



## Rural Policy GROUP

# Briefing Note: From CSR to Purpose-Driven Business 19<sup>th</sup> November 2020

Rural Policy Group is a visionary think tank shaping the future of the rural economy; established by Mark Lumsdon-Taylor in Spring 2020 it supports economic actors in the rural economy with a programme of knowledge exchange and debate. The group brings together the best minds in politics, economics, business, finance, medicine and science to discuss the big issues of the day and support rural leaders to find and seize opportunities for progress and growth.

We were delighted to partner with MHA MacIntyre Hudson and a heavy-hitting panel of speakers

- Natalie Bennett Green Party Peer
- Rakesh Shaunak Managing Partner & Group Chairman of MHA Macintyre Hudson & MHA
- Carum Basra Corporate Governance Policy Leader, Institute of Directors
- Chair: Mark Lumsdon-Taylor Senior Corporate Consultant, CFO & Founder of Rural Policy Group

## Watch again

A link to the full RED Talk can be found on our website [www.ruralpolicy.group](http://www.ruralpolicy.group).

## Summary of insights

The timing of this talk could not have been more perfect. Yesterday, 18<sup>th</sup> November 2020, the Prime Minister announced a ten point plan for a green industrial revolution. The plan sets out the approach government will take to build back better, support green jobs, and accelerate the UK's path to net zero.

- The economy is a subset of the environment and entirely dependent on it. The environment is profoundly unstable and so the economy has entered an age of shocks. Resilience in business will be more important than growth.
- We are at the point of creating a new framework which works within the physical limits of the planet and gives everyone a decent life with small, independent businesses as the driving force.
- We need to develop auditable business models that support social accountability and provide stakeholders with greater transparency and reassurance around responsible performance, akin to auditing accounts.
- The role of business is to solve the problems of people and planet profitably, not to profit from causing or contributing to problems.

The following sections summarise the briefings we received from our main speakers and responses to the questions posed by delegates. To find out what was said in full, please watch the [recording](#).

## Opening from the Chair, Mark Lumsdon-Taylor

Corporate social responsibility has its roots in 19<sup>th</sup> century America with Scottish-born industrialist and philanthropist Andrew Carnegie, who believed that the goal of businessmen should be to do well in order to do good. Today proponents of corporate social responsibility reverse Carnegie's belief to one based on enlightened self-interest and emphasise that businesses can do well by doing good. Carnegie also famously said, "Do your duty and a little more and the future will take care of itself" and, "Surplus wealth is a sacred

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trust which its possessor is bound to administer in his lifetime for the good of the community". The relevance of these sentiments has not waned in the intervening centuries.

**"Surplus wealth is a sacred trust which its possessor is bound to administer in his lifetime for the good of the community".**

**- Andrew Carnegie**

People and cash have long been the drivers of business, now we must add the environment to that list. Considerations around the environment, the climate crisis and sustainability are integral to infrastructure, investment, consumer purchasing decisions, risk management, business relationships, innovation and every other aspect of corporate operations. Within the agricultural sector, farmers are having to work harder and smarter to embed an ethical, social and governance focus within their businesses; they are responsible for sustainable food production and meeting our renewable energy requirements, and the multi-national companies they sell in to require their supply chain to comply with ethical standards.

There is a paradox in farming; how to maintain high environmental standards with regard to biodiversity, emissions, greenhouse gasses, soil quality and so forth while making it work financially to deliver food at a price people are willing to pay. Consumers want to feel good about the food they are eating, but not all are willing or able to pay for higher production standards. Farmers must juggle these competing priorities and arrive at a solution which can secure the future of their farm. The food and farming community has done exceedingly well in juggling these priorities to date and the UK has some of the highest production standards in the world. However, the low price of food will inhibit the sector's ability to drive forward ever higher environmental standards and sustainability gains.

There are a number of models of ethical corporate behaviour and the government's announcement yesterday, 18<sup>th</sup> November 2020, of a Ten Point Plan for a Green Industrial Revolution will focus the minds of business leaders on the need to think more about how their business impacts the environment and community, and also how regulatory requirements might change.

### Political Speaker: Natalie Bennett

*Known in the House of Lords as Baroness Bennett of Manor Castle, Natalie is only the second Green Party peer. Natalie joined The Green Party in 2006 and led the party for two terms; she made her way to that position via a degree in agriculture, consulting for the United Nations and journalism. Natalie employs her scientific and humanitarian interests for public good as an active member of the All Party Parliamentary Groups on UN Global Goals for Sustainable Development, Future Generations, and Agroecology.*

There are lots of people in the House of Lords with an agricultural or rural background, but what we need is more people with a science background in politics. What you might describe as old-CSR is what I would call business as usual with added efficiency or technology, and that is my perspective on the government's ten point plan. New corporate social responsibility has to be living within the physical limits of this one fragile planet, "one planet living". The one planet economy is set out in a book I would highly recommend if you have not already read it, called Doughnut Economics by Kate Raworth. Kate Raworth also has a website with lots of informative videos which are a good way to pick up the essential idea of looking at the environmental, social and economic together.

**"Food banks are one of the fastest growing areas of British activity and that is very sad and unsustainable".**

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Every country in the world has signed up to the UN's Sustainable Development Goals yet still many major businesses see the future as business as normal with a nod to societal and environmental goals, such as adding that they are an equal opportunities employer to their advertising. Yet what we need is transformation and doing things entirely differently. We have no choice but to transform. Society is profoundly unstable. The environment is profoundly unstable. We are seeing the effects of the climate emergency and the nature crisis in the hurricane season, huge fires in America and Australia and a host of other weather phenomena. The economy after all is a subset of the environment and is entirely dependent on it.

This is an enormously difficult time for people in business. We have the shock of coronavirus which came as a shock despite the threat of a pandemic appearing on security reports for quite some time. In 42 days, we also face the uncertainty of the end of the Brexit transition period. It is a difficult time to ask people to think about changing anything else in their business, but coronavirus and Brexit also bring with them a number of opportunities for business to help build a new society. If we think about the 40 years after the Second World War, that was a period of social democratic consensus. We had public ownership of coal mines, car factories and railways, and the Conservative Party was comfortable with that. We had not just a living wage, but a family wage and stable employment. It was expected that one wage, usually a man back then, would support a whole family and buy a house (even in London). Since the 1980s, we have had an era of neo-liberalism in which greed has been seen as good, inequality has not mattered and we have kept trashing the planet.

We are now at a point of creating a new framework and what we want to do within it. Take the countryside, at a recent meeting of the All Party Parliamentary Group on Agroecology we heard a briefing from the Food & Farming Commission and discussed the need to restore the ring of market gardens around towns and cities. A lot of small businesses growing fruit and vegetables in close proximity to where they are needed, employing lots of people and requiring a supply chain of resources and facilities creating even more economic activity in rural areas. We are used to seeing our countryside denuded of people and opportunities. Market gardens would help repopulate the countryside and create opportunity for the people living there.

The old days of people from the East End of London going on holiday to the countryside to pick hops showed the close relationships between city & town and people & food. Community-supported agriculture initiatives are restoring those connections. Since more people working from home because of coronavirus, the government has been very concerned about the hollowing out of city centres. Of course, we need to be concerned about the people employed in those businesses, but the transformation in our work lives and travel patterns means there are more opportunities for business and employment in rural areas.

**“We need to work towards a system which advantages small, independent businesses which put back into their communities”.**

We had an economy which was dominated by multi nationals and there was nothing inevitable about that. Political and economic policies have privileged those organisations through the tax regime, letting them to ship money to tax havens and allowing them not to pay their workers properly. What we need now is a system which advantages small businesses. These businesses support their communities and are supported by their communities. This is new type of system and it cannot be focused on growth. We have had a growth economy for many decades which has trashed the planet and delivered a miserable society. What we need to focus on, and what new corporate social responsibility has to be founded on is resilience. We are in an age of multiple shock and there will certainly be more. We need businesses and communities which can absorb those shocks and work together collaboratively with a view towards security and stability.

A new economic model can be summed up by a market garden in Wales I visited a few years ago. They said their biggest mistake was buying a cheap tractor (it was all the money they had) which they needed to repair

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all the time. One of their key learnings was that they would have loved to have been surrounded by four or five similar businesses so they could pool resources to buy & share a better tractor. This anecdote sums up a new economic model; one that is cooperative, focused on working together, producing healthy things and looking after the environment. It is a huge opportunity to create an economy which works within the physical limits of the planet and gives everyone a decent life with small, independent businesses as the driving force. That is what I'd say the new corporate social responsibility needs to be.

**Mark Lumsdon-Taylor, Chair:** Thank you. That was inspiring. What leapt out at me was the role of the rural economy in kick-starting the wider economic transformation and the importance of resilience.

### Business & Finance Speaker: Rakesh Shaunak

As the leader of a global business and with an advisory interest in a number of listed companies and investment trusts, several Public Interest Entities, seven UK banks and the European arm of one of the largest banks in the world, Rakesh shares his three calls to action:

**“Develop a socially accountable business model, incorporate environmental and social concerns into your planning and validate the metrics by which you measure success”.**

Develop business models that help businesses to be socially accountable to ourselves, to the stakeholders and to the public. Businesses set out their actions within internal reports and glossy documents, but it is important to have an externally validated framework to give society reassurance that businesses are observing the good principles of CSR such as ethical sourcing, minimising the carbon footprint and behaving responsibly. Such a framework would engender transparency and accuracy in reporting CSR behaviours akin to how a financial audit verifies accounts and gives stakeholders and society a greater degree of reassurance about performance.

Incorporate environmental and social concerns into planning and operations. How this is managed will be different in every organisation and it is for business leaders and their advisors to determine how CSR best serves their business, society, the environment and of course stakeholders and customers. I am proud to say that corporate social responsibility plays an important part in the MHA organisation nationally and internationally.

The final call to action is validation. Identify the metrics by which success is measured and ask yourself as a leader two questions. What does good look like? How do I know I am doing the right thing? Those questions should help to provide checks and balances when making decisions.

### Corporate Governance Speaker: Carum Basra

Last year the US Business Round Table, which brings together some of America's biggest companies such as JP Morgan and Ford Motor Company, published a new purpose for business. Larry Fink of Blackrock, one of the world's largest asset managers, called on firms to embrace corporate social responsibility. Fink wrote to CEOs that purpose is not the sole pursuit of profit but the animating force for achieving profit.

The IoD has also done its own work in this area and launched a manifesto on corporate governance ahead of the 2019 general election. We called for the introduction of business purpose clauses, the creation of public

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service corporations, a code of business conduct, mandatory training for directors and the creation of a corporate governance commission.

**“The role of business has expanded and the new generation has vastly different expectations of corporates”.**

I recap all that as we are at a new stage in the debate about what company is for and what the purpose of a company is. The question is how did we get from Milton Friedman and shareholder value maximisation to this point. Friedman really came to the fore in the 1970s and he said, “There is one and only one social responsibility of business. To use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game”. Quite simply, the role of business has expanded in the past few decades and there has been recognition that relying on regulation to enforce the rules of the game is inadequate. Competition is great when it works, but it often fails. Competition policy and regulation are simply not meeting public expectation, particularly at a time when the challenges we face are huge. Generation Z (those born in the mid-1990s) and Millennials now account for 60% of the world’s global population and they have vastly different expectations of corporates than previous generations.

So, what is corporate purpose? What is its relevance? We need to avoid it simply becoming another hackneyed phrase or business buzz word; we need to go back to the reason why a business exists to discover its purpose. Purpose articulates why an organisation exists and the issues it seeks to solve. The purpose of business is to solve the problems of people and planet profitably, not to profit from causing problems. It is the job of every business to establish what and whose problems it is seeking to solve, and it needs to be convincing about why that particular organisation is suited to solving those issues. Boards and business leaders then need to own that purpose and ensure it is embraced across the organisation. There is increasing regulation around purpose in the UK and elsewhere. The 2018 UK Corporate Governance Code requires companies to report how their board has set the company’s purpose. One example of an entity that has embraced purpose is Anglian Water, a company which provides water to the east of England. It has changed its legal status in its Articles to state that its purpose is to benefit not just shareholders, but also stakeholders, the environment and the wider community. Another example is BP which recently announced a desire to shift from being an oil major to an integrated energy company and move to Net Zero by 2050.

While we are seeing the notion of purpose proliferate, there are still many directors who see this as a continuation of marketing while others are genuinely embracing purpose with the full support of their boards and fellow directors.

### Panel debate with Q&As:

**Perspective from panellist Jonathan Shaw, CEO of Policy Connect and former Labour MP:** a number of businesses now see embracing corporate social responsibility as corporate imperative to stay ahead of the curve. Partly because the issues addressed within the purview of environmental, social and governance are often under the spotlight of public opinion and consumers. We are seeing a shift for the better, but government also has an important role to play. Government is a big spender and can require broader social value to be delivered by the companies it contracts with. We will also see greater scrutiny of the demographic composition of boards and disparities in pay. Public scrutiny is a positive feature of the future.

**Question:** Will purpose really drive profit and cashflow improvement?

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**Rakesh Shaunak:** As businesses we often focus too much on the how and not the what. Purpose is about the what and this needs to be embedded into our plans. Therefore, I would say that purpose absolutely will drive profit and cashflow improvement.

**Natalie Bennett:** We need to ask this question in the context of timeframes and how we measure success. To make a huge profit one year and go out of business the next is not success. We have a cultural problem here in the UK with short term thinking. By contract the German business model looks more to the longer term e.g., training an apprentice who will be with you for the next 15 or 20 years and be a brilliant resource for your company, but for the first three or four years you are putting money into them. The skills shortage and productivity problems here are just a couple of the ways in which taking a shorter term view is impacting success and improvements in profit and cashflow.

**Rakesh Shaunak:** In terms of timescale, we need to define what good looks like and what are the various stages. The government's announcement yesterday (18 November 2020) to end the sale of new petrol and diesel cars by 2030 is world class in its efforts to achieve the net-zero goal for a sustainable economy.

**Jonathan Shaw:** The vehicle announcement caught many people by surprise because the government were under pressure to reduce the timeframe, and they have done that. It suggests there is support and willingness to innovate from business so that we can be at the forefront of this technological revolution in transportation.

**Mark Lumsdon-Taylor:** It seems that you are all in agreement that businesses need to internally evaluate what they do to and take a 'whole business' approach to integrating considerations around social value.

**Question:** How is the food and farming industry, particularly the smaller operators, modernising in a socially responsible way?

**Sarah Calcutt:** One of the most interesting projects I have been involved in recently was a producer organisation scheme. Between them they had some shared assets but not a lot. However, as a co-operative they were able to purchase kit which would have been unattainable to the smaller growers due to its high purchase value. These co-operatives mean family farms can remain competitive and the industry can move forward together with less disparity in efficiency and technology between the bigger and smaller producers. Those farmers who have been custodians of their part of the countryside for multiple generations are able to continue doing so while acting within the circular economy. Those businesses are now going to fit into food policy, environmental strategy and a large number will engage in the Environmental Land Management Scheme. Producer organisations or co-operatives are the future of farming and will ensure it develops as an industry.

**Mark Lumsdon-Taylor:** How do farmers break the deadlock between immediate cash requirements and investing in corporate social responsibility?

**Sarah Calcutt:** Europe has subsidised food for almost 100 years so we as a society do not have a true value of food. There are pressures going into negotiations with supermarkets and other buyers to drop your price yet again. However, with continual price drops there is an imperative to drive down costs and still there is not the margin to invest in CSR changes. It has reached a crisis point and there are more shocks to come in the industry, as there are with the rest of society.

**Comment from Teresa Wickham, former corporate responsibility advisor to Sainsbury's, in the audience:** Retailers are driven by consumer demand and we have yet to see consumers change their purchasing power, even when issues such as terrible conditions in textile factories are pointed out to them. This will change even though people are likely to have less money this year for their family expenditure.

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**Question from Natalie Bennett:** Do you think a consumer will pay more for a product if they perceive the business is performing well environmentally and socially? Or are we still caught in a cycle whereby price is the ultimate determinant of people's purchasing decisions?

**Natalie Bennett:** Cheap food is costing us the earth and our health. We are seeing family-run dairy farms being pushed out by prices below the cost of production and they are being replaced by industrialised farms. The risk here is the threat of disease transmitted through animals; we are threatening our very security for the sake of cheap milk. Equally, the garment sector now sells twice the volume of clothing it sold 10 years ago. This is partly because the clothing is not made to last; the system now works on people keeping up with the latest fashions. We need to change the system. System change is needed to enable the greener choice to be the easiest and simplest choice. At the moment only the people with the social and financial capital can afford to make choices according to their conscience and we need to turn that around.

**Jonathan Shaw:** Cheap food is a part of the system. Politicians cannot advocate for more expensive food (and retain their popularity and position) because the issue is what people can afford. Financial means are a determinant of consumer choice because they limit the choices people are able to make. If people are to pay more for the standards of production of their food and clothing, issues around the living wage, affordability and financial security need to be addressed first.

**Question from the audience:** Will there be greater regulatory controls coming from government?

**Jonathan Shaw:** There will be. The government recently announced its ambition for the green agenda. The resources and waste strategy which requires producers to pay for the disposal of products will have an impact on manufacturing. Government and companies need to factor in change to meet the net-zero obligations, so sustainability and success will go hand in hand, as will having a diverse workforce and paying people well. Workforce and planet are reliant on one another.

**Rakesh Shaunak:** The preparedness for change within the business community is patchy. Affordability, the corporate conscience and lack of clarity are the main issues affecting preparedness. When something is voluntary and there are no checks and balances to give guidance, you leave the process open to interpretation. There is a lot of good intent within the community but variance in the depth and authenticity with which CSR can be implemented. Larger companies may be more likely to have the financial might to achieve change, but often smaller companies are more nimble and able to implement change quickly. It can prove difficult for implementation to meet intention.

**Spotlight Speaker James Gardner, Managing Director of Sinclair & Rush, speaks about the importance of workforce welfare.** Sinclair & Rush is a global player in the manufacture of plastics and packaging. Happy team members are essential to our business; happy team members equal happy customers. During lockdown we maintained the social element of human relationships by adopting Zoom and Teams very quickly, taking each team member an Easter egg to maintain socially distanced face-to-face interaction and we celebrated the Macmillan Coffee Morning by sending cupcakes to every team member and hosting the coffee morning via Zoom. We also have a WhatsApp group for every team and send cards & gifts for birthdays and work anniversaries.

We make these efforts because we see results. We have exceeded the invoicing targets set pre-Covid, we are on an unprecedented streak of exceeding weekly sales targets, and we have remained profitable and been able to put money into our reserve accounts throughout this period which puts us in good stead for the

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uncertainty around Brexit and the pandemic. We have not taken on any government loans, we have not had to furlough staff or make redundancies, we have not needed financial support from our parent company and we continue to pay our suppliers.

But we are still a plastic manufacturer and plastic is not seen in a very good light. The results of plastic being misused and disposed of incorrectly are horrific. We have an eco-warrior on the team who is helping us find ways to positively effect our immediate environment and the worldwide environment. We have in-house recycling and we do not produce single-use items such as plastic bags or bottles. We work with partners who can repurpose our waste products so none of it goes to landfill. We work with customers and suppliers on producing eco-grades of materials and in our recent ISO 14001 environmental audit, we set the target of becoming carbon neutral. One way in which we aim to achieve carbon neutral is to pay a little bit extra per delivery to offset the carbon generated by worldwide transportation.

Leadership is key to businesses doing well and these unprecedented times give leaders an opportunity to try something new, such as remote working. Being more open and taking on reverse mentoring, giving and receiving regular feedback, and generally keeping lines of communication open is essential for a business to succeed. My advice is to continue to learn, do not be afraid to try new things and do not be afraid to make mistakes. Challenging times make us more innovative and entrepreneurial, and we need to embrace that.

**Question:** Do you think sustainable or ethical sourcing will become mandatory within B2B markets?

**James Gardner:** Absolutely. The next generation is coming through and whether it is mandatory or not will become less relevant. The new generation will want to shop and invest with businesses which are ethical and sustainable. In the not too distant future, we will look back at this time and wonder why we didn't stop the environmental destruction sooner.

## Final Thoughts

**Rakesh Shaunak:** We are all in this together and there is no one solution. We all just need to do the right thing and join the dots.

**Natalie Bennett:** We are in a period of radical rapid change and the good news is that we can build something better. Focus on hope because it is hope that gets people actively engaged in change.

**Jonathan Shaw:** I am optimistic about the future. The United Nations Climate Change Conference (COP) is next year, and Joe Biden looks set to sign America up to it which will be a fillip to bring other countries on board. We want to demonstrate at COP how the UK is leading the way for business, the public sector and the voluntary sector.

**Mark Lumsdon-Taylor:** Each business will find their own purpose, their own means of achieving it and their own style of expressing it. However, all businesses will evolve on their journey towards purpose and working with specialists to lay the groundwork will help smooth the bumps in the road.

## The Polls

During the debate we took the temperature of the businesses in the audience

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**Poll 1:** Do you agree that being purpose-driven can drive profit and cash?

- 100% Yes
- 000% No
- 000% Maybe

Analysis: Business is unanimous in believing that good environmental, social and governance behaviours can have a positive effect on profit and cash.

**Poll 2:** What do you perceive to be the biggest benefits of incorporating a new approach to corporate responsibility into your business? (Multiple choice)

- 60% Public relations and reputation
- 60% Knowing I am helping to improve peoples' lives
- 30% Risk management and regulatory & legislative compliance
- 30% Attractiveness to investors
- 20% Profit and profitability
- 20% Additional customers

Analysis: There are a lot of reasons why a business would seek to become more purpose-driven, and while many of them are based on improving business metrics and optics it is heartening to see six out of 10 businesses genuinely want to help improve peoples' lives.

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