



# Best Environmental Practices of Leading Retailers from Around the World

2009



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# Greening Retail

## Best Environmental Practices of Leading Retailers from Around the World

2009

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# Forewords

Greening Retail is an important tool for the entire retail sector. This thoughtful and thorough body of work carefully analyzes some of the best practices from around the world. In addition to articulating the benefits that greening will provide to our environment, health and communities, this report articulates the economic success that will come with sustainable practices.

The 15 participating retailers are to be applauded for their active and willing participation in this report and for openly sharing their best practices with the retail community. We have much to learn from each other and by sharing and collaborating, we will continue to move forward as a green and sustainable industry.



Mitchell Goldhar  
*President & CEO*  
*SmartCentres*

Toronto and Region Conservation (TRCA) is committed to embracing sustainability in all aspects of our operations and to serve as a resource for all organizations in which we have contact. Because the retail sector has the ability to play a pivotal role in the transformation of our communities and in the creation of a sustainable future, we are reaching out to retailers internationally through the Greening Retail program.

The research outlined in this summary report and in the 15 case studies helps us to identify the most effective actions for retailers toward environmental sustainability. Through it we have identified some of the best environmental practices of retail companies and the steps they are taking in order to implement these practices. Along the way, we have discovered that not only are these practices better for the environment, they also make good business sense.

The retailers described herein are helping us get closer to our objective for sustainable communities; TRCA aims to facilitate broad community understanding, dialogue and action toward integrated approaches to sustainable living and city-building that improves the quality of life for residents and businesses while enhancing the health of our ecosystems.

The Greening Retail program is an example of the collaboration necessary to achieve our aims; we are pleased to be part of the partnership that is undertaking this important initiative.



Brian Denney  
*Chief Administrative Officer/Secretary-Treasurer*  
*Toronto and Region Conservation*

# Acknowledgements

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In addition, we greatly appreciate the time and insights of the executives of the 15 companies from around the world who agreed to participate in this research. Without them this research would not have been possible.

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# Executive Summary

Because of its broad reach, the retail sector has the potential to effect significant change in society in a way that no other industry can. Virtually all Canadians are impacted by retail, whether by our weekly trip to the food store, or to fashion stores, home furnishings stores, the corner convenience store, or the country general store. Retail is perhaps the greatest purveyor of culture in Canada, as it is in most countries around the world.

With more than 1.2 billion square feet of space in Canada and sales of \$425 billion in 2008, there is no doubt about the size and importance of this sector. Corporately, retailers can define environmentally oriented purchasing requirements; they can educate consumers at the store level; they are the gatekeepers for goods and services consumers are offered. Thus retailers have the ability to influence behaviour and consumption patterns on many levels.

The initial Greening Retail study, published in 2006, showed that Canadian retailers and their suppliers were responsible for over 40 million tonnes of carbon emissions, 6 million tonnes of waste annually, and millions of kilometres traveled by trucks, rail and air delivering merchandise from around the world to every corner of Canada.

**The Five % Solution:** If just 5 per cent of retailers and their suppliers reduce their energy consumption by 10 per cent, the estimated energy savings in one year would be equivalent to the energy required to power half a million homes—all of Ottawa, our nation's capital—and would result in a reduction of 1.4 million tonnes of greenhouse gases, the equivalent of removing 233,000 cars from the road for a year.

The objective of the research project described herein was to examine the environmental best practices of 15 of the leading retailers in the world to identify in detail their strategies and tactics, and communicate these to other retailers. This initiative is designed to assist the industry in adopting sustainable practices, and demonstrate that undertaking these initiatives can enhance their bottom line and thus makes good business sense.

In selecting the retail leaders to interview, every effort was made to obtain a representative sample that reflects the broad spectrum of retail in terms of merchandise, size, format, ownership structure and geography. It included retailers in North America as well as in Europe and Asia, where sustainable practices appear to be more advanced. Personal interviews were conducted with key executives of the participating companies in Canada, the United States, England, Ireland, France, Australia and Japan. Most took place in person, while a few were by telephone.

**The following table lists the corporate participants and their head office locations:**

Company	Country	Company	Country
Aeon	Japan	Monoprix	France
Alliance Boots	U.K.	Monsoon	U.K.
Carrefour	France	Mountain Equipment Co-Op	Canada
Home Depot	Canada and U.S.	Musgrave Group	Ireland
H-E-B	U.S.	Tesco	U.K.
IKEA	Sweden	Wal-Mart	Canada and U.S.
LUSH	U.K.	Woolworths Company*	Australia
Marks & Spencer	U.K.		

*\* unrelated to the U.K. or U.S. Woolworth Company*

The scope of the study makes it a challenge to distil the breadth and depth of information from each retailer; however, we believe that the following are the most salient themes and findings:

**One size does not fit all.** Company strategies varied widely according to such factors as merchandise category, number of stores, format, size and ownership structure.

**First at the plate.** The earliest adopters of environmental best practices tended to be the grocery chains, followed by department stores and other large space users, and then specialty stores. Other companies embraced sustainability from the outset. It was ingrained in their culture, often from the founder.

**Common threads.** Although the framework for achieving best practices varied among the retailers, there were common threads including:

- A deeply held conviction by the CEO/owner/founder/senior management that the company must reduce its impact on the environment
- An environmental strategy and plan
- An environmental management structure
- Staff who were appointed with environmental responsibilities at the head office and store level
- External advisors to assist in developing the strategies and providing advice
- Sustainable strategies, actions and indicators integrated into existing operations and management structure
- Policies with broad sustainability principles and specific functional or issue-related policies
- Policies disseminated internally and, most often, externally
- Regular updates of sustainability policies and achievements, typically every one to three years.

**Governance models.** Successful models vary from formal to informal. Franchise and international companies have adopted different models to implement best practices.

**Key sustainability strategies.** Three strategic focuses have emerged, either individually or in combination: operational, market transformation and supply chain.

**Corporate social responsibility (CSR) reporting.** Thirteen of the 15 companies produce CSR reports and the other two will be doing so in the near future.

**“What gets measured gets managed.”** Over 80 per cent of the companies measure and track energy usage, waste produced and diverted, CO<sub>2</sub> emissions, transportation and water usage. Energy and waste top the list. Many publish goals for reduction and track progress from benchmarks.

**Return on investment.** ROI is a central focus of environmental best practices. Both large and small leading retailers realize that sustainability provides a very healthy return on investment and further differentiates their businesses. There were three main approaches to measuring success:

- Cost savings—focuses on reducing costs
- Carbon emissions reduction—success is a reduction in CO<sub>2</sub> emissions
- Revenue generation—success through the sale of green products.

**The low-hanging fruit.** Many companies began the sustainability journey by undertaking the least expensive actions and subsequently graduated to the more costly measures. The top three ROI actions for most are as follows:

- Appointing champions throughout the organization with responsibility for achieving sustainability goals
- Reducing energy
- Reducing waste.

**The Three R’s—Reduce, Reuse, Recycle.** Retailers acknowledge that major savings can be realized from waste reduction and recycling, but many have just begun to explore the options available in this significant area of opportunity. Monetizing waste is a profitable business.

**Supply chain.** Managing the supply chain is critically important because research indicates that between 80 and 90 per cent of the retailer’s total footprint comes from the products that are carried.

**Procurement policies rule.** Virtually every retailer has established a procurement policy that contains specific environmental standards.

**Green products.** Over half of the companies have developed their own private brand green products.

**Incentives and staff training.** With some exceptions, most companies do not employ incentives to reward staff for sustainability achievements. Most hold workshops and training sessions on environmental programs.

**Customer education and marketing.** Most retailers communicate their environmental policies and information to customers and find this a valuable way to develop and promote their brand and build customer loyalty.

**Energy efficiency and conservation.** The four focal points for retailers in conserving energy are lighting (changing habits, reduction of wattage and retrofits), various building improvements, refrigeration, and tracking usage and reductions.

**Green energy.** Almost all retailers are interested in developing their own green energy sources, but consider the expenditure too high. Over half purchase green energy produced off-site.

**Transportation.** Improved logistics and modal shifts top the list of transportation carbon emissions reduction.

**Water quality and conservation.** With increasing water shortages, more retailers are beginning to focus on using water more efficiently.

**Environmental charity giving.** All the retailers report supporting charitable causes and forming partnerships with environmental nongovernmental organizations (NGOs). Participation in local community environmental projects is effective for staff retention and creating good will in the marketplace.

## **Recommendations and next steps.**

- Identify the best environmental practices of leading shopping centre developers around the world to assist the retail industry to adopt sustainable practices.
- Assess the feasibility of developing environmental sustainability guidelines for the retail and shopping centre sector.
- Communicate the research findings to the sector using reports, the Internet, conferences and workshops.
- Undertake demonstration projects with strategic retailers and shopping centres.



## Tesco

"All too often politicians and businessmen have said to me: 'You're a businessman, so surely you're opposed to the green agenda?' They think: 'You cannot make a profit and go green.' They think: 'A consumer society cannot be a green society.' And they believe that developing economies cannot afford to go green.

From my perspective this is all muddled thinking. I fundamentally disagree and I say that if we want long-term growth, we must go green."

*Sir Terry Leahy, CEO of Tesco*



## 1.0 Introduction

The retail sector is perhaps the greatest purveyor of culture in Canada, as it is in most countries around the world. Virtually all Canadians are impacted by retail, whether by our weekly visit to food stores, to fashion stores, home furnishings stores, the corner convenience store, or the country general store. Retailers communicate through the Internet, television, newspapers, social media, magazines, radio, shop windows and word-of-mouth, making it the most extensive of any communication and distribution network in our society.

In the initial Greening Retail study, published in 2006, we identified the extent of the environmental footprint of Canadian retailers and their suppliers. Over 40 million tonnes of greenhouse gases are released annually. Millions of tonnes of waste are sent to landfill, and millions of kilometres are travelled by ship, truck, railcar and airplane as merchandise is delivered from companies around the world to stores in every corner of the country.

Retailers are increasingly becoming aware of their environmental impact and taking action. Corporately, retailers can define environmentally oriented purchasing requirements and, at the store level, they can educate consumers. Retail businesses act as the gatekeeper for the goods and services offered to consumers and, as such, have the ability to influence behaviour and consumption patterns.

With over 1.2 billion square feet of space in Canada and sales of \$425 billion in 2008, there is no doubt about the size and importance of this sector. Retailers can make a difference.

### **The 5% Solution**

If just 5 per cent of retailers and their suppliers in Canada participated in energy reduction programs and achieved energy savings of 10 per cent, the estimated opportunity for energy savings in one year would power 465,000 homes—a city the size of Ottawa—and

- eliminate 1.4 million tonnes of greenhouse gas emissions or
- be the equivalent of taking 233,000 cars off the road for a year.

One of the questions we set out to answer in this research was: what is the best way to engage the power of retailers in order to transform the sector and society?

When we began looking at the issues of sustainability about four years ago, some retailers asked if there was any market research that suggested that consumers were interested in the environment, since that would spur them on to adopt sustainable practices. After searching far and wide, there was precious little to indicate that consumers felt strongly about environmental responsibility or would pay a premium for green products. In a brief four years there has been an about-face.

**Witness recent headlines in the February 28, 2009 issue of *The Globe and Mail*:**

### **Canadians won't quit on the environment.**

A new poll conducted by Ipsos Reid showed that “even in the worst of economic times as job losses mount and gloomy headlines dominate, Canadians have not abandoned their concern for the environment which was their top policy priority before the financial crisis took hold last autumn.” Sean Simpson, research manager at Ipsos Reid, said; “Canadians are saying, no it’s still important, the government should still be focusing on the environment even though it has to stabilize the economy. .... 75% of Canadians say we should only adopt the stimulus measures that are environmentally sustainable, while 71% say it’s more important for the government to focus on jobs and climate change. .... they are saying maybe we can have the best of both worlds.”

A newly released study compiled by 24 agencies of the UN and reported in the March 12, 2009 edition of *The Globe and Mail*, cites that “the world faces a bleak future over its dwindling water supply... Today water management crises are developing in most of the world...in a single week in November 2006, there were local news stories about shortages in 14 countries including parts of Canada, the United States and Australia. Shortages are beginning to constrain economic growth in China, India, Indonesia and commercial centres in Australia and the western U.S.”

With consumers demanding environmental responsibility, coupled with the findings of our ongoing research that there is a significant positive ROI in adopting sustainable practices, the stars should be aligned and the road clear for retailers. One of the barriers to adopting environmental best practices is that one size does not fit all, and successful strategies vary from one type of retailer to another. What’s good for the goose is not necessarily good for the gander. The highly successful LUSH Naked campaign for example, when associates were naked under their aprons to make a statement about packaging (or the lack thereof), would fall flat in a Home Depot store. In the following, we have tried to identify and present the best practices of a representative group of retailers of different structures, sizes, cultures and regions to help other retailers in their efforts to successfully adopt sustainable practices.

For those who don’t believe in climate change, or at least that humans have anything to do with it—it doesn’t matter. There are still compelling reasons for adopting best environmental practices. This project demonstrates to retailers that undertaking these initiatives can enhance their bottom line and thus makes good business sense.



## 2.0 Overview

### 2.1 Background and Program Objective

The Greening Retail program consists of three streams of activity: research to identify and document best practices; communications and marketing to disseminate the research findings; and demonstrations to pilot best practices with key retailers and shopping centres. (Details of the initial research project are included in Appendix 1.) The objective of the second research project is to examine 15 of the top best-practice environmental retail leaders in the world to identify their strategies and tactics in detail and communicate them to other retailers to assist the industry to engage in sustainable practices.

The third research project will identify best environmental practices of four to six of the leading developers and shopping centres from around the world. Additional research projects will be undertaken as issues and research opportunities are identified in consultation with the sector.

Communications and marketing of the research findings has been ongoing through the publication of reports, the creation of the Greening Retail website, and presentations at workshops and conferences. Demonstration of best practices will involve working with two to three retailers and shopping centres to implement projects and disseminate the results to the sector.

### 2.2 Methodology

For the Retailer Best Practices research, the methodology consisted of five components of primary research:

#### 1. Selection of 15 Target Companies

In choosing the final companies to be studied, an effort was made to provide as representative a sampling as possible to reflect the broad spectrum of retail in terms of merchandise, size, format, ownership structure and geography. Please see Appendix 2 for the description of characteristics and the list of participating retailers by company, size, category, country of origin and key data.

## 2. Background Research

Following the selection of retailers, background research was undertaken on each target company, largely through the Internet. The companies were asked to participate and share their insights, strategies and tactics regarding environmental best practices. Only one company declined to participate.

## 3. Protocol

A protocol was developed and tested, and interviews were conducted with key executives of the participating companies in Canada, the United States, England, Ireland, France, Australia and Japan. Most were in person, and a few were by telephone.

## 4. Reporting

Following the interviews, a report was prepared on each company and a summary report written to identify the overall findings and best practices of all the retailers. Each of the company reports is published as a separate case study. A structure similar to that used in our initial research project employing the 14-point framework was used to report best practices for each of the retailers as well as the overall results.

Throughout the report, the best practices are presented in tabular form. Colour shading is used to represent the number of companies reporting each of the practices. The darker shades of green indicate a higher number of retailers reporting each practice.

### Key to Colours in Charts

Number of Companies Reporting Each Best Practice
12 – 15 companies – dark green (>75%)
8 – 11 companies - lime green (approx. >50% to <75%)
4 – 7 companies - medium green (approx. 25% to <50%)
1-3 companies - light green (< 25%)

## 5. Interactive Database Summary

Over the past two years, Toronto Region Conservation (TRCA) has been collecting brief stories of best environmental practices from retailers around the globe and has, to date, collected information on almost 500 cases. These have been summarized according to the 14-point framework, and the stories are available in an interactive database on the TRCA website at [www.greeningretail.ca](http://www.greeningretail.ca).

The results of the current research build on this base of information and provide insight into key leadership issues and the strategies, actions and tools employed to achieve best practices in environmental sustainability.



## 3.0 Findings – Best Environmental Practices

### 3.1.0 Leadership: Corporate Policies, Governance, Structure and Reporting

#### 3.1.1 Leadership: Corporate Policies, Governance and Structure

While the participating retailers vary in their approach to sustainability, clear policies and governance are critical to all of them for achieving their goals.

##### Evolution of Best Practices

- Best practices have evolved at different rates depending on the merchandise, category or format, and the founder's interest in sustainability.
- The earliest adopters have tended to be in the grocery sector as they consume large amounts of energy, are large space users, and there is ample opportunity to develop "green" products. The next major group has been the department store sector. They are also large space users, but are not generally as energy intensive as the grocery sector. Other big box stores have followed. The home improvement segment has a particularly large role to play since the products influence consumer buying decisions and the ability to reduce their personal footprint in their own homes.
- Other companies have pursued environmental sustainability programs from the beginning. It has been ingrained in the culture of the company, often as a result of the philosophies of the founders. Alliance Boots, LUSH and H-E-B are examples.
- To others, the impetus has come later. For example, Wal-Mart's CEO, Lee Scott, became convinced that adopting sustainable practices was the socially responsible thing to do, as well as an outstanding opportunity to reduce operating costs and increase Wal-Mart's competitive edge.

- While reasons vary for pursuing environmental best practices, the common thread is always that it makes good business sense.
- The framework for achieving environmental best practices varies with ownership structure, size of company, and to some extent geography and format. There are, however, similarities across the companies. These are described below.

Summary of Top Leadership Characteristics	Top 15
<b>Corporate Structure</b>	
Environmental Guidance from Leadership	15
Environmental Management System (EMS)	11
Appoint Staff with Environmental Responsibility	11
Draw up an Environmental Plan	10
Integration of Indicators & Business Operation	10
Form Committee with Environmental Responsibilities	6
Recruit External Corporate Advisors	6
Identify ROI	5
<b>Policies</b>	
Policies with Broad Principles	10
Policies for a Specific Area	8
Review & Update Policies Regularly	8
Disseminate Policies Internally	7
Disseminate Policies Externally	6

There are a number of characteristics with respect to corporate structure and policies that were demonstrated in the best practice companies. The following form the foundation of the sustainability programs and their implementation:

- **A deeply held conviction by the CEO/owner/founder/senior management** that the company must reduce its impact on the environment and “do the right thing”.
- **An environmental strategy and plan.** The European and Asian companies generally started along this path significantly earlier than the North American firms, some developing formal strategies in the mid to late-1990s, whereas the North American firms tended to develop these policies during the last three to four years. A number of the retailers began informally pursuing sustainable practices during the 1970s and 80s, and some even earlier. It is ingrained in the DNA of companies such as Alliance Boots and IKEA.
- **An environmental management structure.** Some of the companies have highly formalized reporting, while others do not, often depending on company size and culture.
- **Staff assigned with environmental responsibilities.** Most often there is a very small number of people whose sole responsibility is dealing with sustainable issues because environmental

goals are integrated into the job descriptions of management and staff across the organization. Even in large organizations, there may only be one or two people totally dedicated to CSR/environment. For example, Alliance Boots has one person for the entire U.K. operation.

- **Cross company and cross-divisional committees** have been created to develop and implement the strategy and action plans. In virtually every company, there is an individual appointed at the store level who is responsible for implementing sustainability plans. In some cases, store personnel develop their plans. They are often given an identifiable name such as Green Helpers (LUSH), or Green Team Captains (Home Depot). Big box stores tend to have teams of people that implement the environmental plan.

- **External advisors.** Virtually all the companies have recruited external corporate advisors to assist in developing a strategy or provide expert advice on the technical aspects of energy saving, refrigeration, lighting, heating, water management and so forth.

- **Sustainable strategies, actions and indicators have been integrated into the operations** of the business to a greater or lesser degree. Large international conglomerates, such as Aeon, develop strategies at the holding company level and implement them at the divisional and regional levels. In other companies, such as H-E-B, initiatives can be developed centrally in the Environmental Office or can originate in a division and be implemented with the assistance of the central Environmental Manager. In no case is a separate part of the organization fully responsible for the CSR/environmental programs.



- **Policies with broad sustainability principles** have been developed in all of the companies. While some developed policies over a decade ago, others may have been pursuing sustainability practices for a long time, but have not developed formal policies until more recently, such as H-E-B and LUSH.
- **Specific functional or issue-related policies** such as energy reduction, waste reduction, operations, and transportation have been developed in varying degrees by the companies studied. Some companies are more “project” versus “issue” directed. In some cases, companies might pursue the higher ROI actions first. Others, such as Monsoon, choose specific areas of concentration.

- **Internal policy dissemination** has been a part of all the sustainability strategies of the participating companies. The communication channels vary in formality and efficiency, and may include monthly newsletters, formal training programs, cross-company conference calls, and integration of policies and targets into management and staff evaluations.
- **External policy dissemination** is universal among the companies, but varies with the culture of the company, the philosophy of senior management and whether it is privately or publicly held. Several companies, such as LUSH and IKEA, have not wanted to be “boastful” about their achievements and so have only recently incorporated sustainability into their marketing programs or publicly announced their policies.
- **Regular review and updates of sustainability policies.** Some conduct annual reviews, while others conduct reviews every two to three years.

## Structure and Governance

The organizational structure used to achieve environmental sustainability goals varies from informal to highly formal among the leading retailers interviewed. Both can be effective. Models also differ in structure between national and international companies and between corporate and franchise companies.

## Leadership and Governance Models

### • Informal versus formal

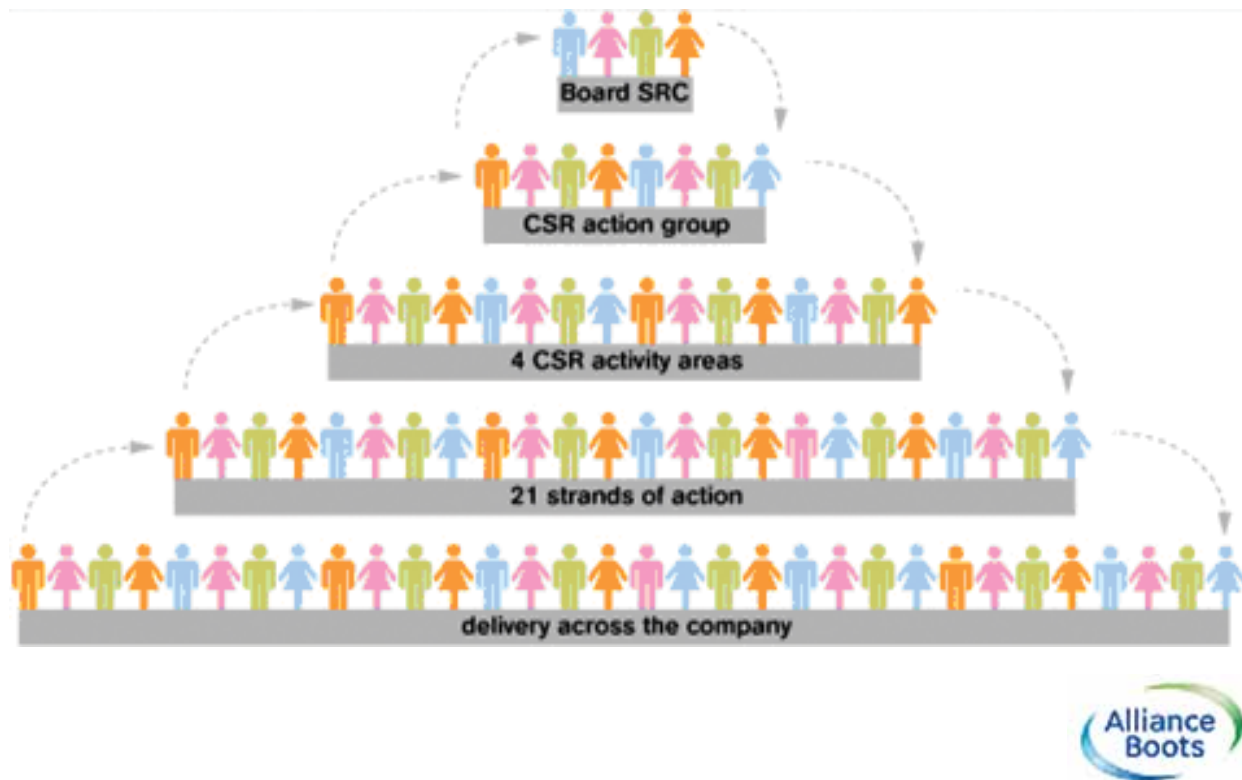
An example of an informal model is LUSH. It has a very flat organizational structure. A small group of employees called ‘the Mafia’ meets regularly in the head office and makes the important decisions for the company. Its membership can vary from time to time, and different individuals are invited to present their ideas for consideration, approval and implementation, including those dealing with sustainability. Green helpers, volunteers selected on the basis of their interest and passion for environmental issues, have been identified for each of the 88 shops in the U.K. and are responsible for implementing sustainability programs.

On the formal side are these models:

- A hierarchy of specific committees
- The appointment of management whose prime responsibility is to promote sustainability
- Specific goals and action plans assigned to different individuals or departments
- Monthly or quarterly reporting
- Oversight at the board of directors’ level.

Alliance Boots has a particularly well-evolved CSR governance structure for sustainability. Their CSR committee of the board meets quarterly and oversees the development of sustainability strategy and goals, and the measurement of success in achieving their targets. Reporting to the board is a CSR action group consisting of eight leaders. Below this are four CSR activity areas, and below them are managers responsible for implementing the programs and achieving the goals in each of their areas across the company. A CSR scorecard using the traffic light system to highlight action requirements is used to track success. To ensure implementation, CSR/environmental goals are written into employee objectives and are broken down into actions with key performance indicators (KPIs). Each director has a KPI document and if the environmental objectives are not achieved, it will be reported to the board by the CSR committee and corrective action will be taken.

# CSR Management Process



Source: Richard Ellis Presentation at Responsible Retail Summit in London, January 2008

Other variables in developing a structure for implementing environmental best practices are as follows:

- **National versus international companies**

Single country retailers, especially where stores are corporately owned, can simplify the implementation of environmental practices. The action plans are often centrally developed in head office and implemented in the field through a strong corporate culture. The practices may be varied to meet local conditions such as differing energy sources.

Implementing environmental best practices in international companies is often more challenging due to these types of differences:

- Culture
- Local practices
- Levels of infrastructure available for recycling, transportation, sources of energy (renewable versus non-renewable)
- Ownership structure, that is, wholly owned or minority ownership.

In general, companies have addressed sustainability in international divisions by developing overall company goals, communicating them to the international divisions, and requiring the environmental leaders in those divisions to develop action plans to achieve the overall goals within varying time frames.

Aeon, whose name in Japanese means “eternity”, practises what they call a “glocal strategy.” They apply common or global standards within the local cultural and geographic context. Wal-Mart has developed sustainability goals for the entire company and each country division is responsible for achieving those goals in varying time frames according to local standards and resources. They use the programs emanating from the U.S. head office whenever possible. Some of the foreign operations of Alliance Boots are minority-owned. The company uses suggestion and influence rather than edicts to promote environmentally responsible behaviour. In addition, environmental leaders from the international divisions travel to the Boots head office and work with designated individuals there to develop action plans specific to their own country.

- **Franchise versus corporate structure**

Most of the companies studied are corporately owned, simplifying implementation of environmental strategies. In the case of franchise operations such as Carrefour and Musgrave (the latter is a grocery distribution company supporting over 3,000 franchisees), different tactics must be used to promote sustainability. All Carrefour formats from the hypermarket to the convenience stores are franchisees or partnerships. Operational teams that specialize in each franchisee format monitor the stores to ensure the transmission of group values and expertise. They use training programs, and all involve franchisees in the group’s quality and sustainability approach. Since 2004, franchisees have been required to sign the Carrefour Quality Charter and observe the Quality Benchmarks. The franchisees commit to the reduction of environmental impacts in four different areas:

1. Purchasing from environmentally responsible suppliers
2. Using logistical support that ensures the most efficient delivery with the fewest greenhouse gas emissions
3. Providing effective store management to reduce energy, promote waste reduction, control pollution and carry environmentally friendly products
4. Designing and siting stores using environmentally responsible principles, in keeping with their community responsibility.

Thus, through detailed agreements with their franchisees, Carrefour has been able to implement sustainability strategies within this structure.

## **Sustainability Strategies**

All the retailers studied have developed a sustainability strategy within the overall company strategy, however the focus varies.

### **Strategic focal points**

Three themes have emerged:

- Operational
- Market transformation
- Supply chain.

None are exclusively one or the other, but often a hybrid with some areas being more advanced than others.

- **Operational.** This is the most common strategy. The operational approach focuses largely on bricks and mortar, in both stores and warehouses, and centres on facility retrofits and energy savings. The grocery chains typically pursue this route first.
- **Consumer market transformation.** This strategy focuses on transforming the market with three main approaches: 1) merchandising and marketing, 2) operations and 3) research and development. Home Depot provides an example of this strategy. Consumer engagement or market transformation programs through merchandising and marketing are the most advanced methods and form the cornerstone of their strategy. Their vision has been to search out and develop sustainable products and provide them to their customers at good prices in their Eco Options program. Home Depot’s objective is to maximize social influence and reduce the consumer’s environmental footprint through the profitable sale of these products coupled with consumer education.

### Home Depot

“It is our goal to change markets by how we merchandise and market. It is our goal to reduce our footprint by the way we build and manage our assets. It is our goal to create new markets to drive change...home Improvement is our business...and we want every home to minimize its impact on the environment.”

*Annette Verschuren, President, Home Depot Canada, Industry Speech 2007*

- **Supply chain market transformation.** This form of market transformation focuses on the supply base and more broadly includes transportation. Research has shown that the largest portion of a retailer’s environmental footprint is its supply base. Wal-Mart estimates it to be 90 per cent of their footprint. Private brand retailers have tended to be the pioneers of this strategy since they have more direct control over their manufacturers and have merchandise made to their specifications. IKEA, for example, has a very extensive and sophisticated network of controls, purchasing requirements (I-Way) and auditing processes. Other companies such as LUSH, also selling private or own brand products, have strict guidelines on product contents, packaging (minimal) and manufacturing. Wal-Mart, with more national brand products, is developing a supplier scorecard system for their environmental supply-chain strategy.

### 3.1.2 Company Culture

All the best practice retailers have developed, or are in the process of developing, a culture of sustainability within their companies.

#### Focal Points and Strategies Employed

- **Sustainability** is identified as a core corporate value in all the companies. All carry this theme through all of their environmental activities and communications.

### Aeon

The centre of the new business strategy was launched in 2007 and aims to take Aeon to “a new era of sustainable growth.”

“The two most important aims of our company are corporate growth and the reduction of our environmental impact.”

*Motoya Okada, President, Aeon*

- **Tradition.** Some companies have had a long history of pursuing environmental programs. As a result, it is well ingrained in the company's operations and understandings. For example, Aeon has been running programs for 25 years.
- **Founder's philosophy.** Some companies, such as Musgrave, H-E-B, IKEA and LUSH, have imbued their employees with the founder's long-held ethical thinking.
- **Employee engagement strategies.** More recent adopters of environmental best practices create a sustainability culture in their organization. For example, Wal-Mart employees develop Personal Sustainability Projects or PSP's, and Woolworths Australia has an Eco-Ambassador program.
- **Companywide communication.** Many communicate their sustainability goals to every employee to develop a common understanding and a culture of sustainability.
- **Facilities to encourage employee participation.** A number of companies actively encourage and facilitate sustainable practices for employees. For example, Mountain Equipment Co-op (MEC) provides change rooms, showers and lockers for their employees, and now 82 per cent use alternative transportation to travel to work.

The development of a sustainability culture is considered very important. On Alliance Boots' website is the statement that "carbon consciousness becomes an integral part of how we do business, a key consideration in every decision we make, and a priority understood and shared by all our people." They want "100,000 ambassadors of the environment."

### 3.1.3 Incentives and Staff Training

#### Incentives

The majority of best practice companies do not provide monetary incentives to their employees for the achievement of sustainability objectives. Providing monetary incentives does, however, ensure compliance with overall objectives. Several companies have considered it and may do so in the future. While a number of companies use systems in which selected employees have CSR/sustainability goals incorporated into their objectives, only three companies have incentive payments linked to the achievement of these goals.

Environmental best practices generally result in decreased costs and increased profits. Several of the retailers noted that because managers receive bonuses based on profits, they have built-in incentives to achieve overall sustainability objectives. When store manager bonuses are based on store profits, another tactic is holding managers responsible for the energy consumption in their stores by applying the costs to the store profit and loss statement.



## Key Focal Points for Staff Training

Staff training is key to achieving environmental goals and is instrumental in the development of corporate culture in the best practice companies.

- **Specific training.** The majority have training programs and workshops either solely dealing with sustainability or CSR, or embedded in a broader company training program.
- **Employee orientation.** Over a third of the leading retailers include environmental sustainability as part of their employee orientation program for staff and management.
- **Distribution of materials.** Over a third of the retailers distribute a wide range of information and promotional materials to head office, store and warehouse employees. These may include brochures to teach employees how to save energy and reduce waste both at work and at home, energy packs with stickers to provide reminders for staff, or company policies and updates on environmental practices for all staff.

## Best Practices Used to Communicate Information and Training

Summary of Top Practices	Top 15
Hold Workshops and Training Courses	11
Make it Part of Orientation	6
Distribute Materials	6
Create Competition Among Employees	3
Provide Incentives and Disincentives	3
Use the Intranet	2
Undertake Awareness Campaigns	2
Community Volunteer Programs	2
Video Conferencing	2
Film/DVDs	2
Newsletters	2
Develop Guide to Best Practices	1
Eco Ambassadors	1
Personal Sustainability Projects	1
Franchise Quality Charter	1

- **Intranet.** Woolworths Australia places information on their intranet site to educate employees about environmental issues and programs.
  - All information is increasingly distributed electronically to reduce paper usage and waste.
- **Community Volunteer Programs.** An innovative way of teaching employees about sustainability is through volunteer programs where associates are paid to volunteer for community environmental activities. At Alliance Boots for example, a Personal Development Program is created for every employee and he/she spends five paid days volunteering for a local environmental or social community project. Mountain Equipment Co-op also underwrites environmental community volunteer work for their employees.

- **Videoconferencing** Several companies, such as Carrefour and Wal-Mart, use videoconferencing quarterly to share sustainability ideas and goals with other divisions or countries.
- **Films/DVD.** Some companies develop films or DVDs for use in training and communication, particularly in the larger and more geographically diverse companies such as Carrefour.
- **Newsletters.** Many use monthly or quarterly newsletters containing environmental tips, company sustainability goals, achievements and upcoming programs.
- **Guide to Best Practices.** Carrefour developed The Guide to Best Sustainability Practices and distributed it to over 1,000 directors, department heads and store managers. It was translated into English and then distributed to all international divisions.
- **Eco-Ambassadors.** Environmental leaders and representatives at the store level are often used to deliver training programs, and to communicate policies and environmental community initiatives. Woolworths Australia has designated 600 Eco Ambassadors to educate and build awareness of company programs. These are individuals who have some decision-making authority (such as store managers or storekeepers) that have been selected to receive training from the Woolworths Academy and the Group Sustainability Department. They in turn transmit training modules, information and advice about environmental programs. Woolworths has recognized the value of word-of-mouth and the influence of collegial pressure in the successful implementation of company strategies.
- **Personal Sustainability Projects.** Wal-Mart has created a Personal Sustainability Projects (PSP) program. Every employee is encouraged to develop a personal sustainability goal. The 77,000 staff members in Wal-Mart Canada have collectively registered over 160,000 PSPs in a cyber suggestion box. This highly successful program has turned associates into “militant environmentalists,” according to company management.
- **Franchise Quality Charter.** Carrefour uses a Quality Charter agreement outlining the company’s environmental policies and requirements to ensure that franchisees understand and commit to the company programs.

### 3.1.4 Corporate Social Responsibility Reporting

Producing a CSR report is a best practice implemented by all but two of the companies studied, and it is expected that these two will be producing reports in the near future.

Interestingly, French law requires the top 40 companies in France to produce CSR reports. In North America and elsewhere, reporting on corporate social responsibility is becoming an expected norm for public companies.

Some of the early adopters began with a statement of principles. Home Depot started preparing CSR reports in 1991, but most began reporting after 2000 including several who have only published reports for about the past two years. The European-based companies tended to begin reporting earlier than those in North America.

Producing a CSR report requires the development of environmental and other targets and some form of tracking progress for the identified targets. This provides a good discipline for the companies involved. While a few produce a new report annually, most publish a new report every two to three years, with annual updates between reports.

## Standards and Certification used by Best Practice Companies in Environmental/CSR Reporting

There were a number of standards or certifications that the retailers reported using as a basis for CSR reporting or as a guide for environmental practices. Those cited include the following:

Best Practices	Top 15
<b>International/National Standards</b>	
Carbon Trust	3
GRI	2
National Agencies	2
United Nations Global Compact	2
Kyoto Credits	2
Ethical Stock Indices	1
ISO 14000	1
SA8000	1
WWF	1

- Global Reporting Initiative.** Two of the companies have based their CSR report on the Global Reporting Initiative (GRI) framework. This is regarded as the international gold standard for environmental reporting. Musgrave Group uses the GRI framework. Their 88-page report was audited against AA1000 standards.
- ISO14001** is the standard on environmental management established by the International Standardization Organization: using that system, companies can manage their environmental impacts. This system is verified and certified by an independent organization.
- United Nations Global Compact.** In 2004, Aeon became the first Japanese retailer to sign the United Nations Global compact, a voluntary initiative to encourage businesses worldwide to support and implement 10 principles covering areas of human rights, labour standards, environment and anti-corruption.
- SA8000** is an international standard designed and applied by Social Accountability International, covering areas such as human rights and work environments. SA8000 is certified by independent organizations.
- Carbon Trust.** A number of the U.K. companies use the services of the Carbon Trust to measure CO<sub>2</sub> emissions and their consulting services to assist in reducing these emissions. The trust was set up by the U.K. government in 2001 as an independent company to accelerate the move to a low carbon economy by working with organizations to reduce carbon emissions and develop commercial low carbon technologies. There are offices in the U.K., the U.S. and China. For more information, the website is [www.carbontrust.co.uk](http://www.carbontrust.co.uk).



### 3.1.5 Benchmarks and Measurement Indicators

According to the well-known aphorism, “what gets measured gets managed.” All the best practice retailers studied measure key indicators to a greater or lesser degree. This may range from tracking four or five items, to the best in class—Marks and Spencer— who track no less than 100 key performance indicators, with virtually all being environmental measures. IKEA has tracked progress on an annual basis since 2003 and publishes its goal for 2009.

#### Top Five Focal Points

While the individual measures vary significantly, there are general themes that emerge in this area. The top two elements tracked are energy usage and waste (13 of the 15 companies), followed closely by carbon emissions, transportation and water usage (12 of 15). It should be noted that every retailer measures energy and waste in some form, however they may not know the total consumption for the entire company.

As noted, 12 of the 15 retailers calculate their total CO<sub>2</sub> emissions and most consider this central to their overall environmental strategy. Concern for the environment as well as the threat of potential impending legislation have been the impetus for those embracing this measure.

While the North American companies in the study measure environmental targets and results, the European companies generally have broader and deeper key performance indicators.

There is increasing pressure for all to measure and report. Legislative and mandatory requirements are growing and there has been a rapid development of volunteer codes of conduct such as GRI and ISO. The U.K., European and Asian markets are more regulated than those in North America with respect to environmental requirements. The new U.S. government may become significantly more stringent in its environmental controls, in turn affecting Canada. Please see Appendix 1 for a note on regulation and the environment.



## Benchmarks and Measurement Indicators

Areas most commonly measured are included in the following:



Best Practices	Top 15
Most Common Internal Benchmarks & Measurement Indicators	
Energy Usage	13
Waste Production/Diversion	13
CO <sub>2</sub> Emissions Calculations	12
Transportation	12
Water Usage	12
ROI/KPIs	9
Packaging Waste	9
Number Of Green Products	6
Plastic Carrier Bags	6
Suppliers Audited	5
Capital Improvement Cost And Return	5
Reforestation	4
Recycled Paper	4
Charitable Donations	4
Local Suppliers Supported	3
Staff Participation Targets	3
Time/Equip/Maintenance Savings	3
Customer Participation Calculation	2
Animal Testing	2
Cost Of Training	1
Cost Of Measuring And Assessment	1

## Most Frequently Used Detailed Indicators

For the areas most commonly measured, there are a wide range of indicators that vary according to specific company attributes. The following are those most frequently used:

### Energy use

What is Measured	Measures	Source of Data
by store, warehouse, head office. Often further broken down by: light, heat/air conditioning, refrigeration, hot water, etc.	kilowatt hours per square metre or square foot (some use cubic metre)	store/head office electricity bills

**Waste reduction** This includes recycled, reclaimed, or used in energy production.

What is Measured	Measures	Source of Data
stores	% diverted	# skids/bags sent to landfill, waste haulers measure in tonnage (some use cost per bin of waste created by a store)
warehouse/distribution centre	% diverted	
recovered/reused products in store (damaged goods)	%	
food waste sent to landfill	tonnes	
food waste diverted from landfill	%	
construction waste sent to landfill	tonnes	
construction waste recycled	%	
clothing hangers reused/recycled	%	

## CO<sub>2</sub> emissions

What is Measured	Measures	Source of Data
direct emissions	metric tonnes	consultants or online tools
indirect emissions	metric tonnes	

- CO<sub>2</sub> emissions, or Carbon Footprinting, is a sophisticated measure that requires extensive calculations. Most companies hire outside consultants to assist in this endeavour, for example the Carbon Trust in the U.K. However, there are online tools available. Emissions are often broken down into owned assets (direct) and non-owned assets (indirect), which include the supply chain.
- In addition, CO<sub>2</sub> emissions are often calculated by area such as: transportation of products, business travel, employee transportation to and from work, products, and energy, which may be further divided into lighting, refrigeration, heating and so forth. As an example, Woolworths Australia identified their supermarket division as responsible for three-quarters of the company's carbon emissions, and it breaks down as follows:

• refrigeration	48%	• power generator	8%
• lighting	21%	• bakery	3%
• air conditioning	19%	• hot water	1%

- The most significant component of carbon emissions for retailers is from the supply chain. Wal-Mart calculated that approximately 90 per cent of carbon emissions are from the products it carries, versus 10 per cent from its own operations. Similarly, Alliance Boots calculated that products were responsible for 80 to 90 per cent of their total

### Alliance Boots

"At a time when climate change is of increasing concern to us all, continuously improving our carbon management is clearly our highest environmental priority. And nowhere is the connection between what's good for the environment and what's good for our business more apparent."

*Alliance Boots website 2008*

carbon footprint. Some companies, such as Tesco and Alliance Boots, have initiated carbon labelling for some of their leading private brand products.

**Transportation** (can also be measured by CO<sub>2</sub> - emissions/shipping unit in kilograms by country)

What Is Measured	Measures	Source Of Data
customer & employee travel to store by transit/non-motorized	% of total	in-store and employee surveys
business travel and reduction	# km and % reduction	business travel records
company cars	# km and % reduction	company car records
goods transported by road, rail, sea, air	% or km by mode (distance & mode)	logistics manager/buyer with suppliers to track

**Water usage**

What is Measured	Measures	Source of Data
water consumption	cubic m/sq.m of sales or total area	water bills

**Packaging**

What is Measured	Measures	Source of Data
amount of packaging made from recycled materials	%	- enlist suppliers' assistance in collecting packaging information - make this required information for invoicing
packaging reduction projects	#	
packaging savings derived from projects	tonnes	
packaging that is recyclable (and has recycling labels)	%	
hangars recycled	% of total	

**Products**

What is Measured	Measures	Source of Data
green products overall	number and %	buyers work with suppliers in sourcing green products
food & non-food	number and %	
renewable materials	%	
wood	% fsc certified (forestry stewardship council) or from renewable sources	
fish	% msc certified (marine stewardship council)	
various other commodities such as organic cotton, fair trade products, etc.		

## Carrier bags

What is Measured	Measures	Source of Data
# plastic bags given to customers	#	track purchasing orders and bag inventory at store level
reduction in bags used	%	
# bags recycled	%	
charge for bags	y/n	

## Supply chain

What is Measured	Measures	Source of Data
environmentally/ethically responsible suppliers**	% of total	Buyers working with suppliers, identification of ETI or other ethical sourcing designation. Large companies develop own auditing system or use third-party auditors.
audit suppliers/factories	# and %	

\*\* Note: this may be suppliers who are signatories to the Ethical Trading Initiative (ETI) or various other agreements or scorecard systems.

## Paper

What is Measured	Measures	Source of Data
recycled paper purchased	% of total used	Buyer to stipulate purchasing specifications and track. Provide recycling bins and require employees to use.
paper that is recycled		

## Charitable Donations

Set targets for charity donations and expenses. These are often 1 per cent of pretax profits.

### 3.1.6 Return on Investment

The return on investment is a central focus of environmental best practices.

Leading retailers large and small are realizing that sustainability provides a very healthy return on investment and creates ever-greater efficiencies that further differentiate sustainable businesses from the rest.

#### Carrefour

“The health of a company is no longer solely analyzed on its financial situation but also on its Sustainable Development Policy... Sustainable development is not philanthropy. It is the measure of good risk management and long-term vision.”

*Robert Halley, Chairman of the Supervisory Board,  
Carrefour Sustainability Report*

**LUSH** noted that the smaller environmental projects, such as lighting, generally produce a positive return within a year; the larger ones within four years. Wal-Mart, the largest and one of the most efficient low-cost retailers in the world, recognizes that environmental sustainability provides a road map to greater efficiencies and higher profits and is putting more distance between them and their competitors. It is changing the way they do business, is a huge business opportunity,

reduces their environmental impact in a profitable manner, and allows for more growth.

Realizing the competitive advantage that adopting sustainable practices provides, some companies are reluctant to disclose the ROI of their practices.

### Three Key Strategies

There are three key approaches to realizing and measuring return on investment:

- **Costs.** The companies all track cost savings and ROI to a greater or lesser degree. Some are more organized and track them from an overall company standpoint, while most do this on a project-by-project basis. The actions with the best ROI vary by company, geographic region and commodities sold.
- **Carbon emissions.** While all of the companies track dollar costs and savings, four use carbon emissions as their major indicator—Woolworths Australia, Alliance Boots, MEC and IKEA. Each understands that carbon equals costs, and that a reduction in carbon delivers cost savings. Woolworths, for example, did a cost-benefit analysis of the best options to reduce carbon and ranked the opportunities as follows: 1) existing stores, 2) new stores, 3) electricity to natural gas and 4) purchase of energy from renewable sources.

The comparison of top cost-saving versus top carbon-reducing actions for Boots yields the following:

#### Carbon-Reducing

1. renewable energy (but more expensive)
2. reuse boxes or use plastic
3. reduce waste and packaging

#### Cost-Saving

1. reduce energy consumption
2. transportation logistics
3. reduce waste and packaging

- **Revenue generation.** Two of the companies have found that the most significant return on investment is derived from the sale of environmentally friendly products. Home Depot's Eco Options products have become a major and fast-growing revenue source, and Aeon's sales of green products is over \$325 million. In the case of MEC and LUSH, the majority of their products are environmentally friendly and are the basis of their business model. Others sell green products that are an increasingly important revenue source, but still a relatively small percentage of the total sales.

### Marks & Spencer on Plan A

"This has helped to deliver not only benefits to the environment and people across our supply chain but also savings to our customers and our business. Progress made on energy saving, reducing waste and increasing efficiency mean that 22 months in, Plan A is cost neutral. We know our customers expect us to take the lead on ethical and environmental issues, and we will continue to deliver."

*Sir Stuart Rose, chairman of Marks & Spencer*



### Top Six ROI Focal Points

In general, the top ROI actions are as follows:

- Appointment of a champion(s) and individuals throughout the organization who are responsible for achieving specific sustainability goals
- Energy reduction (tends to be ranked higher for North American companies)
  - Lighting retrofits – T5s, T8s, CFLs
  - Refrigeration retrofits
  - Heat/air-conditioning retrofits and replacement
  - Energy monitoring systems
  - Motion sensors
- Waste reduction (tends to be ranked higher for European companies)
- Packaging reduction
- Transportation logistics
- Sale of environmentally friendly products.

### 3.1.7 Customer Education and Marketing

Many companies realize that there is great public relations value in pursuing environmental sustainability and that it engenders goodwill among customers and environmentalists.

#### Key Focal Points

There are five key strategies embraced by retailers regarding customer education and marketing as follows:

- The development of environmentally friendly products, both private and national brand, is one of the key customer education and marketing strategies. This is central to several companies whose emphasis is on market transformation.
- Undertaking consumer research and gaining feedback on store and other green brand products, and tracking consumers' level of interest in sustainability issues and responding to same.
- Using external media as well as in-store presentation, signage and merchandising programs to promote sustainability.



- Reporting on CSR activities. While this is geared more to the investment community than the general public, it becomes part of the public messaging and creates market transformation.
- Supporting and partnering with national and local community charities and events.

### Summary of Top Practices

Summary of Top Practices	Top 15
Product Labels	11
Website	10
Posters in Store	9
Regular Publications	8
Community Events	8
Create Community Dialogue	6
Through Sales Associates	4
In-Store Demonstrations and Workshops	4
Multi-Strategy Campaign	4
Partner With Others	4
Free Merchandise	3
Solicit Customer Feedback	2
Incentives and Disincentives	1
Use the Media	1
Market Research	1
Loyalty Cards	1



Note – All companies are aware of the pitfalls of over-promising, under-delivering and the possibility of being accused of ‘greenwashing’ in this era of increased liability and emphasis on corporate governance. Some companies, such as Alliance Boots, have integrated sustainability into much of their messaging and are building consumer trust and creating brand differentiation through the articulation of sustainability policies, strategies and actions.

Broadly, external dissemination may take the form of: 1) a sustainability report within the overall corporate social responsibility report, 2) integrating sustainability into marketing and advertising, and 3) pursuing sustainable practices in partnership with charitable organizations.

[picture 10924008]

- **Product Labels.** The development of a private label ‘green line’—for example, Wal-Mart’s ‘For the Greener Good’ and Home Depot’s ‘Eco Options’—not only provides a platform to grow sales and profits, but is generally supported by external and in-store advertising and marketing to communicate with and educate consumers about these products and their environmental attributes. Marks and Spencer have a campaign entitled ‘Look behind the label’ to publicize their environmentally friendly products and help consumers to understand the salient features, such as no artificial colouring, or the benefits of washing clothing at 30°C versus 40°C.

- **Website.** Two-thirds of the companies provide information, marketing and education on their websites about sustainable products. Home Depot, who has a particularly informative website, offers information about a wide variety of merchandise, such as windows and their insulating qualities, comparisons of solar panels, and the relative energy consumption of different types of lighting.
- **Paper Publications.** About half of the retailers use a variety of in-store posters, merchandising, brochures, newsletters, and newspaper and magazine articles to promote sustainability. LUSH, for example, mounts store window campaigns focused on environmental issues, such as featuring innovative uses of rubbish in their Christmas windows. These campaigns are considered very important and are governed by the executive committee.
- **In-Store Demonstrations and Workshops.** In-store demonstrations and workshops are also used to educate consumers about sustainable products and how to install them, for example, in the home improvement sector.
- While not generally directed at the consumer market, CSR reporting, undertaken by most of the companies studied, can have an impact on the consuming public through investment and media reports and it becomes part of the overall public messaging employed by companies
- **Community Events.** Participation in community and charitable events dealing with environmental causes is another popular method of communicating to the public about their commitment to sustainability. Over half of the companies mentioned this, and employees are often paid for their time to volunteer in such events and spread environmental information as well as creating goodwill. This often includes partnering with other organizations, as Wal-Mart does with local schools in the 'Kids Recycling Challenge'.
- **Through Sales Associates.** Sales associates can be excellent purveyors of customer education. The objective of Alliance Boots is that each of their 100,000 employees is an ambassador of the environment. LUSH staged a highly successful event called the Naked Campaign, where all their sales associates were naked except for their aprons that were printed with "Ask me why I'm naked?" The message was all about packaging!
- **Customer Feedback.** Soliciting customer feedback is another method employed by some companies to dialogue with and market to consumers. LUSH invites a panel of customers to give them information about their latest (environmental) products: what they are doing right, as well as what they are doing wrong. Others employ market research to understand customers' views on their sustainability programs.
- **Multi-Strategy Campaign.** Several companies run major campaigns in support of their sustainable products and provide incentives for customers to purchase 'green'. Home Depot has run several campaigns where they offer to take back customers' old energy-intensive products and receive a discount on their new items. Two examples of this are 'Mow Down Pollution' and the LED Christmas light exchange.
- **External media** is employed by some to educate customers. Woolworths Australia runs radio advertisements to encourage recycling and the responsible use of plastic bags.
- **Loyalty Cards.** The innovative use of loyalty cards is seen at Tesco who tracks consumer purchases of green products and provides an incentive in the form of double points for the purchase of these products.



## 3.2.0 Environmental Practices for Merchandise, Facilities and Operations

### 3.2.1 Supply Chain and Purchasing

Managing the supply chain is extremely important because, as mentioned earlier, the largest portion of a retailer's environmental footprint is products, calculated by several companies to contribute 80 to 90 per cent of the total footprint.

The retailer plays the role of gatekeeper in ensuring the products consumers purchase and use in their homes are safe, respect human rights during manufacture, and meet with high environmental standards. Ideally, consumers trust and rely on the leading retailers to ensure that suppliers of raw materials and finished products, shippers, and the retail stores themselves are all adhering to their social and environmental responsibility. When a problem emerges to public attention, it is often the retailer that is held accountable for not recognizing and correcting the problem. It is not surprising that leading retailers expend considerable effort and expense to work with suppliers, provide clear policies and standards, and monitor compliance. Returned products and potential negative impact on the retailer's reputation can be extremely costly.

Monitoring, training and working with suppliers provide retailers with the assurance that they have made every effort to ensure the products they carry meet the standards they espouse.

Working with suppliers also helps to develop a trusting relationship among the buyers, suppliers, third-party agents (in some cases) and the retailer. Retailer-supplier partnerships developing environmentally sound products help to evolve affordable solutions and innovation.

Monitoring and verifying standards is more challenging when products are sourced internationally or through agents.

The leading retailers who do not monitor or audit external suppliers, often source product only with



suppliers they trust or who are certified by a third party. In other cases, the retailer sources products only with a few selected suppliers who are exclusive to the retailer.

## Focal Points in Supply Chain and Purchasing Practices

- **Product ingredients and materials.** These stipulations tend to be very specific to the type of retail product. For instance, all products for LUSH must be vegan. Grocery stores may call for natural ingredients in products. Stores have strict policies on materials that may be toxic (e.g., ensuring there are no toxic or dangerous materials in cosmetics).
- **Product quality and safety.** Standards are set to ensure products function as they should, have safety features in the event of failure or accident, and do not become dangerous when broken (e.g., toys).
- **Pollution during manufacture and production.** Standards are set prohibiting the use of pesticides. Only non-polluting dyes are used in garment manufacturing.
- **Sustainable product sourcing.** At IKEA, for example, all wood must come from managed forests.
- **Sustainable business practices.** This refers to the practices of suppliers in their own premises regarding energy efficiency, building, water conservation and safety.
- **Human rights issues.** These may include fair wages, no child labour and no strict disciplinary practices.

## Top Practices

Establish a Procurement Policy	14
Set Out Standards for Suppliers	12
Audit Suppliers	7
Support Suppliers in Going Green	6
Form Supply Chain Partnerships	6

- **Procurement Policies.** Almost all retailers included in this study have a clear procurement policy that both their buyers and suppliers understand. This is particularly important when the retailer purchases products through agents. Store-hired buyers, agents and suppliers must all be aware of the policies. Woolworths in Australia found some of their private label products did not adhere to policy. The controversy led to new policies to ensure the authenticity of suppliers' claims. It also led to the development of training modules to help buyers better understand sustainable sourcing and third-party certification provided by suppliers.
- **Set out Standards for Suppliers.** The vast majority of the leading retailers interviewed also set standards for their suppliers. Aeon, for example, has a 13-point code of conduct designed to incorporate the requirements of the CSR and environmental standards followed by Aeon.
- **Audit Suppliers.** To ensure that suppliers are meeting the required standards, just under half of the retailers interviewed referred to their auditing process. Carrefour has developed a supplier self-assessment form that allows suppliers to monitor themselves. In this manner, they are prepared for audits and external audits.
- **Monitor Suppliers.** IKEA has a formal auditing process based on strict, internationally-recognized standards that are very highly regarded. Beyond their regular audits, they have surprise audits. These provide them with a clearer picture of how well the standards are being followed on a regular basis.

- Those retailers who did not specifically mention monitoring or auditing their suppliers were more likely to have relatively few suppliers that were not part of their own store brands. In other cases, they purchased from suppliers who had demonstrable, recognized external certification of their own.
- **Support Suppliers in Going Green.** Retailers, such as Aeon and Carrefour among others, support suppliers in their efforts to go green by providing web-based tools and training that assist them in measuring their own progress. MEC is working with specific retailers in India to assist them in developing new dyes for garments that are less damaging to the environment.
- **Supply Chain Partnerships.** Six of the 15 retailers interviewed cited supply chain partnerships. Wal-Mart is one of the leaders in forming partnerships to solve environmental issues. For example, they worked with manufacturers such as GE, Royal Philips and Osram Sylvania to reduce mercury in the CFLs sold in their stores. They are in the process of developing a supplier scorecard, which will eventually result in an environmental ranking of all vendors.

### 3.2.2 Green Products

One of the greatest impacts that retailers have on the environment is through the products they put on their shelves. Shoppers around the world are increasingly concerned about the environmental impacts of the products they choose. And many astute retailers are heeding the growing desire for greener products: these are creating a niche that will soon be mainstream.

Customers rely on retailers to research the products they sell and to provide transparent, relevant information about the lifecycle of a product. Although very few (if any) products create no negative environmental impacts throughout their lifecycle, green product labels can inform buyers about some of their environmental benefits and/or drawbacks.

Retailers recognize that the “greenest” products often carry a premium price due to higher costs in production and sourcing of green products. These products tend to appeal to a narrower range of customers, such as young professionals, women and higher income groups generally.

#### Focal Points in Greener Products

- **Store environmental brand(s).** The most common practice is for retailers to develop their own store brand of green products.
- **Eliminating undesirable products.** Retailers can refuse to stock products that are known to be harmful to the environment.



- **Foundation of green products.** Some stores have built their business based on green products and green practices in product development and sourcing.

## Top Practices

Summary of Top Practices	Top 15
Store Environmental Brand(s)	
Offer Range of Green Products	9
Apply Standards for Own-brand Green Products	8
Good/Better/Best Store Brand Products	6
Form Partnerships	5
Eliminate Most Undesirable Products/Feature Desirable Products	5
Specialize in Green Products	3

- **Own-Brand Products.** Typically retailers develop a name and brand identity that reflects the environment. Often the name will include the word “green” or “organic”. Two examples are Aeon’s Green Eye products and Carrefour’s AGIR Bio and Éco Planète brand.
- **Good/Better/Best Store Brand Products.** Some stores have evolved a step strategy, with “good”, “better” and “best” product rankings. This communicates the message that all products are at least “good” regarding environmental practices. An intermediate “better” category broadens the market size willing and able to purchase greener products. The “best” category with the highest price point appeals to a narrower market.
- **H-E-B offers a range of organically grown products.** By studying the demographics, H-E-B varies the assortment of organic products by market. They have found the optimal demographics for sale of organic products are as follows:
  - o Affluent areas
  - o Young families
  - o Children
  - o Women, especially those with or planning to have children.



- **Eliminating undesirable products** is common practice that has been in place for a long time. All retailers consciously remove any product shown as posing an environmental or human risk.
- **Feature Desirable Products.** Home Depot Canada's primary strategy is its Sustainability Market Transformation. The chain has not only eliminated products that use excessive energy, they also have exchange programs encouraging customers to bring in their old goods and upgrade to the new, more environmentally friendly products. The program has been a tremendous success and improves the environment in many ways. Home Depot manages the disposal of the old product and brings awareness to the public of the environmental impact of some older types of products. In addition, the program helps replace some of the older, more environmentally damaging products in the marketplace.
- Wal-Mart has greatly increased the shelf space allocated to energy efficient light bulbs in place of traditional bulbs. They have also ensured that environmentally friendly products throughout the store are given the premium shelf space, at eye level and in the easiest locations for customers to find.
- IKEA's products are made of materials that reduce environmental impact (e.g., wood from managed forests only).
- Alliance Boots looks for natural products that can be used for a variety of purposes and do not deplete the source. An example is the success story of Sweet Gale, a wild plant indigenous to Scotland, traditionally used for insect repellent and food flavouring. Boots discovered that it can also be used to treat a range of other things from acne to anti-aging. To harvest the plant, they need only clip the top 10 centimetres, and the water used in processing the plant can be recycled, which reduces transportation costs. Waste materials can be used in other extracts, and the production supports a mixed agricultural economy in the Highlands.
- **Specialize in Green Products.** Some retailers have designed their stores from the beginning with particular environmental concerns in mind. LUSH Cosmetics, for example, built its entire business on developing products that do not use harsh chemicals and involve absolutely no animal testing at any point in their development.

### 3.2.3 Green Sites

'Green sites' refers to how retailers choose the locations for their stores and headquarters, how they develop the site, and how they maintain the grounds surrounding their buildings. It is comparable to the 'Sustainable Sites' section of the U.S. Green Building Council's LEED for Retail New Construction, which is a useful resource for retailers.

A retailer's buildings and grounds have many environmental impacts on the local community. Retailers with comprehensive environmental goals and practices can consider how best to integrate their sites into the surrounding communities and ecosystems.



Even among the top retailers in this research, fewer retailers focus as much on green sites as on other issues. The reason may be that land available for retail development has typically undergone an

environmental assessment process and deemed suitable before the land becomes accessible to retailers. Traditionally, retailers have focused their site selection primarily on the availability of a viable market, good road access and visibility. These factors are of continuing importance. Retailers can also evaluate environmental factors before finalizing their site selection. In this manner, environmental sensitivity and the additional costs of modifying the building and site development to minimize environmental impacts can be evaluated as part of the site selection process.

In the past, there was often a standard store and site format developed in all locations, with some modification of size irrespective of the store environs. Some of the leading retailers are now considering the impact of building in an area and modifying their site and store design accordingly. IKEA, for example, is now adjusting its store format to suit local environmental conditions. In earlier times, IKEA had a standardized model that was replicated in all places.

## Focal Points in Green Sites

**Site selection.** A few retailers do give significant consideration to environmental factors before selecting sites. For example, is the site on environmentally sensitive lands? How will employees and/or customers travel to the location?

**Natural features.** Retailers can incorporate natural features in the property design to minimize the impact on the surrounding natural environment and/or neighbourhoods.

**Building modifications and design features.** A third focus in green sites is modifying building design and features to minimize environmental and community impacts.



## Top Practices

Summary of Top Practices	Top 15
<b>Site Selection</b>	
Select Sites near Public Transit	3
Institute Site Selection Policies	1
Brownfield vs. Greenfield Selection	1
<b>Adapt Building/Property to Surrounding Environment</b>	
Parking Lots	4
Implement Multiple Landscaping Practices	3
Stormwater Management	2
Protect and Restore Habitat	2
<b>Adapt Building Design/Features</b>	
Accessible by Alternative Transit (bike racks, showers)	3
Contribute to Mixed-use Communities	3
Reduce Heat Island Effect	1
Reduce Building Footprint	1

### Site Selection

- Retailers can evaluate potential sites on the availability of transportation options. Is there transit nearby? IKEA ensures that sites are located near major transit access to encourage both staff and customers to travel to the stores by public transit.
- Comprehensive policies and procedures that include environmental factors in site selection are relatively rare, even among the leading retailers investigated. More often, the retailers locate in markets where there is demand and then take steps to mitigate environmental impact if necessary.
- For example, H-E-B wanted to serve a market in Austin Texas, near environmentally sensitive aquifers. H-E-B executives met with area neighbourhood associations and Save Our Springs Alliance to address their concerns about the size and quality of the store. H-E-B chose to comply with the SOS ordinance that features maximum limits to impervious cover in the critical watershed area, along with stream buffer zone requirements and other pollution prevention provisions.
- Brownfield development refers to redeveloping land in urban areas for new uses, rather than expanding outward to “greenfield” rural or agricultural land. Tesco set a goal of siting 90 per cent of its new stores on brownfields. It is not always possible to achieve such high percentages as new stores tend to follow new housing developments, which are usually on greenfields. Several areas, including southern Ontario, now have aggressive urban development policies to restrict greenfield development and encourage infill and urban redevelopment.

### Adapt Building and Property to Surrounding Environment

- Several retailers are adopting strategies to incorporate good environmental stewardship as they develop their sites and buildings. This includes building parking lots with vegetation and permeable surfaces. It may include detention ponds on the property.

- A final strategy in green site development is adapting the building design and features to fit in with the natural environment, facilitate environmentally friendly practices at the site and relate to the community.

## Adapt Building Design and Features

- MEC locates its stores and offices in areas where employees can easily ride bikes, walk or use transit to commute. This requires ensuring that access to the property has safe sidewalks and bicycle paths, not only from the road to the building but along the surrounding streets and access points. It also means avoiding excessive setbacks of the building from the roadway that discourage walking or biking because it is dangerous (due to car traffic, poor lighting or isolation at night) or unpleasant during bad weather.
- Retailers can also reduce the building footprint and choose building materials that minimize a heat island effect.

### 3.2.4 Energy Efficiency and Conservation

Energy efficiency is one area where retailers of any size can begin to make changes and realize immediate return. Actions as simple as turning out lights when no one is in a room, turning off computers at the end of the day or adjusting the thermostat by a couple of degrees improve energy efficiency and are immediately evident on utility bills. Beginning with the most modest changes and reinvesting the savings into and more and larger energy saving programs have led major retailers to considerable savings.

#### Focal Points

**Lighting.** Lighting is often the first focus of retailers as they begin looking for environmental improvements. Changing habits, using less lighting, installing motion sensors and replacing light fixtures and bulbs with new high-efficiency lighting are relatively easy to do and deliver almost immediate savings and return on investment (ROI).

**Building.** Building includes all improvements that can be made to a building to reduce energy consumption. This includes improved insulation, environmentally friendly building materials, energy efficient heating and air conditioning, as well as lighting and water-saving fixtures.

**Refrigeration.** Replacing freezers and improving refrigeration units in grocery stores are often key changes as the running costs are high and potential savings are readily realized in the short term.



**Tracking usage and reduction.** Usage and savings are easily calculated for energy consumption. Various internet tools are also available to assist in converting savings into CO<sub>2</sub> reduction figures. Tracking usage raises awareness, identifies opportunities for greater action and motivates action.

## Top Practices

Summary of Top Practices	Top 15
Less Lighting	
Changing Habits (lights out in empty rooms)	15
Reduced Lighting	10
Use Automatic Controls	8
Daylighting	7
Energy Efficient Fixtures and Bulbs	
LED, Fluorescent, T5, T8 (other efficient bulbs)	13
Reduced Wattage	7
Building	
Heating/AC Replacement	7
Test/Showcase Store	4
LEED Certification	4
Government Programme – Support/Awards	3
Building Materials	2
Refrigeration Changes	
New, More Efficient Refrigerators	6
Secondary Loop Refrigeration Technology	3
Doors on Cases	3
Re-commissioning or Replacing Components	3
Track ROI/Increase in Profit/Payback Period	
CO <sub>2</sub> Calculations	8
Gross Savings	7
Energy Savings	5
Payback Period	3
Annual Rate of Return	3
Increase in Net Profit	3

## Changing Habits.

- All top retailers have invested in some type of formal training or informal communication to encourage staff at all locations (stores, head office and warehouse locations) to develop habits such as turning off lights, computers and equipment when they are not in use for extended periods.

## Energy Efficient Fixtures and Bulbs.

- The vast majority have replaced lighting with new low energy lighting. The specific type of lighting varies by location and type of facility. Some activities require higher quality lighting.

## Building

- Carrefour, for example, compared energy needs and consumption with function in their stores. They recognized that meat preparation areas typically account for 15 per cent of total energy and operate more efficiently when separated from the sales area and ceilings are lowered.
- In order to evaluate improvements in energy efficiency using various measures, retailers often develop a showcase or test store to measure these improvements relative to traditional stores. Conversely, retailers may set a typical traditional store as a benchmark and compare stores with improvements designed to reduce energy consumption against the benchmark store. The showcase stores are also an opportunity to test innovation in a controlled test case environment.
- Testing innovations is not restricted to stores alone. The IKEA distribution centre in the U.K. uses “sun pipes” and automatic switchgear to illuminate working areas for forklift drivers and office workers below. The sun pipes look like large crystal balls. They are positioned on the roof and funnel light into corridors and stairwells of the distribution centre below. Dozens of these sun pipes direct daylight into the large interior of the warehouse. When the sunlight is strong enough, automatic control devices switch off the electric lamps and the building is illuminated for free. (IKEA Social and Environmental Responsibility Brochure, 2004)
- Four of the leading retailers have LEED certified stores.

## Track ROI/Increase in Profit/Payback Period

- Leading retailers often align themselves with programs that encourage and measure energy conservation and lower consumption. Retailers benefit from the expertise and ideas offered by the program. In return, the programs cite the success of the participating retailer, determine which measures have the most impact, and test new concepts.
- In Norway, for example, Boots is the only pharmaceutical wholesaler to have achieved certification under the national Eco-Lighthouse environmental performance improvement program. To maintain this prestigious recognition, they are required to report regularly on their performance in areas such as energy efficiency and waste reduction.
- The ENERGY STAR label has been received by 137 of the 300 H-E-B stores. Stores that have earned the label demonstrate excellent energy management performance and generally use 35 per cent less energy than other facilities in the same category.
- Finally, all leading retailers measure their energy consumption and savings, although the method and specific objectives for measuring vary. For some, reducing CO<sub>2</sub> emissions is the driving force and key measure. For others, cost savings and return on investment are the most important.



## Refrigeration Changes

- Refrigeration costs are an enormous energy burden in grocery stores. The leading retailers with grocery stores have all replaced or modified their refrigeration units. Usually they replaced open freezer units with upright units containing doors. They have also installed night curtains to reduce the loss of refrigeration, and several are using secondary loop refrigeration technology.

### 3.2.5 Green Energy

Almost all of the top retailers interviewed expressed an interest in green energy and stated that they are investigating the alternatives. Most indicated that they plan or at least hope to implement their own green energy sources in all of their locations in the future.

For the time being, retailers are encountering several barriers. The technologies are often cost prohibitive and still in the development stages. As a result, the technologies have not yet achieved their full energy-producing potential, reliability or efficiency. Also, there is uncertainty over which of the green technologies will prove to be most sustainable, cost effective and productive.

Multinational retailers are finding that the types of green technologies evolving vary significantly by geographical area. This makes it difficult to select a single approach across all of their operations and stores.

Some of the largest retailers are testing one or two technologies at selected locations, but are vague in the roll-out plans.

For the time being, retailers report buying green energy off-site where it is available.

#### Top Practices

Summary of Top Practices	Top 15
Purchase Energy Produced Off-Site	9
Wind	4
Solar Hot Water	4
Produce Energy On-Site	2
Photovoltaic	2
Biomass	2
Geothermal	1
Biogas	1



- Wherever it is available, the retailers are purchasing green energy from the grid and intend to increase the ratio of green versus traditional sources in the future.
- Some retailers, such as IKEA, recognize that green technology availability and evolution vary by geographical area. Options to purchase green energy are often limited. As a result, IKEA expects all of their stores to have a strategy for developing green energy in their annual plans. The stores develop their strategies according to the green energy technology with the most potential in their regions.
- The following are the green energy trials currently underway by the leading retailers:

**H-E-B** is testing the use of fuel cells to replace batteries in their forklift trucks. The fuel cells save significant idle time of the forklifts. While it takes eight hours to recharge a battery, it only takes four minutes to refill the fuel cells. The drawback is that the liquid gas is expensive.

**Wal-Mart** opened a prototype store in Burlington, Ontario in January 2009. The store is heated using geothermal technology, which will be tested for use in future stores.

A pilot project is underway in the U.S. to determine solar power viability for Wal-Mart in McKinney, Texas. The site also has wind-generated energy.

**Mountain Equipment Co-Op** installed rooftop solar photovoltaic and a thermal generating system in 2007, as a test in their Toronto, Ontario store.

### 3.2.6 Transportation

Transportation costs are high and volatile, as shown by the soaring fuel costs in 2008. In addition to environmental benefits, retailers are highly motivated to improve efficiencies in fuel consumption, find alternative fuels, and analyze their logistics for improved shipping mode and loads.

#### Focal Points

- Logistics. Retailers are reviewing their logistics to optimize transportation of goods from the point of manufacture to final delivery to customers. This includes improving routes and scheduling, modal shift, partnerships and backhauling opportunities.
- Fuel efficiency. This includes vehicle maintenance and repair to ensure the vehicles are achieving their best performance. Retailers are also looking to purchase alternative fuels and more fuel-efficient vehicles. Driving technique can also affect vehicle performance, therefore, retailers provide training to their drivers.



- Product weight, packaging and warehousing. Making the most efficient use of space on vehicles is important. Retailers and suppliers together are analyzing their product and its packaging to reduce volume. They are also looking at vehicles to ensure the correctly sized vehicle is being used for the load being transported.
- Customer and staff transportation. This includes staff commuting, business travel, customer access to stores and home delivery strategies.

### Best Practices

Summary of Top Practices	Top 15
Logistics	14
Modal Shifts	10
Routing and Scheduling	7
Backhauling	5
Transportation Partnerships	4
Fuel Efficiency	
Maintenance and Vehicle Modification (e.g., tire pressure)	8
Alternative Fuels	5
Driving Techniques	4
Fuel-efficient Vehicles	2
Product Weight/Packaging/Warehousing	
Load Size	5
Distribution	3
Packaging	2
Transportation of Customers/Staff	
Commuting	4
Customer Transportation	3
Business Travel	3
Bicycle	2



### Logistics

- Analyzing logistics to find the best mode, improve efficiency and get the most out of each trip are key strategies that virtually all retailers are monitoring. Many retailers have itemized and prioritized the key strategies and communicate these throughout the organization.
- In Europe, retailers are more likely to measure CO<sub>2</sub> emissions relative to the impact of various changes in practice.
- Modal shift opportunities vary by geographical area. For instance, there are more opportunities and hence greater emphasis in shifting from rail or truck to water shipment in the U.K. (Tesco) than in North America.

- In the latter case, retailers such as Wal-Mart are more focused on shifting from truck to rail, optimizing the location of their warehouses, and opportunities for partnership and backhauling.

## Fuel Efficiency

- In the U.S., the Department of Transportation works with retailers and suppliers to improve fuel efficiency. Retailers such as H-E-B and IKEA U.S. use the tools and measures provided by Smartway to model their strategies.

## Product Weight, Packaging and Warehousing

- Product weight and size have a tremendous impact on shipping costs. Whenever possible, retailers, suppliers and transportation companies attempt to minimize the unnecessary shipping of empty space. Hence, they look for opportunities to replace round or odd-shaped packaging with square or rectangular packaging. Another strategy is to flat pack product and have it assembled at the destination or by the consumer. In addition, suppliers can eliminate excessive packaging, which adds bulk to the product.
- Wal-Mart and some manufacturers are changing to more product in concentrated form to reduce the volume of unnecessary water being shipped.

## Transportation by Customers and Staff

- Interestingly, European-based retailers are much more likely than North American retailers to include customer or staff transportation in their strategies and CO<sub>2</sub> calculations.
- Included in commuting costs are the carbon footprint of the number of vehicles, and the mode and distances travelled by staff in stores and head office locations.
- Some also consider customer transportation, ensuring good public transportation and non-vehicular access to their stores. Where product cannot be transported without a vehicle, delivery service is offered. IKEA, for example, attempts to locate stores near transit centres and offers shuttle services to customers.
- Marks & Spencer offers home delivery to encourage customers to leave their cars at home or shop online. However, they also measure the CO<sub>2</sub> emissions from the home delivery service and offset the emissions using a reforestation program.
- Finally, some retailers have consciously reduced their business travel, especially by air, and several are purchasing offsets for air travel. Some have opted for teleconferencing and online meetings wherever possible.
- North American retailers have been slower to look for ways to reduce automobile travel by customers and staff. This is an area of opportunity in Canada and the U.S.
- Of note, Mountain Equipment Co-Op in Canada does measure the carbon footprint of staff commuting. Over 80 per cent of their staff commute to work by walking, bicycling or transit.

### 3.2.7 Solid Waste – Three Rs: Reduce, Reuse, Recycle

There are many benefits to retailers in implementing strategies to deal with solid waste in their operations. The three R strategies have been in the public eye for several decades now. It is relatively easy to understand the benefits of reducing waste. Excessive packaging and shipping materials add to the cost of shipping and result in retailers handling the waste at store level. In an effort to reduce volume in landfills, many municipalities have imposed or increased tipping fees to discourage disposal. Hence, it is in the interests of retailers to minimize the waste from packaging and shipping materials.

#### Focal Points

- Reduce. Reducing is the first priority, simply because it is better not to produce something than to reuse or recycle it. Source reduction strategies decrease the amount of material that is thrown away or recycled. Source reduction also cuts back the costs of transporting, throwing away or recycling waste. It can also reduce labour costs without the need for up-front investment.
- Reuse. Reusing items saves energy and resources compared to disposing of or recycling them.
- Recycle. Retail stores can reduce disposal costs and sometimes gain revenue from selling separated recyclables. In addition to the financial gains, major environmental gains are realized from recycling materials rather than sending them to landfill.

#### Top Practices

Summary of Top Practices	Top 15
Reduce	
Reduction of Packaging Weight	5
Life Cycle Assessment of Packaging	4
Eliminate Individual Item Packaging	4
Reduction of Packaging by Suppliers	3
Reuse	
Bags	9
Other Product Return	4
Customer Education	3
Biomass Packaging	2
Reused Materials in Store Construction	1
Reusable Packaging During Transportation to the Store	1
Reusable Packaging and Materials at Store	1
Packaging that Customers Take Home	1
Plan for Damaged Goods	1
Donate Unwanted Goods to Charity	2



Summary of Top Practices	Top 15
Recycle	
Recycling at Store	8
Recycling Materials During Manufacturing	5
Closing the Loop	4
Recyclable Packaging	3
Recycling After Customer Use	3
Composting at Store	2
Compostable Packaging	2
Products Made from Recycled Materials	1
Recycled Content in Products	1



## Reduce

- The leading retailers look at the whole lifecycle of a product from manufacturing to disposal by the consumer to identify opportunities to reduce or eliminate waste.
- Retailers who manufacture their own store brands or products have focused on managing waste in their own products before approaching suppliers of other brands.
- H-E-B, for example, has extensive programs to reduce, reuse and recycle materials in their store brands. They have not worked significantly with outside manufacturers to date.
- Wal-Mart works intensively with manufacturers and suppliers to reduce waste in production, packaging and shipping, recognizing that this helps to keep costs down. Wal-Mart Canada has recently launched a packaging scorecard and has requested that their suppliers provide detailed information on their environmental practices, packaging to product ratios and a variety of other information. Compliance in providing this information is required for all companies within nine months.

## Reuse

- By far the most popular consumer program among the top retailers in all geographical areas is encouraging the use of reusable bags. Many offer fabric bags for sale and have bins to collect used plastic bags.
- Strategies to encourage customer participation in bag programs include asking customers if they need a bag, supplying bags only on request and charging customers for plastic bags.
- LUSH goes a step further and encourages customers to return some product packages for reuse and for free merchandise.
- Customer education on benefits is key to the success of reusing bags. They must remember to bring back the plastic bags for recycling and believe in the benefits to the environment of reducing plastic bag usage.

## Recycle

- Over half of retailers recycle at the store level. Cardboard is the most common recycled material.
- In office operations, retailers encourage employees to reduce their paper use. This includes using electronic materials instead of printouts and photocopying on both sides of paper, rather than single-sided copying.
- Some retailers, such as Alliance Boots, remind staff of the carbon footprint of paper-related activities. The carbon footprint of photocopying is 88 per cent paper and 12 per cent copier. Hence, double-sided printing is a significant savings. The company also removed all waste bins at their head office in an effort to change employee habits and teach them about recycling.
- As waste is easily measured, retailers can set specific diversion goals, or goals based on reducing levels of waste from year to year.

### 3.2.8 Water Quality and Conservation

Using water efficiently can lower operating costs and enhance the efficiency of a retailer's operation. Almost all commercial water use also uses energy and other raw materials.

Water management is not always top of mind for retailers, especially those who do not use water directly in their retail operations. However, many day-to-day human and business activities impact water quality and usage. Even if retailers do not use water in their stores, they can consider actions in head offices, restrooms and cleaning facilities, plant watering and parking lot configuration. These are described further in the sections below.

Retailers may also consider including awareness of habits and improvements that staff can implement at home as part of their training. Raising customer awareness is an additional opportunity for retailers to contribute to improved water quality and conservation.

Water usage is typically easy to measure and monitor by metering and tracking of bills. Leading retailers have realized considerable savings by implementing small changes and monitoring the results.

#### Focal Points in Water Management

- **Water quality.** There are two primary areas of focus in water management. The first is maintaining water quality by minimizing pollutants entering the waterways.
- **Water conservation** is the other and more common focus of water management among retailers.



## Top Practices

Summary of Top Practices	Top 15
<b>Water Quality</b>	
Parking Lots and Vegetation	6
Grease Traps and Purification Tanks	2
Permeable Surfaces	1
Bio-swales and Stormwater Ponds	2
Customers: Educate on Reducing Pollution	1
<b>Water Conservation</b>	
Fixtures: low-flow toilets, spray nozzles, fix leaks	9
Audits and Water Metering	3
Train Staff and Customers on Conserving Water	2
Reuse Methods: Steam, Ice from Freezers	2
Capturing Rainwater for toilets/cleaning/irrigation	2
Less Water in Manufacturing/Work with Suppliers	2

### Water quality

- The most common practice in maintaining good water quality by retailers is the design of parking lots to reduce runoff. Planting vegetation along the perimeter and throughout the parking lot are common practices. These have a surprising array of benefits. First, and most obviously, they add to the aesthetics of the store front. More importantly from an environmental perspective, they retain and detain water during heavy rainfall. In a heavy rain, rapid runoff and large volumes result in pollutants such as grease, soot or salt from cars being swept into nearby waterways. Plants, especially tall grasses and reeds, help to retain the water and actually prevent the pollutants from entering the water table.
- Bio-swales and stormwater ponds are strategies used to accomplish the same effect. These practices are being employed in all parts of the world, including Wal-Mart's McKinney store near Dallas, Texas and at their new demonstration store in Burlington, Ontario.
- Retailers such as Home Depot are strongly focused on Sustainable Market Transformation and creating customer awareness of the habits they can employ at home to minimize water pollution.

### Water conservation

- The most common practice is reducing consumption on premises. Frequently, top retailers replace existing fixtures with those using less water. These include low-flow toilets and faucets, and installation of sprayers.
- Other practices include reusing water in manufacturing processes or capturing and using water from natural sources, such as rainwater or condensation. H-E-B, for example, captures steam from their manufacturing process and reuses the water. Alliance Boots consumes 35 per cent less water by investing in ice removal ramps in the fresh fish department, water-saving systems and advanced electronic controls.

- Retailers commonly monitor water usage at their locations with audits and metering. Auditing meter readings allows retailers to monitor adherence to guidelines in their locations, set goals for improvement, look for leakage and any wasting of water, and track progress.
- Retailers are also working with suppliers to reduce water in products and in the manufacturing process. This ensures not only less water consumption, but lowered transportation costs when product concentrates can reduce the volume and weight of shipping. For example, Wal-Mart began selling only concentrated liquid laundry detergent at U.S. Wal-Mart discount stores, SuperCenters, Sam's Clubs, and neighbourhood markets as part of its commitment to sustainability. Detergent in concentrated form has less impact on the environment, using less water and plastic, and reducing transportation costs. The company expected to sell more than 800 million units of concentrated detergent in the three years to 2010 and estimates the initiative preserved more than 400,000,000 gallons of water.
- Some retailers use rainwater capture for a variety of purposes on premises. Examples include using rainwater for toilets, plant watering, floor washing and other cleaning.
- In a similar vein, retailers can discover alternative water sources for reuse. For example, H-E-B saves 6.2 million gallons of water each year by reusing condensation from manufacturing steam equipment—that is enough to supply the water needs of more than 150 homes every year.
- Finally, leading retailers sometimes use slogans and campaigns to inform and engage staff and customers in water conservation measures. Examples of these include Woolworths' "Every Drop Counts" program. Two of Home Depot's 10 market transformation programs focus on water consumption and environmental impact.

### 3.2.9 Environmental Charity Giving

The top retailers all report supporting charitable causes, encouraging and rewarding employees who volunteer their time and providing materials or staff to educational and community activities.

#### Focal Points in Environmental Charity Giving

- **Human rights and developing regions.** Retailers make financial contributions to primary causes including fair trade, human rights, working conditions in developing countries, child labour, children's health and education. Often they support specific international NGOs such as UNICEF or Save the Children.
- **Local community environmental campaigns and education.** Retailers strive to be part of the local culture and viewed as a good neighbour. They encourage employees to participate in local events such as clean up days, school recycling campaigns or clean air days. Some of the leading retailers also contribute educational materials and workshops to the public.
- **Environmental NGOs and projects.** This strategy supports broader or international environmental programs and organizations. Retailers support organizations such as World Wildlife Fund (WWF), and forest stewardship and reforestation programs. They also include campaigns to stop rainforest depletion and similar environmental degradation.





## 4.0 Conclusions

The adoption of greener and more sustainable retailing practices among the leading international retailers in this research was based on voluntary participation rather than on regulatory control, though the spectre of impending regulation has generally spurred the European and Asian companies to earlier endorsement.

The case studies presented in this document demonstrate the diversity in origin, approaches, corporate structure, product line, geographical area and method in taking action. There is no wrong door and no single approach. For some retailers, social and environmental responsibility grew out of an idea for providing a product that is more natural or is not tested on animals. For others, it grew out of an idea that their influence is so large in the communities they serve that they have a responsibility, or better yet an opportunity, to make a large impact. For others still, it grew out of the beliefs of their founders. For many in the future, it may be viewed as a business opportunity and good risk management.

The many reasons for adopting environmentally sustainable practices are compelling:

- These actions generate lower costs and higher profits.
- Competitive pressures will dictate environmental action.
- Customers expect it and will increasingly demand it.
- Energy supplies are dwindling and costs are uncontrollable.
- Landfills are overflowing.
- Water shortages, in terms of quality and quantity, are real.
- Access to new markets—according to the Stern Review, markets for low carbon products and services are likely to exceed \$500 billion per year by 2050. ([www.bitc.org](http://www.bitc.org))
- Improved reputation—“responsibility to the environment” is an important criterion for customers in brand trust.
- Improved recruitment and retention—recent research has shown that nearly half of all staff want to work for organizations with strong environmental policies. ([www.bitc.org](http://www.bitc.org))
- It is good risk management and a key part of corporate social responsibility.

## Barriers

It is important to recognize and address the barriers that may prevent retailers from adopting sustainable practices.

### External Barriers

- Location in a shopping centre that does not have facilities to allow action, e.g., no recycling, no water-saving fixtures, no control over heat and air conditioning.
- Poor urban design and lack of community resources, e.g., poor public transit, no sidewalks, no green energy source, greenfield development, no opportunity for aquifers or bio-swales.
- Lack of a level playing field for shopping centre developers in terms of environmental zoning and/or building requirements.

### Internal Barriers

- Lack of awareness of the issues, solutions and opportunities
- Lack of a champion
- Not knowing how or where to start, overwhelmed by the range of potential activities or the task of implementation across the organization
- Lack of knowledge or information about products (e.g., which are the best light bulbs, furnaces or building materials)
- Complicated technical language
- Fear of expense and ability to compete
- Time and expense required for certification
- Fear of false claims or liability, accusations of “greenwashing”
- Lack of knowledge about educating employees
- Difficulties in auditing and monitoring.

### Realities

- Underdevelopment of new technologies, especially green energy. These are not perfected yet, and there is uncertainty as to which will prove most reliable, efficient and prevalent.
- Geographic distances, especially in North America.

## Recommendations and Next Steps

Many of the recommendations relate to providing education, information and raising awareness, as well as to further research on shopping centres and the feasibility for developing guidelines.

### 1. Research

- Shopping centre research. Identify the best environmental practices of leading shopping centres around the world to assist retailers and developers to jointly adopt environmental best practices. This would incorporate a wide range of factors, including operations, buildings, identification of standard requirements, and green leases, to name a few.
- Feasibility study. Assess the feasibility of developing the environmental sustainability guidelines for retailers and shopping centres. The guidelines would be based largely on the results of the current and planned research.

## **2. Demonstration**

- Undertake projects with key retailers and shopping centres to demonstrate best practices that significantly impact the sector.

## **3. Performance Indicators**

- Develop performance indicators and benchmarks.

## **4. Marketing and Communications**

Communicate the research findings to the sector using:

- Reports and the internet
- Expansion of the interactive online database
- Conferences, workshops and webinars
- Our partners, the Ted Rogers School of Management at Ryerson University and the Retail Council of Canada
- Links with other organizations such as the National Retail Federation and the International Council of Shopping Centres
- Programs launches such as “Ask the Expert”
- Content provision for Greening Retail university and continuing education courses.



## Appendix 1

### Identifying the “Greening Retail” Opportunity for Canadian Retailers

#### BACKGROUND, METHODOLOGY AND DATABASE ELEMENTS

##### Background and Methodology

For the initial phase of the Greening Retail research, a report was produced titled, *Greening Retail: Engaging the Retail Sector in Sustainability*. In this study, secondary research was conducted and meetings were held with Canadian industry leaders to identify tangible examples of environmental best practices and achievements in the global retail sector. Clearly, investment in sustainability yields a significant payback.

Methodology included research on industry programs and measurements, a review of public domain benchmarks and best practices in the retail and other relevant sectors and identification of the major environmental standards from around the world and their relevance to retail. Results include a list of the most environmentally advanced retailers from around the globe. This report is available online at [www.greeningretail.ca](http://www.greeningretail.ca) or through the Center for the Study of Commercial Activity at Ryerson University.

More than 200 retailers were reviewed online, over 90 were reviewed in detail and 66 were ranked as best practice retailers according to a 14-point framework of practices.

# 14-Point Best Practice Framework

This framework was created from 32 major international standards that were identified and reviewed. The checklist used, together with a description of each item, is presented in the table below.

<b>Corporate Environmental Policies</b>	explicit written environmental policies
<b>Energy Efficiency</b>	energy used in heating and lighting in buildings owned/occupied by company
<b>Green Energy</b>	renewable, low-impact energy sources used in buildings owned/occupied by company
<b>Transportation</b>	methods and management of transportation of products from suppliers to warehouse, work-related transportation of employees, transportation of customers to stores
<b>Supply Chain/Purchasing</b>	policies and programs with specific purchasing guidelines for products used in operations
<b>Green Products</b>	raw material use, production methods, reduction of pollution and effects on biodiversity of products sold
<b>Environmental Charity Giving</b>	donations given to environmental organizations
<b>Solid Waste</b>	reduction of waste in packaging, recycling, reuse and reduction of hazardous waste
<b>Water</b>	reduction of use of water and reduction of pollution in water
<b>Staff Training</b>	systematic training of staff on environmental policies and programs
<b>Customer Education/Marketing</b>	through staff, advertising, merchandising, in-store products, presentation and community-wide programs
<b>Benchmarks &amp; Indicators</b>	measuring environmental impacts and monitoring performance against accepted standards
<b>Financial Impacts</b>	measurable effects of environmental practices on the company bottom line through sales increases or cost reductions
<b>CSR Reporting</b>	publicly accessible and transparent reports on corporate social responsibility

In order to identify environmentally-leading retailers, more than 30 associations, social indices, environmental organizations, registries, NGOs, leading business rankings and conference award listings were investigated through the Internet. More than 200 retail companies were identified through this method and due to the short time frame and vast amount of information to evaluate, the number of retailers that were reviewed in detail against the 14-point framework was limited to 93. From this group, 66 were identified as leading best practice retailers and 15 to 20 were highlighted as potential targets for the more detailed research in Phase 2. (Please refer to the online report for further details on the methodology).

This research was intended to identify exemplary leadership in the retail sector, not to reflect negatively on retailers that do not practise or report this information. Retailers were highlighted in the report as possible candidates for the in-depth best practice review.

If a company practiced leadership in environmental methods without including that information in literature or on their website, cases were not included in this research. It should be noted that in compiling this list, English was the main language used although some Dutch, French, German and Japanese sites were also reviewed. In addition, there were more examples of department and grocery store chains that could have been included. Companies in other categories however, were sought in order to represent the diversity of the Canadian retail sector. The objective was also to provide a base list from which retailers could be selected for the Best Practices study in subsequent research projects.

The retailer list by merchandise category and country of origin was presented in the report. The merchandise categories are those used by the Centre for the Study of Commercial Activity, Ryerson University. Some retailers may fall into several merchandise categories. Where this was the case, they have generally been included in their most dominant category.



## Appendix 2

### Description of Participating Retailers

Companies for the current study were selected to represent a cross-section of leading retailers. The characteristics included are as follows:

- **Type of merchandise** includes grocery, home furnishings, apparel, cosmetics, health and beauty aids, drugs, department stores, sports equipment, home improvement and general merchandise.
- **Size** includes large- and medium-sized companies as well as large and small space users. There are no independent retailers included in the detailed case studies and this is a shortcoming, however, many of the tactics of the large- and medium-sized retailers can be applied to small retailers. Time and budgetary constraints imposed some limitations on the extent of this research.
- **Format** includes both large- and medium-sized big box retailers, free standing/ high street retailers, and small space users in a shopping centre environment. Formats also include Hypermarche, department store, grocery store, Membership Warehouse Club and specialty store retailers.
- **Brand** includes own brand and national brand retailers.
- **Ownership structure** includes corporate, franchise/dealer, cooperative, conglomerate/holding company and single banner chains, both private and public companies, and a wholesale distributor serving several chains.
- **Geography** includes companies from Canada, the United States, U.K., Ireland, France, Japan, and Australia. While it is important to include companies from Canada and the U.S., the European and Asian companies are more advanced with respect to environmental best practices. The research included single country retailers as well as those with global operations in order to demonstrate ways of influencing and implementing best practices across different cultures.

## Participating Retailers by Company, Size, Category, Country of Origin and Key Data

Company	Country of Origin	Category	Sales	Number of Stores	International Markets	Retail Format	Structure	Other
Aeon	Japan	General merchandise stores, grocery, clothing, home centres, convenience stores, drugstores,	USD \$55 billion in 2009 est.	13,000 stores worldwide	Asia-Pacific primarily Japan and North America	Department stores, supermarkets and speciality stores	Holding company with 169 subsidiaries and participating firms	Second-largest retailer in Japan and Asia Pacific
Alliance Boots	U.K.	Drugstores	n/a	6,650 stores worldwide	U.K. and 14 countries in Europe, Asia, Russia	Pharmacies and health and beauty stores, freestanding strip and shopping centres	Private company owned by AB acquisitions (controlled by funds advised by KKR & Stefano Pessina)	100,000 employees
Carrefour	France	Discount, general merchandise, food and convenience	€97.6 billion in 2008	12,547 stores	France and 28 other countries	Hypermarket, supermarket, hard discount and convenience stores	Private company, franchiser	456,295 employees
Home Depot	U.S.	Home improvement	USD \$71.3 billion for fiscal 2008	2,200 stores	U.S., Puerto Rico, U.S. Virgin Islands, Guam, Canada, Mexico, China	Big box stores averaging 105,000 ft. <sup>2</sup>	Public company, corporate stores	Second-largest retailer in the United States
H-E-B	U.S.	Food, drug, fuel stations	USD \$13.5 billion in sales in 2008	Over 300 stores	United States (primarily Texas) and Mexico	Supermarkets 90,000 to 170,000 ft. <sup>2</sup>	Private company, corporate stores	The largest U.S. private companies
IKEA	Sweden	Furniture and home fashion accessories	€21.2 billion in 2008	231 stores	24 countries primarily in Europe	Big box stores	Privately owned by a foundation	9500 products private brand
LUSH	U.K.	Cosmetics	USD \$50 million in 2007	500 stores	Stores in 12 countries and trading in 43 countries	Specialty stores, free standing and in shopping centres	Privately owned, corporate stores	Private brand products
Marks and Spencer	U.K.	Clothing and general merchandise	£906 billion in 2008	850 stores	600 stores in the U.K., 250 internationally	Department store	Public company, corporate stores	Largest clothing retailer in U.K.

Company	Country of Origin	Category	Sales	Number of Stores	International Markets	Retail Format	Structure	Other
Monoprix	France	Clothing, food, household products,	USD \$5 billion	300 stores	Stores in France	Department store	Owned 50/50 by Galleries Lafayette and Casinos	19,000 employees
Monsoon and Accessorize	U.K.	Clothing ( <i>Monsoon</i> ) accessories ( <i>Accessorize</i> ) home accessories ( <i>Monsoon Home</i> )	n/a	400 stores in the U.K. and Eire	500 stores in 22 other countries	Specialty stores - 600 to 1800 ft. <sup>2</sup>	Privately-owned company	2/3 are freestanding, 1/3 in shopping centres
Mountain Equipment Co-op	Canada	Outdoor clothing and sports equipment	CAD \$247.7 million in 2008	11 Stores in Canada	None	Specialty freestanding stores	Membership cooperative structure,	1,387 employees, 2.8 million members, 50% private brand products
Musgraves	Ireland	Wholesale grocery distributor	€4.8 billion in 2008	Supporting 3,400 retailers	Primarily Ireland, U.K. and Spain,	Supermarkets, convenience stores and cash and carry	Private family-run business, franchisees	Serve over 7 chains and many independents
Tesco	U.K.	Food and general merchandise	£59.4 billion in 2008	3,260 stores	13 countries (7 in Europe, 5 in Asia, U.S.), primarily U.K.	Supermarkets 68 mil ft. <sup>2</sup>	Public company,	410,000 employees Britain's largest retailer
Wal-Mart	U.S.	Food and general merchandise	USD \$375 billion in 2008	7,400 stores	14 countries	Largely freestanding stores, some in strip centres, range from 100,000 - 200,000 ft. <sup>2</sup>	Public company, corporate stores	2 million associates
Woolworths, Australia (note – no connection to Woolworth U.S.)	Australia	Food, general merchandise, liquor, petrol, electronics, pubs	AUD \$47 billion in 2008	3,000 stores	Australia and New Zealand	Department stores, supermarkets, liquor stores, electronics stores, petrol stations, pubs	Public company	180,000 employees one of the largest companies in Australia and New Zealand



## Appendix 3

### Notes on Regulation and Measurement

The U.K., European and Asian markets are more regulated than those of North America with respect to environmental requirements. In many cases, however, the standards that have been developed are voluntary, but that may change.

The U.K. Climate Change Bill was passed in July 2008 and the regulations that will emerge are still being formulated. Targets will be set following a period of energy emissions monitoring and consideration of which enterprises and sectors to which it will apply.

In February of 2008 the framework for the Code of Best Practice for Carbon Offsetting was announced. The code is voluntary and initially covers only certified emissions reductions that are compliant with the Kyoto protocol to which the U.K., EU and a number of Asian countries have agreed. In the EU, the law requires all member states to implement action plans to reduce energy consumption by 1 per cent per year for the next nine years. In addition, the Commission wishes to regulate the energy efficiency standards on supermarket equipment.

While North America is not a signatory to Kyoto and is less regulated to date, the new U.S. government may become significantly more stringent in terms of its environmental controls, in turn affecting Canada.





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