

New How: Green Recovery




Sharing ideas to help deliver progress

Spring 2021

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Introduction

Sustainability is top of the agenda for many, if not all, businesses. As our clients were keen to share ideas it was the topic for discussion at the Spring 2021 Shoosmiths senior leaders' client roundtables series.

Hosted by our CEO/ Chairperson, the roundtables bring together clients to share ideas, concerns and suggestions on pressing issues. They help to connect like-minded clients and act as a forum to discuss plans and to hopefully aid in making progress.

Peter Duff, Chairperson, led the discussions alongside Gudrun Cartwright, Head of Climate Action at Business In The Community (BITC). There was a lot of interesting discussion and a strong theme to come from the sessions was that collaboration across businesses is crucial. We have therefore prepared the following short report to share more widely the key themes discussed.

The themes predominantly fell into the challenges that businesses face and the opportunities that exist for them to make inroads on sustainability plans.



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Challenges

From our discussions it is clear that for businesses to make a meaningful impact then some challenges must be overcome. We explored the following:



1. Empty pledges

Sustainability must not be a tick box exercise. The approach needs to be paired with meaningful action. There must be a commitment to indicate how the company will achieve the statements and pledges. Many of our clients feel like there are still some companies who are not fully embracing the need to change which makes it more difficult for them to genuinely do so. There was also an acknowledgement that focus needs to be taken away from the PR side and the time spent on thinking what can be done.



2. Business model

For many businesses' sustainability can seem in direct conflict with their business model. Industries like transportation and logistics are embracing electric vehicles but for larger vehicles this isn't an option and net zero seems like an unattainable aim. It is difficult to make the green agenda work and the commitment to pledges when it challenges the way they operate. There is much more to discuss on this area which perfectly demonstrates the antagonism between theory and reality.





3. Poor infrastructure

Current infrastructure means that some opportunities are not being maximised. An example given was with photovoltaics and that property developers can see the positive impact they make and the planners want to incorporate but the infrastructure can't cope. There are also wider challenges around dealing with distribution and under-investment in the infrastructure.



4. Expectations

There are increased questions by customers/ stakeholders who are interested in the sustainability approach – and this is a good thing as we want to be more responsible and to be measured against this. But this is heightened with competitors making very bold statements around what they are doing (which may seem very unrealistic but are not necessarily viewed this way in the market). Sustainability is becoming part of benchmarking customer satisfaction.



5. Trying to move quicker than technology is evolving

There is reluctance for businesses to lead in the developments and innovations for fear that they will become obsolete in 12 months' time. What was exceptional 9 months ago is now fairly standard so keeping pace with change is a challenge. A significant investment is needed in the technology and this requires CapEx which not all businesses have. Money is the key driver for business and is often tied into short term financial cycles whereas a lot of the investment needs to be long-term, which makes it hard to allow for the investment needed.



6. Small business challenge

Scale allows large companies to drive innovation but for smaller businesses it's harder to do and lead the movement. How can they be more confident in investment with limited budget where the cost is the innovation/ tech development rather than the process itself?



7. Investment

The CFO is more likely to buy-in when the initiative will generate growth from a business perspective. If you can show the financial benefits of doing something, then people are more engaged and supportive.





8. Stakeholder support

There needs to be support from all stakeholders. With some of the Property clients there was evidence of some investors providing better deals but uncertainty around whether other stakeholders will contribute. Homebuyers want more but don't seem willing to pay for it so there is a significant challenge around how the cost is incorporated. Working collaboratively with the supply chain is often where improvements can be made.

Consumers will need to support pricing increases but currently they are demanding more sustainable businesses but not willing to contribute to costs associated with this. Some businesses, where Gen Z is the consumer, can see that they may be prepared to pay and could help with this movement.



9. Confusion

The area of sustainability can be confusing and frustrating. There are various different standards and lots of ways of talking about the same thing. It is a complex area and often a difficult area to fully grasp. This makes consistency difficult and can be another obstacle to win over the Board around the changes and investment needed. It was suggested that science-based targets will allow a more consistent approach. They align to delivering the Paris agreement and are an international standard.

Opportunities

Happily, whilst there are significant challenges, there is also scope to make some strong inroads:



1. All-encompassing within the business

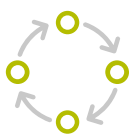
We must make sustainability and the climate crisis everyone's business, so they are all engaged in looking for ways to improve. We need to encourage everyone to think differently and look at improvements in their areas of the business. By getting others involved they will feel like they are playing a part. We can't solve the problem unless we think differently. Show people what is possible and turn it into a positive outcome, not just for the green agenda but for the business.



2. Incremental steps

Small steps are needed to become more efficient and start to make it a mindset change. Lots of small changes add up and can help win over colleagues and spur on new ideas and initiatives. Some businesses, especially those smaller in scale, aren't in a position to make significant initial gains but by making incremental changes they can play a very positive part. The collective difference of these small changes needs to be celebrated, so they are viewed with the same appreciation of the bigger steps.





3. Methodology

Make sustainability core to every business decision which will then drive the right behaviours. Embed it in the operational structure. It was encouraging to hear from some of our Real Estate clients that they have seen evidence of sustainability impacting decisions.



4. Create more financial incentives

There was consensus that it would help to have more tax credits system like for R&D rather than the requirements for a CapEx project. Businesses should embrace financial disclosures and look at other financial incentives. One client has used offsets as a springboard to reach initial targets which then provided encouragement for more ambitious plans which needed investment.



5. Board support

Successful developments have been achieved through genuine buy-in across the business. Ambition and leadership support has helped to push some teams to go further. The role of governance is key and ensuring sustainability is reflected in policies.



6. Working together

Collaboration is overtaking competition as businesses work together. In the Property market there was acknowledgment that this area was no longer a competition and that collaboration will help get everyone to achieve their sustainability targets faster. This may ultimately change the competitor landscape as it becomes more lucrative for businesses to work together as opposed to directly compete.

A special thanks to the clients who contributed to the roundtables. If you would like to take part in any future roundtables, or would like to be linked up with clients who are open to sharing ideas and are facing similar challenges, then we would be delighted to facilitate.





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