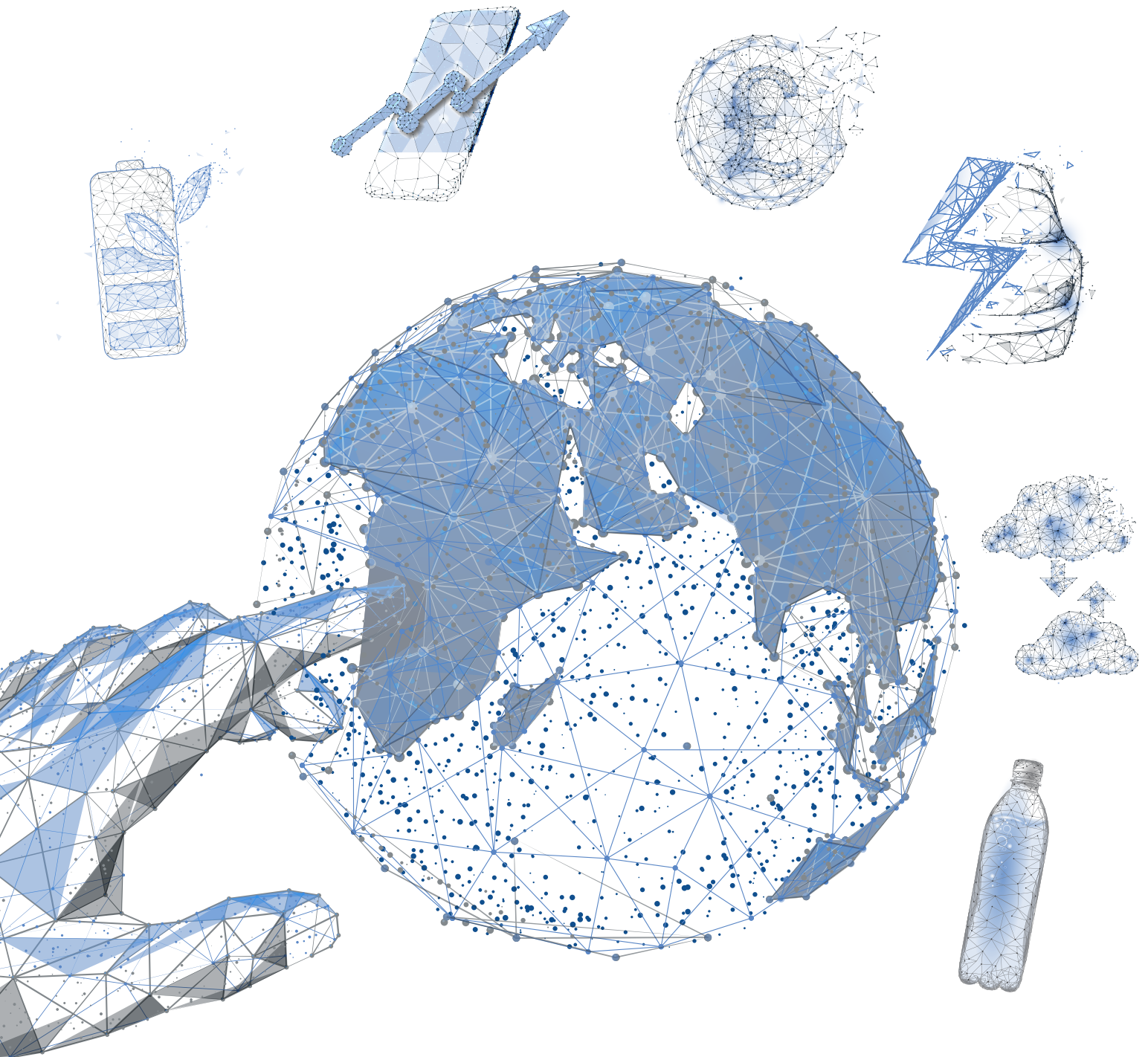


CLEAN AND ETHICAL BUSINESS

Creating and investing in sustainable business models



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“ I do think we are now seeing a fundamental shift in focus when it comes to sustainability, putting the environment first, reducing our carbon footprint, acting in a more ethical way. ”

Lynne Rathbone, Trowers & Hamlin

Foreword

Who bears the burden of change and of having a more environmentally friendly business model? Change does not fund itself and costs incurred by businesses will have to be passed down the supply chain. Are consumers willing or able to back their social conscience and pay that bit extra for a more sustainable product or service?

Whilst perhaps it may initially cost more to do things differently, if market share increases as a result of green changes, then it could prove to be more profitable to make those changes in the long run. It's important for organisations trying to operate a more sustainable model to ensure that their cultures are aligned with any business partner, funding partners and investors given businesses are being judged specifically on their environmental, social and governance policies and not just on their profit margins. Pressure on the government and decision-makers to force change from the top down is increasing. The Corporate Governance Code (which is only binding on public companies but which private companies are encouraged to follow) was changed in January 2019 to put the onus on directors to ensure the long term sustainability of their companies. That, together with the recent change in pension trustee fiduciary duties and the Government's expectation, set out in the Green Finance Strategy, that all listed companies and large asset owners should make climate-related financial disclosures in annual reports by 2022, will result in progress. Legislation may follow to force change but the weight of changing social expectation may be a significant catalyst.

Hosted in Britain's Ocean City, Trowers & Hamblins brought together leaders from across the region to look at what businesses of all sizes are doing across the South West and the opportunities for business model disruptions and innovations that result in more sustainable businesses.

We are keen to engage with people who want to be part of the debate so please get in touch.



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“ I think it is really important to remember that we are part of the same eco system here and we have got to look after each other ”

Ellen Rodger, Co-cars

Roundtable event

Attendees

South West Business Insider	Gavin Thompson – Deputy Editor (Chair)
National Marine Aquarium	Drew Colenso – Head of Operations
Neighbourly	Zoe Colosimo – Chief Operations Officer
Salcombe Distilling Company	Howard Davies – Managing Director
Double Retail	Polly Grinnell – Managing Director
Impleyable	Peter Kelly – Chief Executive
Green Forward Networking	Marina Leadbetter – Director
Software Solved	Lindsay Lucas – Managing Director
Co-cars	Ellen Rodger – Operations Director
Sanctus	Richard Stockdale – Environment Director
Langage Farm	Paul Winterton – Managing Director

Hosts

Trowers & Hamlins	Ian Brown – Partner
Trowers & Hamlins	Lynne Rathbone – Partner

“Sustainability is about more than the environment”

Lindsay Lucas, Software Solved





“ We talk about responsibility. We have a responsibility for our impact as a business to the people that are working within our business and to our wider stakeholders. It's not just about sustainability, it's about taking responsibility for what you have done, the choices that you're making, how you're re-investing that money or that time. ”

Polly Grinnell, Double Retail





“ We have to put things back, environmentally, socially and that, I believe, is the trigger, the beginning of something exciting that's going to happen over the next few years. ”

Zoe Colosimo, Neighbourly

“ There are some big problems to solve and is putting the right recycling in the right box going to make a big difference? No, but it's a small step and if we have a million small steps then it helps. ”

Richard Stockdale, Sanctus

The current position

Businesses across the South West region have long led the charge in finding new and financially viable ways to reduce their environmental footprint and increase their social engagement. Organisations of all sizes want to attract the best talent and it is vital for the region to retain and attract future generations of employees. Sustainable and ethical businesses are a huge draw for an increasingly environmentally and socially conscious workforce.

With sustainability and the environment moving up the agenda for businesses throughout the South West as well as increased pressure from local authorities and government there is a drive towards ethical business practices across the region and the wider UK. It is the ambition of the Great South West initiative to become the greenest economy in England and the first to net zero carbon with a focus on tech and networks. There are two broad sectors that the initiative is focusing on - the blue and green economy. These are defined as connected to the marine based economy and the land based economy.

The South West's enthusiasm for a clean, ethical business ecosystem was evident at the discussion. Trowers & Hamblins Partner Ian Brown disclosed that over half of the leases the firm completed in the last year were fully green, with 88% containing at least one prescribed green clause. "Clearly there is a move to not just be aspirational... but to actually make a real commitment."

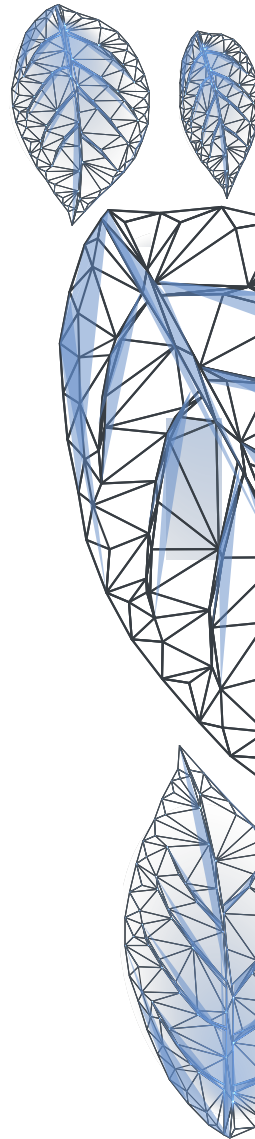
"If you try to take on the mantle of righting all of society's wrongs it can seem like an insurmountable challenge" says Lynne Rathbone, Partner, Trowers & Hamblins. "If you don't know where to begin you can feel like a lone voice, it can be so overwhelming that you end up doing nothing at all. I do think we are now seeing a fundamental shift in focus when it comes to sustainability, putting the environment first, reducing our carbon footprint, acting in a more ethical way generally, that is driving society in a new direction and we are seeing the impact this is having on businesses."

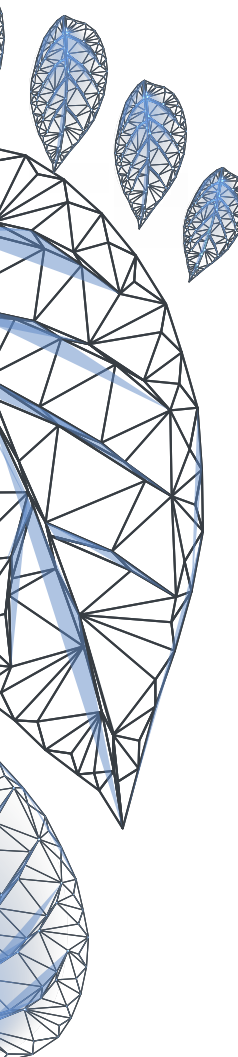
Gavin Thompson, Deputy Chair, South West Business Insider, asked Drew Colenso, Head of Operations, Ocean Conservation Trust, whether he had found businesses open to supporting conservation. Colenso replied, "When you can provide an easy change mechanism that enables people to do things in a better way, they are all for it. Floating mooring, for example, has been taken on board and we are try to implement that in harbour locally to protect sea grass."

Paul Winterton, Managing Director, Langage Farm provided a real-life example of a company's commitment to operating cleanly. "We started our sustainability journey about 10 years ago and built an anaerobic digester which recycles food waste from restaurants and other local clients into methane gas which we use to run the farm and manufacturing facility. We use about 75% of it then sell the rest back to the National Grid. It leaves a by-product which is good for the soil too."

So what is holding the South West's businesses back from making more of a positive impact? Winterton highlighted that although the South West is in a strong position there is a lack of collaboration between organisations.

Richard Stockdale, Environment Director, Sanctus is keen on collaboration in the right circumstances "We are absolutely clear that we will only collaborate and work with people who have the same environmental credentials."





“For me ethical business is holistic, it's about your footprint, it's about what you are able to deliver back to the community you operate in.”

Zoe Colosimo, Neighbourly

There are however, issues with the terminology used in conversations around ethical business and the term sustainability, in particular. Brown distilled it as, “What sustainability means is either not well understood, or means different things to different people.”

“I am shocked at how many people don't understand sustainability. It comes back to how ordinary people need to be able to afford to be sustainable. We have to understand the science behind every decision and it has to be at every level of society” Winterton added. Lack of clarity breeds confusion - but also action.

“The word sustainability makes me cringe a bit because it's so overused.” says Polly Grinnell, Director, Double Retail. “We talk about responsibility. We have a responsibility for our impact as a business to the people that are working within our business and to our wider stakeholders. It's not just about sustainability, it's about taking responsibility for what you have done, the choices that you're making, how you're re-investing that money or that time.”

“Sustainability is about more than the environment,” added Lindsay Lucas, Managing Director, Software Solved.

Peter Kelly, Chief Executive, Imployable, raised the social issues impeding the progress of ethical business. “People have bigger problems where they don't have money to feed their kids, they can't get a job because they have the wrong name or ethnicity. Sustainability is so low on their priority list. Until people like us address that problem we will never get sustainability.”

Zoe Colosimo is the CEO of Neighbourly, a platform which helps companies to invest time, money and products into communities in need. She agreed with Kelly, “I suppose what we have seen over the last few years is a real shift in focus in what people are needing.”

Profit and purpose

As well as being seen as the right thing to do, investors are increasingly looking for businesses with an eye on the future and with both economically and environmentally robust and sustainable business models. Making sustainability part of your business model can be difficult, and it is often expensive and complex to implement but consumer interest in these principles could create huge economic opportunities for business.

What role does business play? Passion for investment in communities has increased over the last five or six years. Investors increasingly regard the environmental and social performance of a business as a critical component for long-term success.

Longer term vision is essential says Colosimo “Politicians have become very short-termist. The businesses we work with have a longer term vision and there are interesting noises from organisations such as the Business Roundtable in the United States and the Institute of Directors here saying it has to be about more than profit.”

“We have to put things back, environmentally, socially and that, I believe, is the trigger, the beginning of something exciting that’s going to happen over the next few years.”

There are many ways for businesses to pursue a more ethical way of operating a fact which was reflected by the differing opinions in the room, beginning with those seeking profit.

“We work in the private sector; it has to be profitable to be sustainable,” stated Winterton. “What we are saying is that if you make more money then you can invest more money.”

For small ethical businesses selecting the right investor is critical. As Rathbone explains, the potential operating consequences of getting it wrong can be really serious. “For a sustainable business like that it is important to seek the right investors otherwise you may end up in a position where your investor, who is pulling the strings, is more interested in the profit than the sustainable business model” says Rathbone.

Co-cars is a social enterprise. This model has no single legal definition, but these organisations tend to put profits back into the business, or other social or environmental missions.

“We are very much values-led which is great. I agree we have to make a profit but that's not our prime purpose.”

Ellen Rodger, Co-Cars

Are structures such as B Corporations the answer?

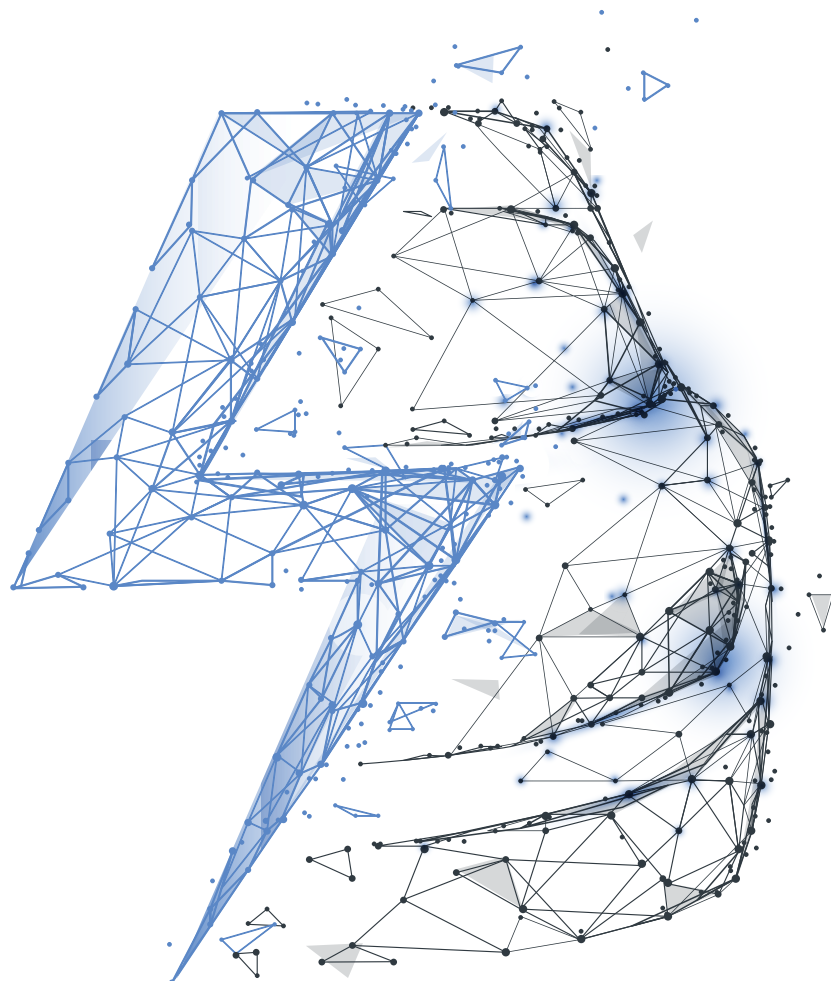
In between those two perspectives are Certified B Corporations, a model which Marina Leadbetter, Director, Green Forward Networking, thinks could be part of the solution. The certification to become a B Corporation measures a company's entire social and environmental performance and evaluates how your operations and business model impact your workers, community, environment and customers.

Neighbourly was one of the first businesses in the South West to achieve B Corporation status, so Colosimo expanded on what the certification means in practice. “It is a business that is there to balance profit with purpose. You cannot make a profit at the cost of everything else, and we are legally obliged to think about our impact on all of the stakeholders that we interact with our supply chain, our customers, our employees.”

Grinnell shared more about Double Retail’s journey and their decision to become a B Corporation, “About 18 months ago it started to click with us and we thought ‘if we look at our legacy going forward, what impact have we had?’ We rethought our business model. It is difficult to change the mindset of the retail sector from making profit and selling products but if we can help to change thinking to look at circular design principles, even down to something like not bonding materials together so they can be reused, then we’ve done our job.”

“You have to prove what you are doing and that it’s implemented in your organisation, right down to the legal position. We are currently re-writing our articles of association to do that.” says Grinnell.

Profit with purpose is no longer a niche concept. Addressing the interests of your stakeholders as well as those of your shareholders and doing well by doing good is set to become the new normal.



Impact in the broader community

As a region, the South West is regarded as a leader when it comes to sustainable business. From ethical banking to sustainable food, the region offers many examples of successful business models that focus not just on profitability but on the people they employ, the communities they are a part of and the broader environment. The focus seems to be shifting from purely looking at the bottom line, and the company's profit and loss sheet, to the "Triple P's" – people, planet, profit – and there was an interesting quote from Alexandra Spiliakos in the Harvard Business Review which sums up much of what was discussed around the table, "in addressing environmental and social issues businesses can achieve better growth and cost savings, improve their brand and reputation, strengthen stakeholder relations and boost their bottom line."

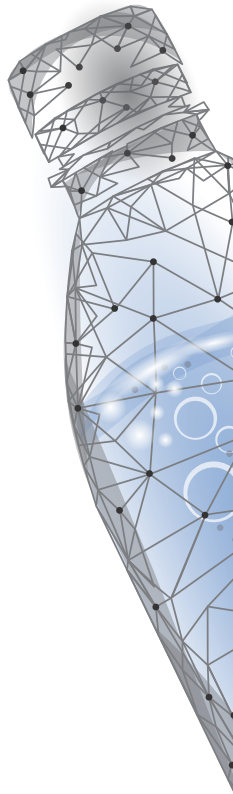
How can businesses create positive change?

It can be difficult to prioritise sustainability and ethics when starting a business, "When we first started the business three and half years ago, our focus was creating a business that will survive. Now we have more breathing space we can do more." said Howard Davies, Co-founder and Director, Salcombe Distilling Company. Now Salcombe Distilling Company is succeeding, the company can turn to bringing more positivity into the world. Howard shared three ways his business had done this recently: partnering, leading, and influencing.

Salcombe Distilling Company partner with Olympic gold medal winning sailors Hannah Mills and Eilidh McIntyre who have launched the Big Plastic Pledge. They lead by "trying to break some chains in their industry." For example, by refusing to offer samples in single-use plastic cups, instead choosing recyclable paper receptacles. The company's competitors have started making similar switches. Finally, influencing: when their suppliers sent products in individual, non-recyclable plastic bags, the Distillery encouraged a change to a more sustainable option.

The Ocean Conservation Trust exists to "promote pro-ocean behaviours," Neighbourly matches communities in need of investment with businesses, and Sanctus is an environmental remediation company. Even for businesses whose purpose lies in external impact, however, there is excellence to strive for and it can be cost-effective. Stockdale explains, "The important thing is putting purpose at the forefront of what we do. A lot of our competitors love knocking things down and then laying a pile of concrete on top of it, while we ask 'how can we go beyond remediation'. We turned a pile of 100,000 tonnes of asbestos into a wildflower meadow, that meadow was cheaper than putting concrete down. We've turned an illegal waste site into a community forest and it was cheaper to do that than put a pile of concrete there. It's finding the opportunity in what you do and not being lazy with it, thinking 'how can we make the environment a feature, not something that gets in the way'".

"There are some big problems to solve and is putting the right recycling in the right box going to make a big difference? No, but it's a small step and if we have a million small steps then it helps." shared Stockdale.



“I’d rather see a million business owners try to do something than us get paralysed by trying to solve the big questions.”

Richard Stockdale, Sanctus

There can be multiple outcomes from a single external impact, as Rodger explained. Someone giving up their car to lease an electric vehicle not only reduces their emissions, but also re-allocates space from stationary vehicles to communities. Co-cars’ existence “ultimately means making cities more liveable, making people’s lives better.”

As is often the case with high-energy discussions, politics was mostly avoided. However, this is an area in which businesses can have external impacts for good. Brown added, “we’re all fed up with politics but politics does actually drive policy.”

Rodger thinks that the broader impact of business and the bigger picture is very important. “The need to be inclusive and the need to be fair and the need as businesses to make the right decisions and do everything that we can to make society a better place. I think the key to sustainability is about recognising that we live within the bigger eco system and we couldn’t achieve what we do without our partners and stakeholders, our members, our local councils, businesses we work with and I think it is really important to remember that we are all a part of that eco system and we have got to look after each other.”

“Ethics for me is about integrity in what we do, the quality of the product, how we operate and present ourselves.”

Howard Davies, Salcombe Distilling Company



Internal ethics and talent retention

Ethics and sustainable business have become part of the long term strategy of many businesses, this is no longer a “nice to have” but essential for attracting and retaining the best talent out there.

The consumer, and the workforce, are now placing demands on businesses to behave in a more ethical way. To consider the impact that their business model is having on the world around it, or they will vote with their feet and spend their money, or find employment elsewhere. In turn, business owners are placing demands on their suppliers to behave in a more ethical way or they will use other suppliers. Voters are placing demands on the government to make change happen at the highest levels.

This groundswell/knock-on effect of everyone pushing in the same direction (albeit that we may have slightly different views on what the end destination should look like) is causing a societal change that individuals acting in isolation cannot achieve. It's quite unprecedented.

Being an ethical business is more than just having a good CSR (corporate social responsibility) policy. Changing attitudes across the UK mean that investors are increasingly using ESG (Environment, Social and Governance) criteria to evaluate companies in which they might want to invest. Businesses across the board are going to need to take steps to make this a part of their brand identity. As attitudes are changing at an increasing rate being ethical and sustainable is no longer something that can be considered at a later date but should be addressed now and is essential for the long term viability of all businesses.

For software developers Software Solved ethical business is about how they operate as a business, being transparent and authentic about who they are,

“Ethical business for me is about caring about people, doing what you say you will and doing it in a sustainable way”

shared Lucas. “We really nurture and care for our team.”

Software Solved has an array of healthy working policies, for example, video conferencing allows employees to work from wherever they choose and reduces associated emissions. The business has joined Devon County Council's Zero Waste scheme to ensure the clean disposal of irreparable or outdated hardware.

Ethical business can be as simple as listening to employees' personal needs. Winterton shared how Langage Farm has added hours for employees who needed additional income at Christmas; and reduced workload for those who are struggling with, for example, bereavement.

Environmentally many businesses do what is generally considered to be the minimum, cutting single-use plastic and recycling comprehensively. Now is the time for the move to bolder internal processes.

These internal processes don't appear at the click of the fingers. Brown commented that businesses starting up in 2020 are so aware of sustainability that it's more likely to be at the centre of their operation. Well-established businesses can be set in their ways. “It's very, very difficult to change the mind-set of making profit and selling products.” Grinnell agreed.

Lucas, addressed the South West's talent pool. “We've got a big skills gap in the South West from a science, engineering and technology standpoint. There is a lot being done in terms of STEM ambassadors in education but what about all those people who have already gone through their education, what are we doing to support those people back in the workplace to come into those careers? We need to build a supportive and diverse culture where people can thrive and grow within it.”

Rodger agreed, she would like to see more being done to support people at all life stages to “join us in those careers and actually build and sustain the South West.”

One advantage of strong internal ethics is diverse recruitment and retention. The modern workplace is changing as are the values of the workforce. Attracting the best talent in today's increasingly environmentally-conscious workforce is about more than a good salary. Diversity and inclusion are high on the list of considerations for the next generation of talent entering the workforce and employees place a premium on working in an ethical and sustainably conscious environment.

“There will be industries, sectors and firms that do very well during this process because they will be part of the solution, but there will also be ones that lag behind and they will be punished. Companies that don’t adapt will go bankrupt without question.”

Mark Carney speaking about the effects of the climate crisis on business.



Final word

What is the future for clean and ethical business in the South West?

There were differing views on what should be the priority moving forwards. “It’s the little changes that count, you don’t have to make this huge impact,” said Leadbetter. The enormity of the sustainability question can be overwhelming and can be a barrier to progress. Grinnell recommends consulting the UN’s Sustainable Development Goals “as they’re bite sized chunks rather than taking sustainability head on.”

UN's Sustainable Development Goals

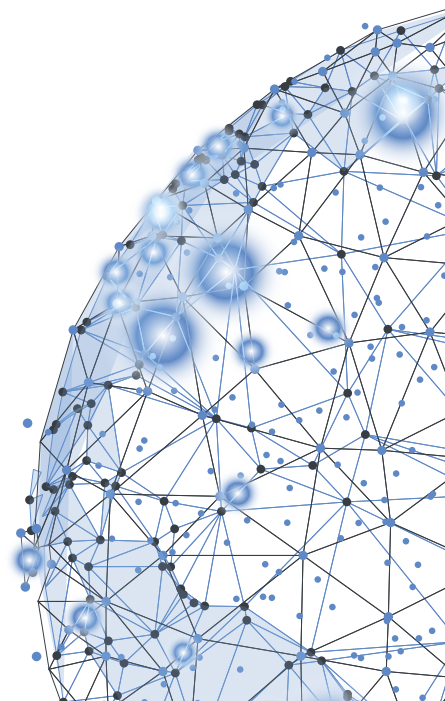
- No poverty
- Zero hunger
- Good health and well-being
- Quality education
- Gender equality
- Clean water and sanitation
- Affordable and clean energy
- Decent work and economic growth
- Industry, innovation and infrastructure
- Reduced inequalities
- Sustainable cities and communities
- Responsible consumption and production
- Climate action
- Life below water
- Life on land
- Peace, justice and strong institutions

Are small steps enough though, when we hear the phrase climate crisis so regularly? “I think it’s largely too late for sustainability,” admitted Colenso, “Development without harming the ability of future generations to meet their needs? That’s well gone.” He wants to see serious commitments towards helping humans adapt to the changing world.

Tackling inequality should be the first priority according to Kelly, “How are we going to love and look after the earth if we can’t love and look after each other?”

“There needs to be authenticity about how we live better as humans and look after each other and then sustainability will get pulled along with that.”

Ian Brown, Trowers & Hamlins



Winterton considered nuance, “Plastic is not going to go away,” he said. We need to understand the plastic industry and use the right materials conscientiously. After all, food items shipped in plastic are lighter, so are more energy-efficient to transport.

The different tones and perspectives in the room occasionally clashed, Stockdale summarised this, “Positivity doesn't work for everyone and direct challenge doesn't work for everyone, so the fact that we are each approaching sustainability and ethics in different ways means we've got half a chance.”

One idea that emerged and gained traction throughout the discussion was that, though the environment is often the main consideration, it cannot be the sole concern; ethical business is intertwined with social and fiscal sustainability and we need to be looking at the broader picture.

Consumers are increasingly looking for evidence of sustainability and a social conscience in the businesses they engage with. Businesses and consumers alike are becoming more aware of the environment and their impact on it. “I think a lot of change is being driven by the priorities of younger generations coming through to voting or working age” says Rathbone, “They have sustainability, the environment, ethical business at the forefront of their minds. Not that long ago, people left school/university, felt lucky to get a good job and they stayed in that job for life. Now, the workforce is more demanding. They have a voice. We spend, what, 70% of our time at work? They want to work for an employer whose morals and ideals align with their own and they are more willing to move to another job if they are not happy. As consumers they want to know that they are buying from an ethical source. There is more emphasis on knowing the origins and journey of the things they are purchasing and the impact that the production of that item has had on the world around us.”

Ultimately embracing more sustainable business practice, one that regards social and environmental impact as important as financial returns, is a business model for the future. You only need to look at the success of the South West region for evidence of this.



Initiatives following the roundtable

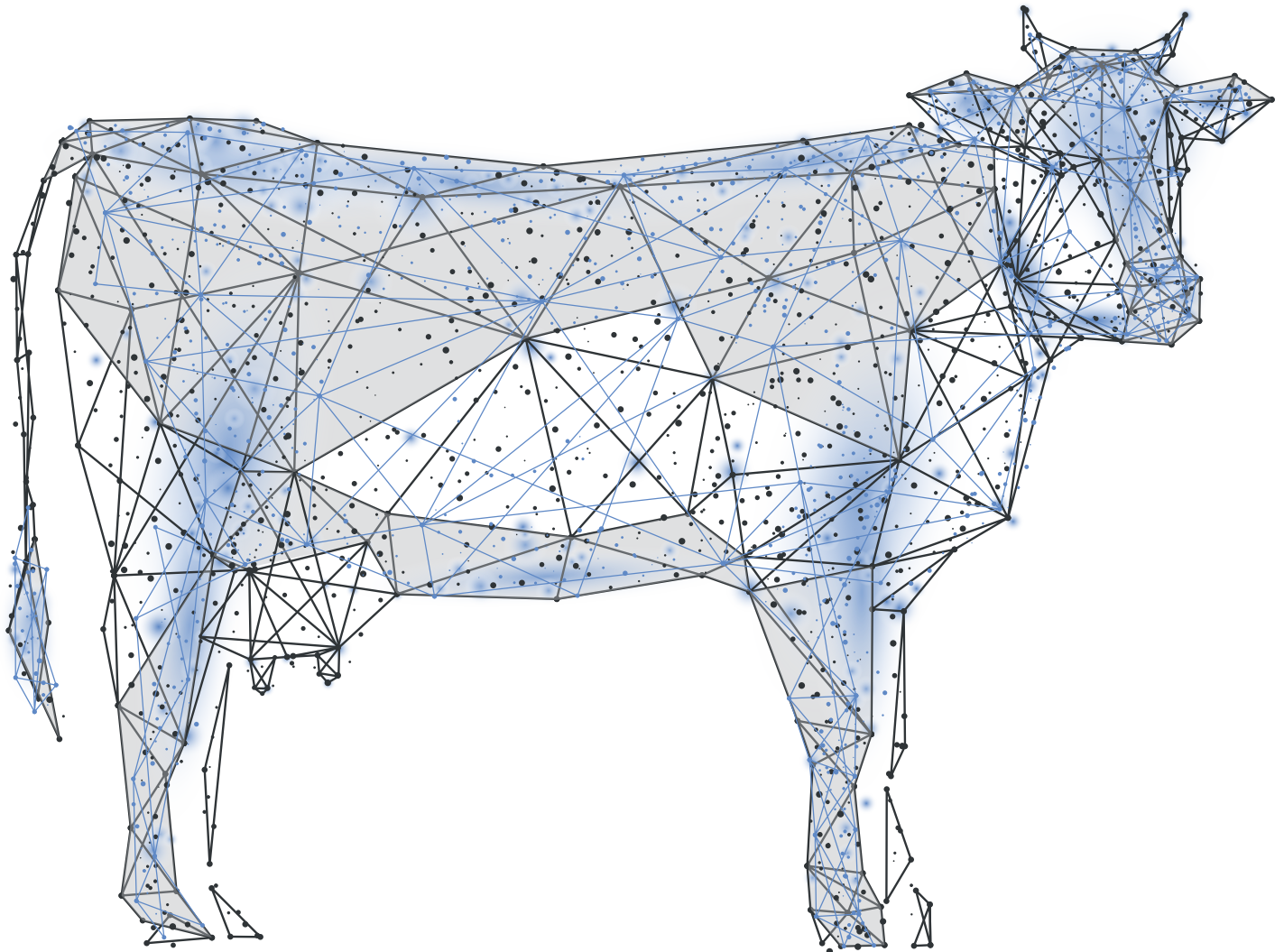
Sea weed into animal feed

Paul Winterton from Langage met with Drew Colenso from the NMA and Peter Kelly from Employable to discuss a specific project of trying to convert sea weed into animal feed with a view to reducing methane gas expulsion from cows and other farm yard animals. This is specifically driving the vegan element of food choice at the moment with the perception that current farming practices are bad for the environment.

With the South West being the major centre of farming across the UK this could affect the region in quite a negative way.

There has been a meeting at the NMA in early 2020 to discuss how this can potentially be taken forward. This involved the team from the NMA, Langage and Employable. The biggest hurdle is to get investment to back the project which Kelly is looking into.

Winterton has lined up a feed manufacturing company in the South West as well as two farms who are extremely keen to try this out when there is a solid plan.



Certified B Corporation

Following a recommendation at the roundtable discussion Salcome Distilling Company are investigating becoming a certified B Corporation to help them focus on careful balance of ethical purpose alongside building a profitable business. In addition to this they are also teeing up their next campaign with the Marine Conservation Society where they will be supporting their 'Marine Meadows' project. This has the objective of protecting sea grass environments on the sea bed with eco moorings. These seagrass meadows help stabilise sea beds, lock in CO₂ more efficiently than rainforests, host larval and juvenile fish and seahorses, and are great breeding grounds for cuttlefish and sharks in UK seas.

Working hard to solve the housing crisis

Following the meeting Sanctus were delighted to be named a finalist for the most Sustainable Project at the 2020 Ground Engineering Awards. They successfully restored a former quarry to provide 100 new homes for a growing local community, protecting the green belt in the process. The project, known locally as Barnhill Quarry saw a 45m deep former limestone quarry engineered with 1.5 million m³ of material diverted from landfill.

This approach to restoring land previously lost to society is a vital tool in helping provide sustainable homes in a sustainable way. The development of the platform avoided landfill waste, protected 20 hectares of green belt and saved the equivalent of nearly 5,000 tonnes of carbon in offsite disposal.

Richard Stockdale commented,

“We hope this project helps inspire other developers to think differently about sites thought too challenging for development and in the process helps protect our precious natural environment.”



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