

BUSINESS PUTS WEIGHT ON GREEN

Your business may be green, but what about your suppliers or customers? **Kate Hennessy** finds out why the sustainability of your business has become the business of others.

A SOLD-OUT AUDIENCE IN JUNE 2008 LISTENED

intently as Rand Waddoups, senior director of corporate responsibility at global retail chain Wal-Mart, said to the company's suppliers: "Over time, if you cannot tell us how a product was made, what its ingredients are and where they came from, how the workers in the factory are treated and paid, what the packaging materials are and how it was shipped, we will not do business with you.

"As a supplier...you can choose to think sustainability is not that important and that's OK, it's just that in time you won't do business with Wal-Mart," he said. "We believe there are thousands of emerging businesses who will take up this challenge with us."

Waddoups was speaking at the Lifestyles of Health and Sustainability (LOHAS) forum in Colorado. Andy Baker, director of sustainability at market research company Mobium Group, was there. He says Waddoups left an initially sceptical audience in no doubt about Wal-Mart's commitment to sustainable supply chain practices.

"When the world's most cut-throat retailer makes comments like those, people listen," Baker says. "Are big businesses looking at the environmental credentials of suppliers? Absolutely. Will it put small businesses out of business tomorrow? Probably not. But the tide is rising."

A study released in September 2008 by research and consulting company Frost & Sullivan reveals that carbon emissions data is increasingly being recorded throughout the supply chain. This allows businesses such as retailers or food manufacturers to fully account for the amount of carbon emitted to produce and market a product.

"Large Australian government departments are asking suppliers to show how they will reduce their emissions

through the life of a contract and those organisations are passing that pressure on to their own suppliers," says Andrew Milroy, industry director, ICT practice at Frost and Sullivan. "The move towards greener practices will ultimately impact everyone in the supply chain."

Westpac sniffs its suppliers

Many Australian corporations are already asking their suppliers to improve, then prove, their environmental credentials. In January 2008, Westpac introduced a mandatory sustainable supply chain management policy for all suppliers, regardless of their size.

The policy incorporates 22 minimum sustainability requirements including compliance with regulations on land and water management, waste and recycling, toxic substance disposal and product transportation. Westpac asks suppliers for a written environment policy and an environmental management plan to identify and minimise their impact. Westpac says the policy does not disadvantage small businesses and insists they can prove their credentials just as easily as larger firms.

"Many smaller suppliers employ good practices without the formal structure of large companies," says a Westpac spokesperson. "However, if a practice is widely accepted within a company, it's not hard to capture that practice in policy and procedure. Smaller companies can report in more cost-effective ways, such as on internet pages, rather than through stakeholder impact reports."

PwC partners up with suppliers

In July 2008, Australia's largest accounting firm Pricewaterhouse Coopers (PwC) went carbon neutral.

Andrew Petersen, PwC partner for sustainability and climate change services, says the firm's approach to sustainability encompasses its own operations and those of suppliers, customers and partner organisations.

"We wanted our current suppliers to help us become carbon neutral because the impact of their products goes into our environmental footprint reporting," says Petersen. "The previous relationship with smaller suppliers was very much price-based but it's moving into more of a partnership or alliance now. Suppliers can help their customers manage their environmental risks."

PwC initially focused on providers of printers, paper and utilities such as water and energy.

"We have some explicit requirements to assess preferred suppliers," says Petersen. "Suppliers ideally have an environmental management system (EMS). We ask if the EMS has been certified to an internationally accredited standard like ISO14000. We also ask for carbon footprint disclosure using ISO14064 or carbon footprint analysis under the Greenhouse Gas Protocol."

Petersen says while PwC is willing to work with suppliers who are just beginning to document an EMS or actively reduce their carbon footprint, most of its suppliers have already swung into action.

"The weighting we give to environmental consciousness in our procurement policy means we tend to default to suppliers that have a good product at a good price and can prove good environmental performance," he explains. "We increasingly see suppliers using environmental performance to their competitive advantage because it is a determining factor for buyers such as PwC."

The Green Cred Checklist

The Total Environment Centre offers four tips to avoid greenwash:

- **Truth.** If I make this green statement, can it be proven to be true 100 percent of the time?
- **Materiality.** Even if it is true, does the green statement really matter? Is the problem being avoided or remedied substantial and significant, or trivial and insignificant?
- **Full disclosure.** Are there any other environmental or sustainability issues being overlooked, especially negative ones?
- **Substantiation.** Whatever is being claimed, and whoever is making the claims, are they backed up by firm evidence?

Living la vida sustainable

Mobium's Baker believes businesses of all size should take sustainability seriously on behalf of the millions of 'LOHAS consumers' in Australia. LOHAS consumers are conscious shoppers who assess the impact of products and services they buy on the community and the planet.

"They are not a fringe or marginalised group; they come from all parts of the community," says Baker.

In 2007, Mobium produced what it claims was the first detailed analysis of the LOHAS consumer market in Australia, estimating that nearly four million Australians (around 26% of the adult population) are LOHAS consumers. The LOHAS market was worth \$12 billion in

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Australia in 2007 and Mobium predicts it will grow to \$21 billion by 2010.

As it turns out, LOHAS consumers want the same information that Wal-Mart is asking of its suppliers: where it comes from, how it was made, what it is packaged in and what happens when they dispose of it.

But while green credentials are important, they haven't toppled the powerful duo of performance and price, which remain equal first considerations according to Mobium's research.

"Typically, people buy something to solve a problem and if the environmentally friendly offering doesn't solve that problem, it won't fly," says Baker. "Sustainability is not the deal maker but if two products tick all the boxes, sustainability could be the tie-breaker."

Keep it real

Many companies use environmental credentials as a marketing tool. But promotional materials that make these claims without basis in fact risk being labelled as 'greenwash' by sceptical consumers. In addition, regulators such as the Australian Competition and Consumer Commission are taking a dim view of companies making misleading 'green' representations.

Sara Phillips, editor of green consumer lifestyle title *G Magazine*, believes around 80% of consumers are sceptical about greenwashing. She recommends bringing in outside help if you can afford it.

"Businesses need their environmental claims endorsed by credible third-party certification organisations – it's the environmental equivalent of the Heart Foundation tick," she says.

Jeff Angel, director of the Total Environment Centre, believes the costs of a carbon audit or implementing an environmental management system can be recouped.

"Big companies may offer a premium price for genuinely greener products or services if the supplier can provide evidence, so it's really an investment in the future," he adds.

If you can't afford an external consultant, Philips suggests simply being transparent with your market.

"Don't try to inflate your credentials and don't try to hide things: it just makes your business look bad!" she warns. #