

"Industry as a partner for sustainable development"

30th anniversary of UNEP DTIE:

22nd Consultative Meeting on Business & Industry

17 - 18 October 2005, RATP Headquarters, Paris, France

- Meeting Report (Nov 2005) -

UNEP's 22nd *Annual Consultative Meeting on Business and Industry* was held in Paris on 17 – 18 October 2005. It celebrated the 30th anniversary of the UNEP Division of Technology, Industry and Economics (UNEP DTIE), initially called the "Industry & Environment Office" after its establishment in Paris. Attended by over 150 representatives from business, industry associations, labour unions, international and non-governmental organisations, the consultative meeting included a high level debate chaired by UNEP Executive Klaus Toepfer on activities in the area of technology, industry and economics. The high level session was opened by Anne-Marie Idrac, Chief Executive of the public transport company RATP who hosted the meeting. Speakers included Melinda Kimble (UNF), Guy Sebban (ICC), Bertrand Collomb (WBCSD), Jean-Michel Severino (AFD) and Kandeh Yumkella (UNIDO).

The meeting was also a milestone in the process of developing industry sector Report Cards by business organisations and industry associations in preparation for discussions under the UN Commission on Sustainable Development (CSD) on "Industrial Development" from 2006 onwards. Initiated by UNEP, this process builds on the 22 industry sector reports prepared for the Johannesburg Summit in 2002. Participants used the Paris meeting to improve the draft Report Cards under preparation, texts that will be published in a joint report for CSD14.

Participants were reminded of **the objective of the process**, namely for business and industry to report on progress made in their sectors towards sustainable development since the 2002 Johannesburg Summit (WSSD), current or future challenges they face in advancing industrial development that is sustainable, and partnership opportunities they wish to explore with stakeholders in taking on these challenges.

Following on the industry sector reports prepared for WSSD, the process enables those industry associations and business organisations who participated to do a brief update. It also provides the opportunity for newcomer sectors to join the process of identifying progress, challenges and opportunities in an international dialogue with a variety of stakeholders and UN agencies.

The Paris consultative discussions were organised in four groups taking into account the different clusters of sectors:

- *Extractive industries*: aluminium, coal, mining, oil and gas, iron and steel, etc.
- *Manufacturing*: automotive industries, chemicals, food and drink, coffee, pulp and paper, etc.

- *Infrastructure, water, energy & transport systems*: cement, construction, power generation, transport, etc.
- *Services*: tourism, information and communications technology, postal services, finance, advertising, etc.

The multistakeholder meeting highlighted some key reminders and clarifications with respect to the content of the Report Cards being prepared. They are the following:

- The Report Cards cover all three pillars of sustainable development, and are NOT meant to address only environmental issues.
- Sectors that participated in the 2002 process should consider providing an update against the objectives identified in their WSSD report. The Report Cards will include the “What we said in 2002” highlights that UNEP included in each sector template.
- The Report Cards should refer, where applicable, to relevant UN goals such as those of the Millennium Declaration and the Johannesburg Plan of Implementation. Mindful of the other main themes of CSD14, special references to climate and energy may be appropriate.
- It is useful if Report Cards start by providing a brief introduction from the sector, stating what it intends to achieve with the Report Card. This text can be included in the form of a short paragraph at the start of the Report Card.
- It is recommended to change the heading of the 3d section of the Report Card to "Partnership Opportunities", allowing for sectors to describe existing partnerships they wish to take to a new level / phase or completely new partnerships they wish to initiate. Partnerships described could be either international / macro level or local / micro level (*cf the UNDESA definition at http://www.un.org/esa/sustdev/partnerships/about_partnerships.htm*).
- Report Cards authors are reminded that the Report Card text needs to have a length of TWO PAGES maximum (format as required in the UNEP template). Additional graphics / tables with statistics can be added on a 3d page. The full address details of the organisation, name of its executive head and weblink for further information needs to be added on the 3d page as well.

Meeting facilitator Paul Hohnen reminded participants that the preparation of Report Cards is led by business initiatives and industry associations who agree to participate. Their draft texts are presented for multistakeholder discussion, in person at the Paris meeting and online up to 31 December 2005. To date twenty of an expected 30 volunteers were ready with their Report Cards in draft form. Newcomer sectors include coffee, postal services, renewable energy technologies, mining, cement, pulp and paper. Some of these were still expected to submit their draft texts in November.

Meeting participants discussed the submitted draft Report Cards in the following four industry sector cluster groups (average number of participants of each added in brackets): extractive industries (18), infrastructure / water, energy & transport systems (40), manufacturing industry (30), and services (22). Each group was facilitated by a 3d party organisation and co-chaired by a senior UNEP DTIE manager. The following text gives an overview of feedback from the four groups, who met in three sessions to discuss the three sections that constitute the structure of the Report Card.

Section I: Work in progress

The **Infrastructure Group** was facilitated by Tom Rotherham of the *International Institute for Sustainable Development (IISD)* and co-chaired by Mark Radka of UNEP DTIE. Key work in progress issues that transpired from discussion in group were climate change, integration across sectors and government to improve its enabling role, difficulties in getting comparable data from all regions, the role of standardisation and codes in providing minimum standards and consistent levels of good practice, and the role of training in building capacity. The cement, construction, power generation and transport sectors focussed much of their contributions on climate change related action. Cement, construction and power generation highlighted activities to improve energy efficiency and find substitutes such as wastes as fuel; developing GHG reporting in pursuing voluntary commitments to reduce GHG reductions, new projects to take up use of Joint Implementation and the Clean Development Mechanism, activities to advance life cycle costing and reduce the energy consumption of buildings, and the development of new technologies including changes in the energy mix. The public transport sector highlighted its new charter with voluntary, measurable commitments and efforts to promote clean air and clean technologies. The railways sector noted its focus on energy efficiency, noise pollution and emissions.

During discussion of a lack of coverage of social and developing countries issues, the waste sector noted how in developing countries severe public health issues persist. An NGO representative from Senegal underlined the different meaning of sustainable development in different regions, mention the lack of basic transport services in his own country. The LPG industry described its focus on developing countries, addressing issues such as availability, affordability and indoor air pollution as a main killer of women and children. Also addressing social dimensions, a labour representative spoke about the role of social dialogue in dealing with questions such as health and safety and vocational training. Unions are helping to ensure that new best practices are spread and also taken up in developing countries. Furthermore, integration is promoted through promoting framework agreements with a sustainable development approach that also covers environmental issues. A consulting engineering representative argued that progress is indeed being made, with clients in all regions asking increasingly for advice with a sustainable development perspective.

In their comments, NGO representatives complained of a lack of reported timescales, calendars for phasing out of polluting substances and specific targets to really enable measurement of progress. Some sectors set targets at a decentralised level. Some agreed that they need to develop and/or add improved targets on socio-economic issues. A plea was also given for improved integration between transport sectors and doing away with unsustainable subsidies. An NGO from the Middle East described the importance of capacity building and its role in promoting good housekeeping and setting up a cleaner production training centre in cooperation with UNEP / UNIDO. Further NGO comments highlighted interlinkages between environmental and social dimensions, for example how environmental repair can also create new employment. More of this positive interaction needs to be reflected in the Report Cards. A representative from Sri Lanka underscored the need for special consideration of small company (SME) needs, whilst a labour representative

mentioned how multinational corporations can help improve standards in all regions through its supply chain influence. Yet some criticised multinational corporations of applying double standards, for example applying lower energy efficiency standards in China.

The **Manufacturing Group** was facilitated by Luis de la Torre of *Kenshu Kiokay del Perú* and co-chaired by Leo Heileman of UNEP DTIE. Several sectors reported having difficulty setting clear, well-defined achievable indicators. Moreover, those sectors which are very heterogeneous – such as agriculture – have trouble defining relevant indicators. Therefore, assessing the situation and its evolution can be quite challenging. It was concluded that the effort to harmonize indicators should continue in order to set up a set of factors of comparability between all the businesses from the same sector. For those sectors where SMEs are numerous, for example food and drink, organisations have expressed difficulty collecting the information because of lack of involvement and/or cultural traditions of confidentiality met in certain countries.

Whilst efforts exist to promote application of life cycle analysis, participants noted complications related to classification problems. In the case of chemicals and aluminium for instance, the lack of international classification results in difficulty to compare reports (Europe for example is the only region where aluminium scrap is classified as waste). The chemical industry reported on special outreach activities in Asia, with particular reference to China and India and efforts to introduce harmonised terminology in the different languages. Under Responsible Care the chemicals industry has created a new category (“observers”) for which countries must already fulfil certain criteria, whilst having to meet further criteria to become full members. This leaves time for newcomers to incrementally progress towards meeting Responsible Care requirements fully. The aluminium industry reported that 50% of its production happens outside OECD countries, because growth capacity lies outside the OECD area. The industry had no sustainability implementation plan before WSSD, but agreed on 10 sustainability objectives in 2003. The aluminium sector reported on voluntary agreements by its industries on GHG emission reductions, and progress made in for example the Middle East and South Africa to meet new international standards in reporting on GHG emissions. A key challenge remains in China, where there are as many smelters as in the rest of the world. The fertilisers industry reported that in Asia and China there is low efficiency use of nitrogen which has serious environmental consequences. In Africa on the other hand, the issue is access. There is enough land but it costs more to transport the fertiliser from port to farm.

In Europe the food and drinks industry has started a number of voluntary initiatives and is also examining the use of food by-products as use in fertilizers. The coffee industry, worth \$30 million in profit, reported its efforts to advance fair trade and ensure the profit received from the sales of coffee is reaching the producers. One development problem is that developing countries, for the exception of Columbia, do not roast their own coffee. In its effort to promote sustainability, the industry is also examining diversification and inter-cropping for the farmers so that other crops can be grown as well. A Common Code for the Coffee Community is being set up and 36 development projects are funded by the Common Fund for Coffee.

The **Services Group** was facilitated by Jacqueline Coté of the *World Business Council for Sustainable Development (WBCSD)* and co-chaired by Bas de Leeuw of UNEP DTIE. Discussion on work in progress highlighted the importance of agreed indicators to enable reporting on progress. Referring to the fact that many industries are still not reporting adequately, the extractives groups also mentioned the need to harmonise and rationalise performance reporting indicators. Discussion on reporting and indicators in all sector clusters showed how associations and groups of companies can learn from the reporting experiences of individual, leading companies. Newcomer companies can again be inspired by a collective effort. Asking that sustainability reporting should become normal practice, the ICT sector confirmed that the number of companies that do so is increasing. This is due to increased pressure or demand by stakeholders and financial rating becoming more and more popular.

Discussion in the services group noted that because of the variety of sectors and fragmentation, the draft Report Cards were very different with very different topics covered. What they did share was poor coverage of social issues and a lack of coverage of developmental issues. This underlined the need to have the drafts commented on by relevant stakeholders and introducing the debate at the regional level. Important is also buy-in of the sectors themselves, convincing them of the usefulness of the process itself.

The **Extractives Group** was facilitated by Remi Parmentier of the *Varda Group* and co-chaired by Arab Hoballah of UNEP DTIE. Starting with a discussion on the overall process, the group agreed that there is the need to identify a set of common questions, format and procedure for feeding the industry Report Cards into the CSD process. This includes the need to make a link with goals of the Millennium Declaration and Johannesburg Plan of Implementation. Participants noted that several associations are reporting based on feedback from their membership. However, many companies outside industry associations or business organisations do not report, because there is no regulatory or other obligation to do so. There is therefore a need to foster conditions favouring reliable and comprehensive reporting. It was also agreed that where there is a clear regulatory framework or other incentives, it is easier for companies to report on their sustainability performance.

Related to the issue of stakeholder engagement, participants highlighted that dialogue needs to take place between individual companies and communities, as well as with governments. Internal dialogue, including with trade unions and workers, is of major importance. Looking at the impact and outcomes of such dialogues, it was noted that linking contributions from the global to the local level is not an uncomplicated task. In general, the group agreed that there is a need for improved information exchange and mutual understanding about SD issues at all stakeholder levels. The oil and gas industry reported that there are still disconnects between the industry's perception of its responsibilities and what others think should be its responsibilities. In attempts to promote mutual understanding, initiatives such as the Voluntary Principles on Security and Human Rights and the UN Global Compact offer a common footing.

Section II: Future challenges

In the **Manufacturing Group**, the fertilizer industry explained that agriculture is a very large industry (producers, engineering, transport, etc) and the most efficient operations are just at the limit of efficiency. An organisational challenge in China is that there are many agriculture associations, but no one dealing with fertilizers specifically. There are some 1600 fertilizer producers, but they are not performing environmentally. The fertilizer sector reported that life-cycle analysis is being used increasingly and building on the 'success' of the green revolution, the latter having reduced diversity and nutrients and led to many micronutrient deficiencies. It is trying to improve the level of research and development (R&D) being done at a time of difficult market conditions. The coffee industry also mentioned the difficulty of having to cope with price fluctuations in the market. In 2006 the industry hopes to have a new global agreement signed between producers and farmers. Information flow is also very challenging because the sector is made up of millions of small producers. Possible the sector can obtain lessons from the ICT sector in finding solutions to this. An additional challenge mentioned by a number of manufacturers is a better policy framework to provide sustainability incentives to farmers. The food and drinks industry is developing tools to help farmers and is also providing support in the form of micro-credit schemes for farmers. The industry is focussing on pilot projects of 3-10 years with long-term impacts, for example a water pilot plant for tomatoes in Brazil which has resulted in 70% water savings.

Key challenges for manufacturing remain climate change and research on new technologies. In the food and drinks industry research continues to be done on genetically modified organisms (GMOs) and food availability in the world. Addressing climate change includes the need to make improvements in energy, transport and water management. High on the agenda of the chemicals industry is its contribution to meet the Johannesburg Summit target of responsible chemicals management by 2020, helping developing countries to close the gap. A major challenge in its Responsible Care outreach work is implementation following the membership of mainland China. The aluminium industry also highlighted an outreach challenge in convincing the 28% non-members of its industry to join the industry association. Most importantly, it is focussing on a sustainable roadmap and how to achieve its targets including those related to GHG emissions, the reduction of waste and recycling of hazardous wastes.

In discussion of challenges, participants in the **Extractives Group** highlighted as a basic challenge how to engage the part of industry currently not reporting on sustainability performance. For this purpose it is necessary to create and emphasise links between investment in sustainability and its benefits for the companies, thus making the business case. Looking at examples of drivers that may encourage companies to address their sustainability more pro-actively, participants listed examples such as liability, certification, labelling, supply chain management, as well as:

- Linking the licence to operate with requirements on performance.
- Harmonising reporting: for reporting to be feasible or attractive, the requirements have to be kept within reasonable limits (coordinated so as to reduce the number of indicators and to avoid unnecessary duplication).

It was agreed during discussion that the encouragement of a broader base of industry involvement in sustainability challenges is primarily a role for governments. This can be done through the provision of incentives and/or regulations and improved enabling frameworks. It was concluded that the cooperation between UNEP and industry associations should be strengthened, in particular so as to better integrate industry's contribution into the CSD process. Challenges discussed also held a message for the UN system. Some noted concern about an apparent fragmentation of the environmental agenda across a number of UN organisations. This it was felt leads to a regrettable diminution of UNEP's authority and resources available to it, undermining its potential as an active partner. In this respect business and industry participants felt it would be better to have a single authoritative UN environmental agency. With respect to other work areas such as mining safety, the coal industry for example noted as partnership invitation the possibility of cooperation with the International Labour Organisation.

Discussion in the **Infrastructure Group** started by underlying that the difference between "work in progress" and "challenges" is not necessarily clear-cut. The construction sector gave the example of moving towards zero-energy buildings, which is work in progress that remains an ongoing challenge. One response was a reminder that sustainable development is a relative concept, that "progress" is a relative, ongoing process and that rather than just focusing on set targets the greater challenge is ongoing stakeholder engagement in a local context. Much of the rest of the discussion highlighted what is required from government, with NGO representatives responding by asking industry representatives not to pass the buck and challenging them to be idealistic.

Speaking on providing affordable electricity to the poor, the mainstream power sector noted the public and institutional challenge of finding a combination of public-private financing and favourable business environment. The road transport sector asked for getting the right incentives from governments, and mentioned the longstanding issues of better quality roads and road safety. It was evident that an overall challenge for transport remains implementing the more integrated and holistic approach of sustainable mobility, backed up by a combination of public and private funding. Others mentioned consumer and public reputation issues. Aiming to decouple the link between economic growth and waste generation, one difficulty for the waste sector is finding facilities for waste management since citizens do not want to have these in their neighbourhoods. Labour also mentioned the role of consumers, including the professional consumers who do big contracts and can insist on new standards.

Challenging business delegates, some NGO representatives noted that while they point fingers to governments, few of the draft Report Cards refer to the role business and industry itself can play in helping to implement international agreements. Speaking on the role of governments, a representative from Costa Rica underlined the need for improved implementation of MEAs and improved legal enforcement, adding also problems related to corruption and transparency which involved both public and private sector. Whilst the Report Cards do not leave space for case studies, some asked for better inclusion of practical examples of good practice. An NGO representative challenged industry associations to be more idealistic, addressing for

example the ecological footprint of their sectors and alternative industrial development models for the future. Some industry representatives cautioned, referring to costs and the level of research and innovation required in applying complicated concepts.

In the **Services Group**, much of the discussion focussed on services directly related to sustainability and how to create greater demand for such services. One cannot sell services if the client does not recognise their value and is not prepared to pay for them. The good news is that a number of sectors are acquiring new skills and gaining momentum in developing sustainability services. In tourism, the hotel and accommodation sector is increasingly integrating sustainability in their management practices. From the advertising sector, consumer responses were interpreted in terms of behavioural change, purchasing change and life style changes. The first of these can be seen in actions such as greater use of public transport, whereas the latter can be seen in the types of holidays consumers choose. Generally, it was felt that the business case for sustainable development still remains to be made. Most sectors still find themselves at the awareness raising stage, triple bottom line approaches not being mainstream as yet. Two success stories of sectors catalysing mainstream action was report from two examples: the Global e-Sustainability Initiative (GeSI) of ICT companies working at the international level with UNEP and the Project Sustainability Management (PSM) guidelines process initiated by consulting engineers through the association FIDIC. Published in 2004, the PSM guidelines contain a full description a process for setting system objectives, listing core goals and indicators. Doing training sessions such as recently in Beijing, FIDIC is persuade its clients to do projects in more sustainable manner, an area where it sees its real impact. Under GeSI, supply chain issues are being investigated and evaluated via specific tools which are under development. New technology related issues such as information content is showing ill-defined boundaries of responsibility and raising new challenges in finding the right balance between censorship and freedom of expression.

Section III: Partnership opportunities

A plenary session on partnership formation was introduced with a brief discussion by Ros Tennyson of the *International Business Leaders Forum (IBLF)* and Marc Jozan of *Total* on partnership challenges. Jozan indicated that his company's main focus is on local level partnership, whilst being involved in some global level partnerships with for example the Pasteur Institute and UNITAR. Tennyson noted that the most convincing reasons for making a partnership arrangement are (i) to access and maximise resources (including networks, knowledge, expertise) and (ii) to explore 'out of the box' / innovative solutions to intractable challenges. The 'bottom line' is: "if you can achieve similar results on your own, do not partner". In addition to the role of mutual benefit, she underlined the fact that trust has to be earned. This is often complicated because participants, whilst aware of sectoral differences, often underestimate cultural differences. Participants were informed of the new "Stakeholder Engagement Manual" published by UNEP, AccountAbility and Stakeholder Research Associations (2005), a practical guidance text that also considers various forms of partnerships.

Looking at partnership opportunities with UNEP, the **Extractives Group** agreed that there are a number of valuable UNEP - industry partnerships in existence. One example highlighted and encouraged was the partnership to eliminate lead from petrol in Africa as a means to implement the Dakar Declaration of 2002. It was felt that this is an excellent illustration that can and should be replicated, of the role of partnerships to reinforce and implement intergovernmental agreed goals facilitated by UNEP.

Many of the emerging partnerships discussed in the **Manufacturing Group** related to training, community development, humanitarian aid and climate change. Sectors are working with, among others, international organisations such as the OECD, UNIDO and UNEP. The fertilizer industry is working with research institutions to provide farmers with appropriate information and advance a learning methodology (not just relying on product information instructions). The food and drinks industry is seeking partners to provide micro-credits for farmers to help them implement good/better practice. The coffee sector reported a range of development projects and pilot projects to come up with a 'coffee success code'. Good cooperation with government and relevant ministries is important in advancing a new international code on sustainable coffee development. The chemicals industry has a range of partnerships, including humanitarian ones, social partnerships to promote Responsible Care and working with local communities in advancing awareness and preparedness for local (industrial) emergencies through the APELL programme of UNEP. Growing partnerships from the aluminium industry include implementation of protocols to measure, audit and prepare for trade in GHG emissions. In Australia work is progressing to set up a centre for recycling of waste with funding by both industry and Government. The industry is also examining new opportunities for companies and relevant organisations to pool resource and deal with health and safety issues collectively.

Related to discussion on partnership formation, the **Services Group** noted that voluntary initiatives could not be a substitute for a sound regulatory framework. A labour representative underlined the importance of having appropriate laws in place and enforced in all countries. Business participants underlined the importance for government to understand the sectors it attempts to regulate and the need for governments to improve their ability to create economic incentives for good behaviour. Improved framework conditions were particularly important if business were to test new models of doing business in developing countries. These conditions require good governance, adequate infrastructure and special support for small business development. Sectors such as postal services are challenged to provide affordable, basic services to meet developing country needs. In developing countries, postal operators need to be informed and trained on climate change. Being very close to communities in both urban and rural areas, sectors such as postal services are in a position to use new advances in ICT and help developing communities to leapfrog in gaining access to knowledge and modern services. The services group also acknowledged the value of partnerships in helping to share resources and expertise, noting good examples such as the Equator Principles initiative for banks and the Global Reporting Initiative (GRI) with its contribution to standardisation.

Discussion in the **Infrastructure Group** examined the meaning of "partnership", asking who defines its real meaning. Whilst some sectors suggested international level initiatives of partnerships, others focussed on local level partnerships to advance

implementation and show local business opportunities. It was agreed that there is not a right and a wrong here, that there is a place for both international or macro level and local or micro level partnerships. On the one hand the railways sector is asking UNEP to help convene a global level forum of transport sectors to discuss intermodality. On the other hand, the renewable energy sector has a special interest in implementational partnerships in the form of clean development mechanism (CDM) projects. It was agreed to introduce the word “partnership opportunities” as title for this section rather than “partnership invitation”. This is based on the fact that many draft Report Cards provided a listing of old or existing partnerships. The aim is to be forward looking, focussing on existing partnerships that sectors want to take to a new level or next phase or on setting up completely new partnerships.

Concluding Plenary Session

In general discussion showed a number of shortcomings that appeared from the 2002 reporting process as well. These include lack of data from developing countries and indicators being applied differently in different countries / regions. On the trustworthiness of reporting, one comment was that if it were more likely then NGOs will show greater interest. An international NGO representative argued that due to the limited number of NGO representatives present, the process seems to be more of a learning process for industry itself and a “soft assembly” but not a real dialogue between stakeholders. UNEP urged partners to help raise awareness of the process so that more stakeholder comments can be made online and during the forthcoming CSD meetings. The deadline for online stakeholder comment at www.unep.fr/outreach/home.htm will be **postponed up to 31 December** in order to allow more stakeholders from all regions to comment.

Concluding the meeting, UNEP DTIE Director Monique Barbut took note of requests to have the consultative meeting at a regional level in order to improve involvement of business and industry from developing countries. She also encouraged industry associations and business organisations to bring more of their counterparts from developing countries to the annual consultative meeting. She reminded participants that CSD is not an end in itself, and that the Report Cards provide the basis for discussion of new partnership opportunities that can also be continued at other forums such as the environmental convention meetings. UNEP will continue its effort to make a contribution both at the global level through the normative work it is doing, and at the local, implementational level through innovative pilot projects and demonstration events. An example of the latter will be the forthcoming Environmentally Sound Technologies Exhibit that UNEP will be hosting at its Global Ministerial Environment Forum in Dubai, 5 – 8 February 2006 (www.ESLshowcase.com), where companies are invited to display new technological innovations to reduce pollution and improve efficiency.

Barbut welcomed the growing number of companies attending the annual meeting and addressed the possibility of linking it with the series of high level Cleaner Production and Consumption Summits. She reminded participants that the role of associations and the UNEP network with them remains very important. In UNEP’s sectoral work, global networks with associations, business organisations, labour federations and others are essential in helping the organisation reach the field. She added that this co-operation needs to be complemented with the involvement of

individual companies, underlining that the involvement of individual companies enables UNEP DTIE to look very practically at what operational experiences and implementation needs are.