Responsible Business for an Environmentally Sustainable & Just Future

An Edinburgh Science Climate Co-Lab event

Meeting Notes

Wed 14 June 2023 2.30–6.30pm

Scotland House, 58 Victoria Embankment, Temple, London EC4Y 0DS

Chaired by: Dame Susan Rice DBE FRSE

Provocations

Welcome from Dr Simon Gage OBE, CEO of Edinburgh Science

Welcome to our first London Climate Co-Lab. Edinburgh Science are an educational charity set up in 1989 to run the Edinburgh Science Festival. We also have a variety of year-round educational programmes to encourage young people to carry on with science subjects and an extensive black book of contacts which in 2019 we were able to utilise when Cristiana Figueres came to the Science Festival to receive the Edinburgh Medal, which we awarded her that year. We put every CEO that we knew into a room with Christiana where she asked them what they would do to accelerate our transition to a bright future – and then she asked to see what they had done in six weeks' time, on her return to Edinburgh. And that is how the Climate Co-Lab events began. These events have traditionally seeded some excellent ideas; they are an opportunity for catalysed networking and we do hope that you benefit from this today.

Welcome from Paul Wood, Head of UK & International Relations, Scotland House

The purpose of this Climate Co-Lab is to grab opportunities and we are excited at this first of hopefully many collaborations with Edinburgh Science. Scotland House is Scotland's official residence in London. Here in London, we can connect with representatives from all global countries. It is a hotbed of innovative thinking. We use this as a place to inform policy, trade and investment, as we continue to champion the move to a Wellbeing Economy. Scotland House runs a membership scheme for Scottish organisations, as well as a platform for events – allowing Scottish organisations to succeed and grow in London.

Ministers acknowledge that we will need to work closely with the private sector to get there. So how will we work together, with you, to deliver this?

Welcome from event Chair Dame Susan Rice DBE FRSE, Chair of Scottish Water

Beginning on an anecdote from the holistic wellness practitioner Deepak Chopra. Chopra told the story of a fish tank with a divider. One half had goldfish swimming in it, the other was empty. The divider was removed from the tank, however, the fish stayed in the half that they knew.

Today, I am going to ask you to cross over to the other side, the unfamiliar side. We have people from so many sectors – finance, business, politics, technology, whisky – gathered to consider responsible business. We will hear the business case for responsible business, and the roles of policy and finance as levers to drive this.

Let's think of what we mean by responsible business. Is it the same for everyone? Do we mean the same thing when we say "sustainable?" Are we ensuring the future of our business – or of the whole world?

I assume we are all here because we share a common ambition and interest. But we can't assume that everyone does; and we know that the Global South is in a very different position – will they industrialise in the same way we did, or skip some steps and adopt new technologies? What is our role in helping them to do that?

Let's explore what it means to put these things at the very center of business.

Dr Kim Yates, UK & Europe Climate Change Operational Lead at Mott Macdonald

I started life as a scientist and now I'm applying that background to climate change. Mott MacDonald is an engineering and consultancy firm which employs 18,000 people globally and is employee-owned with strong PRIDE values regarding ensuring positive social value in place since we began.

PRIDE stands for Progress, Responsibility, Integrity, Drive and Excellence.

What I focus on is integrity. It's no good anymore thinking 'Oh let's do a few fudges' – the scrutiny is on you. We're on a journey now and if anyone tells you they've got it sorted – they're wrong, it's a journey. Integrity means understanding what you're saying means, and the implications. It means acknowledging shifting goal posts.

Since 2019, Ambitious legislation has pivoted our industry. Carbon Neutral and Net Zero have been interchangeable terms. We became Carbon Neutral by 2020. That is not Net Zero. We're involved in some of the biggest infrastructure projects in the world. This has impact and we can never claim Net Zero, which would be saying otherwise. Carbon Neutrality, aided by carbon drawdown, is one part in the journey to Net Zero.

We are growing our understanding of this journey. How are we purchasing goods? Which projects we should be working on? You HAVE to make sure you hold up your hand when you're not doing well, be prepared to make improvements and acknowledge where you're not doing well. So we continued to offset scopes 1, 2 and some 3 but we stepped back from claiming carbon neutrality as we now know that we can't. We don't have a perfect handle on procurement and clients. Having this level of honesty has given us some issues. If you don't understand the nuanced data that people are publishing, and try and compare apples with zebras – you will have problems:

In a New Civil Engineer published ranking of best engineering consultancies in Carbon reduction, we were ranked bottom. When we dug into the figures we realised that we had declared scopes 1, 2 and 3 but others had only 1 and 2, based upon different figures. So we came last. Actually, when taking scope 3 along with other companies doing great things in the sustainability space, we were all bottom.

So we held up our hands: we are on a journey and no one can be perfect. We have spoken widely as a company about what we can do: we have a massive impact to play for our clients. When designing infrastructure, we must design in decarbonisation. Our biggest influence as a designer is ideally not designing anything but asking 'Are you sure you need this?' The water sector has a great example of this. A pumping station was situated on a hill and had pumping going down the hill. The designer was able to design a pump that used gravity, not electricity – and therefore carbon.

It's no longer good enough to fudge it, the scrutiny is there. However, with scientific thinking on our side – we can tackle the imperfections that we have acknowledged.

Q&A and comments from the floor

One organisation had similar challenges to Mott MacDonald. Client influence was a key part of scope 3 decarbonisation – for example, a decision to not work with clients who were working within coal unless a clear transition plan was in place or it was to support them in their transition. This involved having a lot of difficult conversations with various clients. Recognising, of course, that we can't expect our clients to be perfect either.

With that, we must avoid the risk of turning our back on clients, and global regions e.g., the Middle East, that we could help with their transition.

Clients who want to buy 'stuff' are starting to signal that local materials and carbon-neutral materials are favourable. Therefore, the markets for these things are opening up – for example with green cement.

Do we need more rigorous framework standards for offsets? There are good frameworks out there, however the issue is that for nature-based solutions there is not enough landmass to accommodate all of the projects, which could cause the price to rocket in the future – it is predicted to be £300/tonne by 2030. Not to mention the other impacts on the price of land in general. Science-based solutions may include using other companies' decarbonisation projects as offsets – whilst still working as best you can on your own. However, some degree of carbon removal will be required to keep in line with 1.5 or 2 degrees of warming.

We have concentrated on decarbonisation but how do you measure the impact of other elements of responsible business in your strategy? Adopting a circular economy model helps with this.

In terms of nature-based solutions. We focus on the UK's geography. This is great for biodiversity net gain, which is a great side effect – however planting trees at landscape scale in the UK may not be the best thing for carbon drawdown.

Efua Mercer, Sustainable Finance & ESG Specialist, PwC

I wanted to start off by setting out what I'm talking about when I talk about Sustainable Business, as Dame Susan Rice opened by doing so eloquently.

A sustainable business operates in a manner that balances economic growth with environmental protection and social responsibility, recognising that success or long-term economic viability cannot be achieved at the expense of the planet or society.

Now lots of surveys and papers will attest to the fact that business owners and operators are most influenced by investors or shareholders when it comes to making business decisions – other stakeholders, clients, policy makers and increasingly employees also play a crucial part in influencing behaviour. However, finance – and I'd argue especially primary markets (e.g., where companies raise new investments) – debt finance really is a key enabler or stifler of sustainable business.

I'll start by speaking broadly of engagement as a lever. Engagement versus divestment is a key topic. Do we use the carrot (engagement and incentives) or the stick (divestment) or a mixture of both? Equity shareholders have the right to sit in AGMs or on Boards, engage with the company and apply pressure to change behaviour – therefore they have a lot of influence which may be more impactful. Credit providers engage too but divestment tends to happen a bit faster in debt markets where you can argue that the optionality around funding unsavoury activities is clearer. If it chooses, a lender can more easily just turn the money tap off.

So, this broad reference to asset classes – different types of investments, which can be based on similar characteristics – really hits on the concept of access to finance. Financiers are increasingly including environmental and social risks in their assessment of potential investments, or lending. No one wants to be left holding stranded assets. We are starting to see this with Oil & Gas majors struggling to sell off subsidiary coal plants etc.

On the other hand, there are specific pools of capital for sustainable business – not just from impact investors but traditional investors. Funds badged as aiming to support or catalyse sustainability under the Sustainable Financial Disclosure Regulation have surged in the last 18 months. In 2022 more than 1000 funds had badged themselves as being 100% dedicated to sustainable investments (5.2% of market in assets – doubled from 2021 to 22). In fact, Global ESG assets under management have skyrocketed more than 8 times since 2015.

Let's look at a couple of my favourite financial products that really can facilitate transition. A Green Bond for example has long been the darling of green finance and provides funds for green projects. Sustainability-linked products such as Sustainability Linked Loans (SLLs) provide a more explicit incentive/disincentive by linking good behaviour with a reduction in annual interest rate or potentially a penalty for bad behaviour. Key Performance Indicators and targets are set at the time of taking out the loan and these need to be material and ambitious, better than business as usual.

Companies that use such products can really galvanise resources across different levels and different business units to achieve set targets. So they are setting short term targets that are meaningful and actionable, rather than making a general statement of intent or ambition such as we often see from companies.

Now I am clearly an advocate, but realise these products are fairly new in the market, they aren't regulated and can be open to misuse. Additionally, the average savings is 7 basis points – one basis point equals 0.01% or one-hundredth of a percent and this is used to indicate a small percentage change in financial terms e.g., interest rates. So, the savings can be 0.07%, not a lot, and the implementation cost of the sustainability measures needed to meet the targets may be higher than the saving. So there is a question around whether lenders should increase this potential saving to create a real incentive. On the other hand, the cash saving should be seen as no more than a small bonus. The real incentive should be the opportunity to improve your business, manage risks to long term viability and create value that is truly additive and doesn't ignore the long-term needs of society and the environment we depend on.

Q&A and comments from the floor

We need a shared experience of what "better" looks like, and we need to be able to talk about it in the same language. The power of communications is often missed in business. Finance is powerful and through increasing our financial literacy, we can better understand the impacts of it and what could work for our business. However, from a comms perspective, talking about this IS complicated, technical and scientific. I feel illiterate about the powers or barriers that come with finance, so it is hard as a director to talk about this with colleagues, clients etc.

How can CSOs go to finance teams to ask for money? How can they make up that business case for sustainability in the way that the finance directors can understand it? Is there any literacy and education that we can do for these CSOs, directors etc. to help them to have the finance conversation with their finance teams and boards? This will be important to catalyse change.

Finance, particularly institutional finance, is indeed very specialised. We need people with different experiences – like Efua – to bridge the gap between finance expert and business leader. If I am a sustainability manager and I say to my board 'I need some money to do this, how can I have it' when they come back with the jargon, how do I respond? We are doing some work around this to help people to speak to their board and finance teams.

We need to highlight the distinction between money and numbers. Money: we can talk about its impact and its use. It enables outcomes. The technicalities are dealt with through numbers.

Some banks, for example ING in the Netherlands, have been great at supporting businesses through sustainable financial literacy. They appointed a head of Circular Economy to look at the big picture of sustainability. We need people who are specialists in a particular area to help understand how to finance it, and vice versa.

Revere is a nature financing platform. It is a startup within a business, and accessing finance has been a problem as the project is deemed to be 'high risk'. It's early-stage, small-scale. There don't seem to be many financial products for nature specifically. This goes back to literacy and understanding; some investors can be over-cautious. Finance for nature projects is not yet mainstream and funds which include 'biodiversity' will feed into companies who do not *harm* biodiversity, rather than do anything specific for it.

We were trying to fund projects in poorer communities – a 'Recoverable Grant' gave early money to people who could deliver the projects, started as grant and potentially became something bigger as part of loan.

There is the misconception that if we get hold of the right people and convince them, they'll be persuaded, but they have their own difficulties. Fiduciary duty is one example – there is no policy driving it e.g., no government is saying it's illegal to create new oil fields. Finance exists as part of a bigger political ecosystem.

On policy: the sustainable bonds, debt and other initiatives are not regulated, however there are principles in place. Each year our thinking evolves, to increase the integrity of these projects. A lot of the push comes from the fact that you have journalists looking into particular bonds and investigating whether the company's targets are authentic – and as such reputational risks if they are not. Transparency needs to be improved.

This would require improved financial literacy – back to a previous point. There is a huge gap between what a person on the street understands to be a sustainable investment, and what an asset manager understands this to be. The public might perceive sustainable investment as something which combats climate change whereas asset managers are talking about risk in terms of the impact of climate change on their operations. How do we close this gap?

Columbia have done a lot about blended finance – lender finance coming to the public sector and delivered by them. Not a lot of call for it here in the UK, but it is a potential solution. The financial institutions manage the risk.

Benita Matofska, Director of Futuretivity

10 years ago I was invited to speak at sustainability conference with Vivian Westwood. She walked out and said ‘if you want to be sustainable don’t buy my clothes.’ The point is, we need to be brave, bold and transparent.

We also need to have a better understanding of what sustainability means. Simply, this is the ability to continue. Continuity is needed by people and the planet.

We need to have a business case for this, it has potential. We also need to understand that if we’re not sustainable then we won’t survive into the future. Who is paying and how much is happening? Investment also includes time, energy and focus.

Policy. Need more financial incentives, reward good behavior make it hard to do wrong.

1 – Sustainability is everyone’s responsibility and we need to be inclusive and participatory. The challenges we face are immense and so we need a diverse spectrum of people involved to ensure a representative perspective

2 – This is a journey, be clear about where you are and how far you need to go. It is better to be at the bottom of the table, if the table is meaningless. Expend energy in finding out about any bad stuff you may be responsible for and address it.

3 – Don’t jump on the bandwagon, people are savvy and will spot it. Transparency is key.

4 – Actions speak louder than words – what are you doing? How can you be a leader for good business, what evidence do you have? How do you track, and what do you measure? I’m a fan of B Corp, it’s a good structure. How can we have influence? Be a campaigner. 90% of your emissions come from your supply change and you can influence that. Collaboration is vital: we can’t change things in silos.

This is not just about minimising negative impact. What are you doing to create value and create positive value. In every decision, product or service that we design or create, we need to consider the carbon impact. Each time asking yourself, **will this bring benefit?**

Meanwhile we must showcase what we ARE doing, it inspires others and demonstrates that it’s possible. Most businesses in this room have a project that they’re proud of.

The businesses of the future are brave, committed, and diverse.

Are you in?

Discussion chaired by Dame Susan Rice DBE FRSE

Education

We need to make sure that every role in an organization is brought with us as we carry out this journey. We need to embed sustainability and responsibility in decision-making in the same way we think about monetary costs. To do this, more training needs to be provided across entire organisations to close the skills gap. Much of the focus is on executive education, however Carbon Literacy training offers a training package for all. We need to empower people to really learn with engaging content.

We need to teach people to work across silos to combat challenges; to identify the numerous co-benefits of carbon reduction and figure out how to achieve these together.

It comes back to profits and competition: The requirement to be competitive often stops businesses from sharing knowledge but sometimes collaboration and inter-organisational learning opportunities are more valuable. However, the CMA has recently released new guidance on collaboration which encourages companies to drop their concerns about anti-trust competition issues, to enable better collaboration.

People will demand to see climate training reflected in profits.

This brings us back to the business case: what business case can the hypothetical CSO pose to their finance director for carbon literacy training? What benefit can it add to individuals' roles, and how can those individuals be empowered to talk to clients etc about this?

On the value of graduates and SMEs: Graduates care about their future and tend to ask prospective employers what they are doing on ESG. On graduates, they come in enthusiastic and prepared to ask important and difficult questions because they have been used to being in environments which encourage critical thinking, e.g., University. However, they often lack the context, knowledge and experience that comes with being old and having been around in a sector for a while. Both traits are benefits. How do we bridge that gap?

As a recent Economics graduate, one member was annoyed that negative externality is not calculated in GDP. However, that graduate has since been involved in strategy discussions at their leading sustainable financial organization and heavily involved with provoking people in the organization to have sustainability front and centre of their departmental function.

SMEs are seeing success in the Net Zero Agenda, as they are someone else's scope 3. They can move faster than corporates; corporates could learn from them…

New Economics

How have concepts such as Doughnut Economics and Circular Economy been fed into sustainability bonds? Is anyone applying a systems-thinking approach to processes, and if so, who is owning these tasks in terms of accountability?

There exists a fear of jargon. Many people today were shy to put up their hand and say, I don't understand some of the more technical finance information being shared here. We need to move away from this idea that we should know it all – it is OK to question. Those who have had varied, multi-disciplinary careers are good at doing that and encouraging others to do the same.

How to share and understand data

When you talk about sustainability, you need to give numbers and data as evidence of progress. We know that there is 424pp of CO2 in the atmosphere – that is a number. We know we need to balance the equation or subtract from this number to stay below 1.5 degrees of warming. We need to reduce the carbon dioxide in the atmosphere by 7% a year to stay on track. So, the businesses here today, have you lowered your emissions by 7% this year, last year? How has the investment in green bonds helped in numerical terms and how does it compare to investment in oil and gas? As we talk, the CO2 keeps rising.

I'm interested to know – how do you strike balance between numbers and getting the message across? Some people respond well to numbers and hard evidence; others get switched off by the data and prefer to listen to the story that the data tells. Numbers can also be nuanced, and change based upon different measurements, which can add to the confusion and sometimes criticism which is not productive. Therefore, companies lean toward talking about the journey that we are on.

Public concern – what people think they mean by climate change can differ. People care a lot about plastic pollution, because it is tangible – but they do not understand that this is a separate (if related) issue to climate change. People care about what is happening today rather than in the future. And then, they still see incidents like wildfires and unprecedented weather, happening today, as a one-off.

How do sustainable financial products account for the cost of doing nothing? For individual business customers [of green credit], it is tricky to financially forecast a scenario of costs incurred by business as usual versus the costs incurred from meeting requirements of a green loan.

However, in more general terms - 85% of assets held by fortune 500 companies are at risk from climate change. The cost of take-down is approximately £12 trillion per annum, if we do nothing. We need to be talking more about this cost.

Behaviour

Urgency: in the past five years, this sense has become universal. **Agency:** people and businesses want to take action, however no-one knows how! Staff don't see sustainability as part of their day job when they CAN contribute to making a difference within their role.

Ultimately, we need to affect behavioral change by encouraging people to understand the impact on them.

We are coming into an election cycle here in the UK. Policies are getting there but have not caught up with national net zero targets. Mark Carney's narrative is about Net Positive: businesses can lead the way if they remain ahead of policy. This can pay dividends in the long term as the laggards follow suit.

Concluding points:

Dame Susan Rice: 'Keepers'

- Skills and knowledge need to be continuous and not just about the WHAT but the HOW behaviours,
- We must learn as we go; our metrics are developing and over time we get better.
- Ask the questions more frequently: do you really need to do this; what's the long-term economic viability?
- Change is brought about by people. We look to create systems as if they can do what's required, but this is actually about what all of us do with the systems.
- Keep up your curiosity, if you're curious you'll dig in and it will help you to find your way forward.

Take-home messages from participants

- People need to see how this is relevant to their lives, and not some distant issue. It's a clear and present danger, but the beginning of a positive story. We need to ensure that this narrative is cultivated.
- ESG is an important aspect of industry's involvement in climate change. Climate change is an important aspect of education. Young people have expectations that it will be addressed seriously in business and society.
- The need for collaboration is key and that it's a journey we are all on. Scaling up needs to happen quickly.
- There is huge potential for profitable sustainability strategies for corporates and financers.
- Companies must go beyond net zero targets, outlining a plan to decarbonize, although a consistent and accepted approach for communicating this plan and how it is measured is not available yet.
- The need for education, upskilling of all professionals on financial and climate literacy.

Delegate List

Name	Job Title	Organisation
Adam Leaver	Global Head of Client Services	Ecometrica
Adam Liddle	Head of Sustainability	Roslin CT
Alan Hendry	Director of Sustainability	Mott MacDonald
Anthony Craig	Senior Manger MAM-GIG's Green Analytics; Sustainability Team	Green Investment Group
Benita Matofska	Partner	Futuretivity
Charlie Hogg	Head of Policy Team FM Policy & Delivery Unit	Scottish Government
Christina Tribble	US Cultural Attache	US Embassy
Dame Susan Rice DBE	Chair	Scottish Water
Efua Mercer	Sustainable Finance & ESG Specialist	PwC
Elliot Frankal	Director	ESG Comms
Emily Stone	Climate & Sustainability Business Development Manager	Edinburgh Science
Emma Davies	Head of Partnerships	Palladium
Eoin McGregor	Senior Strategist Business Development	TripAdvisor
Esther Ho	Climate, Environment & Emerging Issues Manager	Natwest
George Davidson	Business Unit Director	Glaxo Smith Kline
Hannah Schlesinger	Director of Development & Marketing	Edinburgh Science
Heidi Colloctt	Principal Sustainability Consultant, Climate, Sustainability, Resilience	AECOM
Ido Eisenberg	Senior Portfolio Manager	Deloitte
Isabella Stevens	Policy Officer for Climate and Sustainability, Engineering Policy Centre	Royal Academy of Engineering
Janhavi Jain	Manager Sustainable Finance Transformation	Ernst &Young LLP
Joanna Yarrow	Founding Partner	M&C Saatchi LIFE
Kim Yates	UK & Europe Climate Change Lead	Mott Macdonald
Kirsty Summers	Head of Workforce & Skills	Scotch Whisky Association
Paul Wood	Head of the UK, EU and International Relations Team	Scotland House
Polly Lomas	Programme Manager	Travalyst
Richard Thompson	Architectural Director	Parabola
Roberto Buizza	Scientific Attaché	Italian Embassy, London
Samuel Woods	Regional Marketing Manager	Vattenfall
Simon Gage	CEO	Edinburgh Science
Sophie Hunter	Embedded Software Test Engineer	Cirrus Logic
Stephanie Maia	Communications Officer	Edinburgh Science
Stephen Parker	Sustainability Senior Manager	EDF Energy
Steven Knell	VP Consulting Power & Renewables	Wood Mac
Stuart Jones	Commercial & Revenue Director	Lumo/First Rail
Sue Bonney	ESG Strategy Adviser and former Head of ESG KPMG	
Tweedie Brown	Chairman	Climate Change Ventures
Victoria Thomas	Sustainability Software Principal, UKI	IBM

With thanks to our supporters who allow us to deliver this project:

We would like to thank the organisations shown below whose funding enables us to deliver these unique and invaluable collaboration opportunities. If your organisation is not yet listed below, perhaps you might like to consider supporting our climate projects – please contact Hannah Schlesinger, Director of Development & Marketing (hannahs@scifest.co.uk), or any of us at Edinburgh Science.

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Appendix

(i) About Edinburgh Science

Edinburgh Science Foundation is an educational charity, founded in 1989, which operates Edinburgh Science's Education and Festival programmes. We are best known for organising Edinburgh's annual Science Festival – the world's first public celebration of science and technology and still one of Europe's largest – our science education outreach programmes, Generation Science and Careers Hive and our community engagement work.

Our mission is to inspire, encourage and challenge people of all ages and backgrounds to explore and understand the world around them. As leaders in our field of Science Communication, we work year-round to create and deliver dynamic hands-on workshops and exhibitions and inspirational shows, discussions, debates and performances that continually push the boundaries of public engagement with science. Communication and engagement are at the core of all our work and we strive to ensure that this is embedded in all aspects of our organisation.

Edinburgh Science Climate Co-Lab Series

Edinburgh Science's Climate Co-Lab is a series of round table events which bring together senior leaders from various business sectors; government; charity; academia and beyond to foster ideas and inspiration to help them grasp the opportunities presented by the climate emergency. Many of the leaders that we convene might not usually find themselves in the same room as one another and as such the round tables prove invaluable for making new connections and seeding new partnerships.

Following two or three powerful provocations from subject-matter experts, participants are all invited to have their input into a round-table discussion. Each event is chaired by an inspiring leader who ensures that delegates put their ideas on the table, and dynamically steers the conversation toward a beneficial conclusion rounding off with a few possible action points. The Co-Lab also provides ample networking opportunities, helping to catalyse the net zero transition through inspiring and connecting the people who can deliver it.

Edinburgh Science began delivering these events in April 2019 after awarding the prestigious Edinburgh Medal to Ms Christiana Figueres - the acclaimed Costa Rican Diplomat who was instrumental in bringing about the Paris Climate Agreement. We organised a round table on that day, with leaders of business, public sector, third sector and higher education present. They were challenged by Christiana to collaborate, to act, to not wait for anyone to give them permission and to use the opportunity that presented itself for positive change.

This optimistic ethos is what has driven these events ever since, with delegates finding immense value in them, due to the diverse invite list and facilitated discussion format.