

UNEP 23^d Consultative Meeting on Business & Industry

Co-hosted by the United Nations Environment Programme
and the International Chamber of Commerce

26 - 27 October 2006
Gaz de France Headquarters, Paris, France

Draft Meeting Report

On 26 – 27 October UNEP hosted its 23d Annual Consultative Meeting on Business and Industry in Paris with the International Chamber of Commerce (ICC). Opened by UNEP's Deputy Executive Director, *Shafqat Kakakhel*, the meeting was attended by over one hundred participants, including representatives from 43 business organizations and industry associations, 12 company representatives, 13 NGOs including Greenpeace, World-wide Fund for Nature (WWF) and IUCN-The World Conservation Union, as well as the International Confederation of Free Trade Unions (ICFTU) and the International Energy Agency (IEA).

Three roundtable debates – facilitated by *Paul Hohnen* of the International Institute for Sustainable Development (IISD) – and subsequent discussions in four industry cluster groups focused on (i) ways to advance capacity building in global supply chains, (ii) resource efficiency to address energy and climate challenges, as well as (iii) ways of promoting corporate responsibility in industrial development. The latter two themes are being addressed by the 2005/6 sessions of the UN Commission on Sustainable Development (CSD). Consideration was also given to possible action plans for different industry sectors built on the 30 Report Cards that were launched in the publication “Class of 2006” at CSD14 in New York, May 2006.

From the conclusions and recommendations of the working sessions to the plenary, UNEP identified two main recommendations for CSD15. These have now been forwarded to UNDESA, which is preparing a Secretary-General's Report on Industrial Development. The recommendations were as follows:

- Governments need to lift the playing field (enabling regulatory environment complemented by voluntary measures) at levels appropriate to facilitate better application of market instruments in addressing energy and climate.
- UNEP is invited to follow up with industry groups (business organisations and industry associations) to collect views and inputs on the format of action plans – types of actions, appropriate tools, targets – to build capacity of companies (e.g. of SMEs), including a special focus on the use of supply chains and sharing emerging good practices.

Based on discussions on the venue and format of the annual consultative meetings, UNEP DTIE suggested to participants the options of continuing with the traditional model of annual meetings in Paris or having future events held:

- (i) in different regions every second / uneven year, and (ii) each year with a focus on one or two overall themes.

Based on initial support for the proposed new format, UNEP DTIE has consulted with industry representatives from Brazil. They have responded positively to the possibility of relevant Brazilian business and industry bodies co-hosting the event with UNEP in October 2007.

UNEP DTIE will follow up with potential partners on preparing for the 2007 event and also return to its business and industry network on the format of suggested capacity building action plans that can be compiled for an event at CSD15. UNEP DTIE is cooperating with the Government of Norway in preparing for a “Class of 2006” follow-up event due to be held at CSD15 in New York.

Session 1: “Industry as a Partner for Sustainable Development” Building on the Report Cards on environment and social responsibility

The 1st session of the meeting focussed on “Industry as a Partner for Sustainable Development” and the 30 Report Cards. The aim was to discuss industry action plans for activities up to 2012 and policy recommendations for UNCSD15 on Industrial Development and corporate environmental and social responsibility (CESR). The session was started with a roundtable discussion involving Richard Armand of Entreprises pour l'Environnement and the World Business Council for Sustainable Development (WBCSD), Jean-Paul Jeanrenaud of the WWF, Winston Gereluk of the ICFTU, Nelmara Arbex of the Global Reporting Initiative (GRI), Marcelo Silveira Campos of the Brazilian Chemical Industry Association, Jostein Mykletun of the Norwegian Government and Arab Hoballah who heads UNEP DTIE’s Sustainable Consumption and Production (SCP) Branch.

Jean-Paul Jeanrenaud highlighted WWF’s recent “Living Planet Report”, and cautioned that humanity's footprint has more than tripled between 1961 and 2003. On current trends and projections, there will be around 9 billion people by 2050. This underlines the ongoing problem of overshoot and the stress we are placing on our planet. Some signs of positive change can be seen in the willingness of companies partnering with, for example, WWF to reduce their CO₂ footprints with greenhouse gas emission reduction targets for the coming years. *Richard Armand* noted that there is a broad spectrum of agreements within the business community, ranging from codes and guidelines to ethical councils and sector specific initiatives on for example climate change. *Nelmara Arbex* of GRI introduced the new G3 framework, launched at an international conference with 1000 participants in Amsterdam three weeks earlier. She cautioned that with an estimated over 50 000 multinationals worldwide, and only 800 adopting the GRI guidelines, there was still a long way to go towards all sectors systematically disclosing sustainability performance and results. A representative from Greenpeace argued that we need to move from voluntary to mandatory reporting for non-financial information on social and environmental performance.

The Strategic Approach to International Chemicals Management (SAICM) process was cited as a good example of how to engage the private sector in a public decision making process. SAICM was a learning experience and a platform for exchange between industries and administrations. *Marcelo Silveira Campos* acknowledged the difficulties experienced in collecting data from companies and association members on a collective basis. *Winston Gereluk* of the ICFTU underlined the role of Global Framework Agreements between Global Unions and multinational corporations (MNCs). His confederation is aware of the importance of including an environmental clause into collective union agreements. They are also

becoming more active in information and education, based on lessons learned in dealing with issues such as HIV/Aids. One of the early Global Framework Agreements was signed with the Norwegian company Statoil. In the oil and gas sector, *Jostein Mykletun* argued that Norwegian companies apply the same corporate environmental standards at home and abroad. He mentioned the importance of motivated CEOs, a level playing field and stopping the free riders. Many are ready to observe even higher standards if competitors do as well. But recognition and pressure have to come from NGOs and peers. There also is a need for governments to play by the rules as well.

The roundtable discussion was followed by group discussions in four industry sector clusters on collective industry action plans. Chaired by *Maggie Brenneke* of SustainAbility, discussion in the services cluster group noted that a commercial or legislative threat is often first driver for partnerships. Taking time to develop, the collective initiative then gathers momentum only once benefits and results start to be achieved. With respect to linking sustainability action with business performance, the group noted that making the business case and integration remain difficult. There is a need for innovative ways to share tools, best practices and information on the business case – within industry, across industry, and between developed-developing countries. A question raised was how to scale pilot initiatives to go mainstream. Initiatives need to be more inclusive, involving e.g. municipalities, more developing country organisations and consumers. Recommendations from the services group included, firstly, a call for knowledge transfer through innovative conferences and other learning forums. Topics to share include best practices on partnerships, how to push tools out into the businesses (especially SMEs), implementation of global standards at local level given domestic laws, environmental elements of the UN Global Compact, and measuring good partnerships (what does success look like?). Also recommended was the need to be more inclusive in the dialogue, to aim for an international accounting standard that incorporates environmental and social performance, to report on the effect of reporting on company performance, to push companies to reward CEOs for environmental and financial performance, and to have special focus on clusters like tourism - especially in Africa and Latin America - which will be exploding in years to come.

The manufacturing industries group was chaired by *James Fava* of Five Winds International and the UNEP/SETAC Life Cycle Initiative. In their discussion of industry action plans, the manufacturing industries group addressed themes related to reporting on a collective and sector basis. These included the value of core indicators to drive continuous improvement, the importance also of complementary indicators which allow each sector to tell their own story, building regional understanding and capacity on how to develop adapted (regional, SME) sets of core and complementary indicators. It was noted that with the implementation of SAICM, UNEP and the chemical industry are already committing resources and time to work together to develop indicators, engaging chemical users as well as chemical manufactures. The group felt that while there are many forums with demands on time and resources, there is value in continuing the relationship with UNEP because it provides a unique opportunity for a broader array of associations to dialogue among themselves, with UNEP and civil society. Dialogue may include sharing of good practice on issues of interest such as how to engage and build the capacity in SMEs, how to establish partnerships (there are different levels of expectations on engaging in partnerships), and how sectors develop really global sector approaches. The group recommended that collaboration should continue particularly on working to translate good practice in necessary languages, including the business language of the SME. It was also felt that UNEP and chemical manufacturers and users should continue to collaborate through SAICM. In addition, UNEP

and business & industry should jointly identify combined outcomes (say by 2010) expected from continuing the consultation process and then agree on the process(es) to achieve them.

Discussing collective industry action plans, the energy and transport group concluded that the role of federations and business associations should concentrate on two items: (i) capacity building and (ii) sharing of experiences. The group was chaired by *Marc Darras* of Gaz de France (GdF) and *Nick Campbell* of Arkema who heads the ICC Climate Change Task Force. Participants felt that industry associations can develop plans of action and be responsible for progress and achievements in the two above-mentioned fields. They can also develop sustainable development charters and guidelines for implementation, as well as technical standards where pertinent. However, it was recognized that companies have other modalities of action which complement the role of business organisations or industry associations. Reference was made to the role of visionary leaders to promote more sustainable products or services, as well as the capacities of large companies to take the risk of innovation and to bring to the market more sustainable products. Mention was made of the problem of free riders who do not take their share of the burden. This continues to undermine fair and transparent competition and undermines targets that have been set. On market signals, the group recognised the role of taxes as a tool and argued that the revenue raised should be used to finance innovation and provide incentives for more sustainable products or services in the same field. Standards should be considered too. In all cases, the approach followed should show sensitivity for the limited capacity and needs of SMEs.

Session 2: Resource Efficiency - responding to energy and climate challenges

The second plenary session on energy and climate challenges started with a roundtable involving Marc Darras representing the ICC / Business Action for Energy, Aat Peterse of the European Federation for Transport and the Environment, Udo Hartmann of DaimlerChrysler, Constant Van Aerscht of Lafarge and the UNEP Sustainable Building & Construction Initiative, Cédric Philibert of the IEA and Eric Usher of UNEP DTIE's Energy Branch. The aim of this session was to explore innovations in improving material resource efficiency to reduce GHG emissions, with identification of related cooperation possibilities. The session included a lively discussion on the energy efficiency of new cars and the role of advertising as we seek to bring about change in the sociology of consumer behaviour. Describing the transformation of GdF from a gas distribution company to an energy service provider, *Marc Darras* noted the importance of public awareness as well as the role of local authorities. Mentioned was also the role of labels, for example the energy efficiency A - H labelling on fridges which encouraged European consumers to focus on more energy efficient products. *Eric Usher* explained that there has been a revolution recently in the field of renewable energy through private sector engagement. New investment in renewable energy technologies in 2006 is estimated at 68 billion US dollars, with – in terms of market capitalisation today – the world's largest wind company being Indian and largest solar company being Norwegian. The renewable energy technology sector is today the lead sector for new venture capital. *Cedric Philibert* mentioned that IEA studies show increasing energy efficiency but also a rebound effect. A key problem remains growing coal use for power generation in China, which was opening a new coal-fired power plant every seven days.

Citing slack performance by German automotive manufacturers in CO₂ emission reductions and reducing car weight, *Aat Peterse* underlined the importance of a decision taken by top management for alternative business models. In the UK and Germany some 8°% of advertising is geared towards the sale of bigger cars. Referring to more stringent fuel

efficiency standards in California, *Udo Hartmann* said the automotive industry is in favour of common international standards. A level playing field is needed. Usher mentioned that solving energy efficiency problems with common household electrical appliances is going to be much easier than solving problems in areas such as power plants of 30 years lifespan where a company may be stuck in its current technology stock. It will be the best of class corporate leaders that really make change happen. For automotives, the example of Toyota with its Prius was cited. *Constant Van Aerschot* described the self-imposed CO₂ reduction targets that Lafarge has set itself in cooperation with WWF. He mentioned the need for a change in expectations and perception of what determines “value”, and argued that manufacturers had a responsibility to advise consumers of their products on ways of reducing impacts from their use. Lafarge was doing this with regard to the climate impacts, and potential benefits of intelligent use of cement and concrete.

In discussion of climate and energy in the cluster working groups, the services group considered the role of advertising and agreed that it will not change consumer behaviour on its own. It must be supported by a full communication strategy, education, legislation, etc. Citing the example of the 30-year old Fair Trade movement, the group noted that changing behaviour takes time. CO₂ regulation as such has to compete with a multitude of other environmental legislation. Members discussed examples of linking finance to environmental performance, including proactive services being introduced by some commercial banks today. There were different opinions on whether the consumer should be charged extra for sustainability. Recommendations from the group included a call for dissemination of examples of real value creation through tackling climate change. Other actions recommended were consumer campaigns (linked to policy initiatives), and multi-stakeholder dialogue in tourism host communities. Some felt that the international donor community needs to tie standards and training to funding, whilst targeting SMEs. With respect to buildings, a call was made for identifying ways to help industry provide a ‘service’ for rent, so that landlords/owners have incentive to reduce resource consumption. Discussion also pointed to finding innovative ways to infuse new ideas to decision makers, for example considering how indigenous peoples traditionally dealt with resource use and waste.

The manufacturing group noted that much activity is already underway in terms of understanding and developing strategies to reduce energy use and GHG emissions. Examples cited came from the soap & detergents, aluminium, iron and steel, cement, chemicals, food and drinks, and fertilizer sectors. The group agreed on the importance of providing a forum with a broad array of sectors, to benchmark among them with respect to energy, GHG emissions and other topics of mutual interest. They found it useful to have a website of tools, practices, codes and experience on how associations/companies have reduced energy and GHG emissions. They showed interest in a listing of websites with similar or related programs (e.g. Sustainable Energy Europe).

Discussing financing and investment in resource efficiency and cleaner technology, the energy and transport group focussed on financing efforts in the developing world. It was felt that guidelines by the World Bank, International Finance Corporation and bilateral financing institutions are often inappropriate from a sustainable development point of view. In addition, regulation in favour of more sustainable products and services in environmental and social terms is at risk with liberalisation and current World Trade Organisation rules. Financing is needed for basic improvement and less for more advanced technologies which cannot be appropriated by local people or industry. The potential of financing through the Clean Development Mechanism was recognised. However, its capacity to finance infrastructure

(indirect emitter) is limited. On sustainable urban development, members of the working group felt that the role of industry associations and infrastructure companies is limited compared to the role of local or national government. This area is very cross sectoral, and the effects of policies have to be appreciated in a systemic approach.

Session 3: Corporate responsibility in the value chain Supply Chain Management and Capacity Building

The session on supply chain management and capacity building started with a roundtable involving Luis Neves of Deutsche Telecom and the Global e-SustainAbility Initiative (GeSI), Harry Spaas of Dow Chemicals (Europe), Lutz Preuss of the London University School of Management, Steve Hellem of the Global Environmental Management Initiative (GEMI), Jeanette Funke of InWent (Capacity Building International), and Leo Heileman of UNEP DTIE's SCP Branch (Business & Industry Unit). The aim of this session was to compare experiences, actions to promote capacity building via supply chain management, and suggest options for working in an initiative with UNEP. *Leo Heileman* explained that companies are changing how they manage their supply chains. Since the early 1990s, a worldwide restructuring process of industrial production and distribution systems has taken place. As outsourcing, insourcing, off-shoring, subcontracting, global supply relations and the like expand; new approaches show a shift from rigid, arms-length, customer-supplier relationships to alliances with upstream and downstream trading partners. *Lutz Preuss*, who recently published "The Green Multiplier", cautioned that there is a disconnect within companies between functions, for example between people dealing with CSER and supply chain managers. Highlighting guidance tools developed under GEMI, Steve Hellem underlined the importance of finding value-drivers and developing case studies. For SMEs the challenge is taking those tools down to the field, maybe with the help of local chambers of commerce.

Luis Neves described the suppliers' self-assessment questionnaire that has been developed by ICT companies as online tool under the umbrella of GeSI. The resultant tool reflects the content of codes of the different participant companies. Improved application of ICT can help the large company see its overall supply chain, 1st 2nd 3^d tiers etc, and help identify the hidden risks. The final online questionnaire will be released by the end of 2006. Complications experienced relate to national sensitivities (for example regarding core labour standards), security of data, competition, and legal aspects. Companies need to be more open and transparent, joining collective partnerships. *Harry Spaas* spoke of the value of capacity building to implement "Responsible Care". The benefits of supply chain management in the chemicals sector lies in more safety, less waste and integrated transport systems. He noted that his industry is very upstream in the value chain, which means that downstream product stewardship is more important for the sector. Preuss added that in the B2C sectors, the exposure of brand value makes it easier to push responsibility issues up the supply chain. He also gave the example of public funding in supporting regional development, for example voluntary sourcing from a particular (underdeveloped) region. *Jeanette Funke* described how InWent supports the development of public private partnerships to help new suppliers in developing regions enter global supply chains. Their training is targeting SMEs to be eligible for the supply chain. An evaluation of the programme for South East Asia showed that the impacts of "train the trainers" programmes could have been better if carried out in local language. In China, it is important to avoid the feeling of "pressure" from abroad. Better is to insist on aiming at "efficiency", seeking to make local companies more competitive. Training programmes should also be tailor-made, taking into account the local cultural context.

On the theme of supply chain management and capacity building, the services group mentioned that there are varying degrees of maturity on this topic and that there is much scope for and value in knowledge sharing. It includes a complex and diverse range of challenges, considering for example the sheer number of suppliers involved past the 1st tier, the multitude of standards available and how to streamline. One example discussed was that of the GeSI online questionnaire and focus on data collection related to application of standards. Fundamentally, procurement and CSR professionals need to start working together more closely. It was also asked how to get suppliers to 'own' the issues, getting them involved with a combination of carrots and sticks. Industry collaborations are helpful, but present challenges such as difference in corporate cultures/priorities and legal issues. Recommendations from the group included the suggestion to develop or disseminate existing, concrete tools for the training of suppliers. The UNEP/UNIDO National Cleaner Production Centers can be used to bridge the gap between buyers in developed countries and suppliers in developing countries. It was also felt that UNEP could help to streamline proliferating standards, and define what is of key importance in terms of a basic set of principles and criteria. This could be done with business organisations and industry associations in individual sectors. Collaboration on this with standards organisations and the Global Compact and GRI would be highly recommended. UNEP was encouraged to build a platform to help improve the performance of SMEs in particular (best practices, train the trainer). It was also suggested that UNEP could act as dating agency to build collaborative partnerships in the supply chain field.

The manufacturing group considered experiences in Brazil and China, which revealed the strategy of identifying a vision and then enabling local SME and local governments to develop their own implementation practices in their own language (business and cultural). One example from the chemicals sector was the promotion in China of the vision "waste reduction always pays". In response to this vision, local SMES and state governments developed tailored plans to implement the vision. In Brazil the chemical industry is developing a "Gateway to Responsible Care". It was noted that whilst supply chain matters are pertinent in the manufacturing sector, concern for environment and social issues are relevant not only to manufacturing SMEs but also SMEs involved with distribution and transportation. Participants felt that market transformation may be another way to drive improvements along the supply chain. Examples discussed included that of Wal-Mart, Carrefour, IKEA, and the US Green Building Council and the Charter for Sustainable Cleaning promoted in the European soap and detergents industry (A.I.S.E.). Recommendations made included the need to create incentives for value chain improvement, to integrate environment and social supply chain management policies and practices into existing training on topics such as accounting and financial management, and to explore funding through the EU for the organization of training for SME capacity building. It was felt that access to SMEs and local state governments is critical to success. Valuable would be collaboration among ICC, UNEP and individual companies to explore who has better local access to serve as the catalyst to drive capacity building and improved performance in industry locally.

The extractive industries discussion group was chaired by *Andrea Athanas* of the IUCN - The World Conservation Union and *Alan Knight* of AccountAbility. The group started with agreement on the assumed, common goal, namely to build on contractual and compliance based supplier relationships and to build innovative and beneficial (SD and business) partnerships. Supply chain issues highlighted were requirements for local content coupled with lack of capacity; legitimacy and applicability of foreign standards to local

circumstances; lack of capacity – governance, trainers, skills, infrastructure; cultural/values issues – e.g. emphasis on safety, use of dialogue/participatory approaches, language; linking with procurement practices in government offices; size, number and diversity of supplier/contractor companies – more difficult when there are many small companies; lack of transparency beyond the first tier of suppliers; difficulty in gaining commitment due to management, leadership, relationship issues; governance instruments for supply chain requirements – e.g. Kimberly diamonds process; and the structure of relationships between large and small scale producers. It was also felt that innovation in the supply chain terrain requires looking at the full value chain, among others to apply a full life cycle approach.

From discussion on how UNEP can get others to act, the extractives group mentioned playing a convening role to advance the initiation, fostering and effective governance of supply chain instruments. Participants also suggested facilitating cross sector sharing of practical work and facilitating cross and UN interagency sharing. They were interested in seeing coherence between what the different arms of UNEP are doing. Other suggestions were leveraging existing networks and institutions to promote capacity building, tool development and dissemination through partnerships, acting as catalyser and broker, facilitating regional issue engagement (e.g. government procurement), acting as listening post, facilitating linkages / networking and fostering partnerships.

The energy and transport cluster group discussed awareness raising and training. On the former, mentioned was made of awareness in both big and small companies, raising awareness of standards, and supporting the development of harmonised standards for more sustainable products or services (e.g. renewables). UNEP can also play a role in diffusion of good practices where international standards are being met. On capacity building, participants stressed the value of training that is tailor-made, with local examples and developed with industry as a partner. Also raised was the question of follow-up, including how to deal with difficulties of implementation and accounting of results. Mention was made of the need to cover audiences on the demand side and supply side, as well as the need to deliver affordable training in developing countries.

Closing plenary:

In his closing remarks *Arab Hoballah* of UNEP summarised the meeting and three general recommendations that came out of the discussions. He suggested a new format of the annual meeting, starting regional hosting every 2nd year. From discussions he mentioned for example the need to share good practices translated in various languages and adapted to the local conditions in different regions. Speaking on behalf of the ICC, *Nick Campbell* agreed that there was a need for further evolving the industry consultative process and taking it to different regions. In addition, he mentioned the importance of sectoral approaches as well as multi-sectoral ones to make interconnections and facilitate learning across different industry sectors. UNEP and the participants thanked GdF for hosting the meeting at their headquarters. Closing remarks from *Jean François Cirelli*, CEO of GdF, delivered by Marc Darras, concluded from experience of the field of energy, that local resources and needs, specific environmental, social and economical conditions influence demand and supply. Such complexity and the global challenges we face require flexibility for solutions to develop. This implies that policies should concentrate on targets to be achieved and on the instruments associated with them, rather than on picking technologies.