

# SUSTAINABILITY

## The New Normal

Long being perceived as a nice-to-have and not a must-have, sustainable practices have moved from the margins into the mainstream.



Sustainability has never been higher on the agenda of both corporates and consumers than it is today. Sustainable agriculture, energy and tourism have long been in the mainstream, but today sustainability can be seen in everything, from finance and consumer goods, to education and transportation. Companies that are able to accommodate a more conscious view are seeing the benefits as more and more consumers are basing their buying choices on the sustainable practices of a brand and its products, with many companies doing what few thought possible – being sustainable and profitable.

### Pull Factors

A large number of surveys, including studies done by Nielsen, Deloitte and McKinsey, show that new generations of consumers, particularly millennials, are willing to pay more for products and services seen as sustainable or coming from companies that are responsible and ethical. They expect companies to protect the environment, prevent exploitation and treat business partners and employees fairly. Beyond consumer demand, cost savings are one of the key reasons why businesses are adopting sustainability programmes. ►

◀ Cost reductions can result from improving operational efficiency through better management of natural resources such as water and energy, as well as minimising waste. Sustainability is also increasingly determining companies' purchasing decisions and the requirements they are placing on their suppliers. Companies and products without sustainable attributes will simply not be part of the deal.

Contrary to popular belief, there is a strong link between sustainability performance and financial performance as a study by Arabesque Asset Management and the University of Oxford showed. In their review of some 200 studies on sustainability and corporate performance, they found out that 88% of them show that good sustainable practices result in better operational performance; while 80% show that stock price performance is positively correlated with good sustainability practices. The financial risks of ignoring sustainability are high: BlackRock, the largest asset manager in the world, recently sent shockwaves through the business world when it announced that if firms want to continue to receive its support, they needed to think beyond profits. Instead, the company said, they need to think about the contribution they make to society.

### A \$12 Trillion Opportunity

Corporations across the world have aligned their sustainability programmes with the UN's Sustainable Development Goals (SDG), a set of 17 goals pertaining to social, economic, environmental and governance issues. Consulting firm Accenture found that 87% of big company CEOs believed that the SDGs provided a genuine opportunity to rethink their approaches to sustainable value creation. International bodies such as the Global Reporting Initiative, the UN Global Compact or the World Business Council for Sustainable Development (WBCSD) are preparing tools and global benchmarks that help companies come up with business solutions that are as good for society and the environment as they are for the bottom line. The WBCSD alone has more than 200 members, including global corporations such as BASF, Bayer, BMW, Canon, Ford, Philipps, Total, Unilever, Volkswagen and many more. They all stand to gain at least \$12 trillion a year in market opportunities by adopting sustainable practices and contributing in other ways to achieve the SDGs, according to the Business and Sustainable Development Commission.



### The Circular Economy

Many believe that one of the biggest barriers to sustainability rest in the current linear 'take-make-waste' economic model. Experts advocate a shift to the concept of a circular economy – a restorative, zero-waste economic model in which resources are used to maximum capacity and natural systems are regenerated. But the circular economy is anything but theoretical – startups and big companies alike are already forging new business models and developing products that are 'made to be made again'. Economic activity is driven by the reuse, repair, remanufacture or recycling of used products. Apple, for instance, is working towards making products using only renewable resources or recycled materials, while BMW does not consider end-of-life vehicles as waste to be disposed of, but rather as a secondary source of raw materials. Entire countries are backing innovative companies in their efforts. Germany, France, the UK, the Netherlands and Finland are just a few examples of countries that have launched plans and detailed roadmaps linked to the circular economy.

### Better is not Good Enough

Sustainability is more than a very significant trend; increasing numbers of companies are placing sustainability at the heart of their business strategies. There is widespread agreement that the next phase of sustainability is right upon us and that it will be shaped by corporate decision-makers that are willing to change the market and set new global standards. For instance, instead of reducing the carbon footprint, they go carbon neutral and eventually go carbon negative. Not doing no harm is no longer sufficient, companies must actually do good. ■



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# A sustainable future: Making new products from plastic waste

Plastics make life more sustainable and more convenient – they make sports clothing dry faster, vehicles lighter, household devices more durable, and keep food fresh and hygienic. However, the disposal and recycling of plastic at the end of its lifecycle is not always provided for, so some plastics end up in the environment – for example in the case of agricultural mulch films that are too thin to be fully recovered. In such cases, the use of biodegradable plastics can be a better solution. But what can be done with other kinds of plastic?

At BASF, we want to contribute to better recycling and reusing plastics. The know-how of the chemical industry makes it possible to convert plastic waste into new raw material through chemical processes. This enables us to recycle plastics materials which previously would have ended up in landfills or incinerated. BASF has set up a project which aims to use feedstock from chemically recycled plastic waste as a raw material in its production plants. This feedstock can partly replace fossil raw material and will be allocated to customer products which have the same quality as products made from virgin raw material.

By doing so, we will create a circle in the plastics value chain and help our customers achieve their recycling targets. BASF will continue to explore the opportunities of chemical plastics recycling together with our partners in the value chain.

A photograph of a young woman with dark hair, wearing a blue and white striped shirt under denim overalls, and a silver choker necklace. She is looking out a window with a slight smile. The background is slightly blurred, showing the window frame and some light coming through.

**The future  
is not what  
you dream,  
but what  
you make.**

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# Creating a SUSTAINABLE Future

Running a profitable business goes hand in hand with being environmentally and socially responsible, says Dirk Voeste, Vice President Sustainability Strategy at BASF.

**B**ASF is truly in a class of its own. There is hardly any other corporation in the chemical industry that can match its revenues (€64.5 billion in 2017), but there is more. BASF also proves that sustainability and profitability aren't opposites. The global giant has built sustainability into its core business and set itself ambitious targets, including to clear out products with sustainability concerns within five years.

### Measuring the Impact

"Future business success means not only generating profit but also creating value for society and the environment," says Dirk Voeste, Vice President Sustainability Strategy at BASF. As a first mover in the industry, the company has developed a method to measure the monetary value of the economic, ecological and social impact of its business activities along the value chain – its 'Value to Society'. "We are aware that our business has positive as well as negative impacts on the environment and society," he adds. "We strive to increase our positive contribution and at the same time minimise negative effects. Therefore, understanding the impact of our business is key to improve it."

### Integrated Operations

Core to the company's operational networks are integrated production sites, whereby resources like steam and by-products from one plant are fed into connected plants. BASF calls this 'Verbund'. The Verbund saved BASF around 19.2 million MWh in 2017, which translates to 3.9 million metric tons less of CO2 released to the environment. "We have been able to lower our overall specific greenhouse gas emissions by almost 50% since 1990 while doubling production."

### Sustainability-driven Portfolio Steering

BASF constantly screens and evaluates its portfolio of more than 60,000 products according to sustainability criteria. For all products that do not meet BASF's requirements, the company develops prompt action plans to improve. Research projects can result in new solutions, but it could also mean replacing one product with an alternative. The company has committed itself to taking products with sustainability concerns off the shelf within five years of classifying them as "challenged". "This gives us a concrete timeline, but it also allows our partners and customers, who rely on our products and have their own production processes engineered around them, time to adjust."

The efficient use of resources has been at the heart of BASF for its more than 150-year history. In the last decade, it has significantly risen on the public agenda. Customers are increasingly interested in products based on renewable raw materials. "We respond to the customer demand, and renewable feedstocks also make it possible to develop new products and introduce new business models into the market to help our customers to differentiate with sustainability," he explains.

Using renewable sources does not automatically lead to more sustainable products. "Green doesn't always mean more sustainable," he points out. Two important renewable raw materials for BASF are palm oil and palm kernel oil, which are used to produce ingredients for detergents, cosmetics and food products. Palm oil plantations can contribute significantly to deforestation, loss of biodiversity and climate change. BASF's primary concern is to ensure it uses sustainably sourced palm products. "We see it as our responsibility to work closely with the companies we buy our raw materials from," says Voeste. "We share the widespread concern about these challenges and are committed to reducing the impact on the environment."

### From the Research Lab

BASF's goal is to continually develop innovative products and processes to counter climate change. In 2017, the company invested about half of its annual expenditures in research and development on product and process innovations that help prevent greenhouse gas emissions and improve energy and resource efficiency. The increasing challenge of plastic waste is also high on the company's agenda, and BASF is exploring opportunities of chemical plastics recycling together with partners in the value chain. BASF shares its experiences with its customers and partners and is a member of various networks and organisations. "For us successful business means sourcing and producing responsibly, acting as a fair and reliable partner and connecting creative minds to find the best solutions for market needs to provide the right answers to societal challenges." ■



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Vice President Sustainability Strategy at BASF.

