



INHERIT

ROUNDTABLE DEBATE

Sustainable Business in 2019: an Intersectoral Dialogue

Meeting Report



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Background

On 25 June 2019, [EuroHealthNet](#) and [Philips](#) co-hosted – in the context of the Horizon 2020 initiative [INHERIT](#) – a roundtable with 18 representatives of leading businesses and senior European Commission officials, to discuss what is needed to address interlinked environmental, health and social challenges and move to greener, more circular and inclusive economies in line with the 2030 Agenda on Sustainable Development and the Paris Agreement on Climate Change. The business representatives covered a range of different sectors, including consumer goods, energy, finance, transport and retail, whilst in parallel the public sector officials worked on finance, environment, health, employment, research and industry.

This report begins by providing a summary of the key points that were addressed during the roundtable, before including a more detailed account of the discussion. As the debate was held under Chatham House rules, the comments are not attributed to particular speakers. In addition, the individual points do not represent the perspective of all participants, the private sector or the European Commission as a whole.

Debate summary and key points

As the discussion kicked off, participants were presented with a question: if it is the case that companies today play a crucial role in the transition to a more sustainable and equitable future, and have put in place forward-looking programmes and targets, why is there still a need for discussions such as these?

Indeed, whilst sustainability is becoming increasingly important to many companies, it is also true that much more remains to be done, and that the pace of change must be accelerated, to avoid continuing down the path of environmental degradation, with the ensuing health and social consequences.

The roundtable debate on 25 June served to highlight some of the challenges that companies are currently facing, such as:

- The complex interplay between consumers and the private sector's move towards sustainability;
- The inevitable trade-offs between environmental, economic and social sustainability;
- The importance of (but also barriers to) partnerships between private entities as well as between the private, public, and civil society sectors.

But these challenges were also seen as opportunities for those who are willing and able to seize them, and who are ready to “race to the top” and make the paradigm shift required to put sustainability at the core of their companies, developing alternative business models – and working together with a supportive public sector. And while there are already many promising examples in place – including by the companies around the table – considerable change is still needed before sustainable business becomes a reality on a global scale.



The following report provides more details on the discussion. It will feed into INHERIT's overall recommendations to policymakers, which will be disseminated widely to inform the priorities of the new European Commission and Parliament, as well as at national and local level.

Detailed account of the discussion

The below provides an overview of participants' contributions to the debate, organised as follows:

- I. Framing the debate: current and future policy landscape
- II. Private sector contribution to more sustainable lifestyles: examples
- III. Private sector contribution to more sustainable lifestyles: challenges and opportunities



I. FRAMING THE DEBATE: CURRENT AND FUTURE POLICY LANDSCAPE

Looking back on what has been achieved over the previous years, policymakers remarked that:

- Much has changed since the beginning of the Juncker Commission, at which time the priority was economic growth and jobs. Over the years, sustainability has become increasingly important (e.g. Circular Economy Action Plan), and the [Strategic priorities](#) adopted on 20 June 2019 by the European Council testify to this, given that one of the four priorities is “building a climate-neutral, green, fair and social Europe”.
- Within the Commission, the DGs are increasingly aligned – 4 years ago there was less collaboration between the “Environment” and “Industry” DGs, and sustainability was not a key issue in relation to industrial policy.
- DG RTD has also undergone radical internal transformation, with sustainability and planetary boundaries now embedded as overarching priorities, and social issues also increasingly mainstreamed.

Looking ahead to the future Commission, policymakers were cautiously optimistic that:

- It is likely that the new Commission will place a higher importance than before on EU action in favour of greater sustainability. The beginning of the new Commission should be the opportunity to bring together the three strands of sustainability: economic, environmental, and social.
- However, it was noted that it will be important to consolidate the environmental agenda and to focus not just on climate but also on other risks linked to biodiversity, water, land use, etc.
- It is also key to think twice about solving the problem pollutant by pollutant or topic by topic, and instead to have a more aggregated investment agenda, and aim to improve the overall footprint of economic activity. All actors must bear in mind that we are “one planet” – not North and South, and that the sustainability of some should not be built at the cost of the sustainability of others.



- It will also be crucial to find a common language and accounting system when it comes to sustainability; not doing so is the number one risk to scaling solutions.
- It should be borne in mind that the European Parliament is also developing priorities, which may not be the same as those of the EC.

II. PRIVATE SECTOR CONTRIBUTION TO MORE SUSTAINABLE LIFESTYLES: EXAMPLES

Over the course of the discussion, private sector participants were asked to share some examples of good practices, which are briefly summarised below.

PHILIPS

- The company has developed an action plan in support of the Sustainable Development Goals (SDGs), based on four pillars of action, and including clear targets and deadlines.
- Example of a product with a circular business model: Lumea. Customers can opt for a “try & buy” monthly subscription. It is also important for Philips to be able to refurbish and repurpose the products (it is neither economically nor environmentally sustainable to scrap them).

UNILEVER

- Unilever works together in an eco-system of SMEs, start and scale-ups whereby it tries to leverage its global scale to incorporate innovations and scale them globally.
- Unilever recently acquired the Vegetarian Butcher in the Netherlands to help scale the plant based transition across various markets.

RABOBANK

- Rabobank emphasises the importance of networks (e.g. roundtables and partnerships such as with the WWF) and of sharing knowledge, as sustainability is a joint responsibility.
- Under the overarching mission of “growing a better world together”, they have set up a “Banking for Food” strategy (on global food security), as well as a “Banking for the Netherlands” strategy (it is a cooperative bank model, investing in sustainable welfare and prosperity in the Netherlands).
- More generally, there is an increasing trend of going from green finance to sustainable impact finance: linking clients’ (from SMEs to large corporations) sustainability performance with their financial performance (i.e. to a loan).

NESTE

- Neste has a wide range of renewable products enabling customers to reduce climate emissions. The company is the world’s largest producer of renewable diesel refined from waste and residues, introducing renewable solutions also to the aviation and plastics industries.
- Neste aims to be a reliable partner with widely valued expertise, research, and sustainable operations.
- Over 20% of its employees work in R&D, highlighting the focus on sustainable innovations.



CARGILL

- The company's purpose, giving value to society, is "nourishing our world".
- Due to its position in the global food system, Cargill has a key role to play in helping to improve food security and nutrition – partnerships with stakeholders along the supply chain are crucial.

KELLOGG'S

- The W.K. Kellogg Foundation (WKKF), established in 1930 as an independent, private foundation by W.K. Kellogg, is among the largest philanthropic foundations in the United States. As legally separate entities, WKKF receives its income primarily from the W.K. Kellogg Foundation Trust, and the trust is Kellogg Company's largest shareowner.
- Kellogg's has recently launched a "Better Days" global commitment on addressing food security by 2030.
- The company engages in many partnerships – e.g. breakfast clubs, food banks (focus on children).
- It is also reformulating products, notably reducing their sugar content.

NATURGY

- Naturgy has committed to an energy poverty plan, through its Foundation, working together with the Red Cross and Caritas, among other NGOs. One initiative is a "School of energy", to provide social workers and vulnerable families information about the energy sector, supply contracts, energy efficiency measures and bills. Naturgy works with a university to propose solutions to the government on energy poverty.
- The company is also engaged in the housing sector – it is carrying out a study on low-cost measures to create more energy efficient houses for vulnerable families from the inside (people cannot afford to refurbish a whole building), and helping with investments.

COLRUYT

- This year, Colruyt is integrating its sustainability report in its annual report, putting the financial and non-financial information on an equal footing.
- Colruyt's consumer teams are working on providing easily accessible information and raising awareness about sustainability.
- The company has 12 programmes in areas in which they want to make a difference, with a very broad scope – covering e.g. supermarkets, energy, etc.

UBER

- Uber recently carried out an "e-vehicle" 4-month pilot in London, during which time customers had the option of selecting an electric vehicle, at no extra price: even more of them did so than Uber had anticipated, highlighting that if you add a sustainability angle to an attractive offer, customers will opt in.
- However, customers may not make the same choice if the price increases: businesses need to figure out how to tackle this.

INGKA GROUP (IKEA)

- IKEA believes it has a responsibility as a leading "home expert" to contribute to sustainability: it aims to help customers live more sustainably by making products that are affordable, attractive and sustainable – e.g. water-efficient shower heads, rechargeable batteries, solar power offers, etc.
- Next year the company will test furniture leasing (a circular business model): it knows that there is a demand from customers, although it will be challenging as it is uncharted and unregulated territory.



III. PRIVATE SECTOR CONTRIBUTION TO MORE SUSTAINABLE LIFESTYLES: CHALLENGES AND OPPORTUNITIES

Overall, the bulk of the discussion focused on drawing attention to the current challenges that companies are facing, as well as the opportunities which could arise from being a frontrunner in the race towards greater sustainability. Some of the key conclusions to draw include that:

- Sustainability should not be limited to companies' SDG or Corporate Social Responsibility (CSR) policy – it should be a part of their industrial policy, and integrated into the core of their businesses. This will require a paradigm shift.
- Alternative more circular business models are already being developed, for instance focused on leasing products or based on services.
- Whilst the businesses around the table are moving quickly, much needs to happen before the kinds of actions they are taking become more widespread.
- The public sector can support this paradigm shift by for instance creating a level playing field and providing incentives (e.g. by regulating on negative externalities and subsidising “clean” technologies at their inception).
- Consumers and citizens across the socio-economic spectrum will need to be part of this change, as without them it will not take place.

More details on the debate are provided below, first looking at the broad picture and interplay between companies, consumers, and the public sector, and then zooming in on challenges that are specific to companies.

THE BROAD PICTURE

1) One of the main areas of debate concerns the complex role of and interaction with consumers:

- Although research points to the fact that customers value sustainability, there are barriers they must overcome to convert values into action: sustainable products must also be attractive, convenient and affordable.
- Whilst it is true that consumers make the final choice, it is also important for them to be provided with the choice in the first place.
- The argument that it is ultimately the customer that decides is a complex one. Private/public actors can play a big role in encouraging consumers to act on their desire for greater sustainability, by for instance reducing their personal meat consumption. How to bring about behaviour change is very complex.
- Policymakers could also be involved in ensuring that sustainable solutions are interesting for consumers – e.g. concerning alternatives to flying.
- The argument that it is ultimately the customer that decides is a complex one. Private/public businesses need consumers on board in order to make disruptive changes.

2) There is a need for greater collaboration – within and between the public/private sector:

- There is a need for a “paradigm shift” encouraging business to exchange more (e.g. on plastics) – a major issue here is that businesses struggle with the need to stay within antitrust agreements. Their lawyers will need to adapt, and there is work to do from the EC's side too.
- Public/private partnerships should also be encouraged, e.g. platforms in which the EC can bring its expertise and companies can bring creative solutions and market reality.
- The private sector could also collaborate further with civil society and NGOs.



- Some examples of partnerships that help to bring about co-benefits are: the European Institute of Innovation and Technology (EIT), Horizon Europe (there will be a new partnership on food systems to collectively address the challenges ahead and bring together all stakeholders including the private sector), and InvestEU.
- As a first step, it will be important to harmonise language in relation to sustainability issues, since companies, sectors and citizens may refer to different things when talking about sustainability.
- Greater collaboration and partnerships would help to foster an integrated value chain management, and ensure that consumers are provided with a truly sustainable choice.

3) The public sector can help by ensuring greater harmonisation, certification, and labelling, fostering a level playing field and providing incentives:

- Alongside engaging directly with the private sector, the EC can also help by ensuring a level playing field for companies, and making the EU an example for the rest of the world, for instance by setting challenging progressive legislation on plastics and data (e.g. GDPR).
- Greater harmonisation at EU level could support company practices (e.g. standardised pan-EU labelling, or more integrated guidelines for waste and recycling, to build into product design). This missed opportunity arises from tensions between the EU and national governments, who would like more freedom to design their own “sustainability” requirements, making it challenging for companies operating across borders. Greater harmonisation could contribute to more consistent consumer information.
- Policymakers could also support sustainability through fiscal incentives – for instance, removing or freezing taxes on sustainable products/services which have yet to prove they will be adopted by consumers (e.g. hydrogen).

4) What is valid for large multinationals is not necessarily so for SMEs and start-ups:

- Large international companies are seeing the need to innovate their business models, and have the luxury to try things and fail, but SMEs usually cannot – regulatory sandboxes could help (allowing live, time-bound testing of innovations under a regulator’s oversight).
- Large businesses could thus help to foster change throughout the supply chain and bring along SMEs.
- It is also true that SMEs are responsible for much innovation, which is very important for larger companies – it is important to have a holistic multi-dimensional view of the partnership.

5) Balancing different “sustainability” elements and factoring in externalities is highly challenging:

- The tension is not so much between SDGs and profitability, it’s that many sustainability goals are to a certain extent mutually exclusive (it is not black and white). Companies are struggling with the reality of trying to have a consistent approach and find solutions to dilemmas whereby they sacrifice one goal in the interest of achieving another – for instance, how can biodiversity be safeguarded at the same time as ensuring that farmers have a decent living, and bringing food to customers at an affordable price?
- It is important to bring together the environmental and social narratives: the current focus is on consolidating the environmental agenda – but it is important to understand the social risks, find ways to communicate and ensure everybody is on board, bringing in the element of social transition. Citizens can be



against environmental measures if they are not accompanied by social measures.

- One way businesses have a role to play here is in the area of employment: how can jobs be created (including in their own companies) through the circular economy?
- But it is also important to think about the “environmental” crisis in broader terms: climate change is not the only issue (“we are looking

at the sky so much we will end up running out of water”) – and the risk agenda should not be politicised.

- Governments need to make sure that externalities are included in the ultimate pricing and that the polluter pays.
- Health is also an externality – it has a cost to society and to public budgets.

BUSINESS SECTOR SPECIFIC CHALLENGES

1) There is a need to train and change organisations internally:

- In order for sustainability to become part of businesses, employees need to be provided with trainings and gain new skills, and sustainability targets should be built into their aims and targets. Currently, employees are generally coached in a “linear production” way of thinking.
- Internal processes and “ways of doing” need to be modified, such as templates, to foster a new culture.

2) Measuring and reporting on sustainability commitments still has a way to go:

- SDGs are more measurable than CSR, but it is still important for everybody to be on the same page and know what is being compared – data and transparency are key.
- A common language is lacking: many leading corporates are experimenting with environmental accounting in different ways. One way is to look at it through the lens of the “four legs” of the sustainability chair: air, land, water, biodiversity.
- It is important to be critical of companies and beware of attempts to fool consumers and of greenwashing/SDG washing – details of sustainability reporting should be auditable.

3) Fundamentally, it should not be forgotten that at their core businesses exist to make profit:

- The real question is not what businesses can do but why they should do so – sustainable business models should deliver value to businesses as well as to consumers.
- To get companies on board the sustainability agenda, it should be made clear that only the innovative and competitive businesses will survive – there will be losers as well as winners.

4) The sustainable finance renaissance needs to be accelerated:

- In today’s global markets, the share of sustainable finance is at 2%.
- There is an opportunity for a realistic agenda to scale up sustainable finance, but it will be important to develop a fully-fledged plan (including other elements apart from climate) and roll it out immediately, given that if you take into account the time needed to make infrastructure affordable, the plan needs to begin in 2020.



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