

Advisory
Sustainability & Climate Change

Sectoral Progress on Sustainability

Final Report



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We welcome feedback on the issues raised by this BIS commissioned study and comments should be sent to: bis.economics@bis.gsi.gov.uk

Executive Summary

Introduction

The need for more sustainable development and the debate on how to achieve this have gained considerable traction in recent years, particularly in light of national and international concerns on the potential scale and scope of the impacts of climate change. The involvement of business, at an individual company and at sectoral level, in delivering a more sustainable future is vital. As such, it is important that sustainability considerations are fully integrated into day-to-day business practices and longer term business strategy, and also into the regulatory frameworks governing business practice.

The areas of focus and the level of effort being devoted to improving the sustainability of the UK economy will differ widely between, and within, different business sectors due to fundamental differences in the nature of goods and services that are produced or delivered and the way that they are produced and delivered.

Whilst it is ultimately the actions of individual companies that is critical, trade and sector associations can play a key role in driving forward the fuller integration of sustainability concerns into both businesses' day-to-day operations and into their longer term investment plans. There are a number of drivers that can incentivise engagement and activity on sustainable development at a sector level. These include:

- a desire to enhance a sector's reputation (by showing action and progress in the area of sustainability);
- making businesses in their sector more competitive (through, for example, greater energy or resources efficiency);
- raising industry-wide awareness of regulatory, policy and societal sustainability drivers; and,
- protecting the collective reputation of the members of the sector.

PricewaterhouseCoopers (PwC) was commissioned by BERR to produce a consolidated assessment of the current status of sectoral plans and progress. The outcomes from this research work are intended to contribute to the evidence base on how different business sectors are currently performing as well highlighting areas of best practice, identifying key barriers to progress and opportunities to drive higher levels of sectoral engagement on sustainable development.

Our approach

Our approach to this work comprised:

- Desk-based review of existing information regarding sectoral progress on sustainability;
- Design and implementation of an On-Line Survey ('OLS') tool to provide quantitative information regarding sectoral progress;
- Follow-up telephone interviews to generate supplementary qualitative data; and,
- Completion of a Focus Group to discuss sector association perspectives .

Level of sector association response

- The On-Line Survey was completed by 51 (41%) sector associations out of a total of 125 invited to participate. 23 out of the 51 respondents were from the manufacturing sectors. This is perhaps to be anticipated, given the relative diversity of the 'manufacturing' sector and the consequent larger proportion of manufacturing related sector associations invited to respond to this survey. The 'administrative and support service activities' and 'mining and quarrying' sectors delivered the highest response rate per sector, with over 50% of organisations representing these sectors responding to the survey;
- Follow-up telephone interviews were held with 29 sector associations; and,
- Five sector associations attended the Focus Group.

Survey findings

The following are the key findings from the On-Line Survey:

- 27 out of the 51 respondents responded that they believe there are major commercial opportunities associated with sustainable development issues. This view is especially prevalent in some of the 'heavy' industry sectors, which may be associated with the high energy intensity of these sectors.
- 27 out of the 51 respondents cited they have developed or are developing a sustainability strategy or plan, although it is probably worth noting that associations have wide ranging definitions of what constitutes a sustainability 'strategy' or 'plan' in terms of both scope and level of detailed actions and commitments. Although the 'manufacturing' sector reported the highest number of sector association sustainability strategies or plans (8 out of 23), this will in part be due to the large proportion of manufacturing sector associations responding to this survey. All 'water supply, sewerage, waste and remediation' (2 out of the 2 respondents in this sector) and 'financial and insurance activities' (2 out of the 2 respondents in this sector) sector associations responded to say they have or are developing a sustainability strategy or plan.
- Greenhouse gas emissions, energy consumption and health and safety were the most commonly selected top 3 risks. Given recent energy price volatility and scarcity, coupled with increasing political and regulatory action around climate change, this is an unsurprising reflection of the concerns of many sectors.
- Waste recycling, energy consumption and greenhouse gas emissions were the most commonly selected top 3 opportunities. This is likely to reflect both the nature of the respondents (high-volume waste generation industries such as manufacturing, construction and waste remediation) and also changing attitudes towards considering the full life cycle impacts of products and services, as well as the developing commercial opportunities around energy reduction schemes.
- A high-level scoring system was developed to assess sector level progress in tackling sustainability based on the following factors: sector level sustainability governance structure, engagement with sector members on sustainability, collection of sector level sustainability performance information and sector level reporting on progress. When considered against these criteria, the 'Real estate' and 'water supply, sewerage, waste and remediation' sectors have developed their sustainability plans and strategies the furthest, with 'Transport and storage' and 'information and communication' sectors having made least progress.
- In terms of the sustainability indicators that have been developed by sector associations, environmental indicators appear to be more prevalent than social or economic indicators, perhaps skewed by the 'water supply, sewerage, waste and remediation' sector who report a substantial and comprehensive set of environmentally focussed sustainability indicators on behalf of its members. A number of sector associations such as Water UK demonstrated a leading position in defining and reporting on sustainability indicators.
- On the whole, there is consistency between those sustainability related issues identified as being of prime importance to the sector, and the focus of subsequent effort on indicator development. However, there are a significant number of sectors who do not report any sustainability indicators at all.
- Sustainability targets are most frequently used by sector associations in the 'water supply, sewerage waste remediation' sector, followed by 'mining and quarrying' and 'manufacturing' sectors. Environmental targets are applied more frequently by these sector associations compared to social or economic targets. We expect that this reflects the highly regulated nature of these industries, particularly around environmental issues such as water quality, energy use and carbon emissions.

It is worth noting that sector associations are likely to have flexible definitions of what constitutes a 'strategy' or 'plan'. These are likely to range from formal strategies with binding objectives and targets, to more flexible generic objectives or goals ('White Papers' etc.). There are also likely to be sector associations with established sustainability 'activity', but who do not consider that this activity is formalised within a recognisable 'plan' or 'strategy'. There is also likely to be a lack of common definition for what sustainability means, at a sector level.

Barriers and Success Factors

With respect to progress in developing and implementing sectoral sustainability plans, key barriers and success factors identified by sector associations during the On-Line Survey and telephone interviews included the following:

Barriers

Economic climate - It was clear from responses to the On-Line Survey that the current economic climate is impacting the ability of sector associations to progress sustainability initiatives in terms of willingness of companies to engage on these issues and availability of resources.

Regulatory 'burden' - Some sector associations commented that the increasing regulatory burden relating to sustainability related issues (e.g. regulations concerning waste and energy consumption/efficiency), and that the timing of these, was placing an increasing strain on their members, who were already facing challenging trading conditions.

'Conflicting' regulatory requirements - Conflicting objectives and communication around the sustainable development agenda from different parts of Government was also raised as an issue of concern.

Confusion regarding role of Government in the sustainability agenda- A number of respondents commented on their desire to improve their understanding of which departments/agencies in Government are responsible for driving each parts of the sustainability agenda.

Access to expertise - Several sector associations noted that they do not have the in-house expertise to develop a suitable understanding of what sustainability means for their sector, or how to move forward with sustainability planning.

Success factors

Senior level leadership and engagement - Senior-level management commitment (within member companies and the sector association) to developing and implementing a sector sustainability plan was highlighted as a key success factor by sector associations.

Flexible Alliances - Flexible alliances/working groups were seen as a useful mechanism to share knowledge and views and develop strategy with other industry groups facing the same issue, or with other groups representing sectors which are part of the same overall the value chain.

Conclusions and Recommendations

The survey results did not suggest there was an appetite across sector associations for Government to play a more high-profile role in the development of responses to sustainability issues at a sector level. There was however recognition that BERR could usefully act in a 'convening' role, providing more proactive assistance to priority sectors, and ensuring that sustainability-related policy initiatives were progressed in co-operation with other Government departments.

Based on review of the information generated by the survey, we suggest that Government may wish to consider future action along the lines of the following:

- Identifying those sector associations who may have a role to play in supporting delivery of Government sustainability objectives but which have not to date developed an adequate sector level response;
- convening workshops for identified, priority sector associations to discuss development and implementation of sectoral level sustainability plans;
- facilitating issue-specific workshops/working groups with members from sector associations, to establish relationships and alliances between sectors facing common sustainability challenges;
- including sustainability guidance more proactively within wider BERR sector-focused support;
- working together with other Government departments to ensure sustainability incentives are built into sector assistance programs during the economic downturn;
- increasing the level of incentives for sustainability-related innovation and sustainable business models at a sector level, potentially through funding and award schemes.

Introduction

The need for sustainable development and the debate on how to achieve this have gained considerable traction in recent years, particularly in light of international concerns on the potential scale and scope of the impacts of climate change. In conjunction with higher and more volatile energy and commodity prices over recent years, the arguments supporting the need to 'do more with less' have been strengthened considerably.

Individual business and business sectoral involvement in delivering the drive to a more sustainable future is vital and as such it is important that sustainability considerations are more fully integrated into every day business practice and future planning.

Efforts to improve the sustainability of the UK economy will differ widely across sector and within sector due to fundamental differences in the nature of goods and services produced and the way that they are produced.

Trade and sector associations play a key role in driving forward the fuller integration of sustainability concerns into both businesses' day-to-day operations and into their longer term investment plans. There are a number of drivers that can incentivise engagement and activity at a sector level. These include:

- a desire to enhance a sector's reputation (by showing action and progress in the area);
- making businesses in their sector more competitive (through, for example, greater energy or resources efficiency);
- raising industry-wide awareness of regulatory, policy and societal sustainability drivers; and,
- protecting the collective reputation of the members of the sector.

Aim

The overall aim of this project is to produce an assessment of sector progress and efforts (both to date and planned) on sustainability.

The outcomes from this research work contribute to the evidence base (both in terms of success to date and effort undertaken) on how business sectors are performing, as well as identifying key barriers to progress and highlighting areas of best practice.

The Department for Business, Enterprise and Regulatory Reform commissioned PwC to undertake this research.

Scope

The scope of work as agreed with BERR was as follows:

- Desk-based research to identify readily available information (this was based on a list of sector associations known to be active in the area of sustainability);
- Development of a questionnaire (which was drafted in consultation with BERR) and the transmission of this in the form of a link to an electronic On-Line Survey (OLS), to 125 sector associations. Sectors and sector associations¹ targeted by the survey were agreed with BERR prior to the commencement of the survey work;
- A program of telephone survey work carried out by sectoral sustainability experts from the Sustainability and Climate Change team, and specialist market research staff from the PwC Research, Strategy and Policy Group; and,
- A 'Focus Group' meeting which involved representatives from sector associations, again from original list of sectors and associations discussed with BERR.

¹ The term 'Sector Association' is equivalent to the term 'Trade Association' for the purposes of this report.

Methodology

The sectors included within the scope of this study were agreed with BERR, and are listed in Appendix 2. For the purposes of this report, sectors are classified according to the Standard Industrial Classification (2007). The sample of sector associations was established by reference to publicly-available directories of UK sector associations. In establishing the sample, we attempted to ensure that each of the 15 'commercial' SIC 2007 categories were represented by at least one sector association². In larger sectors such as manufacturing, we endeavoured to ensure that each SIC 'Manufacturing' subsector was also represented by at least one sector association. We have used our internal knowledge of sectors and sector associations to ensure that 'key' sector associations are included in the sample. We have allocated sector associations to the SIC-classified sectors on the basis of our own judgement. A supplementary classification was also made on the basis of BERR's departmental sector categorisations, to facilitate future analysis as required. We have used 'best endeavours' to perform what we feel is a sensible classification where SIC and BERR definitions do not readily match.

Desk-based review

A desk-based review of sector association websites was completed to gather information related to sustainability action plans in the public domain. An information collection template was developed to collect consistent information for each sector association reviewed. Data obtained via this route was collated in the survey database (see Database Compilation below).

On-Line Survey (OLS)

The OLS tool was developed jointly with the PwC International Survey Unit, with survey content drafted by PwC Sustainability specialists, with input and approval from BERR. The OLS was designed to collect quantitative and factual information concerning sector association progress in addressing of sustainability issues. The survey collected data and information on sectoral actions and perspectives on sustainability, sustainability risks, sustainability strategy (including performance indicators and targets), sustainability reporting, barriers to the successful implementation of this strategy, and opportunities for future support.

A live link to the survey was sent by email to each of the sector association representatives identified during preliminary research on contacts. Details of survey coverage and response rates are provided in the main body of the report.

Telephone Interviews

To complement the quantitative data and information that was collected via the On-Line Survey, follow up telephone interviews were held to gather supplementary 'qualitative' data.

A topic guide was developed to provide a basis for the telephone interviews. The topic guide was developed by PwC with input and approval from BERR. The guide was split up into the following sections:

- Background to the project;
- Barriers and motivating factors to developing and implementing a sustainability plan;
- Key sustainability successes;
- Areas of sustainability best practice; and,
- Support required to progress on sustainability issues.

Complete details of the Topic Guide are provided in Appendix 4.

Larger sector associations, impacted more strongly by sustainability issues, were interviewed by the relevant sectoral expert from the PwC Sustainability & Climate Change team. This was to ensure that sector associations who were already well advanced on sustainability issues could speak to an interviewer with expertise in both the subject matter and the industry sector concerned. For the remainder of sector associations, a team of experienced qualitative researchers from PwC's Research, Strategy and Policy Group conducted the telephone interviews.

² Other 'non-commercial' sectors such as public administration and defence; compulsory social security, human health and social work activities, arts, activities of households as employers, activities of extraterritorial organisations and bodies etc. were not included in the survey.

Focus Group

A Focus Group was held in central London in order to test the findings from the interviews, and to develop shared solutions to any issues identified. The agenda for the Focus Group included presentation of the initial key findings emerging from the telephone interviews, background on sustainability issues, and a list of questions to generate discussion. The Focus Group was facilitated by the PwC's project team, which included PwC sectoral experts.

Notes on approach and potential limitations

- The approach to the survey was designed to secure the maximum amount of quantitative and qualitative information possible within a constrained time period available. Use of the On-Line Survey software minimised the incremental cost of extending the survey across the widest sample possible. The design of the telephone survey program ensured that sector associations who had progressed further could engage with sustainability experts with experience of that particular sector, whilst sector associations who had made limited progress were covered by a specialised telephone survey team with capacity to complete larger volumes of calls.
- The short timeframe available for this study did however limit the achievable response rate from the On-Line Survey, as well as the level of information which could be collected through telephone interviews and via the focus group.
- It was not possible to secure input from each sector association targeted. No representation could be secured from certain sectors (for example, 'health and social work' and 'agriculture, forestry and fishing').
- Results are 'skewed' by the fact that larger more diverse sectors (e.g. manufacturing) tend to have more sector associations, thereby increasing the level of potential respondents. Such sectors tend therefore to be over-represented in the data. In addition, minimal (or null) responses were received from certain sectors. This analysis is therefore *not* to be considered 'statistically representative' of sector association progress on sustainability issues.
- There may be inconsistencies on the part of sector association representatives in the interpretation of 'sustainability' and 'plan'. The language used in the survey was intended to be accessible to the widest possible audience; however, we are aware that 'sustainability' as a term is not commonly used in some sectors (e.g. extractive industries).
- Potential interfaces between sustainability initiatives established by 'top-tier' sector associations (e.g. Chemical Industries Association) and those established by 'lower-tier' sector associations (e.g. British Coatings Federation) operating within the same sector, have not been considered as part of this research.
- Certain organisations included in the survey represent individual professionals rather than businesses, and therefore did not feel it appropriate to complete the survey on behalf of their membership.

Caution is therefore advised in drawing conclusions based on data generated by the survey work, especially if the context is future policy formulation.

Study Results

This section provides analysis of both quantitative findings (from the On-Line Survey) and qualitative findings from the telephone interviews, Focus Group and desk-based research.

Findings from the On-Line Survey

This section presents the statistical results of the On-Line Survey work undertaken. Data lending itself to graphical presentation is contained in a series of charts below; other data generated during the survey is discussed in the accompanying text.

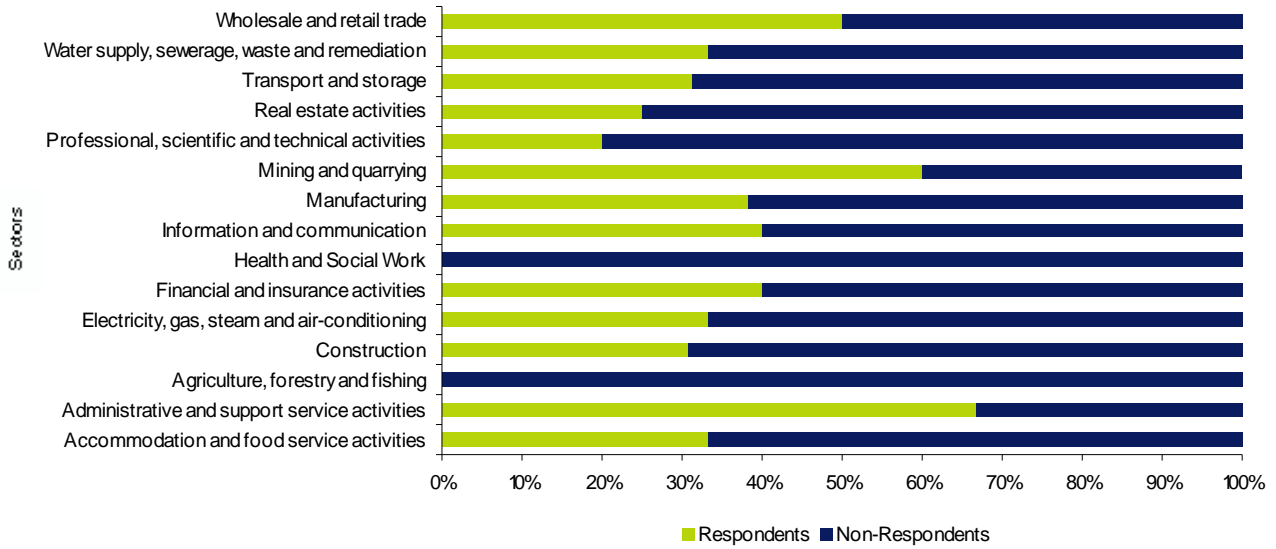
Response Rate

Figure 1: Number of sector association responses to the On-Line Survey



The On-Line Survey has been completed by 51 out of a total of 125 potential respondents. This constitutes a 41% response rate which is considered a good level of response for a survey of this nature. As illustrated by Figure 1, the largest number of responses came from the 'manufacturing' sector (23 respondents), followed by the 'transport and storage' (5 respondents) and 'construction' (4 respondents) sectors. This over-representation is perhaps to be anticipated, given the relative diversity of the 'manufacturing' sector and the consequent larger number of sector associations. It is also worth noting that sustainability issues tend to impact relatively heavily on this sector (e.g. due to significant emissions to air and water, waste generation and energy consumption), and the fact that sector associations have been obliged to address these, both in response to legislative drivers and as part of their 'licence to operate'. This is likely to drive a higher response rate compared to other sectors which are less impacted and feel they have less information to contribute to the survey.

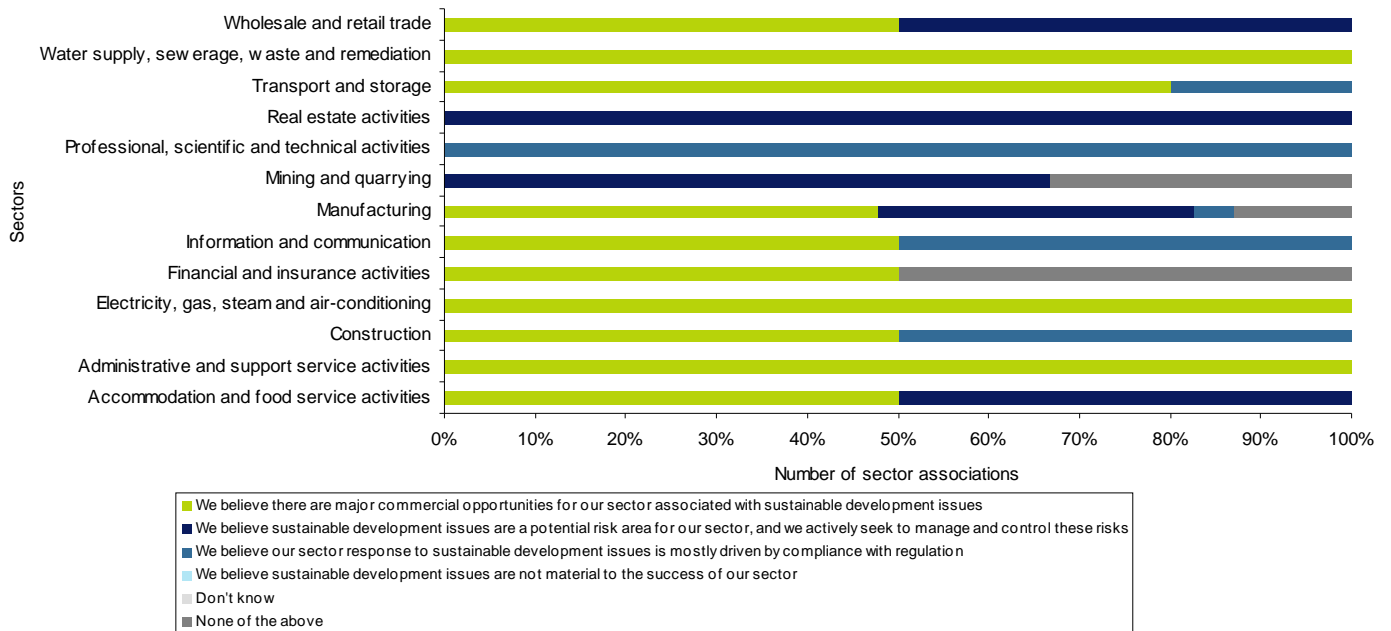
Figure 2: Respondents vs. Non - Respondents: Percentage response rate to the On-Line Survey



The 'administrative and support service activities' and 'mining and quarrying' sectors delivered the highest response rate per sector (over 50%). Generally across sectors, the response rate was between 30% and 40%, including the manufacturing sector. The results of the survey do not include any responses from either the 'health and social work', 'agriculture', or 'forestry and fishing sectors' who did not respond to the On-Line Survey – this is likely due to the fact that only a relatively small number of sector associations representing these sectors were sent the survey.

Sector Association Perspectives

Figure 3: What is the official position of sector associations regarding sustainability?



Note: Total population represents the 51 sector associations who responded to the On-Line Survey

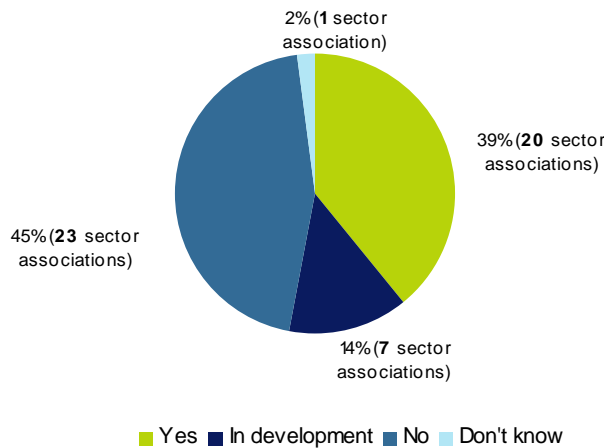
There is a clear indication that the majority of sector associations (53%) believe there are major commercial opportunities associated with sustainable development issues.

13 out of 51 sector associations believe sustainability issues present risks which require active control and management. Some of these sectors (e.g. 'mining and quarrying' and 'manufacturing') have historically been exposed to elevated sustainability risks (e.g. environmental pollution, health and safety). 6 out of 51 sector associations believe their sector response to sustainability is driven by compliance with regulation, with the 'construction' and 'professional, scientific and technical activities' in particular noting this position.

It is interesting to note that no sector associations cited that they believe that sustainability issues are not material to the success of their sector despite 5 of the 51 responding sector associations not selecting any of the suggested positions on sustainability. This perhaps reflects a gradual acceptance by business that sustainability is an integral commercial issue, which has the potential to influence and impact performance and profitability.

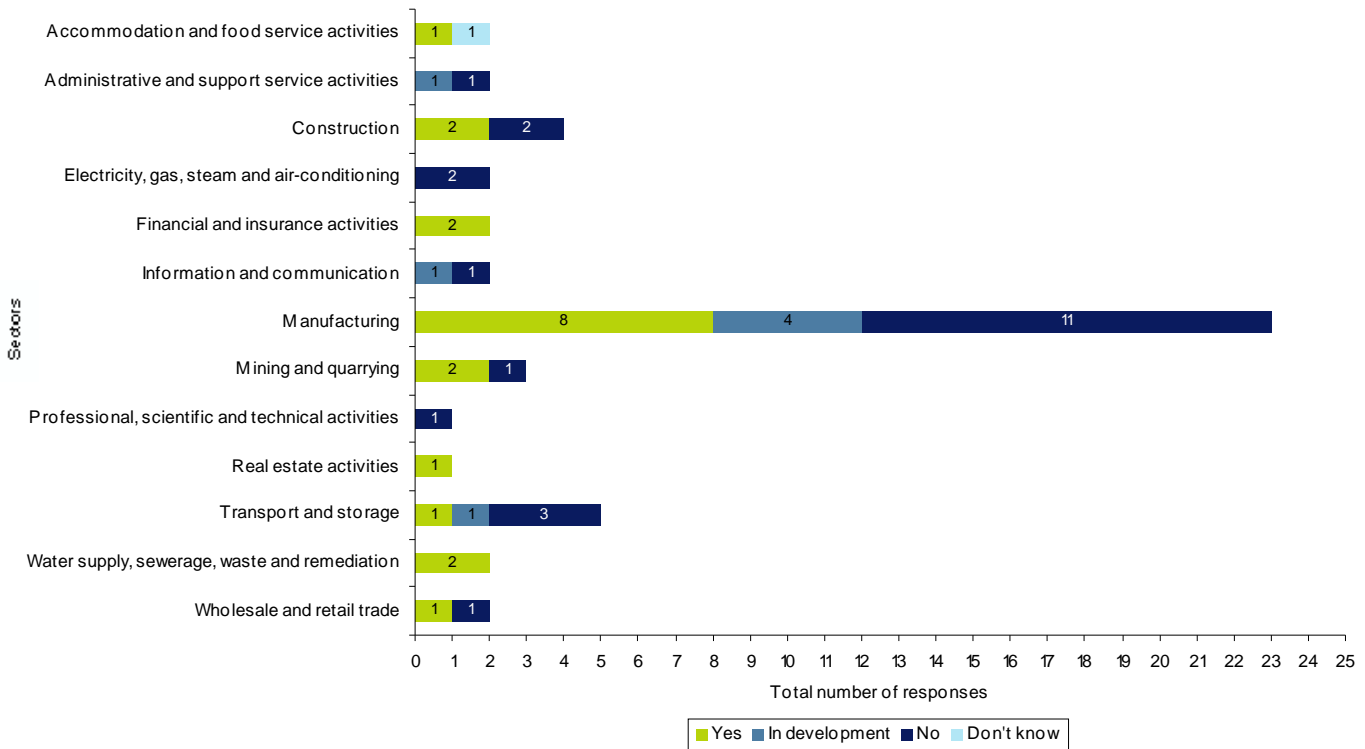
Sustainability strategy or plan

Figure 4: How many sector associations have developed a sustainability strategy or plan?



Note: Total population represents the 51 sector associations who responded to the On-Line Survey

Figure 5: Breakdown of sector responses to Figure 4



As illustrated in Figure 4, 27 sector associations responding to the On-Line Survey report that they have either developed or are developing a sustainability strategy or plan, although it is worth noting that associations are likely to have flexible definitions of what constitutes a ‘strategy’ or ‘plan’. These are likely to range from formal strategies with binding objectives and targets, to more flexible generic objectives or goals (‘White Papers’ etc.). There are also likely to be sector associations with established sustainability ‘activity’, but who do not consider that this activity is formalised within a recognisable ‘plan’ or ‘strategy’. There is also likely to be a lack of common definition for what sustainability means, at a sector level.

As illustrated in Figure 4, there were no sector associations which have developed a sustainability strategy or plan in the ‘professional, scientific and technical’ or ‘electricity, gas, steam, and air conditioning’ sectors. Also, the ‘transport and storage’ sector only reported one sector association with a sustainability strategy or plan. This is surprising given the drivers (regulatory and customer) within this sector towards low carbon transport and logistics.

On the basis of responses to the On-Line Survey, as demonstrated in Figure 5, the ‘manufacturing’ sector has the highest number of sector associations with sustainability strategies or plans in place (8 sector associations in total). In addition to many areas of the manufacturing sector being relatively well advanced in addressing sustainability issues, this large proportion is also indicative of the large number of manufacturing sector associations responding to the survey (23 in total). All sector associations from the ‘water supply, sewerage and remediation’, and ‘financial and insurance activities’ responded to say they have sustainability strategy or plan in place. Although these totals comprise a relatively small proportion of the total sample size, this result is perhaps reflective of the highly regulated nature of these sectors.

Sustainability related risks

Figure 6: Top 3 sustainability related risks identified by sector associations

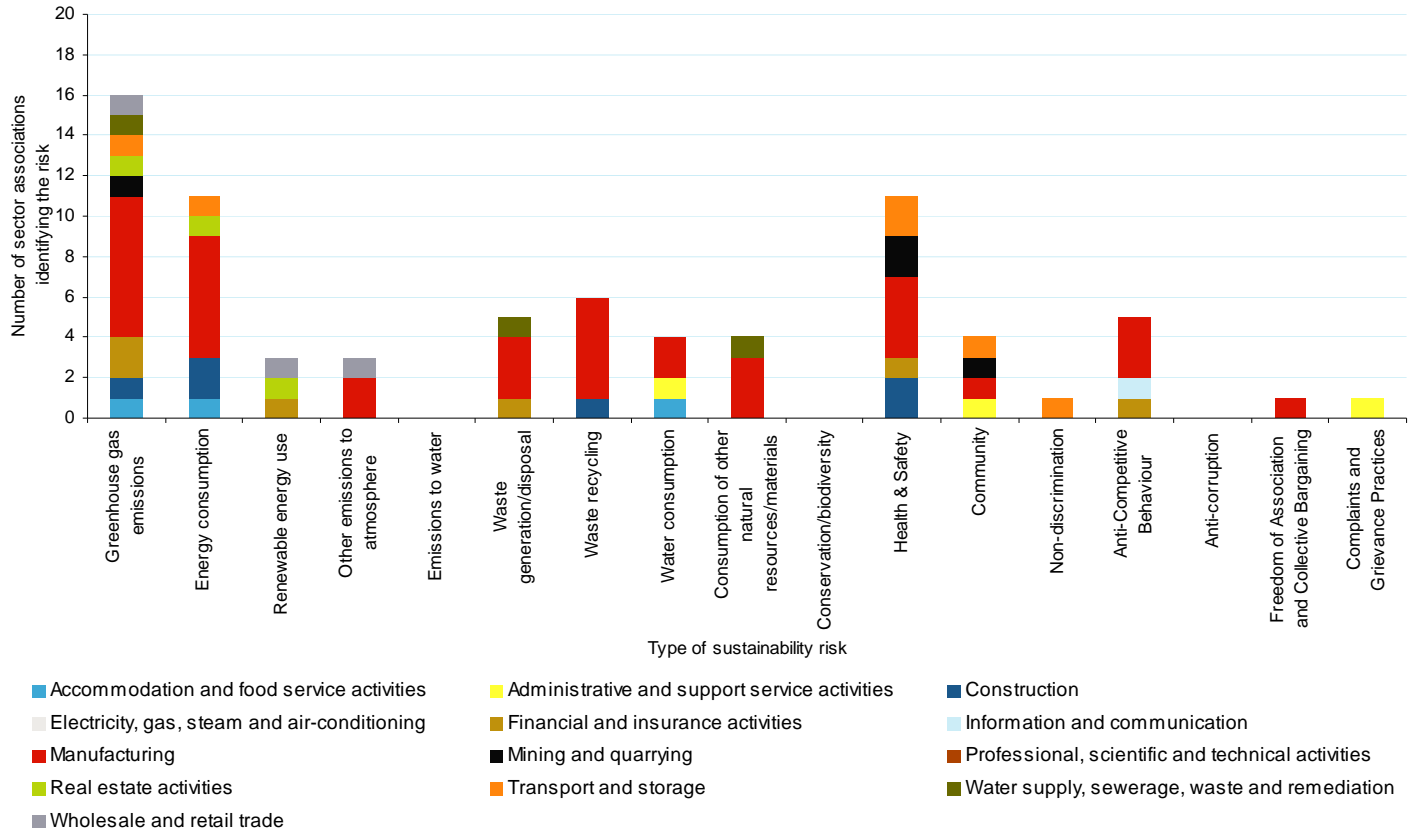


Figure 6³ presents respondents to the On-Line Survey’s perceived top 3 sustainability risks (this chart presents the response to the On-Line Survey question that requested respondents to select their ‘top 3 sustainability risks’). Of the 29 respondents to this question, 16 sector associations selected greenhouse gas emissions and 11 sector associations selected energy consumption as the top sustainability risk to their sectors. Given recent energy price volatility and scarcity, coupled with increasing carbon regulation, this is perhaps an unsurprising reflection of the concerns of many sectors.

In addition to greenhouse gas emissions and energy risks, health and safety concerns are considered to be the next most significant sustainability risk, being identified by 11 sector associations. This reflects the heavy focus on ‘operational’ sustainability issues from a large proportion of the manufacturing and other heavy industry sectors.

No respondents selected ‘emissions to water’ or ‘conservation/ biodiversity’ as a top sustainability risk, which is perhaps surprising, considering the presence of several ‘water supply, sewerage, waste and remediation’, ‘mining and quarrying’ and ‘construction’ sector associations, where (based on our experience) these issues are often areas of concern.

³ Notes:

- Total population represents the 29 sector associations who identified their top 3 sustainability related risks.
- 11 respondents selected ‘other’ as a top sustainability related risk, and answered with a free text response. These free text ‘other’ responses did not lend themselves being grouped in the same format as the other sustainability risk categories. To illustrate, these free text sustainability risk responses under ‘other’ include ‘economic viability and contribution to society’, ‘sustainability of supply chain’, ‘public health’, ‘public service’, ‘access to radio spectrum’, ‘telecommunications policies and regulation’ and ‘materials stewardship’.

Sustainability related opportunities

Figure 7: Top 3 sustainability related opportunities identified by sector associations

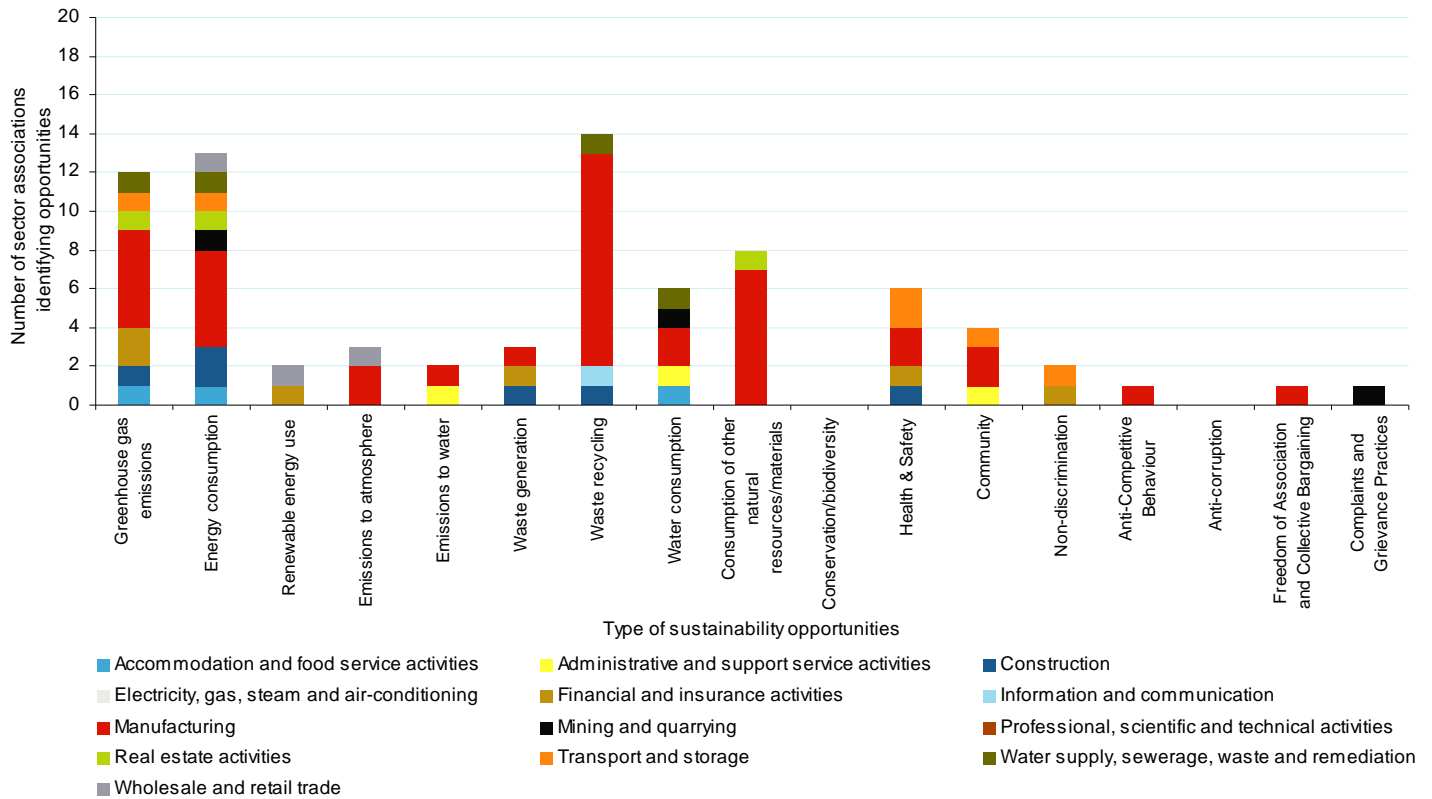


Figure 7⁴ presents findings from the On-Line survey’s question on top 3 sustainability opportunities to respondents’ sectors (this chart presents the responses to the On-Line Survey question that requested respondents to select their ‘top 3 sustainability opportunities’ to their sector). Opportunities associated with ‘waste recycling’ are viewed as the most prominent sustainability opportunity by 14 sector associations. This response is likely to reflect both the nature of the respondents (high-volume waste generation industries such as manufacturing, construction and waste remediation) and also the shifting attitudes to now consider the full life cycle impacts of products. Recent changes to landfill tax and packaging regulations also mean that companies are now realising significant commercial benefits associated with reduced raw material usage and volume of waste production⁵.

⁴ Notes:

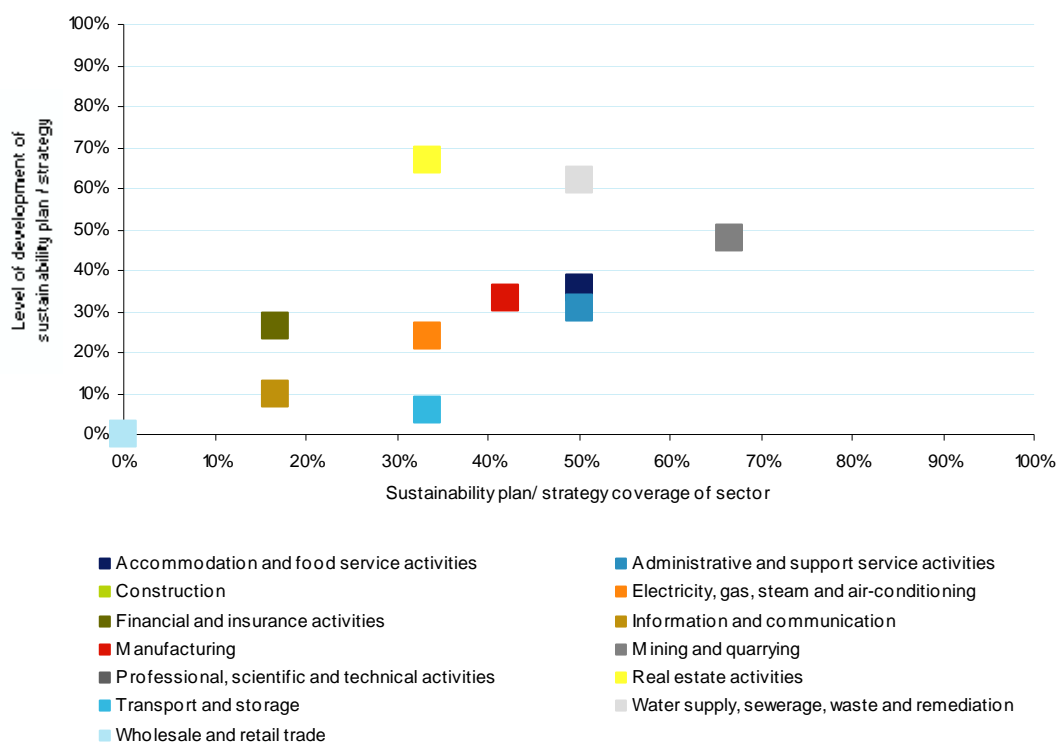
- Total population represents the 29 sector associations who identified their top 3 sustainability related opportunities.
- 9 sector associations selected ‘other’ as a top sustainability opportunity, and answered with a free text response. These free text ‘other’ responses do not lend themselves being grouped in the same format as the other sustainability opportunity categories, e.g. free text sustainability opportunity responses under ‘other’ included ‘public service’, ‘environmental responsibility’, ‘access to radio spectrum’, ‘telecommunications policies and regulation’ (Note, many of these were also listed as sustainability risks).

⁵ Several sector associations surveyed are members of NISP – the National Industrial Symbiosis Programme. NISP is a business opportunity programme aimed at delivering bottom line benefits for members whilst generating positive outcomes for the environment and society. Industrial symbiosis brings together companies from all business sectors with the aim of improving cross industry resource efficiency through the commercial trading of materials, energy and water and sharing assets, logistics and expertise.

Secondary to waste recycling opportunities, 'energy consumption' (selected by 13 sector associations) and 'greenhouse gas emissions' (selected by 12 sector associations) presented significant opportunities to respondents who answered this question. This is reflective of both the carbon-intensive industries responding to the survey, and the recognition that these more traditional 'sustainability risks', can also present tangible commercial opportunities (e.g. we are aware that some operators in carbon intensive industries have realised significant revenues from participation in the EU Emissions Trading Scheme). Many of the sectors responding to the survey are exposed to volatile/increasing energy prices and have therefore greater incentive to manage these areas of business risk.

Progress in developing a sustainability strategy or plan

Figure 8: Development of sustainability progress



In the chart above, the Y-axis represents the 'progress' of the development of a sustainability strategy or plan. This score⁶ is based on the judgement of PwC sustainability experts and was derived from progress in a number of areas which are considered integral to effective sustainability strategy or plans. These areas include:

- Level of 'governance structure' established to address sustainability issues within the sector association (e.g. nominated leads, roles and responsibilities, committees etc.)
- Level of 'engagement' with members regarding sustainability issues
- Use of sustainability indicators, collection of performance data
- Level of external reporting.

The X-axis reflects the extent that the sector is covered by the sustainability plan or strategy. Note that scores are based on publicly-available information, or information generated by the survey work – i.e. a lack of information made available

⁶ Note: The scoring system used on the Y-axis in Figure 9 relates to specific On-Line Survey questions which focus on the four areas described in the bullets above. Respondents were given a total score (maximum 100%) based on their responses, which were equally weighted at 25% for each survey question. These survey question areas were: governance (relates to survey question 1c), engagement (relates to survey question 2a), indicators (relates to survey question 3a) and reporting (relates to survey questions 3e and 4a).

by sectors or a lack of response would tend to lower the score achieved by the sector. Caution is therefore advisable in drawing conclusions based on this analysis.

According to this methodology, sectors plotted toward the top right hand corner of the chart would be expected to have progressed furthest along the sustainability 'path' and have extended the coverage of the plan over a larger number of member companies.

Taking the 'mining and quarrying' sector for example – it is clear from the survey results that sustainability is an important issue in this industry sector, they have been focussing on this issue, and the relevant sector associations are comparatively powerful, in that they represent a large proportion of the sector operators and are known for their lobbying strength. Therefore it is to be anticipated that this sector would plot toward the right hand corner of the chart.

Conversely, taking the example of the 'information and communications' sector, it is clear from the survey, both in terms of responses received and general lack of response, that less progress has been made on sustainability issues. There is likely fragmentation of the sector, with no one sector association in a strong sector representative position.

Taking a 'middle of the road' example, the 'real estate' sector representatives outlined some strong progress on sustainability issues during the course of the survey work, which is reflected in the progress score. However, the size of this sector and the large number of relatively small operators likely means that extending coverage of initiatives across the sector is problematic.

Sustainability indicators

Table 1: Snapshot of sustainability indicators used by sectors

	Accommodation and food service activities	Administrative and support service activities	Agriculture, forestry and fishing	Construction	Electricity, gas, steam and air-conditioning	Financial and insurance activities	Health and Social Work	Information and communication	Manufacturing	Mining and quarrying	Professional, scientific and technical activities	Real estate activities	Transport and storage	Water supply, sewerage, waste and remediation	Wholesale and retail trade
ENVIRONMENTAL INDICATORS															
Greenhouse gas emissions															
Energy consumption															
Renewable energy consumption															
Other emissions to atmosphere															
Emissions to water															
Waste generation/disposal															
Waste recycling															
Water consumption															
Consumption of other natural resources/materials															
Conservation/biodiversity															
ECONOMIC INDICATORS															
Economic performance															
Productivity															
Investment															
Employment															
SOCIAL INDICATORS															
Health & Safety															
Community															
Non-discrimination															
Anti-Competitive Behaviour															
Anti-corruption															
Freedom of Association & Collective Bargaining															
Complaints & Grievance Practices															
Other ⁷															

■ Indicates where a sector association has developed a sustainability indicator. [Note, this illustrates where any *one* sector association within that sector has developed an indicator, and is not necessarily indicative that *all* sector associations within the sector use these indicators.]

Of the three indicator categories (environmental, economic and social), environmental indicators were the most commonly used by sector associations responding to the On-Line Survey. Within the environmental indicators, the most frequently used indicator was energy consumption (8 sector associations), followed by greenhouse gas emissions (6 sector associations) and waste generation/disposal (6 sector associations). Within the economic indicators, the most frequently used indicator was economic performance (6 sector associations) and employment (6 sector associations). Within the social indicators, the most frequently used indicator was health and safety (6 sector associations). Figures 9, 10, and 11 illustrate further detail and commentary regarding the types of indicators used.

⁷ Responses listed under the 'other' category includes 'skills', 'drinking water quality', 'sewer flooding', 'water abstracted', 'leakage', 'resource use', 'management systems', 'convictions'.

Figure 9: Environmental indicators applied by sector associations

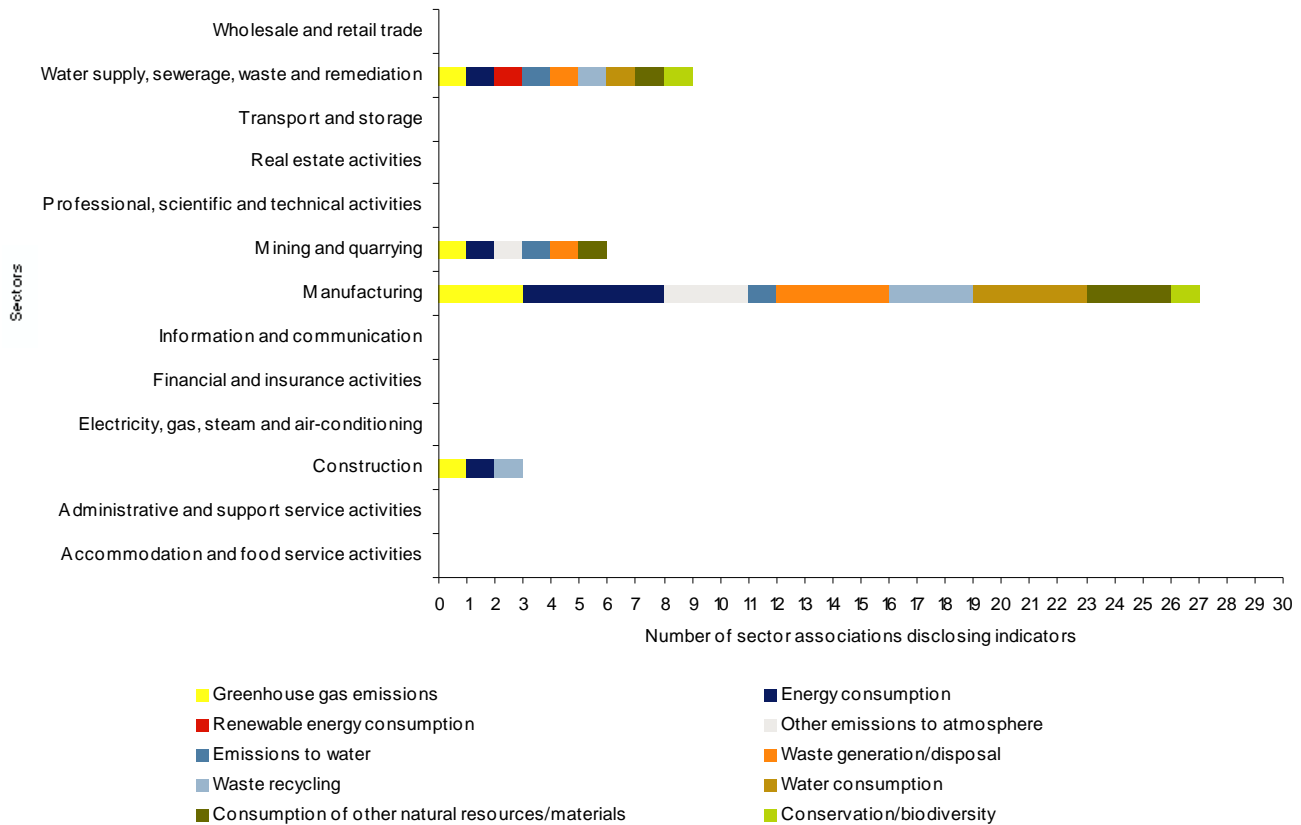
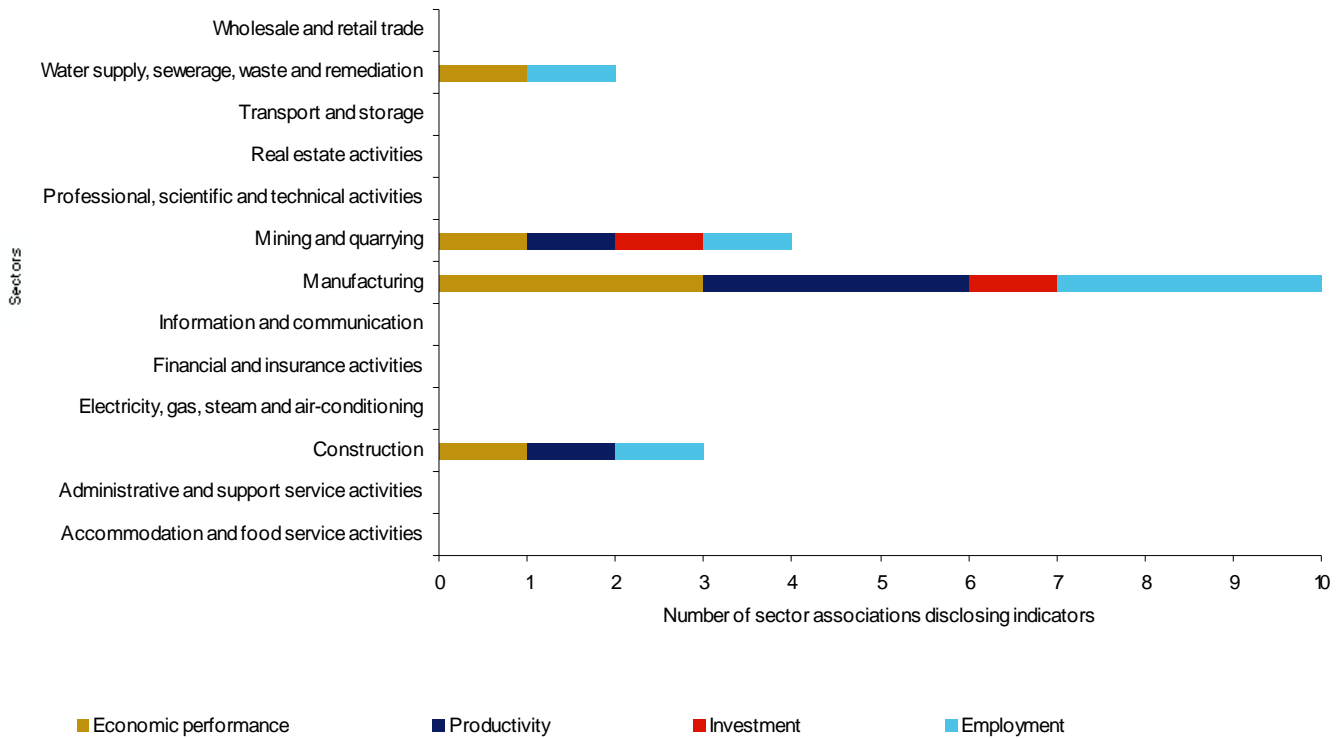


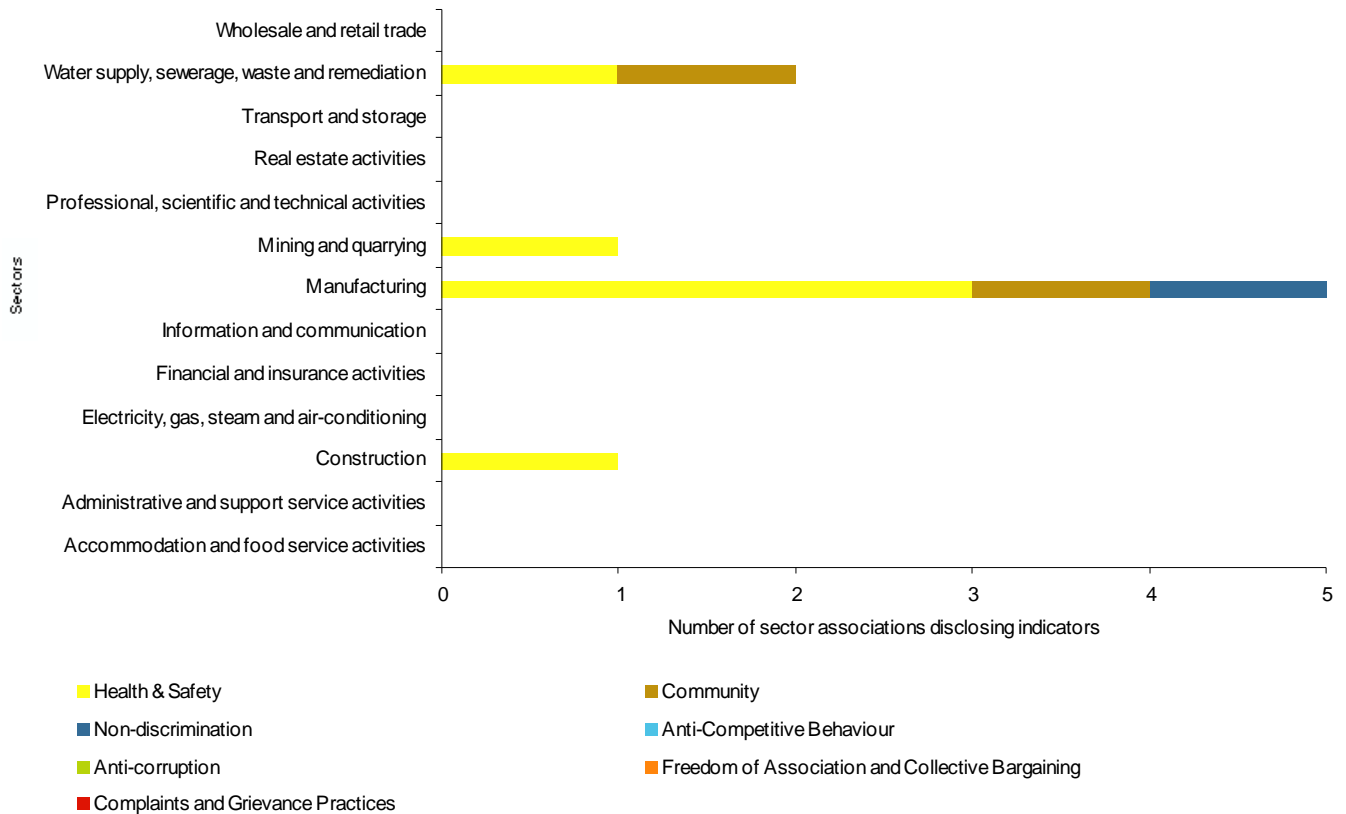
Figure 9 clearly indicates that environmental indicators have been applied by a large number of the manufacturing sector associations, although this is largely indicative of the ‘over representation’ of this sector in responding to the survey. The ‘over-representation’ on environmental indicators in the ‘Water Supply, Sewerage, Waste and Remediation’ sector is also largely due to the response received from Water UK who has developed a substantial and comprehensive set of sustainability performance indicators on behalf of members. It is also evident that the mining and quarrying sectors, and manufacturing sectors have very much focussed on development of indicators connected to energy consumption/greenhouse gas emissions, which is to be expected given the frequency with which these options were identified by sectors as being in the ‘Top 3’ of sustainability issues. As a general rule, there is consistency between those sustainability issues identified as being of key importance for the sector, and the focus of subsequent effort on indicator development. Based on the experience of PwC Sustainability specialists, there is likely to be more effort on sustainability indicators ongoing than is reflected in the chart above, and we suspect that this effort has not been picked up due to a low rate of response (or incomplete response) from certain industry sectors.

Figure 10: Economic indicators applied by sector associations



Data presented in Figure 10 likely reflects responses from those more ‘influential’ sector associations whose primary role is to lobby Government on behalf of members that have devoted substantial effort to measuring and communicating the economic contribution of their respective sectors. Despite the lack of data available from other sectors, we would expect that the majority of sector associations would in fact have access to data concerning the economic contribution of their sector. Again, the relatively high numbers of economic indicators disclosed by the manufacturing sector is indicative of the ‘overrepresentation’ of this sector’s response to the survey.

Figure 11: Social indicators applied by sector associations



On the basis of the analysis above it is evident that Health and Safety (H&S) is the most prevalent 'social' indicator in use, and is common in sectors where H&S-related risks are elevated (e.g. utilities, mining and quarrying, manufacturing and particularly construction, where H&S performance is a key differentiator. Again, despite the lack of data available from other sectors, we would expect that several of the other sector associations would in fact have access to data concerning the H&S performance of their member organisations. As also shown in figures 9 and 10, the relatively high numbers of social indicators disclosed by the manufacturing sector is indicative of the 'overrepresentation' of this sector's response to the survey.

Sustainability targets

Sustainability targets are most frequently used by sector associations in the 'water supply, sewerage waste remediation' sector, followed by 'mining and quarrying' and 'manufacturing' sectors. Environmental targets are applied more frequently by these sector associations compared to social or economic targets. This likely reflects the highly regulated nature of these industries, particularly around environmental issues such as water quality, energy use and carbon emissions. These targets are almost equally split between voluntary and binding target types (58% and 42% respectively).

Findings from the telephone interviews and Focus Group

The following barriers and success factors were identified via telephone interviews, and during the Focus Group. Further details of findings by sector are provided in Appendix 1 – these include information obtained via desk-based research.

Barriers to developing and implementing a sustainability plan

Economic Climate

It was clear from responses to the On-Line Survey that the current economic climate is impacting the ability of sector associations to progress sustainability initiatives. This is generally connected to the fact that sector associations (particularly in sectors such as automotive and construction) find it difficult to maintain membership levels in a downturn, as subscriptions fees may be regarded as discretionary spend by member companies, resulting in membership cancellation or withdrawal. In general, reduced membership levels leads to a reduced sector association budget. This results in less spending on sustainability-related initiatives, which are likely to be regarded by sector associations as lower priority in a challenging economic climate. Existing funds are also more likely to be re-directed to sector association-led initiatives aimed at more immediate member needs e.g. securing Government assistance to reduce insolvencies within the sector.

Regulatory 'burden'

Some sector associations commented on the increasing regulatory burden of sustainability initiatives, and that the timing of these was placing an increasing strain on their members, who were already facing challenging trading conditions.

For example, respondents from the chemical industry felt that they were already excessively burdened by existing regulation (including the Registration, Evaluation, Authorisation and Restriction of Chemical substances (REACH) Regulation) and other Health, Safety and Environmental regulation), such that there were limited resources available to devote to sustainability initiatives. It is probably worth noting here that many of the regulatory 'burdens' cited are in fact aimed at improving sustainability performance, which highlights the lack of common understanding of 'sustainability' across different industry sectors.

This perceived 'burden' may impact on the ability of such sector associations to focus on maximising the sustainability related opportunities presented to their sector.

'Conflicting' regulatory requirements

Conflicting Government objectives and communication was also raised as an issue for concern. For example, respondents from the water sector noted that evolving legislation requires ongoing improvement in drinking water quality. Achieving such improvements in the water industry however, is typically associated with greater energy consumption, and therefore impacts on ability to achieve energy efficiency requirements promulgated by other Government agencies such as DEFRA/Environment Agency.

Confusion regarding role of Government in the sustainability agenda

A number of respondents commented on their desire to improve understanding of who in Government is responsible for which parts of the sustainability agenda. Some respondents noted that they have had difficulty in gaining contact with people within certain Government departments.

Access to expertise

Several sector associations noted that they do not have the in-house expertise to develop a suitable understanding of what sustainability means for their sector, or how to move forward with sustainability planning (a lack of such capacity is likely to be linked to a lack of mandate from members to focus on sustainability issues). Access to funding to secure external support was also noted as an issue. This is more common in the smaller sector associations, especially where sustainability issues have not historically been strongly linked with their sector. A very limited number (3 out of 51) of respondents had used the existing sustainability planning guidelines developed by BERR.

Long-Term vs. Short Term Views

Some sectors face challenges in implementing sustainability plans, due to a primarily short-term contracting-based business model. For example, in the cleaning sector, contracts can be short in comparison to the longer lead time required to implement sustainability initiatives. The cleaning sector therefore faces difficulty in creating incentives for their members to implement longer-term programmes.

The 'Level Playing Field'

Engagement with sector associations during the Focus Group highlighted frustrations regarding a perceived lack of law enforcement (in the area of immigration/right to work in the UK) in those sectors where informal working is common (e.g. cleaning services etc.). The reported lack of enforcement permits unscrupulous operators to continue to trade, and creates an 'unlevel playing field', deterring more proactive members from funding efforts to improve in areas of sustainability such as labour standards or working conditions.

Engaging the Supply Chain

A lack of commitment from within the supply chain of certain sector association was considered a barrier to developing and implementing sustainability plans. For example the automotive manufacturing sector is associated with a relatively 'deep' supply chain, and it is likely that many of the businesses operating in the chain are not exposed to the same level of scrutiny as those businesses operating in the top tier of the sector.

Success factors in Sustainability Progress

Senior level leadership and engagement.

Senior-level commitment to developing and implementing a sustainability plan (either from member companies, or within the sector association itself) was highlighted as a key success factor by sector associations. We suggest therefore that one way to facilitate sector progress on sustainability is to engage the 'leading' members of the sector (e.g. within a small steering group), and use this leadership group to provide impetus for improvement within the sector more generally.

Example: International Council for Metals and Mining

ICMM's principal driver is to improve sustainability across the mining and metals sector. In order to achieve this, ICMM is a CEO-led initiative which provides the required momentum to achieve sustainability objectives. A key element of the ICMM approach is the 'Sustainable Development Framework' comprising of three elements. These include a set of 10 principles (including a set of supporting position statements), public reporting and independent assurance. All of these elements have been approved by the CEO's comprising the Council.

Flexible Alliances

Flexible alliances/working groups were seen as a productive and beneficial mechanism to share knowledge and views with other industry groups facing the same issue.

For example, one manufacturing sector association has created working groups to engage with other stakeholders on various sustainability issues. Other manufacturing sector associations have worked with the World Business Council for Sustainable Development to develop a global approach to key industry sustainability issues.

Water UK has organised 'issue specific' cross sectoral working, particularly with those industries with strong links to sustainable water supply objectives (e.g. agriculture, energy, waste and conservation industries). For example, Water UK has been involved in a cross sector issue specific working group on anaerobic digestion, which focuses on how the water industry can extract energy from the sewage treatment process.

Several sector associations are members of the National Industrial Symbiosis Programme (NISP). NISP is a business opportunity programme aimed at delivering financial benefits for members whilst generating positive outcomes for the environment and society. Industrial symbiosis brings together companies from all business sectors with the aim of improving cross-industry resource efficiency through the commercial trading of materials, energy and water and sharing assets, logistics and expertise.

Although several industry associations felt they could benefit from forming flexible alliances to share good practice, there was a recognition that any cross-industry interactions must consider anti-trust sensitivities.

Conclusions and Recommendations

Key themes emerging from the survey are set out below.

Awareness

It was clear from the survey work that there were substantive differences in levels of awareness of sustainability issues between sector associations. As a general rule, associations representing sectors which have been affected more significantly by the sustainability agenda (e.g. extractives, manufacturing) have a higher level of awareness compared to those which historically have had a lower profile within the sustainability debate. A good example of the latter is the Information and Communication sector, who in the past may well have considered that sustainability issues were not particularly relevant to the sector until recent developments, e.g. publicity concerning the level of energy consumption within the sector and legislative instruments controlling waste electronic equipment, which have resulted in increased scrutiny of the sector's sustainability performance.

Sector Association Engagement – the 'Long Tail'

Output from the survey also suggests that there are a smaller number of 'vocal' sector associations who have access to a degree of internal expertise on sustainability issues. Such sector associations commonly put forward quite strong and informed positions on sustainability issues, and invariably represented industry sectors significantly impacted by the sustainability agenda. Such associations however appeared to be in the minority, and were accompanied by a 'long tail' of other sector associations who appear to be far less engaged with the sustainability agenda, and which could broadly be categorised as follows:

- SAs representing small or specialised industry sectors (e.g. the Surface Engineering Association, Intellect (representing the electronics sector)).
- SAs representing sectors which may have had limited exposure to the sustainability debate (e.g. Association for International Broadcasting, Association of British Healthcare Industries)
- Organisations more akin to professional bodies who did not feel it appropriate to respond to the survey on behalf of their members.

Spectrum of Perspective

Engagement with the sector associations during the course of the survey revealed significant divergence of opinion on sustainability issues. Unsurprisingly, most sector associations took a relatively narrow view of sustainability through the lens of their individual sector positions on various other issues such as regulation, market structure, competitiveness etc.

For example, respondents from the chemical industry felt that they were already excessively burdened by existing regulation (including REACH and other Health, Safety and Environmental regulation), such that there were limited resources available to devote to sustainability initiatives. More importantly, commentators from this sector felt that their members were unwilling to progress sustainability initiatives unless there was a 'clear business case'. This perspective contrasted sharply with respondents from the water/utilities sector, who noted that the sustainability agenda was firmly embedded within their core business strategy, rather than being viewed as a 'bolt-on' or distinct set of initiatives.

Access to expertise/Mandate

The research also suggested that whilst there was often a recognition of the significance of the sustainability agenda to a particular sector, the sector associations often lacked the internal capacity/expertise, or a strong enough mandate from the members to progress initiatives on behalf of the sector. 'Diversity' of the sector membership base (and consequent divergence of opinions/requirements) was also cited on a number of occasions as a key barrier to progressing a sector association-led sustainability initiative.

Closing Comments

The survey did not suggest there was an appetite across sector associations for Government to play a more high-profile role in the development of sustainability issues, nor was there a sense that existing (or potential future) BERR guidance on the matter was extensively used or valued. In addition, there was limited evidence that any Government guidance was used by sector associations in this regard. Rather there was the sense that most sectors impacted by the sustainability debate had the capacity to progress on their own (drawing on the experience of leaders in their own and other sectors) if the commercial imperative or membership mandate to do so was sufficient. Unsurprisingly however, there was a view that Government-funded assistance for sector associations would likely be welcomed.

There was a recognition that BERR (i) could usefully act in a 'convening' role, particularly where smaller groups of sectors could benefit from working together on specific issues of mutual interest, (ii) could provide a 'helpline' for advice and guidance on where to find useful information relevant to their sector, and (iii) most certainly had a role in achieving the aim of 'joined-up Government' – i.e. ensuring that BERR initiatives within or outwith the area of sustainability did not conflict with policies promulgated by other Government bodies.

Recommendations

On the basis of the comments above (and views expressed by sector associations consulted), we feel that BERR may wish to consider actions along the lines of the following:

- identifying those sector associations who should be contributing to delivery of Government sustainability objectives but who haven't yet shown that they can 'do it on their own'
- convening workshops for identified sector associations to discuss sustainability
- facilitating issue-specific workshops/working groups with members from sector associations, to establish flexible alliances between sectors faced by common sustainability challenges
- providing a dedicated 'helpline' for sustainability advice and guidance
- working together with other Government departments to ensure sustainability incentives are built into sector assistance programs during economic downturn
- incentivising innovation and sustainable business models, potentially through funding and award schemes

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