

MANAGING TO BE SUSTAINABLE

A one day conference for Scotland's business community

Thistle Hotel, Glasgow 11th June 2002

Sponsored by: Highlands and Islands Enterprise, Forward Scotland, Scottish Environment LINK, Scottish Council for Development and Industry, ESEP, Scottish Enterprise, Sustainable Development Commission, Scottish Executive

FOREWORD: Conference Chair, Gordon Harvey, Senior Environmental Advisor, BP

For business, sustainability is not simply a useful add-on to attract customers. In adopting sustainable practices and policies, companies can increase their market share, gain a competitive edge, and boost value for the owners or shareholders. Additionally, there is a growing demand for "green" products, or products which help others to act more sustainably. Those involved in sustainability will be more able to identify new product opportunities in this area.

The aim of this conference was to help Scottish Business across all sectors become more competitive by identifying and assessing some of the current trends and indicating how Government could facilitate a shift towards sustainability to reflect some of the above opportunities. There were around 90 attendees and, whilst few businesses attended, many business-linked agencies were there.

Sustainability fosters a different approach to business and, whilst it can initially appear daunting, there are major gains to be captured if business takes the initiative. Perhaps it is as well to keep away from using "sustainability" and to call these changes by other names. The Conference was really about resources available to ensure further productivity and success, how the business climate may change in years to come, and how business can shape itself to survive and benefit from these changes. For small business particularly, the Conference sought to identify help available to business and to provide a timely warning that change was inevitable.

The opening address from Allan Wilson, MSP, Deputy Minister for Environment and Rural Affairs set the scene for the day and he made clear the Scottish Executive believes the country is rich in resources, has high environmental qualities to offer and a skilled workforce. Other speakers provided information on how business could develop, and the resources available to it. We also heard examples of businesses that had met the challenge and about the improvements that had occurred.

The Conference ended with three themes - clarity, communications and co-operation. Clarity - we needed greater clarity on how business accessed help. The plethora of organisations caused confusion and time might simply not be available to track down the right agency. The Conference felt a "one stop shop" could provide a more effective and simpler interface.

Communications - we needed to ensure the messages from the Conference were widely distributed to agencies, business and Government. We hoped the First Minister, Westminster's Environment Secretary of State and the Prime Minister would take the Conference proceedings to the World Summit on Sustainable Development in Johannesburg. We undertook to ask business why they were unable to attend the conference and to make sure their views were taken into account when planning the next conference.

Co-operation - there were ways in which agencies could help each other as well as helping business. Government could play a part in ensuring a mix of regulation and initiatives to offer flexibility to business in addressing and meeting a sustainable future.

CHAIR'S INTRODUCTION

With an opener which was at once a challenge and an encouragement to the business community, the Chair referred to First Minister Jack McConnell's inaugural speech (February 2002) – "the biggest challenge for the early 21st century is to combine economic progress with social and environmental justice".

Two stark indicators illustrated the environmental and social context of the conference: it takes 20 tonnes of raw material to produce one laptop; and during the course of the conference 8000 people worldwide would die. Sustainable development is a daunting issue, and may appear too big to tackle, but it is easy for the individual to get into. The trick is to start with simple steps and proceed from there. Real success would come from the changes which each delegate could make in their own business, and the Chair invited everyone to take this day as the opportunity for getting involved in a conversation about managing for sustainability.

KEYNOTE SPEECH: Allan Wilson, Deputy Minister for Environment and Rural Development

Sustainable development is a challenge to all sectors of Scottish society and business has a particularly crucial role. Coming from a former mining community in Ayrshire, I have seen the problems caused by lack of opportunity, bad housing, degraded environments, wasted resources and short-term thinking. I got involved in politics because of this. For me, sustainable development can't be an optional extra. It's at the core of what I want to achieve for Scotland.

Why does sustainable development matter?

Scotland is a country rich in both natural resources and talented people, and the Executive's task is to make the most of those resources, and protect them for the future. This is not a luxury – our economic success will depend on it. A statement on priorities, actions and targets for sustainable development in Scotland was published in April, with 3 priorities - Resource-use, Energy and Travel.

How does sustainable development affect the bottom line? We know that businesses are interested in survival – on a good day maybe even in profit! The priorities we have set for sustainable development focus on efficiency.

Resource Use

Every year over 90% of the 14m tonnes of waste in Scotland goes to landfill. This represents unnecessary costs - wasted inputs, excess packaging, and disposal. The Landfill tax is increasing to £15 per tonne by 2004. Rolls Royce have saved over £175,000 from recycling waste metal. This is a simple example but one implemented with such thoroughness, attention to detail and crucially with the support of a highly trained workforce, that it won the company Scotland's leading business and the environment award last year.

You have a choice: bin it or bank it.

Energy

Energy costs are some of the easiest to reduce, and the benefits go straight to the bottom line. An offshore oil supply services company in Grampian increased its energy efficiency and saved nearly £24,000 a year. As well as insulating and turning off equipment when not in use, when buying new machines or equipment it is important to consider energy efficiency - think long-term instead of short term.

The Scottish Executive spent £1.8m this year to promote energy efficiency best practice to SMEs. Through the Energy Efficiency Office, we offer free services, technical advice, loans and practical help on saving energy and waste minimisation.

Report

We also need to think about where our energy comes from. With Scotland's enormous capacity for renewable energy the Scottish Executive aims to increase the share of renewables to 18% by 2010. Local projects are just as vital as large scale ones in this, and Sainsbury's has built its own wind turbine at its depot in East Kilbride, providing a third of its energy needs.

The Climate Change Levy began in April this year, but if you buy energy from a certified renewable source you'll save that 15% - there aren't many areas where you can reduce your costs by 15% at a stroke.

Travel

Transport is expensive, and not simply in terms of fuel costs - traffic jams alone cost business millions each year. We can be more efficient if we minimise the need to travel. Your location affects many journeys – supplies, staff, products, customers. Tesco's distribution fleet made annual savings of £720,000 in fuel costs alone. And there are savings in staff time and vehicle costs on top of that.

There are a lot of questions to ask about travel: Do staff have a choice about undertaking the morning rush hour? Could they work from home? Do you have a car-pooling scheme? Are you close to a bus route or cycle lane? Could you use the internet rather than travel? Do your vans return empty from customers? Do your suppliers' vans go away empty? Safeways asked these questions, and through Freight Facilities Grants now use the railhead at Bellshill for goods going to Inverness, Wick, Thurso and Orkney, which means over a million lorry miles a year have been removed from Scotland's roads.

Biodiversity

Supply chains stretch across the world and the planet is too small for us to remain ignorant of what we are doing. Increasingly wildlife programmes record dwindling numbers and disappearing species, but these are not just a sad event – they are important. The variety of species has provided endless business opportunities in the most unexpected of places. The leading drug for breast cancer comes from an endangered yew tree. But biodiversity isn't just an issue for Amazonian rainforests. Here in Scotland the number of capercaillie has dropped from 20,000 in the 1970s to an estimated 1073 in 1998-99. Businesses can play a part in protecting local habitats, and providing valuable opportunities for education.

What the Scottish Executive is doing

Many examples today have been from manufacturing, but sustainability is just as big an issue for the service sector. The Scottish Executive is like a huge service sector company, and has to practise what it preaches. Our flagship building, Victoria Quay, has retained ISO 14001 certification since it was originally awarded in April 1998. Internally, we too focus on waste, energy and travel. For example, 50% of the Executive's fleet of motor vehicles, and 100% of Government Car Service cars are now adapted to use alternative fuels. Not only do we take these steps ourselves, but we purchase from suppliers who are putting similar practices into place.

Conclusion

Sustainable development is a big opportunity for every Scottish business. I want Scottish businesses to be at the forefront of the clean technology sector, and to think about how they could be more efficient. That's how we can build a more sustainable Scotland. The Scottish Sustainable Development Forum has been set up to widen this debate, with a first meeting of the Forum in Dundee on 24 July.

QUESTIONS

Neil Rankin, Chair of Scottish Environment LINK, asked whether the Government's intention to achieve the necessary shift through cultural change, education, and communication, including within government, was likely to be successful in the business world? Replying on behalf of the Executive, Mike Foulis referred to the crucial link between innovation and the changes necessary for sustainable development. In business it was usually a mistake to think one knew what was

coming, and economic development should be built with a capacity to adapt. However, over the next half century we could be certain of the need for carbon-reducing technology. This was one area which should give a strong signal about resource productivity and investment.

Catherine Taylor, Sustrans, commented that the Executive's policy of converting its fleet of cars to non-fossil fuels did not effect any change of mind set. What was being done to encourage staff to use public transport, or to walk or cycle instead? Mike Foulis replied that the Executive in Edinburgh had been in discussion with the local transport company about improving services, it discouraged the use of taxis, and offered staff packs of bus tickets to help them keep out of cars.

As a business manager Gordon Harvey wondered how much of sustainable development could be achieved through persuasion, and how much might need to be enforced by legislation. Mike Foulis commented that business people seemed to feel that the onus lay with governments to legislate more. However, he cautioned that so far it is mainly big businesses which have got into sustainable development, and there is a concern that multinationals are using the debate to entrench their dominance. It is therefore essential to make sustainable development readily accessible for a range of businesses. Much more could be achieved by spreading the word, however, regulation had a vital place in establishing standards.

BUSINESS STRATEGY AND SUSTAINABILITY: John Crawford, Scottish Enterprise

Driving forces

The political world has seen its own climate change in recent times with senior figures making important statements in an attempt to drive the sustainability agenda. In October 2000, Tony Blair told a CBI conference; "Five years ago, if you had said business will help save the environment, people would have laughed at you. Today I believe it is a serious proposition."

In the wake of targets set at Rio and Kyoto, EU legislation is beginning to have a knock-on effect on the UK Government, and sustainable development now underpins all aspects of European Commission Structural Funds. In its "Meeting the needs" paper (April 2002) the Scottish Executive highlights resource use, energy and travel as key action areas and clearly states its commitment to economic progress with social and environmental justice. Recognising the enormous challenge that this presents, a new Cabinet Sub-Committee on Sustainable Scotland will be chaired by the First Minister.

The sticks and carrots which drive change are still fairly thin on the ground. Nevertheless, public bodies are beginning to produce more consistent messages on sustainable development with an impact on the private sector. However, institutional and attitudinal barriers persist, and, if there was such as thing as a European Champions League of sustainable business, Scottish companies would be knocked out at the qualifying stages.

In too many cases, public and private bodies pay too little attention to the wider impact which their activities have on the environment or on society. This concept of externalities, recognised in the "polluter pays" principle, is increasingly evident in the EU but is yet to significantly permeate the UK. Most private companies have traditionally seen the environment and environmental legislation as a cost issue, rather than an opportunity to improve performance. Nevertheless, there is a growing recognition of both the pressures and the opportunities that are driving us towards more sustainable development.

Some major companies such as Scottish Power and IKEA are now adopting societal and environmental responsibility as core business behaviours with reporting arrangements to match. They see the business benefits, both in terms of image and of business efficiencies, as well as staff commitment and shareholder endorsement. Smaller companies are perhaps slower and less well placed either to appreciate or realise these benefits, however, the gains are probably even more significant.



The public sector has a role to play here. Making the link between business and the community within which it operates is vital. Many in the private sector have already made useful links with some of our most hard pressed communities but more could be done and best practice shared.

Business efficiency and environmental impact

With the introduction of climate change levy and landfill tax and with transport, water and sewage costs rising, it pays for business to address inefficiency in the production process - the Scottish Executive's Energy Efficiency Office has estimated that improved energy efficiency in Scottish business could be worth around £1.1 billion per year. In terms of environmental impact, Scottish business is responsible for 3 million tonnes of CO₂ emissions. Scotland also has one of the lowest recycling rates in Europe and produces 14 million tonnes of waste per annum, 90% of which goes to landfill.

Clearly, support is necessary to help SMEs improve on their productive performance and in turn, their sustainability. There is a need to demonstrate the case for pursuing environmental excellence through higher productivity, cost reductions, prudent resource usage and in turn, higher quality.

Opportunities in sustainable technology

The value of the global market in sustainable technology is expected to increase from £240 to £430 billion by the year 2010, the EU share of which is anticipated to be £82 billion. Despite our manufacturing legacy and the expertise in our universities, Scotland currently lags behind. It's estimated that the national market for renewable energy could be worth between £1 and £5 billion by 2010. Scottish business must grasp this opportunity and capture a piece of what is becoming an increasingly competitive market.

Large scale investment in infrastructure such as Housing Stock Transfers offers huge potential for business and in Glasgow alone something of the order of £4.5 billion will be spent on a housing stock transfer which will transform the quality of housing in the city. Although other countries are well ahead in areas such as housing and windpower, there are many business opportunities here in Scotland which are linked to an investment on the scale of Housing Stock Transfer where products are not market ready. In this case, there is clearly a need to work with our universities as well as with forward looking companies such as those which are here today in order to engage in research and development of innovative ideas. And Scottish Enterprise may have a role here.

What Scottish Enterprise is doing

Scottish Enterprise receives funding from the Scottish Executive primarily to achieve economic development objectives. However, we recognise that economic development won't achieve its potential in the longer term unless it takes account of social and environmental consequences, and in that sense "economic development" is different from "economic growth".

Scottish Enterprise has a network group to promote practical progress within the Sustainability Agenda. The Network also actively supports national initiatives including the Scottish Institute for Sustainable Technology. Scottish Enterprise is developing an Intermediate Technology Institute in energy to bridge the gap between universities and the private sector.

Several Local Enterprise Companies are running programmes which aim to promote and support business opportunities within sustainability. Scottish Enterprise Glasgow has just started a Business Efficiency Initiative looking to support some 500 companies over a 3 year period and bring about savings of around £1.5 million.

Despite being impressed by the number of companies who signed up to a pilot programme aimed at improving productivity, Scottish Enterprise is aware that for the private sector, it takes time and resources to sign up to these programmes, and companies are understandably cautious about over-committing. In this case, it helps if we can point towards companies which have already gone through the process and are now realising real gains in terms of profit and productivity.



Partnership is also an area where the Scottish Enterprise Network can increase its impact and a joined-up approach must be adopted at all levels with the Scottish Executive at the helm. For instance, we are working closely with the Scottish Executive's Energy Efficiency Office. Scottish Enterprise is also trying to work towards shared objectives with partners in the local authorities, universities and colleges, local development companies, SEPA, SNH and of course, the private sector.

Conclusion

From a public sector perspective, the drive towards linking business with the environment requires bold national leadership and co-ordination, legislative and regulatory action, redirection of resources, agreed indicators and targets, and of course, partnership. The private sector can achieve competitive advantage and stay one step ahead of the environmental regulations by bringing in good management techniques.

Let us celebrate the successes made thus far but not underestimate the challenges that lie ahead. Attitudes are changing but many companies are still to address issues of productivity and efficiency.

QUESTIONS

Reflecting on the focus on productivity, Courtney Peyton of Thirdwave Ltd (sustainable building consultants) asked what incentive Scottish Enterprise was giving businesses developing new buildings to design-in fresh air and natural light, which can result in increased staff productivity of 12.5%, compared to the 10% reduction in other new buildings. John Crawford responded that this was one theme of a whole package being offered by the Business Efficiency Initiative, which included productivity, efficiency and green management processes, but was being sold on productivity and profit, rather than environmental reasoning. He agreed that this was something which should be incorporated into the planning process, through Building Regulations for example.

Gill Buchanan of Rosehill Housing Cooperative commented that whilst sustainability was a funding requirement for many new buildings in the public sector, the private sector was not adopting these criteria, and was moreover continuing to outbid the public sector for greenfield sites, leaving brownfield sites for the public sector.

Tracey Barschtschyk (Scottish Executive) reflected that the environment was not a new issue and that joined-up working and sharing best practice were effective ways to augment the existing knowledge base.

CASE STUDY 1: SUCCESS AND SUSTAINABILITY: John Forbes and Rachel Cox, Midlothian Enterprise Trust

Business Environmental Partnership

The Business Environmental Partnership is a project which aims to demonstrate the potential of a proactive approach to sustainable development to small and medium-sized businesses. To date the BEP has assisted over 455 companies, identifying over £3 million of cost savings and £10 million of new sales, resulting in 23 accreditations to ISO 14001. Many companies entering this scheme have paid for their accreditation through savings made in the first year.

The reason why SMEs are not present at today's conference is not just lack of awareness, it is also lack of interest. Unless sustainability can be made to appear relevant to businesses, it will not be taken on-board. The first task here is to challenge perceptions. For instance, in waste management, the total cost of waste can amount to 10 times the disposal costs, yet this latter is usually the only perceived cost.

Sustainable development

The traditional model of sustainable development is of the 3 overlapping circles of environmental, economic and societal objectives, with sustainable development occurring in the central overlap. But outwith the overlap business objectives and environmental objectives remain remote from each other. **(See figure X??)** We need to move towards a better model **(see figure Y??)** which recognises the environment as the limiting parameter, society's activities and objectives within that, and an economy designed to operate within society's objectives. Business sees this as restrictive, so a significant shift incorporating regulation, fiscal penalties and incentives, as well as attitudinal change and new technology, will be required to realise it. The fishing industry is a classic example of business which is not economically sustainable because it is not environmentally or socially sustainable.

Potential business benefits

BEP sells the benefits of sustainability to its clients: helping to ensure long term survival/prosperity; making new business opportunities; meeting or exceeding stakeholders' expectations; improving the quality of employment; and minimising risk. In addition to raising awareness and encouraging SMEs to take appropriate action, BEP aims to encourage business to support the regulatory, fiscal, attitudinal and technological changes necessary in the transition to sustainability.

Rachel Cox is a sustainability advisor working with companies on a one-to-one basis. She outlined some of the themes of sustainability within her work.

Cleaner technology and design

These steps can at once improve productivity, reduce business costs, improve compliance, and improve customer relations. An example is Scalar Technologies, which developed a new gauge measuring the thickness of laminate coatings on packaging. Reduction of coatings to a necessary minimum, there are significant resource and production savings.

Biodiversity

Although there is a general lack of business awareness of the importance and relevance of biodiversity, some companies such as Mac-Glass are now addressing this in Biodiversity Action Plans for new developments, which result in greater involvement of the host community, better public profile, as well as reduced environmental impact.

Renewable Energy

A number of business opportunities are arising in the field of renewable energy which has been steadily climbing the Government agenda over the last 10 years. These include market opportunities as well as benefits to individual businesses using renewable energy. Dobbies Garden centre for example, is now generating its office heating from its cardboard waste. Although this in itself may not be sustainable over time, it does represent a cultural shift in that company towards sustainability.

Stakeholder involvement

Stakeholders include customers, staff, share holders, local communities and contacts in the supply chain. Many companies are under increasing pressure from all of these sources to improve their performance. Issues therefore include supply chain management, corporate social responsibility, and socially responsible investment, in each of which businesses can identify savings, as well as opportunities for increasing customer approval.

Conclusion

The challenges of sustainability remain - how to encourage all businesses to see that sustainability is relevant now, and not in 10 years' time; how to help small businesses achieve and market their own sustainability; and the massive complexity of supply chains in the modern world. But the benefits are there in terms of new opportunities, exceeding stakeholders' expectations, and long term prosperity.



QUESTIONS

Asked why the number of jobs created by the Partnership's efforts (30) was so low, John Forbes explained that with their main focus on waste management the emphasis was on safeguarding not creating jobs. But the potential for job creation in a more sustainable economy was huge.

Maureen Childs (Sustainable Development Commission and City of Edinburgh Councillor) wondered how we could mainstream this sort of initiative to companies across Scotland. John Forbes considered that much was already happening in all sectors. Their own work in partnership with the Scottish Energy Efficiency Office allowed their clients to benefit from synergy. However, no single model guaranteed success, and we needed to be sure of resources, perseverance, enthusiasm and an understanding of business, as well as the ability to demonstrate the benefits and successes.

Tim Birley (East of Scotland European Partnership) observed that the past 2 presentations had each filled the slot which preceded them. It would have been good to hear John Crawford's words from the Minister. And what prospect was there for Scottish Enterprise to take up the work of the Business Environment Partnership? Agreeing that this would represent much-needed mainstreaming of sustainable development, John Crawford also commented on the plethora of different organisations which currently existed to provide advice to businesses as something which might result in confusion.

CASE STUDY 2: INTEGRATING SUSTAINABILITY INTO THE FINANCIAL SERVICES SECTOR: David Graham, Royal Bank of Scotland

The Royal Bank of Scotland and the Business Context

The changing business context is already posing challenges in the shape of greater exposure to environmental impacts, including regulatory and fiscal risks; increasing external scrutiny (which is a major driver); and the growing pressure to integrate environmental and corporate social responsibility (CSR) considerations into all activities. This has major implications for all suppliers, and it is only a matter of time before all players in the chain are affected. As the 5th largest bank and the 43rd largest company in the world, the Royal Bank of Scotland has a key position, with attendant social and environmental responsibilities, in the global supply chain.

Environmental impacts of business can be divided into two categories: direct (physical issues such as waste, energy, raw materials and transport); and indirect (relating to customer activity, and in the case of RBS, what customers do with their money). These are all interdependent and have a knock-on effect on the company's reputation. Although environment is only one of many risks to be managed, it should be considered as integral not optional.

Externally, business scrutiny is intensifying from a range of sources – international protocols such as Rio and Kyoto, regulatory and fiscal instruments, shareholders, investors and peer group, as well as rating agencies and customers. All of this leads to growing environmental and social responsibility. The scrutiny is fuelled by issues such as the size of companies (many of which are bigger than the GDP of certain countries) and the potential scale of damage they can cause; perceived levels of trust or the lack of it; as well as international and national legislation.

How the financial services sector is responding

Traditionally business simply produced the right product or service at the right price, but now contracts reflect the effects of globalisation. So how should business react to this changing environment and new competition? The options range from continuing business-as-usual, through reacting to changing national and international obligations, or being proactive and recognising the necessary behavioural changes, to best of all, innovation – anticipating and informing the changing market place. The availability of these options to an individual business depends on many factors such as size, position in the supply chain, and degree of connectivity or isolation within key networks. What is sure is that no business can now assume that its old client base will see it

through indefinitely. The risks of not being ahead of, or at least keeping up with the game, are numerous – for instance, legal and regulatory hazards, tax challenges, inefficiency and obsolescence, and exclusion from tender bids. Conversely, there are numerous opportunities afforded by sustainable business, including reduced risks, reduced operating costs, increased efficiency, new processes, technology and products, and enhanced reputation.

The way forward

“Best Value” Assessment Criteria offer a means of responding to changing customer expectation and the increasing competitiveness of the market place. This technique reviews:

- Quality of management: values; leadership; business strategies, policies and procedures; customer satisfaction; and social and environmental impacts
- Use of resources, both human and material
- Design, of the operating process and of products and services created.

Through this analysis, businesses can identify opportunities to increase resource efficiency, reduce inputs and impacts, extend product life cycles, and design for re-use or disassembly. Thus business can proactively create new opportunities for itself, at the leading edge of the market.

The RBS Group policy states that it is “firmly committed to creating strong business growth which is not achieved at the expense of the environment, quality of life or social equity”. In addition to its environmental and social responsibilities, pragmatically, it is not in the Group’s interest to see its customers exposed to unexpected costs which may arise through obsolescence, failure to comply with regulations, mitigation of impacts, loss of reputation, or inability to maintain business. Its health warning therefore, to customers and suppliers, is that “Unsustainable business practice could damage your wealth”. The first steps on the way ahead are to link into business networks and best practice guidance, to raise awareness, acknowledge risks, identify opportunities, and build a better business case.

QUESTIONS

A recently published “Eurobarometer” of public opinion showed that in the UK very few people are concerned about resource efficiency and the sustainability of the products they buy. What role should the private sector take in changing this, rather than waiting passively for a market shift? By comparison with Scandic and Northern European races, where there is a cultural acceptance of the importance of the environment, the UK or US consumer really had not yet caught on. But as to whether this was a responsibility for the private sector, David Graham was not sure.

In response to a question about the main driver behind the CSR agenda David Graham explained that external scrutiny is no longer simply from share holders, or the occasional green customer, it is now coming from throughout the investment community. Seeking not to offend those who hold large parts of its stock, (and 4 of its major investors have socially responsible investment criteria), the RBS Group is therefore under some pressure, whether from these investors or through rating agencies, and has witnessed a very definite shift towards CSR in the last 2 or 3 years.

CASE STUDY 3: IMPROVING COMPETITIVENESS THROUGH ENERGY EFFICIENCY AND WASTE MANAGEMENT: Howard Steel, Scottish Energy Efficiency Office and Gordon Shennan, Mecca Bingo Ltd.

The Implications of Climate Change

Climate change is a reality not a theory, with very wide implications for Scotland and the Scottish economy. The Scottish Climate Change Programme was launched in November 2000 to address energy supply, transport, and business and domestic issues.

The Climate Change Levy (CCL) is a revenue-neutral method of apportioning responsibility according to fuel consumption. The levy consists of surcharges per kilowatt hour on electricity, gas, coal and LPG. Exemptions include: domestic and other small consumers; certain charity uses; and energy from new renewable sources. The CCL results in a likely 11-13% cost increase,

which can only be mitigated by increasing efficiency and decreasing fuel consumption. Revenue from the levy is recycled to support energy efficiency, including a scheme with the Inland Revenue which gives 100% allowances in the first year for purchase of approved energy efficient equipment. Trade associations may negotiate discounts for their members, which typically require savings of 12-15% by 2010.

The Scottish Energy Efficiency Office (www.energy-efficiency.org)

This organisation has been designed as a one-stop-shop providing an integrated package of support and advice to around 300,000 businesses in Scotland in key industrial and public sectors. Any company with an annual energy bill of over £10,000 is eligible. Services include free site audits, training, financial assistance, best practice guidance, and a helpline. Any company paying the CCL is entitled to help, but the stigma of a government programme means there are difficulties getting companies to subscribe.

The SEEO runs a Scottish Clean Energy Demonstration Programme, which encourages innovative technologies in business-community partnerships, aiming to reduce carbon emissions and increase renewable development. A sister programme, Envirowise, provides advice, guidance and training on waste minimisation.

The SEEO aims to convince business to treat energy and waste as a resource opportunity, to improve business competitiveness, and environmental performance, and to reduce greenhouse gas emissions.

Mecca Bingo: Energy Management Policy

Over the 3 years from March 1998 to February 2001 Mecca's energy management policy achieved cost reductions of 10, 6 and 4% respectively. This was brought about through a programme of staff awareness, education, communication, projects, and monitoring. Analysis first looked at historical bills, previous energy reports, and occupancy profiles. This established where and when energy was being used, in what quantities, at what price, and for what purpose. The company then implemented changes such as adjusting heating temperatures daily, resetting ventilation systems correctly, putting timers on vending machines, using low energy lightbulbs where possible, improving insulation, and switching off all PCs at night.

All staff were engaged in the policy, on a 2-way basis, Initial awareness-raising was through advice on how staff might save on their own home energy bills. Simple techniques to change staff behaviour included colour-coded labels on light and power switches (OK to switch off, do not switch off, cleaners only).

This resulted in a saving of £24,000 over 2 years to Mecca, which was achieved not by management, but by the efforts of all staff together.

AFTERNOON SEMINARS

New Market Opportunities

Facilitator: Petra Biberbach, SISTech??? (or was it Neil Downie, HIE)???

This workshop identified many of the barriers to exploiting new market opportunities. The value of the global market and its potential were widely accepted but a number of obstacles were identified: Low business birth rate in the Scottish Enterprise area, a risk averse culture, short term planning linked to political tenure, funding strategies and the need to commercialise research.

The ability to predict the effects of new legislation, and act upon these predictions rather than waiting for the 'last minute' for technological solutions was considered desirable. Again reference was made to the risk averse climate in Scotland which hinders the implementation of innovation.

It was generally accepted that incentives were required to create demand for recycled goods, particularly in creating specifications of material. The group felt that now is the time to consider the

use of Life Cycle Analysis and that this would help drive the implementation of new technology and open new markets. The role of 'Best Value' as it applies to Local Authorities and its potential role in stimulating new markets was questioned.

It was agreed that customer education was vital in developing new markets due to generally low level of knowledge of the issues. The change in the Enterprise Network's targets was generally seen as a 'good thing' and one which if used imaginatively, could help stimulate the environmental business sector.

It was recognised that partnership in its widest sense was required to develop new markets. The role of the Scottish Parliament and its focus on Scottish issues could be a catalyst for change in developing new markets. Finally, the effect of developing home-based markets and products on social cohesion was discussed as a potential benefit of sustainable management of resources.

Corporate Social Responsibility

Facilitator: Kyla Brand, AGENDA, Social Responsibility in Scotland

CSR is a way of delivering sustainable development. Sustainable development is perceived to focus on environment, but CSR can be broader than 'corporate'. In business CSR often starts with attention to environmental issues but may also start elsewhere, eg reputation. The two do not always cover the same issues. CSR is not a model, it's a 'pick and mix' process. In Scotland a community dimension is predominant, with less emphasis on employment.

Drivers include: the Turnbull committee, UK Pensions & Investment Act, The Company Law Review, and the Association of British Insurers.

There are numerous indices, codes & awards: FTSE4Good, Dow Jones Sustainability Index, GRI, Business in Environment & Community Index, ISO14001, SA8000, Ethical Trading Initiative, Good Corporation, World Business Council for SD Guidelines, 300 others. Why so many? At this stage are innovating. If settle on one standard are unlikely to have got it right. The best will emerge as the common standard. French have legislated but at very high level – unlikely to have much effect.

Benefits of CSR include: improving results, building reputation, managing risk, attracting / motivating employees, managing change, gaining / retaining customers, developing government relations, introducing new products.

Moving Forward

- What do organisations want? Information, support, incentive
- What do stakeholders want? Due diligence / accountability, information on performance, dialogue
- What do governments seek to impose? Loose policies, procurement conditions, reporting requirements, pfi partnership conditions

On how to move forward with CSR, main points raised were:

- Simplification
- Uniformity / conformity of overall business, but still able to be tailored
- What do businesses 'need' instead of 'want'
- Materials to describe choices of models
- Language of communication to businesses
- Make language accessible to all
- Leadership / ownership (government, through what people want)

Impact of Legislation, Regulation and Taxation

Facilitator: Iain D Duff, Chief Economist, SCDI

The discussion began by considering why business seems automatically to react to new legislation, regulation or taxation by looking at the cost implications without considering what the new policies are trying to achieve or seek out any advantages that may arise from the policy changes.



A key reason for this attitude was put down to cultural problems. For example, it was suggested that Scandinavian business is much more accepting of legislative and tax changes to improve environmental performance. This may be due to a more environmentally aware population that, through public opinion, encourages companies to adopt more sustainable practices. Furthermore, Scandinavian firms tend to give a higher profile to environmental statements in their accounts and this helps to drive through the cost efficiencies that can arise from environmental measures being taken.

UK companies do not seem to be as aware of the opportunities, cost savings and other benefits that can arise from embracing more sustainable practices but simply look at the cost.

A simple first step to increasing this awareness would be to display prominently in the workplace the weekly or monthly energy costs of a plant or office to show just how high they can be and then work on reducing that cost. Currently, however, the perception was that few companies would know their energy costs or be looking to reduce them in a structured way.

Another suggested way of breaking down the negative cultural attitude was to look at historical precedents. Previous environmental measures have also been subject to criticism by business as reducing competitiveness and adding to costs. However, once implemented and established many measures are accepted as proper business practice and felt to be successful and necessary. New measures should be presented as prudent good business rather than environmental measures. However, both sticks and carrots are required. Tax breaks for good practice should be considered alongside tax increases for bad practice.

Education and communication were identified as two key aspects that will help alter business attitudes. Business does not seem to understand the language of government when it comes to explaining the reasoning behind new sustainability legislation. The message should change to one of driving down costs, which business understands, rather than one of "saving the planet".

A menu of mechanisms, from legislation and increased taxation through incentives such as tax breaks and support in the form of advice and spread of good practice should be used.

The key conclusion from this group was: There must be an integration of the language of government and business so all players understand the reasoning behind the introduction of new legislation and can understand the benefits it will bring.

The key recommendation from this group was: A menu of options of both incentives and disincentives should be used to change behaviour to accept more sustainable practices.

Access to funds and resources

Facilitator: Tim Birley, Consultant to the East of Scotland European Partnership

The aim of this seminar was to discuss where businesses can go for help and advice on sustainability, and the criteria that are likely to be used in assessing whether assistance will be forthcoming.

Tim Birley's introductory presentation referred to SISTech's background paper on sources of help and advice. He then described the core sustainable development criteria developed by ESEP for the selection of projects to provide support for SMEs, and the types of project features sought. These aim to ensure that economic development, social inclusion and environmental improvement are jointly pursued. There are difficulties: in getting sufficient quality projects coming forward; in mainstreaming sustainable development, including in the enterprise network; and in moving from a perception that sustainability is just about the environment to a more holistic agenda, vital for economic development and business.

In discussion, it was agreed that the current provision of funding, advice and support to business is too complex and relatively inaccessible. Intermediate agencies have to work hard on financial

engineering to assemble funding partnerships. Further, the way in which this support is structured tends to lock activities into 'pilot mode' - the demonstration initiative to be able to point to when needed, but not the normal, commonplace way of doing business. The seminar thought it important that the issues discussed are relevant not only to businesses, but also to the public sector and to the many other intermediary bodies involved.

It was also agreed that there is a need for adequate evaluation of projects and initiatives. Too often learning has to start from first principles rather than building on the experience of others. This requires the ability to measure, and to measure against targets - and these should relate to business success. Accreditation may be important as a means to this end.

The seminar concluded that engaging with business and related organisations needs to focus on the 'business efficiency' aspects of sustainable development - efficient use of resources, leading to increased productivity, profitability and competitiveness. The approach should be progressive, developing from this base into the other dimensions of social inclusion, equal opportunities and environmental responsibility. But it needs too to be *flexible*, tailored to where the business or organisation is starting from; *coherent*, not an ad-hoc collection of partial advice; and *intelligent*, informed by experience of what works and what doesn't.

Key Conclusion: "We wish to see provision for 'business efficiency' support for companies and other organisations which is:

- Flexible and coherent;
- Intelligent; and
- Progressive, towards a holistic approach."

The discussion also stressed the importance of mainstreaming sustainable development. It is vital that the Scottish Executive gives direction to the Enterprise networks (and to other bodies they fund) aiming at a 'Smart, Successful, and *Sustainable* Scotland'. Guidance stemming from the European Commission for Structural Funds provides a model.

Recommendation: "The Scottish Executive should mainstream sustainable development in its own activities, and those of the agencies it supports, through requirements similar to those of the European Commission to mainstream sustainable development as a cross-cutting theme."

Success and Sustainability

Facilitators: John Forbes and Rachel Cox, Midlothian Enterprise Trust

Participants were provided with a summary of information on 5 firms to be used as case studies, and with a matrix mapping 12 key sustainability themes against 7 possible business benefits. For each company, participants were asked to:

- Identify the key sustainability issues and their relevance to the business.
- Discuss the possible actions that could be taken and the resulting business benefits.
- Discuss the possible barriers and how these might be overcome.

Case Study

This report presents the results of one of these case studies, a Food Production Company manufacturing meat products for distribution via independent outlets. Both chilling and cooking processes are involved. The factory also has to be cleaned on a daily basis. Issues identified:

- Supply of raw materials
- Risk – health and safety, customer health, market risks – product differentiation, in niche market can be advantage and disadvantage
- Staff – health and safety
- Site management – biodiversity
- Customer influence – plastic containers can only be sent to the customer, they will not accept other alternatives
- Producer responsibility – packaging, what to do with plastic containers



Barriers to sustainability

- Influence of smaller companies on larger customers – design control on packaging
- Time/ resources

Actions

- Education of employees
- Awareness of issues – e.g. site management
- Waste, energy, resource use information and training
- Use of employees interests to stimulate others awareness, or use voluntary time/ resources to get involvement – e.g. biodiversity, also increases staff motivation and productivity

Other case studies included a packaging company, a sub-contract engineering company, a recycling company and a hotel.

PANEL SESSION

Chair: Anne Mearns, Scottish Parliament and Business Exchange Manager

Panel: Kyla Brand, John Crawford, John Forbes, David Graham, Howard Steele

To the question “*Is sustainable development starting to happen within Scottish business?*” the Panel gave a mixed response, ranging from “Yes” to “Not really, no”. Whilst some activity might be discernible at the top end of business, this was perhaps more to do with sustainability and less with development. Available figures would not support a positive response, however the point was made from the audience that there was a dearth of historical information, a serious lack of adequate monitoring, and very few baseline figures by which we might be able to tell whether sustainable development was penetrating well into the business world. This highlighted the urgent need to set up appropriate information-gathering and monitoring systems.

From the audience it was also commented that several of today’s speakers referred to a conference held 5 years previously. How likely were we to make real progress therefore in the next 5 years? The Panel agreed that future conference themes might be similar, but felt there would by then have been improvements. Europe’s influence in this respect was positive. All agreed that the real challenge was to change the mindset of those government and business officials who determine our futures.

“*What are the challenges which make it difficult for individual businesses to effect change?*” The answers to this included the accessibility or otherwise of advice and support, and the proliferation of delivery mechanisms for these – what was needed was unification, not fragmentation. The availability of encouraging stories and demonstrations, and the opportunity for businesses to share experiences would help. Whilst some companies might be reluctant to share the secrets of their best practice, surely they could swop stories of worst practice!

The complexity of supply chains, and the lack of understanding that sustainability is a core business of business, were additional points raised. “Success” was perhaps the best opening gambit for discussing sustainability with business.

But the Panel also considered that meeting public interest objectives would always need a component of compulsion.

“*In what areas is further public support required?*” One member of the Panel replied it would be good to have support, let alone further support. This was taken up by others, and it was suggested that government departments which create policies should also provide the resources to police and benchmark those policies. As above, the provision of a one-stop-shop for advice and support would help. Education was another theme in this discussion – raising the knowledge of intermediaries who advise business (such as lawyers, accountants and planners), as well as mainstreaming sustainability within professional qualifications. Environment was presently a separate faculty of universities, and should not be.

Practical suggestions on “*How can businesses help each other?*” included sharing experiences of improvements made, identifying champions in the world of business, and forming supply chain partnerships. The Business Environmental Partnership could act as a broker in this role and support businesses engaging in these activities. From the audience it was suggested that businesses needed to mainstream sustainable development within their own structures. Sectoralisation of the “environment specialist” within an organisation was unproductive and wasteful.

There were some pithy answers to the question “*How can government facilitate a business shift towards sustainability?*” It could sit down and listen to business. It could provide its own departments and agencies with the resources to deliver their sustainability policy objectives – there was little point simply putting information on a website and hoping hard-pressed SMEs would act on it. It could conduct a review across the whole of Scottish Government, of activity with regard to sustainable development, as had been done by a former UK minister (**who and what and when???**)

From the audience, it was recommended that Government bring sustainability into the purposes of education. WWF had been invited by the Executive to host a web debate on this subject, **which could be accessed at???**

And finally, again, Government could lead public opinion rather than trying to follow it. If Government didn't lead, who else would?

CHAIR'S CLOSING REMARKS

Betsy I wonder whether you want to skip this section altogether? (no closing remarks in last conf report). Could easily lift the bit re education to the foreword, and beef up section re agencies in foreword with 3rd para below. Have left to your judgement, therefore not really touched this bit.

It is clear that we need to look at education - the most challenging audience is school children who are asking all the correct questions - why have they stopped doing this by the time they are in work?

There are so many organisations involved in the sustainability issue it could be confusing for business and given other demands on their time they may not want to trawl through all the organisations. A one stop shop would seem to be the way forward.

Government needs to offer flexible methods and incentives as well as further legislation. There needs to be greater focus on how agencies will help business succeed and become more productive, rather than how they will become more sustainable - this will be achieved through success. We need to find out why business did not attend and respond to their comments.

