, those that are slow to engage with the issues will lose customers.”

Clarke says it is vital that any supply chain service provider can back up its sustainability claims with real-world data. “Glossy photographs and false promises in the press simply won’t wash any more,” he adds.

Going green cannot simply be a marketing or branding exercise. This may in part explain why a recent *Guardian* article identified a trend for businesses practising so-called “secret sustainability”, whereby innovations are silently enacted and kept from the rest of the industry.

Experts offered two possible explanations for the phenomenon: a perception among stakeholders that there must be some kind of downside to the introduction of sustainable practices, such as an increase in cost or reduction in quality; and the worry that praise in one area might attract attention in another, less sustainable, area of the business leading to a charge of ‘green-washing’.

“I think there’s a general nervousness about how open and transparent brands are prepared to be,” says IBM’s Bassinder. “These are often big, complex organisations and it can be a challenge to get data at a level where you can be totally confident in what you’re saying.”

Roughly a third of the food produced in the world for human consumption every year gets lost or wasted at a cost of around \$680bn (£527bn) in industrialised countries

(SOURCE: FAO)

\$680bn



The quandary facing brands is that the risk of failing to communicate on sustainability may soon outweigh the risk of suffering a backlash for what they do say in public.

“Businesses and brands need to constantly adapt to survive, and any business not focusing on sustainability may soon find itself not relevant,” says Mark Howley, chief executive of media agency Starcom UK.

The positive news for risk-averse brands with a good story to tell is that technology is on their side. The advancement of technologies such as AI and blockchain is creating the opportunity for progressive businesses to speak with conviction about their sustainability efforts in the knowledge that their supply chain activities will stand up to external scrutiny.

In this new era of transparency, brands that build trust through their marketing stand to reap the rewards. “Trust drives loyalty, it drives recommendations, and together those things drive the performance of organisations,” says IBM’s Battistoni.

“Sustainability is the new business disruptor; it is forcing people to act differently, processes to transform and to become more efficient and transparent. In a not so distant future I can see customers comparing brands’ sustainability credentials



and choosing the top that has been produced with a cotton alternative, or the trousers that use the least amount of water, or that are sourced through a certified spinner or mill.

“Companies are currently spending billions on discounting their products that are often over-produced and marked-down. It is conceivable that a new level of transparency across the supply chain will allow them to reduce the over-production and incentivise them to promote their green credentials instead of their prices.”



Our customers are demanding we act – this generation of youth is not backing down and neither should we

ROSE MARCARIO, PATAGONIA



CHAPTER 3

THE SCIENCE PART: THE ROLE OF TECHNOLOGY



Unprecedented developments in technology are not only allowing retailers to make great strides in digital transformation, but also in driving sustainability

There can be few more contentious food commodities than palm oil. The crop, which can be found in close to 50% of the packaged products we find in supermarkets, according to WWF, continues to be a major driver of deforestation of some of the world's most biodiverse forests, driving species to the point of extinction and throwing out millions of tonnes of greenhouse gases into the atmosphere.

Faced with growing consumer demand to know exactly how their products have been sourced, some retailers have taken decisive action. Iceland won plaudits last year for its pledge to remove palm oil from all its own-brand products (albeit then facing a backlash for failing to do so properly), following Selfridges, which had been first in the UK to do so. But some experts question whether a blanket ban is the right approach.

“Palm oil is an incredibly efficient crop, producing more oil per land area than any other equivalent vegetable oil crop,” wrote WWF’s head of food commodities Emma Keller in a recent blog.

“To get the same amount of alternative oils like soybean or coconut oil, you would need anything between four and 10 times more land, which would just shift the problem to other parts of the world and threaten other habitats and species.”

Adopting new tech

One solution to the palm oil conundrum lies in the adoption of new cutting-edge technologies. Nestlé is pioneering the use of satellite imagery developed by the aerospace industry to ensure that 100% of its global palm-oil supply chains are deforestation-free. The company has implemented the Starling system, which combines high-resolution radar and optical satellite imagery, to provide year-round monitoring of land-cover changes and forest-cover disturbances.

“Starling satellite monitoring is a game-changer to achieve transparency in our supply chain,” says Dr Magdi Batato, executive vice-president and head of operations at Nestlé, adding that the business intends to extend the programme to cover its pulp, paper and soya supply chains in the future.

BITC’s Cartwright notes that satellite technology is also being used by Sainsbury’s, which is working with not-for-profit organisation OceanMind to independently analyse and confirm where fishing vessels place themselves in accordance to satellite positions. In addition, it is monitoring fishing behaviour to minimise the risk to other marine species when catching fish such as tuna. “This means that they have better traceability and can reassure customers that products are sustainable,” she says.

Currently, businesses are only scratching the surface of the potential for technology to make supply chains not only more transparent, but also smarter, more efficient and fully traceable.

One such transformative technology is blockchain, an encrypted and immutable digital ledger that allows information to be shared in real time both backwards and forwards along the entire supply chain. Not only can a blockchain solution give



Palm oil is found in 50% of packaged products and continues to be a major driver of deforestation, despite being one of the most efficient vegetable oil crops

(SOURCE: WWF)



Palm oil production is a major cause of deforestation

“
**Technology will
change the way
we work together
and allow us
to collaborate**
”

EMMANUEL DELERM, CARREFOUR

retailers the end-to-end product traceability they crave, but by integrating it with other emerging technologies, such as the Internet of Things (IoT), businesses can capture data on crop yields, inventory levels, product quality and weather forecasts.

This in turn allows them to better predict demand, optimise storage conditions, minimise waste by requiring them to hold less safety stock, and respond quickly and effectively to product recalls.

Maturing tech

“The reason why technology has more of a role now than it did before is the maturing at the same time of several technologies, such as blockchain and IoT, and the potential to combine those with more sophisticated analytic techniques,” says IBM’s Book.

“We live in a world where data is being generated from all kinds of touchpoints throughout the supply chain, and so it comes down to identifying which are the pieces of data you need to achieve that traceability and drive efficiencies.”

The application of blockchain technology is one of the key pillars of Carrefour’s global food transition programme Act for Food. The supermarket chain has collaborated with IBM Food Trust to implement a global food traceability standard across all of the links in the chain – from producers through to sales channels.



It allows traceability information to be shared on product origin and quality, as well as information about the nutritional properties of products and the potential presence of any allergens.

Speaking at the recent IBM Think Summit in London, Emmanuel Delerm, blockchain programme director at Carrefour, spoke of the importance of trust to the supermarket's customers.

"We are shifting from a world of abundance, where we had 100,000 products in stores," he said. "We don't need this any more because people are much more focused on quality, provenance and trust. They want far greater transparency over what they eat."

Delerm explained that Carrefour partnered with IBM to provide a blockchain-based system that encourages collective responsibility and drives efficiency: "Technology will change the way we work together and allow us to collaborate," he said. "Building collective responsibility and efficiency is the relationship we want."

"Using the same technology, we are helping a consortium that includes Ford Motor Company to track cobalt from mine to end manufacturer, and demonstrate how materials in the cobalt supply chain

can be responsibly produced, traded and processed," says IBM's Battistoni.

"We are also exploring how we can use the same system to add transparency across the fashion supply chain. The potential to use blockchain to support sustainability goals is limitless."

Technology is also being applied at a farm level to drive more sustainable agricultural practices. According to crop nutrition expert Yara International, 500 million farmers are responsible for 25% of carbon emissions and 70% of fresh water usage. Yara has partnered with IBM to innovate and commercialise digital agricultural solutions that will help increase crop yields, quality and incomes in a sustainable way.

By applying AI, machine learning and in-field data, the ambition is to develop digital solutions that unlock new insights for farmers by, for instance, providing hyperlocal weather forecasts.

Speaking at the IBM Think Summit, Stefan Fürnsinn, vice-president of digital farming at Yara, said: "We want to bring a customised solution to every farm in the world... the connected farm will enable us to make the difference on sustainability."

CHAPTER 4

MANAGING CHANGE AND DRIVING A SUSTAINABLE AGENDA



Retailers, brands and suppliers must ensure greener practices are adopted at all stages of the supply chain

While consumers are demanding sustainability and technology is helping to facilitate it, to truly realise the benefits businesses need to ensure that a culture of putting sustainability first runs through the entire organisation.

For retailers accustomed to prioritising the next set of quarterly results, this is easier said than done, as Good Business' Gibbons explains.

“A number of factors have to come together – top-down and bottom-up – starting with a clear, bold leadership accompanied by personal conviction; combined with a strong and well-articulated purpose that demonstrates the value the company brings to the world; and, finally, multiple mechanisms, from internal targets to the building of sustainability into the

appraisal process, to having very clear principles of action.”

Unilever is commonly held up as an example of a business that has gone through this transformative process and emerged with a long-term sustainable business model. It helped having a powerful agent of change at its helm. “I think the reason Unilever has done it has one name attached to it: Paul Polman,” says IBM's Battistoni. “There are business leaders who are enlightened and have taken a decisive position, and it's a position that is very transformational.”

Unilever launched its Sustainable Living Plan in 2010 with the aim of achieving growth without negative environmental impact, while increasing positive social impact. This includes a commitment to only working with partners that share its values and disposing of brands “that we feel are not



The number of Unilever employees that have been invited to share their views on the priorities they want the business to focus on in the future



able to stand for something more important than just making your hair shiny, your skin soft, your clothes whiter or your food tastier”, in the words of chief executive Jope.

Over the past few years, the company invited its employees to define their own purpose and how it relates to Unilever’s own. “What Unilever has been good at is not just communicating to the world that this is what they are basing their future on, but

also getting their people to really buy into it,” says IBM’s Bassinder. “They’ve done a lot of work on purpose, both as an organisation and with individuals.”

The growth of Unilever’s Sustainable Living brands provides tangible evidence that doing good can be good for business. But companies that embrace sustainability can expect to benefit in less tangible ways too.

Battistoni makes the point that people want to belong to workplaces that prove themselves to be good corporate citizens. “Those companies can attract better talent and that, in turn, drives better performance, better ideas and greater efficiency.”

Culture shift

H&M is another business that has strived to embed sustainability in its culture and values. The retailer operates in the value fashion segment, where brands have faced criticism for promoting a culture of ‘fast fashion’ that has resulted in over-consumption and needless waste. In response, H&M has put ethical sourcing at the heart of its brand strategy, including commitments to ensure workers earn a



As a business with deep roots in environmental activism, giving our thousands of staff the time to get out there and demand bold action is a no-brainer

MARK WOLVERTON, LUSH COSMETICS





Lush places much emphasis on ensuring customers and staff are aware of both its sourcing and production methods

fair living wage that impact 850,000 textile workers around the world.

H&M has set a target to only use recycled or other sustainably sourced materials by 2030, and in 2018 collected 20,649 tonnes of textiles for reuse and recycling through its in-store garment-collecting initiative.

According to H&M Group chief executive Karl-Johan Persson: “We work to ensure that sustainability is integrated into all aspects of our business – it should pervade everything that we do, all the decisions we make and the everyday work of all our employees.”

The cosmetics retailer Lush is a brand that puts a huge amount of emphasis on ensuring its customers and staff know exactly where the products come from and how they’ve been made.

The business continues to be headed up by co-founder Mark Constantine, who took inspiration from The Body Shop founder Anita Roddick, whose business he used to supply. None of Lush’s products are tested



on animals, nor does it deal with suppliers that do so.

In common with Patagonia, Lush stores around the world shut down in solidarity with September's global climate strike. "As a business with deep roots in environmental activism, giving our thousands of staff the time to get out there and demand bold action is a no-brainer," said Lush Cosmetics North America chief executive and president Mark Wolverton at the time.

Lush and Patagonia occupy the more radical end of the sustainability spectrum, but there is no one-size-fits-all approach to baking sustainability into an organisation's strategy and values. BITC's Cartwright gives the example of Tesco as a retailer whose

sustainability strategy builds on its long-term message that "every little helps", to show that the approach is core to the way the business thinks about its place in the world.

She also uses Tesco to make the point that moving the conversation out of the sustainability team and into the procurement team can be hugely beneficial. "Tesco's sustainability team sit mainly within procurement, so that they can drive change across their value chain," she notes.

In common with many experts, Cartwright believes it will be brand-new business models that will ultimately drive success for retailers in the future. "Without rethinking the nature and purpose of retail, there could well be many more businesses that are at risk."





We work to ensure that sustainability is integrated into all aspects of our business – it should pervade everything that we do, all the decisions we make and the everyday work of all our employees

KARL-JOHAN PERSSON, H&M GROUP





CHAPTER 5

**THE SUSTAINABILITY
CHAMPIONS**

The retailers, brands and suppliers using technology to tackle issues brought on by the globalisation of trade – from combating forced labour to reducing food waste and offsetting carbon use



IKEA

The vision of Ikea to make a positive impact on the world requires the business to have a purpose beyond simply profit-making.

Its commitment to creating a better everyday life for people is reflected in initiatives such as BoKlok, a joint venture with construction firm Skanska that helps get millennials on to the property ladder by building affordable housing. Ikea's new Greenwich store, meanwhile, hosts a learning lab where customers are given tips on reducing waste and shown how to repair and renovate furniture and furnishings, rather than simply throwing them away.

The company also has a target to become climate-positive by 2030, whereby it reduces greenhouse-gas emissions by more than the value chain emits. More than half of Ikea's climate footprint comes from the materials used in its products and their production. To support its transformation into a low-carbon business, the retailer is moving towards recycled and renewable materials, and is pushing for more lightweight construction materials.

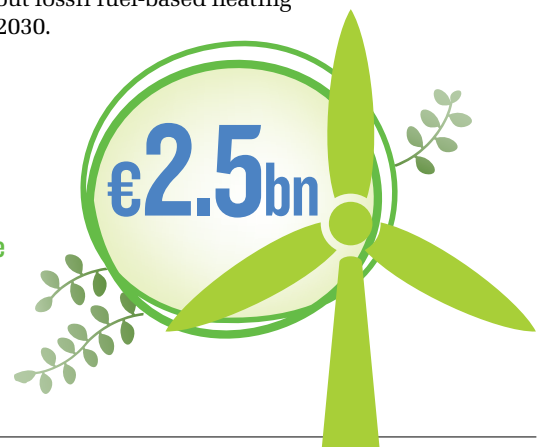
Where energy use is concerned, Ingka, the holding company that runs most Ikea stores, has invested close to €2.5bn (£2.1bn)

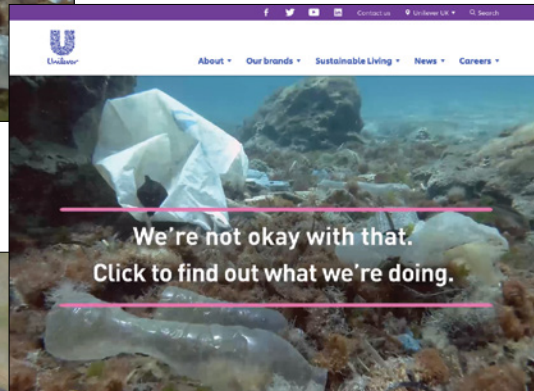
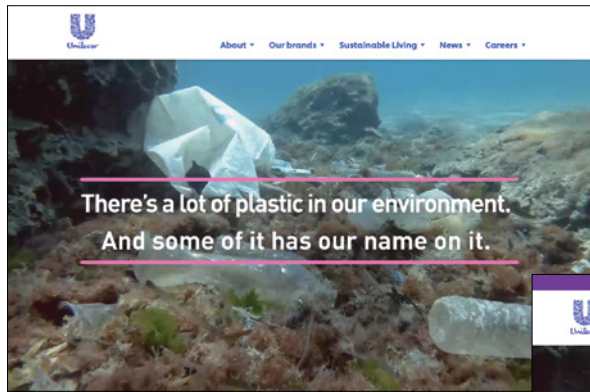
in on-site and off-site wind and solar power that will enable the company to generate more renewable energy than it consumes across its operations in 2020.

"We believe the future of energy is renewable," says Jesper Brodin, chief executive of Ingka Group. "We have invested heavily in wind and solar over the past decade because it makes our business stronger. We hope to send a clear message that renewable energy is a great investment today, and that what is good for business is also good for the planet."

The company is now working to ensure its business is fully run on renewable energy, with the aim of consuming 100% renewable electricity in its retail operations by 2025 and of phasing out fossil fuel-based heating and cooling by 2030.

Ikea has invested close to €2.5bn (£2.1bn) in on-site and off-site wind and solar power





UNILEVER

Consumer goods giant Unilever is one of the companies most befitting the title sustainability champion, placing the issue at the heart of its strategy nearly a decade ago.

Unilever launched its Sustainable Living Plan (USLP) in 2010 – a blueprint on how it planned to achieve sustainable growth while delivering on purpose. USLP is built around three major goals: improving health and wellbeing for more than 1 billion people by 2020; reducing environmental impact by half by 2030; and enhancing livelihoods for millions by 2020.

Unilever uses a four-point framework to determine the success of the initiative. First, this includes less risk: 56% of agricultural raw materials were sustainably sourced by 2018.

Second, it tracks growth: Unilever's Sustainable Living brands grew 69% faster than the rest of the business and delivered 75% of its overall growth in 2018.

Third, Unilever says it has led to greater trust; the company is the graduate employer of choice in the fast-moving consumer

goods sector in around 50 countries where it recruits.

Fourth, it says it has resulted in lower costs: Unilever has saved €600m (£514m) in energy costs by using less energy in its factories since 2008.

Unilever was also integral in developing the UN's SDGs (see page 7) in 2015 and co-founded the Business & Sustainable Development Commission, which concluded that the delivery of the SDGs will create market opportunities of at least \$12trn (£9.3trn) a year.

The business has also ensured buy-in from staff. Its global 2018 Univoice survey reports 75% of employees believe their role contributes to the USLP and 70% believe they can fulfil their purpose at work. Unilever says 30,000 of its employees have joined workshops to help them define their purpose, with a target of 50,000 by 2019.

Sustainability champions also sit in key functions, divisions and countries, helping to drive engagement from root to tip of the organisation.

ADIDAS

Adidas is among the brands raising the bar on sustainability by taking it right down to the product level. Recycled polyester currently accounts for 46% of Adidas apparel, with the target that from 2024 onwards only recycled polyester will be used, both in products and within the wider supply chain where it is feasible to do so.

Most recently, Adidas has partnered with Stuffstr, whose technology platform allows customers to sell back unwanted clothing for store credit, regardless of condition, creating a closed-loop, circular-economy solution.

The Stuffstr service is fully integrated into the existing Adidas app, allowing users to view past purchases, each stamped with an instant sell-back price, generated by Stuffstr. Once a customer has selected at least £20 worth of items to sell back, Stuffstr either dispatches a courier to collect the goods or sends out a postage-paid, mail-in bag. Items are then either resold, mended to be resold or recycled into new products.

Stuffstr founder and chief executive John Atcheson says the key to a successful circular-economy solution is to make the service effortless: “We make it almost as easy to resell your items and put them to good use as it is to throw them in the bin.”

For Adidas, partnering with Stuffstr is just one aspect of its response to the challenges that the linear supply chain model has brought.

“When we talk about throwing things away, there is no ‘away’ – stuff just ends up somewhere else,” says David Quass, director of business model innovation and brand partnerships in Adidas’ global brand strategy team. “Our customers have an increased awareness of the impact of their consumption and the challenges we face as a planet, and they’re asking how they can make a difference.”

Since 2015, Adidas has been using recycled marine plastic waste to produce performance footwear, and in 2019 revealed plans for its first ever 100% recyclable running shoe.

According to executive board member Eric Liedtke: “Taking plastic waste out of the system is the first step. The next is to end the concept of ‘waste’ entirely. Our dream is that you can keep wearing the same shoes over and over again.”



Recycled polyester currently accounts for 46% of Adidas apparel



RAYLO

Unburdened by established business models, legacy systems and supply chains, B-Corps are the driving force behind much of the innovation in the retail space. Raylo is looking to transform the way people buy mobile phone contracts – a process it believes is currently characterised by poor service, inefficient high street stores, and expensive and inflexible contracts.

The start-up's entire business model is based around sustainability and circularity, with a subscription service allowing customers to access the latest mobile technology independent of their network.

New phones, which each come with a Pela 100% compostable phone case, are delivered in a fleet of electric vehicles in packaging made from 100% recyclable materials. After 24 months, subscribers can upgrade by posting their old phone back to Raylo in a recyclable box in return for a new phone.

Old phones are either reused or, when reuse is not possible, sent to Raylo's network of recycling partners for recovery of rare and precious metals. The business also donates a percentage of each new sign-up fee to the Plastic Oceans charity.

"The world's resources are finite and consumers are demanding change," says Nuno Brito e Cunha, vice-president of special projects at Raylo. "The brands that fail to realise that won't deliver against the

sustainability agenda and will not be around in the future."

Cunha says bringing supply chain partners along with you on your sustainability journey is critical. "Demand more of your partners join you on your journey. Or choose the correct partners in the first place. Increasingly, those partners are out there. It's everyone's responsibility to find them. But it's about working together to solve the problems."



**The world's resources
are finite and consumers
are demanding change**

NUNO BRITO E CUNHA, RAYLO



CONCLUSION

**HOW FAR CAN WE GO
AND HOW QUICKLY?**



When it published its seminal report on the impacts of global warming in 2018, the Intergovernmental Panel on Climate Change concluded that urgent and unprecedented changes were needed to keep global warming to a maximum of 1.5°C, and reduce the risk of extreme weather events and poverty threatening the lives of hundreds of millions of people.

The implication was clear: company actions and government policies that tinker around the edges of business as usual will no longer suffice.

Since then, the sustainability landscape has shifted dramatically. There is no longer

a debate around the business case for sustainability; the question now is, 'How far can we go and how quickly?'

Consumers are leading the way in demanding the action necessary to drive real change. Legislators are beginning to map a policy pathway to a net-zero future. Technology, meanwhile, is lifting the lid on supply chains and the impact they have on the world around us. There is no place left to hide.

Enlightened businesses will study the social and technological changes taking place and see an opportunity. They will be the winners in this new era of sustainable retail.

Take action now by following the seven steps to sustainability >>>





STEPS TO SUSTAINABILITY

1

RECOGNISE THE SHIFT TAKING PLACE Calls from senior business leaders for an urgent redesign of global industry should not be dismissed as virtue signalling. Business models that put short-term profit before people and planet will soon become economically and socially unviable.

2

LISTEN TO CONSUMERS The dial on sustainability has shifted, with more consumers prepared to give their custom to ethical and sustainable brands. Young people in particular do not want their purchases to contribute to the destruction of the planet.

3

MARKET YOUR SUSTAINABILITY Progressive brands are increasingly building their sustainability story into their consumer communications. The key is to do so authentically; consumers and campaigners do not look favourably on brands that can't support their claims with evidence of responsible practice.

4

BE PROACTIVE, NOT REACTIVE Businesses that innovate will win more fans than those that do the bare minimum. Consumers expect all retailers to take steps to reduce their impact, such as cutting back on single-use plastics. Those that rethink the entire retail experience will win most plaudits.

5

UNLEASH THE POTENTIAL OF TECHNOLOGY Technologies such as AI and blockchain are transforming the ability of brands to make their supply chains fully traceable, while providing visibility of the data that can drive efficiency, performance and profitability.

6

DRIVE A SUSTAINABLE AGENDA True industry leaders embed sustainability into every aspect of their business. They lead from the top, embrace change, create new KPIs, set ambitious targets, incentivise employees and desist from harmful practices. Above all else, they take a long-term view.

7

BRING YOUR PARTNERS AND EMPLOYEES WITH YOU A business is only as sustainable as its supply chain. Choose partners that buy into your ethos and build long-term mutually beneficial relationships with them.



RWRC
CONNECT [^]
BY ASCENTIAL

In association with

