



Uptake of Corporate Social Responsibility (CSR) by European SMEs and Start-ups

Good Practice Document



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Contents of the Good Practice Document

This publication is an integral part of the study 'Uptake of Corporate Social Responsibility (CSR) by Small and Medium-sized Enterprises (SMEs) and Start-ups'. The objective of the study was to map, assess and report on current levels of take-up of CSR codes of conduct and internal action plans for CSR and sustainability within European SMEs and start-ups, paying particular attention to variations between Member States, regions of Europe and specific sectors of the economy.

This document presents a **collection of good practices**, which includes 30 cases of SMEs and start-ups that have successfully designed and implemented CSR and sustainability-related activities. These good practices were identified by screening existing sustainable business models and activities (via survey responses, expert recommendations, awards and certificates obtained by the SME, etc.). The portfolio of the selected good practices presents illustrative examples of relevant and replicable dimensions of CSR and sustainability activities of SMEs.

A [Synthesis report](#) can be found at the end of the Good practice document, summarizing the lessons learnt from the good practices.

Structure of case studies

The good practices are presented in a form of 30 case studies, each 3-4 pages in length. More specifically, the case studies include:

- **Background information.** This includes contextual information about the country, region and/or economic sector that the company operates in, as well as the characteristics of the SME (its history, size, business model and sources of income).
- **Description of the good practices.** This includes CSR and sustainability-related activities, the reasoning and motivation for introducing them, their implementation process, and their specific impacts (benefits linked to the SME's performance or broader society). It also includes information about the resources needed to develop them, as well as public support received (e.g. financial support to implement a specific project).
- **Barriers and opportunities for engaging in CSR and sustainability practices.** This includes barriers and challenges that the SME is facing (e.g. regulatory, financial, market-related, induced by the COVID-19 pandemic), as well as opportunities, plans for future growth and further engagement in CSR and sustainability.
- **Key takeaways.** This includes a short conclusion on lessons learnt, broader implications and the replicability of each good practice.

CSR action areas

At the beginning of each case study, there are icons representing the covered CSR action areas. The categorisation of each activity area is largely based on the ISO 26000 Guidance Standard on Social Responsibility. An adapted version of this standard was used within the context of this study because it was the most applicable within the context of SMEs.

Table 1. Description of icons depicting different CSR action areas

| Action area | What is this action area about? | Action area | What is this action area about? |
|--|---|---|---|
|  Decent work | Fair treatment of all workers, decent employment conditions and engagement in social dialogue. |  Human rights | Respectful treatment of all individuals at the workplace and across the supply chains. |
|  Consumer issues | Providing customers with accurate and helpful information, minimizing risks when using enterprise products, providing support services and recall procedures. |  Business relations | Respecting the rule of law when dealing with other enterprises down or up the value chain. |
|  Environment | Reducing environmental risk, bearing the cost of pollution, not harming the local ecosystems and, if possible, improving air, water, and soil conditions. |  Organisational governance | Accountable, transparent, ethical business management that takes into consideration stakeholder interests. |
|  Community involvement | Positive business contribution ranging from the local community to the wider international society. |  Information sharing | Publishing information about the company's efforts and reporting on its specific social and/or environmental impacts. |

Source: Visionary Analytics, based on ISO 26000 Guidance Standard on Social Responsibility.

The absence of an icon representing a specific activity area does not necessarily mean that the company is not engaged in any activities. Rather, it means that the company's practices in that area are not described or are not central to the case study.

Scope of the good practices

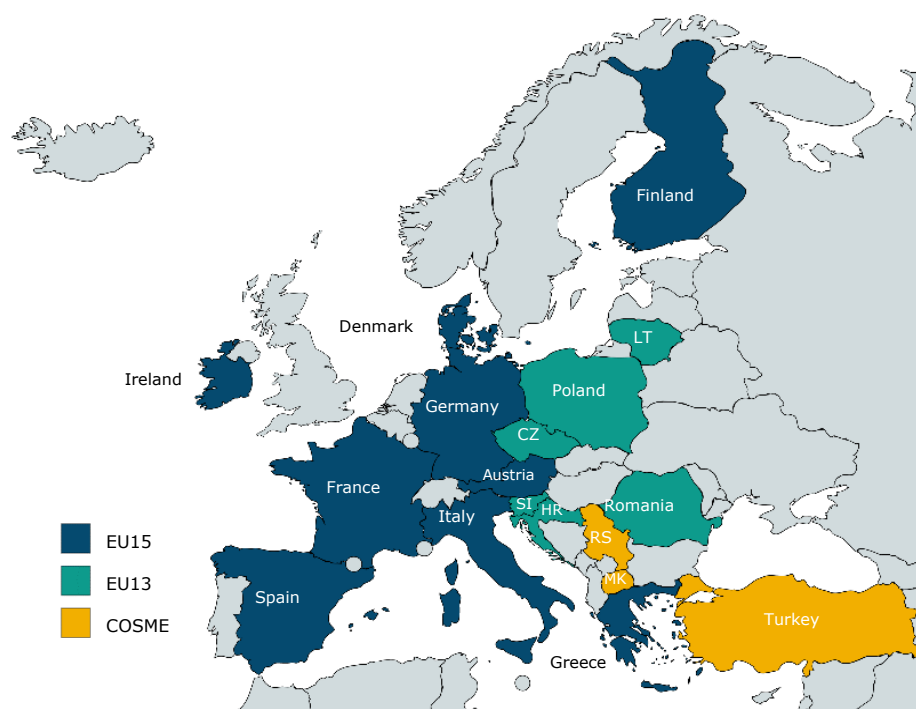
The good practices presented in this document try to capture the diversity and the scale of maturity of SMEs in terms of CSR and sustainability. It covers companies from across 8 different economic sectors and 17 European countries (see below).

Table 2. Sectoral coverage

| Economic sector | Description |
|--------------------------------|--|
| Agro-food | Agricultural activities, manufacture of food products and beverages |
| Textile and garment | Manufacture of textiles, wearing apparel and footwear (including fashion brands that outsource their production activities) |
| Transport and logistics | Land transport companies that have their own fleet; start-ups that offer mobility and logistics solutions |
| Retail trade | Operating brick-and-mortar stores and e-commerce platforms |
| Pharmaceuticals | Development, distribution and(or) manufacturing of pharmaceutical or cosmetic products |
| Mining and quarrying | Mining, extraction, and exploration activities; mining support service activities |
| Tourism and hospitality | Accommodation, food and beverage service activities, travel agencies |
| Banking, finance and insurance | Financial service activities, such as pension funding, asset management; financial technology; acceleration platform and financing ecosystem |

Source: Visionary Analytics.

Figure 1. Country coverage



Note: North Macedonia is included in the scope of this study but specific good practices were not identified.
Source: Visionary Analytics.

The companies also vary in size (from 1 employee to 220 employees) and age (some of them were established in 2020, while others are over 50 years old). Lastly, the case studies cover different business models – some can be defined as sustainable business models (e.g. start-ups that aim to reduce the amount of CO₂ emissions or transform waste into

valuable products), while others engage in more traditional activities but consider CSR as a priority and demonstrate systematic commitment to reduce their negative environmental impact and contribute to society.

The above-mentioned dimensions (in particular, countries, sectors, business models) and their implications on the uptake of CSR and sustainability are discussed in broader terms in the Final Report of this study.

The Table 3 below showcases the 30 case studies presented in the Good practice document with respect to various dimensions and CSR action areas covered. This table may be used to navigate the document and find the most relevant cases for any interested reader – by clicking on the name of the company he or she will be redirected to the appropriate case study.

Table 3. Overview of SMEs presented in the Good Practice Document

| Company name | Page number | Country | Sector | Company size | Activity areas | | | | | | | |
|---|-------------|---------|----------------------------------|--------------|----------------|-----------------|-------------|-----------------------|--------------|--------------------------------|---------------------------|---------------------|
| | | | | | Decent work | Consumer issues | Environment | Community involvement | Human rights | Responsible business relations | Organisational governance | Information sharing |
| <u>Reynaldi</u> | 11 | IT | Pharmaceutical / cosmetics | Medium | ✓ | | ✓ | ✓ | ✓ | | | |
| <u>NØIE</u> | 16 | DK | Pharmaceutical/ cosmetics | Small | | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| <u>Marinomed</u> | 20 | AT | Pharmaceutical | Small | | ✓ | ✓ | | | ✓ | ✓ | ✓ |
| <u>La Comunitaria</u> | 24 | ES | Pharmaceutical / retail | Micro | | ✓ | | ✓ | ✓ | | | |
| <u>Econea</u> | 28 | CZ | Retail | Small | | ✓ | ✓ | ✓ | | ✓ | | |
| <u>Rifuzl</u> | 32 | SI | Retail | Micro | | ✓ | ✓ | ✓ | | ✓ | | |
| <u>Biovega</u> | 36 | HR | Retail / agro-food | Medium | ✓ | ✓ | ✓ | | | ✓ | | |
| <u>Lebensbaum</u> | 41 | DE | Agro-food | Medium | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ |
| <u>Le Terre di Zoe</u> | 45 | IT | Agro-food | Micro | | | ✓ | ✓ | | | | |
| <u>Chrono</u> | 48 | RS | Agro-food | Micro | ✓ | ✓ | | ✓ | ✓ | | ✓ | |
| <u>Ekofunji</u> | 52 | RS | Agro-food | Micro | | | ✓ | ✓ | | ✓ | | |
| <u>fair-finance</u> | 56 | AT | Banking, financial and insurance | Small | | ✓ | ✓ | | | ✓ | ✓ | |
| <u>La Financiere de l'Echiquier</u> | 61 | FR | Banking, financial and insurance | Medium | | | ✓ | ✓ | | ✓ | ✓ | ✓ |
| <u>Matter</u> | 65 | DK | Banking, financial and insurance | Small | | | ✓ | | ✓ | | ✓ | ✓ |
| <u>WeBuust</u> | 69 | FI | Banking, financial and insurance | Micro | ✓ | | ✓ | ✓ | | | | ✓ |
| <u>Sano Touring</u> | 72 | RO | Tourism and hospitality | Micro | | ✓ | | ✓ | ✓ | | | |

| Company name | Page number | Country | Sector | Company size | Activity areas | | | | | | | |
|---|-------------|---------|-------------------------|--------------|----------------|-----------------|-------------|-----------------------|--------------|--------------------------------|---------------------------|---------------------|
| | | | | | Decent work | Consumer issues | Environment | Community involvement | Human rights | Responsible business relations | Organisational governance | Information sharing |
| <u>Clio Muse Tours</u> | 76 | GR | Tourism and hospitality | Small | ✓ | | ✓ | ✓ | | ✓ | | |
| <u>Mano Guru</u> | 80 | LT | Tourism and hospitality | Small | | | ✓ | ✓ | ✓ | | | |
| <u>Ecoalf</u> | 84 | ES | Textile | Medium | | ✓ | ✓ | | | ✓ | | ✓ |
| <u>FOONKA</u> | 89 | PL | Textile | Small | | ✓ | ✓ | ✓ | | | | |
| <u>Garlita</u> | 94 | LT | Textile | Medium | ✓ | | ✓ | | | ✓ | | |
| <u>Bego Jeans</u> | 97 | TR | Textile | Micro | ✓ | | ✓ | | ✓ | ✓ | | |
| <u>Hymness</u> | 100 | DK | Textile | Micro | ✓ | | ✓ | | | ✓ | | ✓ |
| <u>Volvero</u> | 104 | IT | Transport and logistics | Small | | ✓ | ✓ | ✓ | | | | |
| <u>Last Mile Team</u> | 108 | ES | Transport and logistics | Micro | ✓ | | ✓ | | | ✓ | | |
| <u>ATC Computer transport & logistics</u> | 111 | IE | Transport and logistics | Medium | ✓ | ✓ | ✓ | | | ✓ | | |
| <u>BAMA logistics</u> | 115 | PL | Transport and logistics | Medium | ✓ | | ✓ | ✓ | | | ✓ | |
| <u>ECterra</u> | 119 | DE | Mining | Micro | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| <u>Extracthive</u> | 122 | FR | Mining | Small | | | ✓ | | | ✓ | | |
| <u>Finnish Network for Sustainable Mining</u> | 125 | FI | Mining | Small | | | ✓ | ✓ | | ✓ | ✓ | ✓ |

Reynaldi SRL: Italian family business in the cosmetics industry aims for 360° sustainability



Environment



Human rights



Decent work



Community involvement

Reynaldi SRL is a medium-sized contract manufacturer based in Turin that offers formulation, production, and packaging services of natural cosmetics. The family-run company perceives sustainability as a strategic objective that is closely linked to its business model. This is realised through various activities in the key areas of community involvement, the environment and labour practices. Not only does the company apply strict quality standards to its products but has also integrated social goals in their ingredient sourcing process. Recently, it has also undertaken ambitious environmental-management improvements, seeking to reduce its CO₂ emissions to a minimum.



Italy, Turin



Pharmaceutical / cosmetics industry



59 employees



Revenue: ~ 6m EUR in 2020



Established in 1980

Reynaldi SRL offers a range of third-party manufacturing services for well-known international cosmetics brands, as well as local and organic labels. The company's business model is not limited to production based on pre-specified formulas – It seeks to stay one step ahead and offers their own formulation services for developing new lines of various skin care products, fragrances, and other cosmetic preparations. Their most recent venture is a collaboration with a start-up that produces raw material from apple juice left-overs. Reynaldi's R&D laboratory is working on creating a novel formula for a cosmetics product that includes this raw material.

Contract manufacturing makes up approximately 80% of the company's activities and another 20% involve work on their own product line, *Dottoressa Reynaldi*. The highly-innovative and all-natural product line is named after the company's founder

and head of the laboratory, Dr Maria Grazia Reynaldi. She started her business more than 40 years ago and was one of the pioneers of natural cosmetics in Italy. Soon, small shops of Dr Reynaldi's products were opening up all across Italy. Later, when Dr Reynaldi's son and current CEO, Marco Piccolo, joined the business, he realised that further development of their own brand was no longer feasible in a highly competitive market. Instead of marketing, the company decided to focus on formulation and production of cosmetics. Today, only two historical shops of *Dottoressa Reynaldi*'s products remain open in Turin, while the larger part of the company's activities are based in the 7,500 sq. meter facility on the outskirts of the city. A shift to business-to-business relations via contract manufacturing has spurred company growth – while in 2001 *Reynaldi* had 4 employees, in 2010 the number increased to 17 employees, and currently there are 59 employees working at the company. The annual revenue has more than doubled in the last 5 years.

Dr Reynaldi continues to focus on R&D, while her sons and daughters-in-law run the sales, production, logistics and administration of the company. Recently, the third generation of the family has entered the business – Marco's son Simone Piccolo became responsible for handling sustainability-related aspects of the company. In fact, over the years, sustainability and social responsibility have become a part of the company's business model.

Community development as an integral part of business

In 2016, *Reynaldi* was recognised as a benefit corporation¹, becoming the first company in the Italian cosmetics industry to receive this title. The company gained this status due to its multiple partnerships that aim to bring positive impact to various communities. Simone Piccolo, responsible for enterprise sustainability, notes that these practices are not philanthropy because they do not result in profit loss for the company. On the contrary, the social mission of *Reynaldi* is not to donate, but to build business relationships with vulnerable groups, thus giving people a chance to learn and sustain themselves. Some of the initiatives that were developed solely by *Reynaldi* or in collaboration with local associations are listed below:

- **Development of a small female business in Burkina Faso.** In 2003, a nun working on a mission in Burkina Faso, one of the poorest countries in the world, asked Dr Reynaldi to help a small group of local women who were out of employment opportunities at the time. The region was highly populated with shea trees but locals only used to pluck and sell the fruit rather than process it into higher added-value shea butter. The latter is widely used in cosmetics, therefore, Dr Reynaldi had decided to support the women by helping them develop a business related to the extraction of shea butter. This included long-term mentorship and transfer of know-how, as well as support acquiring the necessary equipment. When the women were ready to start production activities independently, *Reynaldi SRL* became their client, purchasing shea butter for a fair price. Today, this activity provides a living to a group of 25 women and their families.
- **Providing work opportunities to marginalised youth.** Since 2019, *Reynaldi* buys natural ingredients that were cultivated by members of the San Partignano recovery community, which seeks to help young people suffering from drug addiction and marginalisation. Furthermore, the company has a vision of building a self-sufficient production facility for small batches of cosmetics in collaboration with San Partignano. This would allow these young people to acquire a craft in cosmetics manufacturing.
- **Collaboration with a social cooperative for people with disabilities.** Similarly to their usual B2B relations, *Reynaldi* collaborates with *Dalla Stessa Parte* (DSP), a social cooperative that employs people with Down syndrome. *Reynaldi* has developed a line of cosmetics, which contains honey harvested by the DSP community. The only difference from the usual contract manufacturing is that *Reynaldi* offers their services to DSP at a price that only covers production costs.



Credit: Reynaldi SRL

¹ On January 1st 2016, Italy became the first European state and the second country in the world creating a new legal status for companies called "Società Benefit" (in the US, Benefit Corporation). A Società Benefit is a company that combines the goal of profit with the purpose of creating a positive impact for society and the environment and which operates in a transparent, responsible and sustainable way. More information available at: <https://www.societabenefit.net/english-information/>

This means that *Reynaldi* does not receive any profits from their services. This is only a minor project compared to the bigger clients and does not really affect the overall profitability of the company. At the same time, the low cost of production services allows DSP to sell cosmetics at a higher profit margin, which helps them to self-finance their activities.

In addition to activities described above, the company's CEO, Marco Picollo, is actively engaged in the local business community and is the delegate for CSR at *Confindustria Piemonte*, the local business association. He gives lectures to students about entrepreneurship, as well as mentors young business-owners in the Turin area.

Reducing CO2 emissions and waste in all phases of production

Several years ago, the management team of the company started examining the environmental impact of its activities. They discovered that a few upgrades in the production process can not only drastically lower their carbon footprint, but also increase cost savings and efficiency. As a result, over the last few years the following changes were introduced:

- **Collaboration with a waste disposal centre.** The company started a collaboration with a waste disposal centre, which is located less than a kilometre away from the company's factory. *Reynaldi* has installed waste compactor machines to compress the waste before passing it over to the disposal centre, which collects and recycles paper and plastic free of charge. This mostly entails non-hazardous leftovers from packaging, which amount to 75 percent of total waste generated by the company. The rest of the waste is considered hazardous (such as Petri dishes) and cannot be recycled, but it may be utilised at the centre by using appropriate disposal methods for contaminated waste.
- **Installation of a water recovery plant.** In 2016, the company installed a water recovery plant that allows to reduce water consumption in the production process. The innovative closed-circuit system allows to save an average of 350 tonnes of water per year, which also results in economic benefits of saving of approx. 1 500 EUR.
- **Switch to renewable energy.** *Reynaldi* has recently made a switch to renewable energy, generated by wind turbines. This allowed the company to significantly reduce annual CO2 emissions. Simone estimates that a total of 121 tonnes of CO2 was produced in 2019. In April 2020, the company started purchasing energy produced by wind turbines, allowing to reduce the annual emissions rate to only 42 tonnes. Nevertheless, this method of electricity supply generates CO2 emissions due to long-distance transportation. Therefore, *Reynaldi* is planning to equip their plant with solar panels in the near future.
- **Green shipping.** Lastly, the company is looking for sustainable logistics solutions for shipping the finalised products to clients or retailers. The management team has recently decided to join the DHL GoGreen program, which is only slightly more expensive than the regular shipping service solution. The extra charges are dedicated to a set of climate protection projects that offset greenhouse gas emissions from parcel transportation.

The value of certification

Reynaldi's production processes adhere to the ISO 9001:2015 standard for the formulation, production, and packaging of cosmetics. The company also produces cosmetics that are certified under the COSMOS-standard, one of the strictest but also the most valued standards in the industry. For products to be considered "organic", they need to contain a required percentage of organic agro-ingredients, and to be manufactured in accordance to strict environmental management procedures. *Reynaldi* runs a quality lab

that conducts various chemical, physical and microbiological tests of every product batch before packaging in order to have a clear analysis of the products' composition.

According to Simone, certifications enable *Reynaldi* to have a stronger leverage in the market. Compliance with the above-mentioned standards differentiates the company from other third-party manufacturers that usually aim for less demanding certifications. Furthermore, he notices that reporting the percentage of natural and organic ingredients in cosmetics is getting more and more important, as brands are increasingly placed under consumers' scrutiny and demand for transparency. As a result, this aspect attracts a wide range of clients to *Reynaldi* from well-known established brands to niche organic companies.

Care for employees and profit-sharing

Reynaldi seeks to maintain an atmosphere of mutual respect and inclusion in the workplace. Since 2020, a profit distribution policy was introduced – a third of profits are dedicated to shareholders, another third is re-invested in the company (e.g. to upgrade the facilities), and the last third is distributed to employees in the form of a company bonus. Furthermore, the average wage at the company is 37% above the sector's average. Lastly, in order to allow every employee to maintain a healthy work-life balance, the facilities usually close by 5:30 PM.

Barriers and opportunities for engaging in CSR and sustainability practices

Several years ago, *Reynaldi SRL* could have been considered a common example of an SME that is inherently concerned with its impact on the community and the environment but does not have a strategic approach to these issues. In Simone's opinion, most SMEs do not deliberately engage in CSR and sustainability practices not because they are unwilling to but rather because they lack the necessary knowledge. He claims that sustainability had always been important at *Reynaldi*, but it was given more significant attention only once he joined the business. The generation that managed the company for decades until recently had very little understanding about CO2 emissions or waste reduction. The issue was first addressed by the company's CEO, Marco, while his son Simone helped him develop his vision. It was a challenge for them to raise awareness amongst the rest of the team about the relevance of environmental management, which now plays an increasingly important role in the industry.

The development of environmental management activities at *Reynaldi* were driven by the team's internal commitment, as the company did not apply for or receive any financial support from the government. Judging from his own experience, Simone believes that the most important factor that may encourage SMEs to engage in these practices, is a **change in mentality among top management**. He suggests that it may be useful for SMEs that follow the "traditional" manufacturing practices to provide internship or employment opportunities for young graduates with an educational background in sustainability. His second advice is to **begin with a methodological assessment** of the company's activities and how they are implemented. This can be done with the guidance of various tools, such as the GRI standard², the B Impact Assessment³ or the IPCC methodology⁴. Once you have a clear picture, he says, it is easier to select the areas where you want to improve. He argues that, in the end, most of these improvements will turn out to be not only more responsible environmentally, but also more economically efficient (e.g. resulting in reduced energy and water consumption, more efficient use of packaging material).

² More information on the GRI standards available at: <https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/>

³ More information on the B Impact Assessment available at: <https://bimpactassessment.net/>

⁴ More information on the IPCC available at: <https://www.ipcc.ch/>

Engagement with the local community and disadvantaged groups can require a lot of efforts and may not bring direct profitability gains in the short-term. Despite this, **integrating social goals into a company's mission provides a strong motivation** to its employees. Simone notices that employees at *Reynaldi* are engaged in their work, because their daily tasks not only revolve around making cosmetics and bringing profit, but also contribute to positive change in the local community. This creates a sense of trust and purpose amongst team members and attracts new talent dedicated to *Reynaldi's* mission.

Lastly, **communication about responsible practices may play a critical role for the image of the company and its products**. Simone notes that the management team previously saw little importance in reporting about their activities to clients and consumers. In his view, nowadays it is no longer enough to claim that a company is socially and environmentally responsible without providing proof to support these statements. Therefore, he works on updating the company's website with more information, as well as drafting their first CSR report with clear figures and calculations on CO2 emissions.

Key takeaways

The case of *Reynaldi* demonstrates how a typical cosmetics manufacturing company can integrate different CSR aspects over time – at the very beginning, the company was mostly focused on the quality of their products, while social commitment and the ways of helping various vulnerable communities were developed from a single project in Burkina Faso in 2003. As the business grew, environment-oriented improvements to the manufacturing process were introduced in 2016. The most recent change, introduced in 2020, relates to profit-sharing policy. Today, the company is deeply embedded in its local community, and is planning to build a new production facility with a vision to provide employment opportunities to marginalised persons. *Reynaldi* also serves as a positive example of an SME that has managed to integrate social and environmental goals into its business model without making trade-offs with financial sustainability.

NØIE: a successful alternative to the one-type-fits-all approach to skincare



Environment



Consumer issues



Information sharing



Organisational governance



Business relations

NØIE is a skincare and tech start-up based in Denmark that sees caring for customers' needs and the environment as paramount to their business model. It offers a range of customised products for skin conditions like acne, eczema, and psoriasis. The development process of NØIE's production is based on scientific evidence from dermatological research and customers' feedback. By offering products that fit the specific needs of individual customers, NØIE remains authentic in an extremely competitive environment. The company has also set clear sustainability-related commitments in order to become net carbon negative.

The company specialises in face creams, cleansers, sunscreens, body, and hand creams targeting skin conditions like eczema, acne, psoriasis, and others. These product lines are developed into numerous customised skincare products that include different combinations of carefully selected natural and synthetic ingredients. Currently, the team has collected information about 1 200 ingredients in their database. They are combined for each user according to the answers they give in an extensive questionnaire which they submit when registering on NØIE's website. NØIE's products can only be bought online, directly from their website. This online sales approach allows customers to select products that fit their needs best, instead of picking a standard face cream from the shelf of a retail store.

Fast growth and development of a governance system

The company started with just 2 people – Chris and Daniel – and grew into a team of 41 employees in just three years. Not long after the company's establishment, the team understood that in order to scale-up and reach their ambitious goals, they need to develop a comprehensive long-term business development strategy. Having attracted 12 million EUR worth of investments from various funds and venture capitalists, they established a board that deals with strategic business decisions. The board of the company introduced ESG-related (*Environmental, Social, and Governance*) KPIs alongside their financial objectives. Chris claims that the values of NØIE and its investors are well-aligned, as they both believe that caring about the environment and the modern consumer is crucial for company's growth.



Copenhagen, Denmark



Pharmaceutical/ cosmetics industry



41 employees



Funding: ~ 12m EUR in 2021



Established in 2018



Credit: NØIE

Customers' needs and feedback as the main concern

NØIE chooses ingredients that have been properly assessed, certified and proved by researchers as beneficial to the skin, and **provides clear information on their qualities**. The list of ingredients entails mostly various oils, butter, amino and different kinds of acids, all thoroughly described on the company's website. The company is very critical of ingredients that might be irritable or harmful to the skin, such as steroids, fragrances and colour additives. In their formulations, NØIE uses only small amounts of synthetic materials, such as butylated hydroxytoluene, because they may prove more effective than natural ones. Moreover, supporting animal well-being is an important element of NØIE's sustainability agenda. For this reason, NØIE's skincare products are vegan and are not tested on animals.

NØIE estimates that its customer community amounts to approx. 150 000 users, with whom the company seeks to maintain a **two-way connection**. As briefly mentioned earlier, each customer fills in a comprehensive questionnaire about his/her skin before ordering a product. When the survey is completed, a comprehensive algorithm compares the answers with other surveys in the database. This way, the brand assesses which combination of ingredients is best for helping customers' skin conditions. This method showcases that NØIE is considerate of all types of skin and makes the extra step to ensure excellent user experience.



Credit: NØIE

Moreover, the company has a **customer-friendly refunding policy**. If customers are unsatisfied with the product selected for them, they may get a full refund or receive new formulations free of charge. Sometimes the products do not bring out the expected results at the first attempt, therefore NØIE helps customers assess which ingredients should be changed to better address their needs. While the second attempt usually does the trick, the company engages with customers for a third assessment if necessary. Although at first sight, this policy seems to be rather costly to implement, Chris says that customer satisfaction is the key success factor for their business. In fact, he claims that it is better for businesses to get fewer but loyal customers.

It is also important to mention NØIE's unorthodox take on marketing. The projected value of the global skincare industry in 2021

is around 100 billion USD. This fact alone tells that effective marketing is crucial for staying afloat in such a competitive environment. Rather than simply advertising the name of their brand, they **publish stories told by their customers**. In these unpaid reviews, customers do not merely talk about the benefits of the product, but rather tell why they decided to buy from NØIE. These ads demonstrate what progress can be achieved with appropriate skincare that also spill-over in raising the overall customer self-esteem. This not only allows to promote products, but also reduces the stigma around skin conditions. NØIE also resorts to other marketing avenues such as *Instagram* influencers. In this case, the company cannot ensure that the persons actually try the products before advertising them, however, this helps to increase the visibility of the brand.

Reducing the environmental impacts to a minimum

The waste generated by the 500-billion-dollar global personal care industry is known to have a detrimental impact on the world's ecosystems⁵. Moreover, the supply chains in the beauty and personal care industry often involve third countries and are not fully traceable, generating concerns about the environmental and ethical implications. *NØIE* is concerned about these issues and decided to tackle them **by setting up sustainability-related KPIs and strategic goals**. With the help of a Danish consultancy company, *NØIE* calculated that its supply chain causes approx. 210 tonnes of direct and indirect CO2 emissions. The business is expanding rapidly, and as a result, it is becoming increasingly difficult to reduce emissions. Therefore, the management team set a more realistic goal to reduce the intensity of carbon emissions (i.e. the emission rate relative to the intensity of activity) via several action areas:

- **Packaging from sustainable and recycled materials.** Most of the bottles and tubes used by *NØIE* are at least partially made from post-consumer recycled plastic. However, the availability of airless bottles in recycled materials is very limited. The company plans to work with suppliers to create an airless bottle from 100% recycled materials that would not contain metal parts (to make the packaging more easily recyclable). Moreover, all paper packaging is FSC certified and recyclable too. In fact, 74% of the packaging used by the company is recycled but it is working to increase this number in the future.
- **Compensating for the company's carbon footprint.** Chris notices that the transportation industry does not offer fully eco-friendly modes of shipping, which would allow to reduce emissions. In 2020, *NØIE* accounted for about 209 tonnes of CO2 emissions. To remove all the carbon it emitted since 2018, *NØIE* decided to tax itself. Self-taxing is an important element of The Oxford Offsetting Principles⁶ that are designed to help companies reach the goals set by the Paris Climate Agreement and buttress *NØIE*'s emission reduction scheme. In the long-term, the company plans to implement a carbon storage facility to reduce emissions.

Being transparent about sustainability in production and governance

NØIE is open about the impact it has on the environment. While it shares information about activities that have a positive impact on the natural environment, it is also transparent about the areas of the business that are harmful to it. For example, **it provides information about the carbon emitted in each step of the production process and management**. Moreover, on its website, *NØIE* provides clear and detailed information about the tubes, bottles, and stickers – their origins, whether they are made from recycled materials, and how to recycle them. Information about the company's corporate sustainability goals and policies can be easily found on its website and social media accounts.

Barriers and opportunities for engaging in CSR and sustainability practices

While talking about sustainability-related challenges, Chris mentions that they **cannot account for the complete traceability of the ingredients** used in their products. Although the company tries to make sure that ingredients are sourced responsibly by asking for certifications, they cannot be completely sure of that. Checking the social and environmental conditions at the level of raw materials is often not possible nor feasible because the transfer of such information relies on suppliers. Another issue is that there are **simply not enough eco-friendly options offered by their business partners**.

⁵ More information available at: <https://www.refinery29.com/en-us/2019/06/233712/beauty-products-ocean-pollution-plastic-chemicals>

⁶ More information available at: <https://www.smithschool.ox.ac.uk/publications/reports/Oxford-Offsetting-Principles-2020.pdf>

Therefore, *NØIE* cannot yet use sustainable packaging (e.g. avoid the use of virgin plastic) or ship their deliveries via electric vehicles.

As for the future, ***NØIE* will have to come up with ways to grow and maintain authenticity among competitors.** In order to do that, *NØIE* plans to:

- **Make the product selection process for individual users even more effective.** As the customer base and the amount of feedback increases, the company will continuously improve its product customisation algorithm.
- **Increase the number of employees in order to scale-up and reach new markets across Europe.** This is a difficult task, but the company seems to have developed good methods of recruiting new employees. For example, not only the HR manager but also other team members can participate in recruitment interviews. New employees can quickly get familiar with the company's processes and values by taking 10 "coffee walks" with other team members.
- **Acquire the B Corp and Cradle-to-Cradle certifications.** While most eco-labels only focus on separate elements of the business model, *NØIE* prefers the above-mentioned certificates as they evaluate the level of sustainability in a more holistic manner.

Key takeaways

NØIE perceives innovation, care for customers' well-being and sustainability as foundational principles for developing their business. *NØIE*'s priority is creating an extensive community of customers that have an active role in product formulations. This close two-way relationship differentiates *NØIE* from competitors in the cosmetics and personal care industry and has already brought a loyal customer base. Despite the company's young age, it has established formal governance structures in order to actively involve investors in the decision-making process. The board of the company does not only focus on rapid growth and reaching new markets, but also pays close attention to sustainability-related goals. The management team acknowledges where improvement is needed in a transparent manner and demonstrates commitment to solve these challenges. However, in some cases, it is not yet possible to find suppliers and business partners that would provide fully sustainable services. *NØIE* used to plant trees to compensate for the carbon emissions it unavoidably will emit but has recently refrained from this approach and implemented a self-taxing scheme on the carbon it emits.

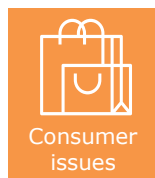
Marinomed Biotech AG develops pioneering technology to enhance the sustainability of pharmaceutical products



Organisational governance



Business relations



Consumer issues



Environment



Information sharing

Marinomed Biotech AG is an Austrian biopharmaceutical company, which specializes in the development of innovative products based on patent-protected technology platforms in the field of respiratory and ophthalmic diseases. The company has developed two platforms to date: the Marinosolv technology platform and the Carragelose platform. Since the start of the COVID-19 pandemic, Marinomed has been working towards the common goal of fighting the disease, and currently there is a growing amount of evidence that one of company's products, Carragelose, is effective against SARS-Cov-2. Meanwhile, the new Marinosolv solution tackles another crucial challenge of pharmaceutical development: providing soluble formulations of hydrophobic substances. The company plans to improve the already existing medical products by making them more efficient and sustainable.

Marinomed Biotech AG was founded in 2006 and it specializes in product development by generating intellectual property and patents. Within two years of its existence, the company developed its first Carragelose platform for the treatment of respiratory diseases. Now Carragelose is used in six different products which are sold globally via the company's partners and used against human rhinoviruses, paramyxoviruses, respiratory syncytial virus, Influenza A and endemic coronaviruses. Overall, the Carragelose portfolio involves 15 distributors in more than 40 countries across 5 continents and 3 different contract manufacturers.

After successful product launches and partnerships involving the first product technology platform, Marinomed continued its growth by developing the Marinosolv technology platform in 2016. Several products based on Marinosolv technology platform are in different phases of drug development (from preclinical to phase III). An example of the technology use is a nasal spray with increased solubility that results in a faster onset of action.

Marinomed runs a fully transparent business, and cooperates with universities and hospitals to strengthen its reliability. CSR is integrated in both its pharmaceutical development for meeting clinical needs that have not been met so far, and its transparent information sharing practices with customers and investors.



Austria, Korneuburg



Pharmaceuticals



47 employees



Revenue: ~6m EUR in 2020



Established in 2006

Fair operating practices during the COVID-19 pandemic

Marinomed's website contains multiple scientific publications related to their products. Marinomed cooperates with universities for **independent product research** to ensure that their products undergo the necessary testing and trials. Marinomed maintains successful partnerships with academic entities, such as the University of Vienna, the Medical University of Vienna and the Austrian Institute of Technology. Dr Eva Prieschl-Grassauer, chief scientific officer and one of the founders of the company, claims that cooperation in product development and testing helps to build trust in the company, while independent scientific research serves to certify the effectiveness and safety of the pharmaceutical products developed by Marinomed.

Following these principles has become particularly important in the pharmaceutical industry during the COVID-19 pandemic. Carragelose, the company's proprietary nasal spray solution against colds and flu-related illnesses, **has proved to effectively inactivate the coronavirus**. The efficacy of the spray to inactivate the new SARS-CoV-2 coronavirus was shown in clinical trials⁷ that were conducted in cooperation with University of Erlangen-Nuremberg. The company's latest report⁸ claims that a clinical trial, treating healthcare workers working with COVID-19 patients in Argentina with a Carrageenan-based nasal spray, showed a 80% reduction of the infection rate. Moreover, Carragelose was among the substances with proven effectiveness against endemic coronaviruses already before the COVID-19 pandemic, and pre-existing data on its efficacy together with successful trial results have resulted in significant increase in product demand. Due to the strong demand of Carrageenan-based virus blockers, Marinomed's revenues have increased by 41% to 3.2 million EUR in the first half of 2021.

However, Eva describes several cases in the industry when fair operating practices were breached by other companies advertising their nasal sprays as effective against the virus, without having scientific data to prove it. In such instances companies, including Marinomed, remain largely powerless to prevent such practices, and responsible institutions ought to be more active in order to protect patients' safety.

Solutions to making pharmaceutical products more sustainable

While the development and use of pharmaceuticals are indispensable for the treatment of various diseases, pharmaceutical waste has been continuously found in water, soil, and animals, presenting an emerging environmental issue.⁹ Marinosolv, the new technology platform by Marinomed, offers a way to decrease the amount of pharmaceutical compounds entering the natural environment. Marinosolv technology may be particularly useful to improving medicines which contain substances that are hardly soluble in water. It is particularly useful when other solutions, such as alcohol, cannot be used (e.g. if medicines are directly applied to eyes or noses). Currently, undissolved particles are usually applied (e.g. in nasal sprays), which are less effective and larger doses are needed. Thus, the innovative Marinosolv technology has the potential to sustainably change a number of therapies for allergies and autoimmune diseases. The flagship product Budesolv has successfully completed a pivotal Phase III approval study.

Moreover, Eva explains that by reducing the amount of active ingredients in the medications, in future the use of Marinosolv might help to reduce the pollution caused by such pharmaceuticals as chemotherapy drugs or contraceptives that are currently found

⁷ Morokutti-Kurz, M., Fröba, M., Graf, P., Große, M., Grassauer, A., Auth, J., ... & Prieschl-Grassauer, E. (2021). Iota-carrageenan neutralizes SARS-CoV-2 and inhibits viral replication in vitro. *PloS one*, 16(2), e0237480. Available at: <https://media.marinomed.com/df/cd/aa/morokutti-kurz-et-al-2021.pdf>

⁸ Marinomed Biotech AG Annual Report 2020. Available at: <https://media.marinomed.com/57/4c/50/geschaeftsbericht-2020-en-sec-db.pdf>

⁹ European Union Strategic Approach to Pharmaceuticals in the Environment (2019). Available at: https://ec.europa.eu/environment/water/water-dangersub/pdf/strategic_approach_pharmaceuticals_env.PDF

in wastewaters. The *Marinosolv* technology is also not limited to treating a single disease – by improving the technology of drug manufacturing it has the potential to improve treatment of different medical conditions, including rare autoimmune diseases.

Transparency and well-balanced corporate governance

Although *Marinomed* was supported by several long-term investors since its inception, the company's management team decided to get their business publicly listed in 2019. Getting listed on the stock market was a way for *Marinomed* to balance their investors' interests and stay independent, simultaneously taking into account all investors' needs and interests. Eva mentions that it is also a way 'to offer an exit strategy' to the investors: since the reporting is clear and transparent, each investor can use the information that is provided in the reports to decide on future actions.

The governance structure of the company follows the principles of listed companies, involving an experienced management team and a supervisory board. The company has intentionally worked on maintaining equal distribution between male and female employees. It is noteworthy that the balance is maintained within all hierarchical levels of the company, including the supervisory board and the management team (the supervisory board consists of two male and two female members, and the management board has two male and one female representative). After a study of 50 largest Austrian public companies by market capitalization, *Marinomed* was ranked as the most diverse company regarding gender composition on corporate boards on *Boston Consulting Group's (BCG) Gender Diversity Index Austria 2020*. Eva firmly believes that mixed teams achieve higher results and have better work performance.

Marinomed takes various measures to ensure transparency, both regarding the performance of its pharmaceutical products and its financial situation. The company lists numerous financial publications (annual reports, financial reports, investor presentations, etc.) on their website. According to Eva, the steps to ensure transparency involve a lot of administrative work, which has especially increased due to regulations applied to listed companies. The team division is currently 50/50 between R&D and administration staff. Despite the high amount of resources required, Eva believes that transparency is of key importance to make well-informed decisions and maintain the trust of shareholders and other interested parties.

Environment-friendly office solutions as a step towards climate neutrality

Marinomed has managed to introduce several environmentally-friendly adjustments to regular office and mobility solutions that go beyond the requirements set by national and EU legislation. The company has introduced the following technologies and office solutions:

- **Electric cars** are used by employees to go to the meetings and visit partners that *Marinomed* cooperates with.
- When a new company building was constructed, particular care was taken of not sealing all soils and **keeping the parking lot covered with grass** instead of concrete.
- A **solar plant** has been installed on top of the roof of the company's building. It covers the high use of energy during peak times, for example, during lunch time.

Altogether, these practices depict company's conscious steps to move towards climate neutrality and implement voluntary CSR practices. Eva stresses that, while there are certain challenges (e.g. packaging requirements of pharmaceutical products), the company's goal is to be as climate neutral as possible.

Barriers and opportunities for engaging in CSR and sustainability practices

Even though *Marinomed* offers products that work against respiratory viruses, COVID-19 pandemic has had a twofold impact on the business, including new challenges in the delivery process of products to the customers. Compared to the time before the pandemic, the company now experiences **decrease of stability in lead times**, such as delays of deliverables for primary and secondary packaging. Therefore, while the *Carragelose* products have been proven to have virus blocking properties, including showing effectiveness against SARS-CoV-2, and the demand for these products has increased, the company has to carefully manage the manufacturing process. It implies finding the right balance of how many products should be kept in stock to be able to deliver to customers without contributing to an oversupply of products. Eva admits that the time of the pandemic has been challenging for the company and some employees are needed solely for the management of the supply chain.

Second, the heavy regulations of packaging in the pharmacy industry are a barrier that makes it often **challenging to offer more environmentally friendly, recyclable product packaging alternatives**. While fully acknowledging the necessity of such safety regulations, more efforts are needed to identify more environmentally-friendly packaging options. Eva mentions that the company is considering introducing glass bottles instead of plastic where possible, however, it is currently not feasible in all markets where *Marionmed* offers its products and waiting time is significantly longer.

Overall, the company is now well-established and ready to take more risks and address more of existing medical needs with novel concepts. It is looking into the branch of ophthalmology that might particularly benefit from the compound dissolving technology. The company is interested addressing medical needs that have not been fully met so far.

Key takeaways

One of *Marinomed's* sustainability practices is incorporated in the very product platform that it offers: the *Marinosolv* technology that can increase the efficacy of hardly soluble compounds in pharmaceutical products, thus, decreasing the amount of active compounds needed per dose and its negative impacts on the environment and water pollution. The company has also joined the global fight against COVID-19 by the help of its *Carragelose* products with virus-blocking properties. While *Marinomed* keeps raising the awareness of this product in the market, the product descriptions are updated only by following scientifically proven data, gathered in independent research in cooperation with universities. Thus, every customer can follow the process of how the information about the product has been obtained and which parties have been involved in different phases of product trials. The transparency of the company's operating practices has proven to be beneficial both for gaining trust of the customers and the investors. Finally, while some areas of the industry are strictly regulated and do not leave as much room for creative CSR activities as in other industries, it has not stopped *Marinomed* from taking important steps in areas where it is possible, such as having a gender-balanced team on all hierarchical levels and implementing environmentally friendly office and transport solutions for the employees.

La Comunitaria: a pharmacy that looks beyond drug prescription



Community involvement



Human rights



Consumer issues

Farmacia y Librería Comunitaria Dr. Antonio Villafaina Barroso (Community Pharmacy and Library Dr. Antonio Villafaina Barroso) (hereafter La Comunitaria) is a small community pharmacy in San Isidro town, Tenerife. It promotes an innovative approach to healthcare where pharmacies are important agents in fostering the health of the community. The approach is based on a belief that medicine is not enough to address all customers' issues, and further intervention is often necessary to identify and resolve the root cause of any condition. La Comunitaria not only provides their highly-diverse neighbourhood with safe and equitable access to medicine, but also actively shares knowledge on healthy living.

La Comunitaria is based in San Isidro, a town in the municipality of Granadilla de Abona on the Island of Tenerife, Spain. It has a population of around 30 000 inhabitants, which makes it the most populated town in the municipality. San Isidro is known as the "commuter town", a primarily residential area, inhabited by residents who mostly work in the service sector on the south of the island (e.g. in the Tenerife South Airport or hotels). Town residents mostly consist of blue-collar workers with lower levels of education, amongst who, according to pharmacy employees, as many as 16% are illiterate and 20.46% have not completed primary education. This implies limited exposure and predisposition to health education. Given that San Isidro is one of the most impoverished areas on the island, a high share of residents have poor living conditions, are more prone to health problems, and have financial difficulties accessing health resources. In addition, the community is highly racially and culturally diverse. Due to the peripheral nature of the island, persons of more than 100 nationalities live in the neighbourhood, including Spanish, Italian, Cuban, Venezuelan and Colombian nationals.



San Isidro, Santa Cruz de Tenerife, Spain



Pharmaceutical/retail industry



9 employees



Established in 2017

La Comunitaria was founded by Antonio Villafaina Barroso, who holds a PhD in Pharmacy and works as a head pharmacist. Other members of the team include several pharmacists, a technician, nutrition consultant and a community psychologist. Dr Barroso founded *La Comunitaria* to spread awareness that medicaments alone cannot address all health issues and, on the contrary, can sometimes harm people's health¹⁰. This called for an innovative approach to healthcare, one where pharmacists do not only dispense drugs but try to identify and address the root cause of existing conditions. *La Comunitaria* adheres to an approach that pharmacies and pharmacists have a central role in promoting community health. Pharmacists are able to bring together key attributes of primary care on a local level, in all neighbourhoods, as well as being the most accessible healthcare professionals in Europe. Despite this advantageous position, the role of pharmacies as health promoting agents is not sufficiently recognized and promoted.¹¹

¹⁰ A presentation prepared by the La Farmacia available at: https://prezi.com/yqfom2jia64h/mucha-medicina-perjudica-seriamente-su-salud/?utm_campaign=share&utm_medium=copy

¹¹ University of the Basque Country (2021). "Pharmacy as a catalyst for community health processes. A pending revolution". Available at: <https://www.uik.eus/es/la-farmacia-como-catalizadora-de-procesos-comunitarios-de-salud-una-revolucion-pendiente>

Due to the nature of *La Comunitaria*'s activities (i.e. dispensing medicines, providing consultations, facilitating interventions, and selling cosmetic products) it operates in both pharmaceutical and retail industries. The mission of the pharmacy is to foster community health and human rights by advocating for universal access to safe and high-quality healthcare. In addition, they address issues that are closely related to basic human rights, such as children being over-diagnosed with hyperactivity, gender-based violence and others. The pharmacy team approaches its work with awareness that attention, compassion, understanding as well as learning by reading are powerful tools in the healing process.¹² In 2020, the company received the *CINFA LABORATORIES* award for the innovative way to foster community involvement by looking beyond drug prescription.¹³

Pharmacotherapeutic follow-up and other services

Pharmacotherapeutic follow-up is one of the key services that *La Comunitaria* provides, whereby the team approaches health problems from a biopsychosocial perspective. This entails looking beyond a patient's condition and taking into account biological, psychological and social components of the health-disease processes. *La Comunitaria* aims to investigate the individual context of each patient to address the root issue behind the condition, such as unemployment, poverty, domestic abuse, or other socio-economic circumstances, potentially hindering one's health and quality of life. These conditions cannot be approached from a pharmacological or clinical point of view, nor treated with any type of drugs. Instead, *La Comunitaria* cooperates with other local pharmacies, the primary health centre, other health professionals and community-based social organisations such as NGOs and associations to adequately address the patients' problems.



Credit: Farmacia Comunitaria

Professionals working in *La Comunitaria* are **active agents** who aim to be anticipatory instead of adopting a traditional stance of a pharmacist as a passive receptor of the customer's requests. To this end, the team is undergoing both internal and external training on the social determinants of health.

Apart from providing individualised and confidential attention to patients, and addressing such conditions as chronicity, hypertension, diabetes, cholesterol, chronic obstructive pulmonary disease (COPD), *La Comunitaria* also advises patients on food and nutrition, prepares pillboxes, conducts medication reviews, addresses sexual and reproductive health questions, refers to and coordinate with other community based organisations for gender violence, housing, lack of food, health care access, municipality services, formal educational needs.

Community care as a central pillar of business

Besides the regular pharmacy activities, a key pillar of *La Comunitaria*'s functions concerns community care. The pharmacy is currently developing a participatory **community health diagnosis** from an assets-based approach in order to better understand the health challenges and needs of the neighbourhood, as well as to improve coordination of community resources (such as pharmacies, clinics, sports centres, associations, social services centres).

¹²More information available: <https://www.lacomunitaria.es/cms/mision-vision-y-valores/>

¹³More information available: <https://innovacionenlafarmacia.cinfa.com/ediciones/2020>; <https://farmacia-comunitaria-dr-antonio-villafaina-barroso.negocio.site/posts/2147310749102660824?hl=es>

The pharmacy aims to provide San Isidro's community with access to literary counsel through a **library**, which contains books on health, food and nutrition, empowerment of women, racialised and LGBTQ+ minorities, among others. Other **community-involvement activities** organised by La Comunitaria include poetry readings and healthy eating workshops.¹⁴

La Comunitaria also engages in **ethical and aesthetic activism**. Their project **#Afrolook** aims to empower Black and Latino communities in the neighbourhood by providing them access to skin and haircare, as well as beauty products.



Credit: Farmacia Comunitaria

Towards creating a foundation

La Comunitaria actively participates in various networks and partnerships, namely:

- It is working on forming a **network** of pharmacies, "**Health Catalysts Pharmacies**", where pharmacies develop innovative methodologies to foster their role in community health, share their know-how and implement each other's best practices.
- It **cooperates with the University of the Basque Country**. One of the common projects between the pharmacy and the university is the course on "pharmacy as a catalyst for community health processes" that the team of *La Comunitaria* has begun to teach in September 2021.¹⁵ The aims of the course fit well within the broader mission of the pharmacy, namely it aims to provide a way for pharmacies to act as leading agents in community health, train community pharmacies to promote participatory process with the rest of the agents in health promotion, develop methodologies to promote basic participation adapted to the day-to-day from the community pharmacy.¹⁶

To continue their mission of fostering community health via pharmacies, *La Comunitaria* and other pharmacies are currently trying to create a **foundation**. The foundation, which would include large organisations from the region, would help to create different tools in order to spread the mission and vision of the *La Comunitaria* beyond the San Isidro.

Barriers and opportunities for engaging in CSR and sustainability practices

The first barrier to their CSR activities flagged by the team of *La Comunitaria* is the **lack of public support and the absence of an institutional framework**. There is no national strategy or framework which considers community pharmacies as key actors in Spain for developing a community health diagnosis and in coordinating community health resources. In general, the role of a community pharmacy in health development is not defined in any way. The team has also pointed out that the law on pharmacies in Spain remains ambiguous as to how pharmacies' activities should contribute to public health.

¹⁴ The activities are documented on the social media pages of the Farmacia y Librería Comunitaria Dr. Antonio Villafaina Barroso: <https://www.instagram.com/farmacialacomunitaria/>; <https://www.facebook.com/lacomunitaria.es/>; <https://farmacia-comunitaria-dr-antonio-villafaina-barroso.negocio.site/>

¹⁵ University of the Basque Country (2021). *Pharmacy as a catalyst for community health processes. A pending revolution*. Available at: <https://www.uik.eus/es/la-farmacia-como-catalizadora-de-procesos-comunitarios-de-salud-una-revolucion-pendiente>

¹⁶ Ibid.

La Comunitaria also faces **financial barriers** as it lacks the capacity to expand, i.e. involve all the agents in the pharmaceutical industry, including distributors and pharmacist associations to encourage pharmacies to foster community health. The lack of cooperation between the pharmacy and other stakeholders relates to the **conventional model of primary healthcare**. The *La Comunitaria* team has noticed that despite its efforts to involve other healthcare agents in its activities, most of them are unwilling to cooperate and engage. According to them, the reluctance might stem from a belief that it is not the responsibility of pharmacies to care for community health. A more integrated and holistic policy is needed to perceive pharmacies as an important connecting element in the public health system.

Key takeaways

Farmacia Comunitaria is a small pharmacy that has decided to carry more responsibility than to simply dispense medicines and became an active agent in caring for the health of the community. Established less than five years ago, *Farmacia Comunitaria* has already gained the trust of the neighbourhood and is carrying out the community health diagnosis to facilitate the coordination of the resources that could improve the health and wellbeing of the people living in the diverse and impoverished town of San Isidro. The team of the *Farmacia Comunitaria* believes that helping their community is their responsibility as an organization and a public actor, and it is a mission they are willing to spread beyond San Isidro.

Czech e-shop Econeia promotes a healthy and sustainable lifestyle



Environment



Consumer issues



Business relations



Community involvement

At Econeia.cz, one may find eco-friendly, organic, zero-waste products for everyday use. This retail company applies strict criteria to their suppliers and product ingredients, avoids waste as much as possible during packaging and offers CO₂-neutral delivery services for their customers. Furthermore, Econeia's blog serves as an inspirational and educational platform that seeks to change people's habits little by little towards more sustainable living.

Econeia is an e-commerce business that sells various products, such as organic cosmetics, natural detergents, zero-waste or biodegradable personal hygiene products, dietary supplements, energy-saving appliances, and many more household items.

After researching hundreds of brands and looking at e-commerce business models in Europe, US and Australia, Pavel Milan Černý and Martin Mates opened Econeia in 2013. Eco-friendly shopping was still a niche subject in the Czech Republic at the time, and there were just one or two e-shops of this kind across the country. Soon, however, the trend of eco-friendly shopping started to be picked-up by more and more consumers. Such increased interest contributed to Econeia's rapid growth. During the first five years of Econeia's existence, the company's annual turnover would at least double every year. Today, it is one of the country's two most popular eco-friendly online shopping sites that receives around 160 000 visits per month. Business-to-customer relations make up around 70-75% of the company's activities. Another 25-30% are focused on wholesale/B2B - the company also functions as a distributor of partner brands by selling their products to drugstores, pharmacies, local supermarket chains, vegan stores and food delivery platforms.



Czech Republic, Prague



Retail industry



15 employees (+13 external workers)



Revenue: ~ 3.9m EUR in 2020



Established in 2013

According to Pavel's calculations, the company has already made a significant impact on the environment since its establishment. Econeia replaced 100 million single-use products with reusable or zero-waste ones and replaced 1500 tonnes of conventional detergents with ecological ones. Furthermore, they save around 100 million litres of water every year because of the water-saving devices they have sold. In addition to selling eco-friendly goods, Econeia stands out from other e-commerce businesses due to its numerous CSR practices.

Selection and monitoring of suppliers

Econeia has developed strict criteria for selecting the brands and products for their assortment. Given that undertaking audits would be too costly, the team has several alternative mechanisms in place:

- **Having a list of no-go substances.** Pavel believes that excluding only materials prohibited by law is not enough because regulations often take a long time to enter into force. Therefore, the team dedicates their efforts to researching the qualities of various substances. If there is scientific evidence that a certain material has a negative effect on the environment or health, Econeia adds it to the no-go list. For

instance, they have made a decision not to accept products that contain synthetic fragrances or palm oil as a primary raw material.

- **Sending out a thorough questionnaire to potential suppliers.** This allows to determine whether their would-be suppliers meet a range of criteria set by *Econeas*. The questionnaire not only addresses the composition of the products, but also other factors such as locality (of production and raw materials), packaging materials and production process (including environmental management). *Econeas* applies this procedure to each of their potential suppliers, although it sometimes takes a long time to collect their responses.
- **Continuous monitoring of their suppliers.** Pavel claims that harmful substances (e.g. some synthetic preservatives) can be commonly found even in brand products that are otherwise perceived as all-natural. On several occasions, despite some products' popularity among consumers, they have removed certain brands from their assortment after a closer examination of product composition. The team updates their list of criteria for their suppliers once they learn about the negative effects of particular materials. *Econeas's* customers are also active in this sense, and sometimes inform the team about the potential harm of the products included in their assortment.

Providing customers with helpful information and guidance

The company's communication goes hand in hand with commercial activities. *Econeas blog* provides a variety of short articles with tips on how to make household tasks, physical self-care, travelling, etc. healthier and eco-friendlier. Other articles also aim to raise awareness about rather complex issues, such as the controversy surrounding the use of palm oil due to its negative effects on biodiversity, climate change and human rights.

Being active on social media, writing blog posts and newsletters can be a good sales opportunity – for instance, posting content on *Econeas blog* increases website traffic from search engines. In addition, science-based, yet friendly and entertaining communication can help to inspire changes in personal habits. Finally, it allows *Econeas's* team to continuously expand their own knowledge on various products. For example, they use it as an opportunity to learn more about the positive effects and risks associated with specific ingredients used in cosmetics.

As for their e-shop, the team is dedicated to providing truthful information about each product they sell. They engage in fair marketing and describe not only the composition of the product itself, but also the production process, the criteria behind the certifications acquired, origin of the raw materials and other details. Some of this information is based on the answers provided in the questionnaire for suppliers.

Reducing packaging waste

In the e-commerce industry segment, product packaging contributes to the largest share of its ecological footprint. *Econeas* has taken several steps to reduce it, namely:

- **Reusing boxes.** *Econeas* collaborates with a company Recyklbox that finds and collects used or leftover cardboard boxes from other businesses. *Econeas* then buys those "rescued" boxes and reuses it for packaging orders. They also reuse the cardboard that comes in from their suppliers. In 2020 alone, this measure has allowed to replace



Credit: Econeas

85 000 new boxes with discarded or pre-used ones. However, although this is a resource-efficient solution from an environmental standpoint, it nonetheless contributes to significant increase in time spent on packaging because warehouse employees need to search through the boxes until they find one with the right dimensions.



Credit: Econeia

- **Replacing plastic with paper.** In 2020, package filling would have required around 5 tonnes of plastic or bioplastic but *Econeia* uses recycled or used paper instead. For sealing, they have chosen a more expensive but recyclable paper tape with a natural adhesive.
- **Not inserting additional leaflets or samples in the packages,** even if they could be beneficial for marketing purposes.
- **Offering a zero-waste packaging option.** For an extra price, customers can choose their products to come in a reusable bag *Frusack*, manufactured by a Czech start-up, instead of a box. This option, however, is only applicable to local customers in Prague. In this case, the orders do not go through a depot centre but are managed by an express delivery company *Liftago*, which means that there is no necessity to protect them against possible damage with a lot of packaging¹⁷.

Lowering emissions during transportation

Transportation accounts for a significant share of the ecological footprint in the e-commerce segment. To address this issue, *Econeia* has introduced the following practices:

- **Climate-neutral shipping.** For their last-mile parcel deliveries, *Econeia* collaborates with a multinational carrier company *GLS*. Although *GLS* uses regular motor vehicles in the Czech Republic, the emissions are compensated through contributions to certified climate protection projects.
- **Not selling products in very small parcels,** which would otherwise require disproportional amounts of packaging and transportation.
- **Choosing suppliers in close proximity.** *Econeia* wants to purchase locally as much as possible and, for instance, does not import cosmetics or detergents from the US or Australia. Pavel believes that "it is unnecessary to ship water across the ocean".

Energy and water efficiency

Econeia operates in a warehouse that has a B-level energy efficiency and buys 100% renewable energy from the company *Nanoenergies*. In addition, the company has installed aerators on faucets to reduce water consumption both in their warehouse and their office building. Thanks to this simple measure, they save 50 000 litres of water every year.

Barriers and opportunities for engaging in CSR/sustainability practices

Over the last few years, competition amongst retailers selling eco-friendly products has been growing rapidly. Pavel claims this is partly due to large multinational companies' growing interest in this segment since around 2019. He notices this trend in their communication too, given that it has become greener and CSR-centred. Despite these changes in the competitive environment, Pavel still believes that customers will continue to choose *Econeia's* services because the company has developed a high level of trust and

¹⁷ More information available at: <https://forbes.cz/online-i-eko-econeia-vam-nove-zabali-objednavku-do-frusacku-a-posle-liftagem/>

is less susceptible to greenwashing when compared to big retailers. He notices that consumers are increasingly environmentally conscious and take into account retailer reputations. In this context, he mentions a recent survey by the Czech e-commerce Association, which showed that sustainability is an important factor for at least 25% of customers when choosing an e-shop, and the trend is going to increase in the future¹⁸.

Today, **transportation remains a barrier** towards further increasing sustainability, especially in terms of long-distance deliveries from suppliers. Pavel claims that currently they use standard services for incoming goods, as logistics companies simply do not offer eco-friendly modes of transport at this point in time.

Another barrier relates to **responsible business relations**. The company also works in wholesale, hence sometimes after supplying retailers with goods they have to wait 30-60 days to receive payments. Such unstable cash flow creates difficulties of covering their business partners' invoices in time. Suppliers, on the other hand, do not always fulfil their commitments (e.g. send out insufficient amounts of products). Therefore, reliance on other companies sometimes limits *Econea's* abilities to satisfy the needs of their customers and business partners in a timely manner.

As for the future, the company seeks to broaden their range of products and become a one-stop shop for all everyday needs. *Econea* is also planning to expand into neighbouring countries, such as Slovakia. Finally, Pavel hopes to dedicate additional resources to awareness-raising and educational activities, so that the platform would provide even more guidance on sustainable living.

Key takeaways

For *Econea*, sustainability serves as a competitive advantage and the team puts significant amount of resources and effort to keep it that way. The company strictly follows the principle of "practice what you preach", which is highly appreciated by their customers. Their business model is also an example of integrating educational content that goes hand in hand with the company's main business activity. As a retailer, *Econea* has the opportunity to create a virtuous cycle, where other companies in their supply chain can benefit from greater sustainability (e.g. local start-ups). However, *Econea* lacks control over their external environment and, in some instances, must rely on companies that are not fully committed to sustainability or CSR practices (causing delays in payments or shipments, or emissions during transportation).

¹⁸ APEK (2021). 68% of Czechs are ready to give up part of the comfort in favor of "greener e-shops". Available at: <https://www.apek.cz/clanky/68-cechu-je-pripraveno-vzdat-se-casti-komfortu-v>

Rifuzl: a pioneer in zero-waste shopping from Slovenia



Environment



Consumer issues



Business relations



Community involvement

Rifuzl is a small zero-waste shop based in Ljubljana, Slovenia, but its influence on Slovenia's society and environment is much broader than one would expect. Products sold at the store are kept in reusable packaging or given to customers to put into their bags, containers, or jars. Their product range mostly includes organic food produced by small local suppliers. Ensuring fair relationships both with suppliers and consumers is at the core of the company's operating practices. Lastly, Rifuzl regularly organises and participates in educational activities to promote a zero-waste lifestyle and make it more accessible in its community.

The shop's founders, Manca Behrič and Primož Cigler, came up with the idea of creating a zero-waste business when they started noticing issues with zero-waste shopping in Slovenia. For instance, whenever they went shopping, they had to visit five different stores to get the products they needed without plastic packaging. Moreover, while vacationing in Greece and Indonesia, they noticed the amount of garbage left on the streets and beaches and could not bear to think about its effects on the environment. These experiences inspired them to quit their jobs and open a zero-waste shop in Ljubljana to help people in their home country become more aware of the impact of plastic packaging and food waste.

Rifuzl was established in 2018 as a single shop in Ljubljana, and the management team does not plan on opening stores in other locations. *Rifuzl* sells food products, personal hygiene products, cosmetics, household, and cleaning products in both the physical and the online stores, but the latter generates a marginal share of revenue and is undergoing changes. Today, five people work at the store – three full-time and two part-time employees. Although it has a simple business model, *Rifuzl* is authentic in that it uses its profit only to sustain the shop and provide fair pay to its suppliers and employees rather than invest this money in business expansion. *Rifuzl*'s most important long-term goals are to increase environmental awareness in Slovenia and create better opportunities for farmers that are often disadvantaged by supermarket chains.



Ljubljana, Slovenia



Retail industry



5 employees



Revenue: ~372 000 EUR in 2020



Established in 2018

A zero-waste approach to plastic and food consumption

Ljubljana is seeking to become the capital of the world's zero-waste movement. A few decades ago, Ljubljana was no different to any other capital in its region in terms of environmental protection but in early 2000s, the city authorities initiated a large-scale sustainability programme. As of today, the city has achieved great results. It recycles around 70% of its waste¹⁹, uses eco-friendly material to wash the city streets and has drastically reduced waste management costs for households and the municipal

¹⁹ More information available at: <https://slovenia.si/business-and-innovation/zero-waste-slovenia/>

government²⁰. Support for and motivation to engage in environmentally friendly programs and services is high among Ljubljana's residents and businesses²¹.

Rifuzl actively contributes to the reduction of plastic in its home city. The shop **uses paper or returnable packaging as much as possible**. However, some amount of non-reusable plastic packaging is inevitable because products like nuts or dried fruits often come in such packaging. To avoid plastic packaging, *Rifuzl* works mainly with small local suppliers that can arrange paper or returnable packaging more easily. Customers can choose from many packaging options, such as glass jars, grocery bags made from cotton or reusable wooden packaging. Store assistants help first-time shoppers by advising on the appropriate packaging for products, which is either free of charge or has a deposit fee.

At *Rifuzl*, **zero-waste principles are also applied to food**. According to the company's co-founder, Manca, *Rifuzl* hardly ever has leftover food but when it cannot be avoided, it never throws such food away. The team of *Rifuzl* usually gives leftover food to its customers for free, or to its partners - the Association "Let's Help Slovenian Children" and a shelter for the homeless - that then donate it to those that are in need, takes it home for themselves or composts it if none of the options above are possible.

Rifuzl creates better opportunities for business partners



Credit: *Rifuzl*

Rifuzl believes that treating business partners fairly and maintaining a close relationship with them are aspects indispensable from a sustainable business model. The overwhelming majority of **goods sold at the store come from small local suppliers or individual gardeners**. Although this renders prices at *Rifuzl* higher than in a regular grocery store, it has a benefitting impact on small farmers and food manufacturers. First, it ensures that the vendors receive a fair pay, which is often not the case with large supermarkets that rely on cheap global supply chains. Also, it empowers small farmers that cannot produce in big,

commercial quantities. *Rifuzl* decides which suppliers to work with based on a set of criteria, such as whether it is local, avoids pesticides, offers reusable packaging, and/or is driven by some social or environmental goal.

Active communication with potential customers is used to raise awareness

Rifuzl has developed a creative marketing strategy for reaching potential customers and promoting the benefits of a zero-waste lifestyle. It publishes blog posts on its website, posts on Facebook every two or three days and uses amusing infographics to promote its ideas. ***Rifuzl's* marketing serves more goals than merely promoting the business. It has an educational purpose** – it explains the origins and ingredients of the products sold at the store, tells the stories of their suppliers, teaches about sustainable consumption, gives tips on how to reduce waste and discusses the latest environmental policy developments. For example, the team has released an entertaining mini-series about zero-waste shopping called "*Ne mi smetit*" (*Don't trash around*), which has received a lot of attention on *Facebook*.

²⁰ More information available at: https://zerowastecities.eu/wp-content/uploads/2019/09/zero_waste_europe_CS5_the_story_of_Ljubljana_en.pdf

²¹ More information available at: https://circulareconomy.europa.eu/platform/sites/default/files/roadmap_towards_the_circular_economy_in_slovenia.pdf

Organizing educational activities to make people more aware about their environmental impact

As mentioned earlier, one of the aims of this company is to accelerate waste reduction in Slovenia. Besides offering reusable packaging, *Rifuzl* regularly **participates and organizes educational activities** to raise environmental awareness. These include store tours to students and lectures at schools, universities, and organisations. In the case of the former, students listen to a short lecture about man-made environmental degradation and are taught about zero-waste shopping. They receive vouchers which they can use to buy any one product at the store. In the case of the latter, *Rifuzl's* representatives give a one-hour lecture about microplastics' negative impact on the environment, the importance of individual and communal change and other themes related to waste reduction. Moreover, the team of *Rifuzl* regularly attends workshops about circular economy, as well as events such as *TEDxKrško* to share and exchange ideas.

Rifuzl also helps create **communities of small suppliers** by connecting them and encouraging them to exchange knowledge. In the future, *Rifuzl* plans to make a new mini-series about the farmers behind the products sold at the *Rifuzl* store.

Barriers and opportunities for engaging in CSR/sustainability practices

Although in contrast to other European states, Slovenia's retail sector did not suffer considerably from the COVID-19 pandemic, one could nevertheless expect a small business like *Rifuzl* to be hit hard. However, the pandemic did not have a detrimental effect on *Rifuzl's* sales. Rather, the biggest challenge was **predicting changes in the supply chain during such an unpredictable time**. Due to the disruptions in mobility during the lockdowns, suppliers could not deliver goods on time, therefore the store ran out of some products, such as toilet paper and flour.

The most pressing challenge for *Rifuzl* is **developing and maintaining an e-shop**. Currently, its e-shop does not sell food products and accounts for only two per cent of the company's revenue. However, the pandemic exposed the benefits of digital commerce, therefore the team plans on restructuring and expanding the e-shop. *Rifuzl's* team will have to come up with strategies to sustain both stores with enough supplies once it starts selling food in the e-shop. Manca believes that managing this process could be made easier with automatization.



Credit: Rifuzl

If online shopping is to be increased, *Rifuzl* will need to consider **zero-waste delivery to online purchases**. Even zero-waste stores that directly account for a low carbon footprint are causing emissions indirectly via their supply chains. Manca thinks that products could be delivered in reusable stainless-steel containers rather than wrapped in single-use plastic or paper. Mechanisms for the return of packaging should also be implemented. The increasing focus on e-commerce might require *Rifuzl* to adapt greater automatization of their processes and employ more personnel.

In the near future, the team plans on further improving the communication and transparency of the company. This includes publishing more digital material about the origins of goods, as well as stories of its business partners. Lastly, in order to be able to offer more products, the team is about to upgrade the layout of the physical shop.

Key takeaways

Rifuzl demonstrates the power of small businesses in steering individual and communal change. The store's team actively promotes a zero-waste lifestyle in Slovenia by giving lectures in schools and organisations about the world's most pressing environmental issues, encouraging sustainable consumption patterns among children and creating long-lasting and loyal relationships with local vendors. The latter aspect empowers small-scale farmers (including families) who might be offered smaller buying-in prices (or no contract at all) at supermarkets. On the other hand, *Rifuzl* seeks to maintain affordable prices for consumers from different economic backgrounds. Although this results in a lower profit margin, current revenues are enough to cover the labour and maintenance costs of the shop. Such a responsible approach makes *Rifuzl* authentic among its peers and proves that small changes are possible at a local level, even with a simple family business-like model. Nevertheless, the company will have to modernize its processes in order to stay relevant in an increasingly competitive zero-waste and digital business environment.

Biovega: an organic food company focused on a holistic approach to a sustainable lifestyle



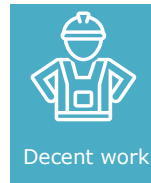
Environment



Consumer issues



Business relations



Decent work

Biovega is a unique Croatian business that combines various activities from retail and distribution to agriculture and education to promote a sustainable lifestyle. Over the years, the company has made a name for itself as a pioneer in the distribution of certified organic products in the region, rigorously selecting its suppliers and partners. Biovega is committed to following the 3E principles, namely, ethics, ecology, and economy as the main pillars of its business.

Biovega, today's leader in the Croatian eco-products market, is a unique business driven by the lifelong vision of its founders Zlatko and Jadranka Boban Pejić to promote a sustainable lifestyle on a personal and societal level. The company's story began more than 30 years ago with the establishment of the Association for the Improvement of Quality of Life in the mid-1980s. Within the platform, the couple worked on several projects, one of which later evolved into the Croatian Business Council for Sustainable Development. As part of the association, a *Makronova* education centre was developed to educate society on personal ecology and promote a holistic approach to a healthy lifestyle. The couple travelled throughout the region in the '80s and '90s giving lectures and seminars on healthy living and co-authored several books on the subject published by *Biovega's* sister company, *Planetopija*.



Croatia, Zagreb



Retail / agro-food industry



220 employees



Revenue: ~ 19m EUR in 2020



Established in 1990

With sustainable lifestyle gaining traction in Croatia, demand for local organic products emerged as well. Although at that time organic stores were rising in popularity in Western Europe, it was not the case in Croatia. Zlatko and Jadranka realized the market's needs for quality products and founded *Biovega* in 1990. A year later the couple opened a small organic restaurant as well. In 1994, they started distribution activities and opened their first retail store in Zagreb, distributing European organic brands foods such as grains, beans, and sugar-free sweets. In 2003, the company expanded and established *bio&bio*, currently the largest chain of organic stores in Croatia and the region. Today, there are 20 *bio&bio* stores across Croatia, and, in addition, the *bio&bio* café was introduced as the first organic to-go concept in the country.

As part of their retail and wholesale activities, *Biovega* offers a variety of world-renowned organic products, from food and supplements to household products and natural cosmetics. The company collaborates with about 70 foreign companies pioneering in the organic market and offers about 4500 products for retail and distribution. These partner brands can be found in more than 700 outlets: specialized stores, pharmacies, as well as in 20 *Biovega's bio&bio* stores. Through a *bio&bio* webshop, an assortment of stores throughout Croatia is available, too. In addition to distributing other brands, *Biovega* has developed its own special product lines in cooperation with local farmers. Alongside retail and distribution, *Biovega Group* encompasses other activities such as agriculture, organic restaurant, education, and publishing.

Development of Croatian organic agriculture

In 2002, *Biovega* began working with Croatian organic farmers, offering product placement and partnerships through distribution or packaging under various *Biovega*-owned brands. Most of the products are sold in *bio&bio* stores where more than 1000 local organic products can be found or distributed to the largest Croatian retail chain *Konsum*. Today, *Biovega* cooperates with about 30 organic producers all over Croatia and is continuously expanding the project through new partnerships.

The initiative was the result of decades of partnerships with like-minded farmers that paved the way for further collaboration. Jadranka explains that they initially met with many farmers in person to assess their agricultural practices. The project is unique in Croatia and the results are visible, as not only is domestic organic production increasing, but some small organic farms can sustain themselves due to such collaboration. Jadranka explains that *Biovega* seeks to ensure a fair price to the farmers they cooperate with and helps them improve their practices.

The value of certification and quality control

Biovega is committed to a system of excellence in all areas and levels of work processes. The company has obtained ISO 9001 certification to improve business planning and ensure swift control processes. The globally recognized HACCP certification for food safety management was implemented in 2008 (before it became a legal requirement in Croatia) and includes strict requirements for the distribution of organic products:

- In storage facilities for organic products, batch identification is ensured to avoid any contamination with substances that do not comply with the rules of organic production.
- *Biovega* ensures that organic products are only transported in suitable packaging in closed vehicles so that contamination of contents cannot occur. When products without organic status are transported, they are separated, specially packaged, and labelled. The company also independently arranges for the transportation of goods from external suppliers by contracting a transportation service trained in the proper transfer of organic products.
- The import of products from countries outside the EU is subject to additional quality controls. The imported organic products must have an environmental and health certificate issued by an approved inspection body in the EU.

As a company that has a chain of stores, production, and service activities in its business portfolio, *Biovega* is subject to continuous institutional quality control through several supervisory bodies and inspections. In 2020, 50 audits took place, 8 of which were carried out by the Environmental Institution.

Selection criteria for eco-partners

Biovega expects its subcontractors to comply with the same environmental requirements as itself. All suppliers are inspected by the external control body at least yearly. *Biovega* also carries out additional monitoring by itself or an accredited inspection body. The most important aspects for the selection of partners include:

- **Requirements for organic farmers.** For domestic products to be found on the shelves of *bio&bio* stores, producers must provide a certificate proving their products are organic, obtain an ecological certificate, undergo an analysis of pesticides and heavy metals, and be subjected to external audits. For example, *Biovega* refused to work with a farmer after learning he was using conventional farming methods, such as the use of chemicals.
- **Criteria for eco-brands.** From the outset, *Biovega* has sought to work with reliable companies which have many years of experience and a high reputation in

the market for organic products. They must also comply with environmental standards, obtain certificates and act ethically towards the environment and their employees.

- **100% organic products.** Organic origin and ecological quality are of paramount importance to *Biovega*. Although an agricultural product must contain at least 95% organic ingredients to be declared organic, the company only sells 100% organic products, going beyond this minimum legal requirement. Also, the use of GMOs in organic products is strictly prohibited and the selected products are processed as little as possible. For example, instead of white sugar, products with agave syrup, cereal malt or unrefined cane sugar are chosen.

Among these requirements, *Biovega* also takes into account the sustainability and ethics of suppliers. For distribution, the company only selects products that are manufactured fairly and responsibly, respecting the environment and the people who work in the supply chain. Moreover, for ethical reasons, meat products are not sold in *Biovega* stores. The range of products of animal origin is limited to dairy products and eggs, while the living conditions of the animals are strictly supervised. For instance, eggs derived from cage farming are not accepted.

Decent work and employee care

Today, the *Biovega Group* employs 220 people, of whom 155 work in distribution, 45 on the farm or in the restaurant, and the rest – at the publishing house or the education centre. The average age of employees is 37, and 65% are female. Jadranka notes that *Biovega* strives to create a positive working atmosphere so that employees feel comfortable and satisfied at work.

That said, the company is constantly investing in professional training and lifestyle education. *Biovega's* employees are carefully trained in their occupation and the expertise it requires. The utmost attention is paid to the training of in-store employees, who continuously learn about *Biovega's* products, brands, and upcoming trends to provide quality services. In addition to professional guidance, the company educates employees on how to apply sustainable and healthy lifestyle principles on a personal level.

Jadranka emphasizes that employees are encouraged to express their opinions and views to collectively create a more pleasant work environment. Each year, the company conducts an anonymous questionnaire where employees can voice their needs and concerns regarding areas that need improvement. Jadranka believes that open communication in the workplace makes employees feel more valued, which in turn leads to more satisfaction and engagement at work. In addition, *Biovega* invests in small things that can improve employees' lives. For example, the company offers to invite therapists to give back massages to employees at the logistics centre. Considering that more than half of the employees are women, *Biovega* also offers a generous maternity leave and provides job security so that women can be sure that they will not lose their jobs.

The company's efforts to ensure employee care and comprehensive personal development were recognized in 2014 and 2016 by the Croatian Employers' Association, which awarded *Biovega* for outstanding projects in the category of employee care.

Sustainability at the core of the business model

In line with the company's 3E principles – ethics, ecology, economy, *Biovega* works to develop and implement green technologies for the entire management of the organic food supply chain:

- **Eco-packaging.** In 2020, a project was implemented under the *bio&bio* brand to transition from plastic to compostable packaging. It is made of compostable foil

and cellulose fibres that completely decompose after 6 months. The packaging meets the criteria of the European standard EN 13432 for industrial compostability. This is a ground-breaking investment project in Croatia and *Biovega* is the first company in the country to use this packaging solution. In 2020 alone, *Biovega* used 1000 kg less plastic than the previous year. However, Jadranka notes that compostable packaging is significantly more expensive than plastic. Despite this challenge, the company decided not to raise prices, but to consciously invest in this change, which was highly appreciated by *Biovega's* customers.

- **Food waste management.** In 2020, the company managed to reduce its food waste by 25 percent compared to 2019 by donating certain products. The Croatian government has set up an e-donation system that makes it easier for companies to partner with organisations that can accept food donations. *Biovega* is constantly working with various organisations through this platform to reduce food waste²².

Organic farm and restaurant

In 2010, *Biovega* decided to branch out into agriculture and acquired Croatia's oldest organic farm, *Zrno* (Engl. *Seed*), founded in 1988. In the small village of Habjanovac, 55 km from Zagreb, fruits, vegetables, and crops are grown on an area of 20 hectares. Since 2011, *Zrno* has also been producing whole-wheat sourdough bread made from organic grains and spring water. The farm's fresh produce is later used in *Zrno Bio Bistro*, which opened in 2013 as an extension of the farm in Zagreb. The bistro is the first fully organic-certified vegan restaurant in Croatia and the whole region. Jadranka mentions that the restaurant is a logical decision connecting agriculture and retail, as it allows the restaurant's customers to try out the farm's produce which is also available in *bio&bio* shops.

Education at the heart of the business

Biovega is also passionate about educating consumers on leading a healthy lifestyle and organic farming. Key initiatives include:

- **Makronova Institute.** Established in 1985, the institute offers a comprehensive educational program that includes cooking workshops, tutorials and seminars. To date, more than 100 000 people participated at the Institute's programs and workshops.
- **Planetopija.** The beginning of the *Planetopija* publishing house dates back to 1995 when Jadranka and Zlatko Pejić published the first Croatian book on macrobiotics "Food for Life". Publishing activities have evolved into an independent publishing house called *Planetopija*, specializing in personal development literature such as women's health, environmental protection, philosophy, and others.
- **Meetings and conferences.** As the creator of the organic niche market in Croatia, *Biovega* acts as a trendsetter and driver of change in the industry. For example, in 2014 *Biovega* organized a business conference about the current situation of organic farming in Croatia and its future prospects. More than a hundred participants gathered, including organic farmers and producers, representatives of institutions, business partners and the media.

Barriers and opportunities for engaging in CSR/sustainability practices

The results of a 2009 study showed that Croatian companies are willing to improve their business processes to reduce waste and overall impact on the environment²³. However,

²²More information available: <https://poljoprivreda.gov.hr/e-doniranje/3909>

²³Paliaga, M., Franjici, Z., & Flego, M. (2009). Green marketing in Croatia Research of experience and effects on the establishment of environmentally and socially responsible business. In T.H. Witkowski (Ed.), *Rethinking marketing in a global economy*, Proceedings of the 34th Annual Macromarketing Conference.

Jadranka points out that companies can rarely count on government support in this green transition. Even small-scale **cooperation between businesses and public institutions is lacking** due to a lack of trust and collaborative culture, as well as high levels of corruption. Although obtaining grants through EU funds is technically possible, the bureaucracy and administrative burden makes the management team of *Biovega* reluctant to apply. However, Jadranka is hopeful that in the future the role of entrepreneurs in Croatia's economy will gain more recognition.

The lack of consumer education contributes to the fact that **greenwashing remains widespread**. Jadranka notes that many people still perceive "local" or "natural" products as immediately organic and ecological. She explains that companies labelling their products as organic without certification are manipulating and misleading consumers. Moreover, the **purchasing power of Croatians is relatively low** compared to other EU countries. While organic products are more expensive than conventional ones, this poses a significant obstacle for companies wishing to enter the organic market. However, the Croatian government has not presented a clear strategy for promoting sustainability in the agro-food sector or organic farming in order to address these issues. Educating society on these topics depends almost entirely on private initiatives, including *Makronova Institute* or *Planetopija*.

Despite these external obstacles, *Biovega* recorded a steady growth of 6% in 2020. Jadranka emphasises that the company currently has a stable position in the market and manages a good financial balance. This is crucial for investing in future projects without relying on outside financial support. For the future, *Biovega* has no plans to expand into a corporation but is focused on developing its business model and strengthening its influence in the region. Jadranka also shares a vision for the future to open the *Zrno* farm for more educational activities and accommodation.

Key takeaways

Biovega is an excellent example of a company that incorporates sustainability practices into various areas of work, including distribution, retail, education, and agriculture. Following the example of foreign brands, the company decided to fill a niche in Croatia by promoting organic agriculture in Croatia, which eventually led to a project of cooperation with local farmers. Thus, it not only distributes the products of local farmers, but also helps them adopt novel cultivation and production methods. Through educational activities and conferences, *Biovega* fosters cooperation between companies and other stakeholders, and is the driver of change in the Croatian food market. Nevertheless, these practices have become relevant for a rather small community of farmers, retailers, and consumers in the country. *Biovega* and the entire organic agro-food sector struggles to find support from institutional actors in order to educate consumers and address the issue of greenwashing.

Lebensbaum: a German producer of tea, coffee, and spices pushing for sustainability at home, in production, and in supply chains



Lebensbaum (Ulrich Walter GmbH) is a medium-sized German producer of tea, coffee, and spices based in Diepholz, Lower Saxony. The company also operates a coffee roasting plant in Gronau, North Rhine-Westphalia. Lebensbaum sees sustainability as an inherent part of its business model as it strives to ensure that its tea, coffee, and spices come from 100% organic farming. The company relies on multiple supplier relationships, which it sees as long-term trust-based partnerships. Furthermore, in order to ensure a sustainable, social, and fair supply chain, the company has introduced one of the strictest industry certification standards – We Care.

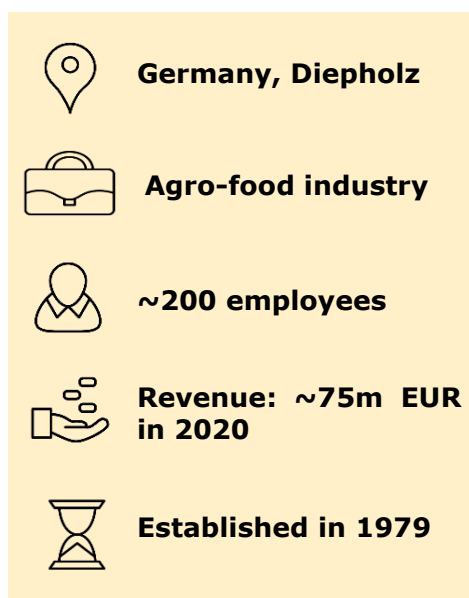
Lebensbaum sells a variety of teas, coffees, and spices based on the organic farming concept implemented at the places of product origin in a sustainable fashion. The company prides itself on its achievements in the field of CSR and is seen as a national pioneer in the area of sustainable business practices, having recently received the German Federal Government's CSR Prize as well as the German Sustainability Award. When it comes to implementing its sustainability strategy, the company relies on four key pillars – 100% organic farming, fair supply chains, green packaging, and 'in-house' sustainability.

Lebensbaum has been particularly successful in making its operational processes green in the course of the last two decades. In 2001, the company completely resigned its facilities and premises in Diepholz to reduce its environmental impact at the local level. By 2002, *Lebensbaum* has switched to the usage of alternative energy sources in 100% of its electricity supply. Starting from 2006 the company regularly releases comprehensive sustainability reports. It has also made all of its production processes at its headquarters climate neutral by 2010.

Rather than just making minor improvements and receiving a couple of simplest certifications, the company's management has always aimed for a more strategic approach towards sustainability and CSR. Therefore, it has set itself a holistic goal to ensure that its in-house operations, management, and supply chains, are fair and sustainable. To assist its efforts, the company's founder has also launched the *Lebensbaum Foundation*, which has so far contributed around 0.5 million EUR to a great variety of sustainability and CSR-related projects domestically and internationally. Below we discuss these and other company initiatives in greater detail.

Applying for progressively vigorous certification standards

Lebensbaum as a producer and distributor of organic goods has been trying to adapt progressively stricter certification standards since founding. The company, when catering to its customers, perceives these certifications and licenses as important credentials of their high-quality organic products. *Lebensbaum* received the EMAS and ISO 14001



certifications in 1998. ISO 14001 is a global standard, which aims to maintain an effective environmental management system, while EMAS is usually seen as the next step with stricter requirements on credibility and transparency²⁴. The company regularly undergoes independent audits to ensure the highest degree of compliance with both standards. *Lebensbaum* products have been bearing the organic food labels under the EU-Eco-regulation since 2001, which means that the company does not use synthetic fertilisers and chemical pesticides. The ban on fertilisers and pesticides is also enforced by the Demeter association, of which *Lebensbaum* has been a member since 1987. On the international level, *Lebensbaum* applies the Food Safety System Certification (FSSC) 22000 in the same area of organic quality control. The FSSC is monitored by an independent American institute based in Iowa, United States. Finally, in 2020, *Lebensbaum* also received the We-Care-certification. In addition to the areas of corporate governance, environmental management, and employee responsibility, *We Care* focuses on the sustainable and fair management of supply chains.

Building fair supply chains internationally

Lebensbaum perceives supply chains as a decisive factor for turning conventional products into sustainable ones. The company has been developing its innovative and holistic supply chain management system for over 20 years that was awarded by the Federal Ministry of Agriculture in 2003. Designing sustainable and fair supply chains is one of the company's key obligations under the We-Care-standard. This involves purchasing raw materials responsibly, designing environmentally friendly production methods, as well as treating employees fairly and with due regard to all areas of sustainable corporate action at the local level.

Today, the company has about 70 raw material suppliers from all over the world and aims to source most of the materials directly from original producers, rather than via intermediaries. In order to build trustworthy and long-term partnerships, representatives of *Lebensbaum* regularly pay visits to their suppliers. This helps to evaluate their organic agriculture practices and social conditions, especially in countries where international standards are weakly enforced. For instance, consulting the list of risk countries by the *amfori BSCI* can help identify risks of potential violations.

Below are several illustrations of how *Lebensbaum* contributes to sustainable development in sourcing countries:

- **In Ethiopia**, where *Lebensbaum* sources some of its coffee, the company contributes **preserving biodiversity** in one of the last wild coffee forests²⁵. The company also supports local smallholders in certifying their coffee as organic, which in turn helps to increase their income. In addition, they encourage farmers to produce beverages from coffee leaves and briquettes from coffee husks. This contributes to the preservation of the local biosphere reserves and fits well within Ethiopia's green economy strategy.
- **In India**, *Lebensbaum* engaged in a publicly funded project to **address alcoholism**. One of *Lebensbaum*'s suppliers took over a plantation that was run down due to high rates of alcoholism amongst the farm workers. The situation has improved after *Lebensbaum* started working together with its supplier-supported mothers' clubs, psychological counselling and regular visits from the local doctor.
- **In Egypt**, *Lebensbaum* co-financed new **water pumps** run by solar power for their herbs and spices supplier.

²⁴ The EU Eco-Management and Audit Scheme (EMAS) is a premium management instrument developed by the European Commission for companies and other organisations to evaluate, report, and improve their environmental performance.

²⁵ <https://en.nabu.de/topics/biodiversity/kafa-biodiversity/index.html>

An institutionalised approach to CSR

In 2008 the company found the *Lebensbaum Foundation*, which serves as a coordination hub for some of the company's domestic and international CSR and sustainability projects. So far, the foundation has launched multiple projects both domestically and internationally within four main areas, namely education, youth assistance, cultural activities and environmental protection.

As of 2021, the foundation has accumulated and donated more than 560 500 EUR to 11 different projects (3 domestic and 8 international ones). For example, the Foundation provides scholarships for technical studies at the Heliopolis University for Sustainable Development in Kairo²⁶. Another example is the foundation's project that targets young children in the Indian city of Chennai (supplier location). The project aims to root out the practices of child labour by improving their access to education. In the same city, the foundation provides financial assistance to children with disabilities, who receive both medical treatment and psychological counselling. The foundation also prides itself of the fact that one of the project participants had won a silver medal when taking part in the London Paralympic Games²⁷.

Reducing packaging waste

The company's adherence to the We-Care standard includes obligations on eco-friendly packaging. In its attempts to make the packaging more environmentally friendly, *Lebensbaum* has recently developed a new strategy for packaging, which consists of the following:

- The company has defined a set of **criteria to assess the sustainability of its packaging**. All of its packaging is evaluated with regard to recyclability, use of recycled content, determination of the environmental footprint and calculation of the carbon footprint.
- Following the new packaging strategy, **existing packaging is revised to optimize for sustainability**. For example, *Lebensbaum* has recently changed its tea boxes to cardboard produced from 100% recycled fibres. The cardboard contains a thin layer of activated charcoal to protect the product, which enabled to remove the former wrapping. The company also uses plant-based inks (instead of mineral oil-based) to increase the likelihood that residue-free recycled paper may hit the market again. The teabags themselves are made of banana fibre and the threads are made of organic cotton.
- **Redesigning** pouches for culinary herbs and spices by removing a formerly used clip and adjusting material thickness allowed to **reduce the use of material** by 10 tonnes per year and **carbon emissions** by 30 tonnes per year. To improve its recyclability, the company also changed the paper-based label to a recycled synthetic label made of the same material as the pouch.

In-house sustainability

Lebensbaum ensures climate neutrality in their own production sites. The company uses green electricity, partially generated by their own photovoltaic system, to power the tea-making machines. Geothermal energy is used to control the temperature in production facilities and its headquarters. A heat recovery system is in place at the coffee roastery, which allows to reuse the exhaust heat generated by the coffee roasting machines. Finally, a charging station for electric vehicles was installed in the company's premises to encourage employees to purchase such vehicles.²⁸

²⁶ More information available at: <https://www.lebensbaum-stiftung.de/projekt/stipendium-heliopolis-universitaet/>

²⁷ More information available at: <https://www.lebensbaum-stiftung.de/projekt/behindertenfoerderung-chennai/>

²⁸ More information available at: <https://www.lebensbaum.com/de/nachhaltigkeit/bei-uns-zu-haus>

Barriers and opportunities for engaging in CSR and sustainability practices

Despite its success, the company still faces some challenges in implementing its commitment to sustainability. First of all, **accounting for all emissions** is difficult because *Lebensbaum* relies on a complex mix of raw materials for production. This entails specialty products, which often means that there is a lack of information on their emission factors (resulting from farming practices, soil management, water usage, drying methods, etc.). This makes it difficult to calculate the company's environmental impact along the supply chain more precisely.

Furthermore, the company still expects **changes to the German legislative framework, which could further boost reliable environmental planning and support entrepreneurs for doing business sustainably**. Even though Germany has recently introduced relatively comprehensive supply chain regulation, there is room for improvement. Specifically, there is a need for more stable legislation without constantly alternating legal requirements. The legislation changes should target large retail businesses, stimulating them to better implement CSR, since companies like *Lebensbaum* often work as a supplier to these larger businesses and must follow suit.

Finally, with respect to **supply chain management**, local circumstances such as the stage of economic development, existing legal framework and even cultural issues determine what is achievable in a given social or environmental context. It takes time, trust, and persistence when working on such issues with suppliers. However, while *Lebensbaum* cannot instruct its suppliers on specific rules, but it can showcase best practices and support implementation instead. For example, the absence of institutionalised handling of complaints is an issue in many countries where products are sourced from. This is particularly relevant for the most vulnerable groups such as tea pluckers and seasonal workers, who may become subject to unfair treatment. Setting up a point of complaints without supplier involvement, however, is difficult. Thus, the company must rely on local NGOs, labour unions, and governments to set up these procedures, resulting in some inefficiencies.

On the positive side, in line with the recent EU-level developments and initiatives such as the EU Green Deal and Farm to Fork initiative, the company aims to **further broaden its commitment to sustainability strategy through three specific avenues**. First, it aims to achieve climate neutrality along their whole supply chain by 2025. Second, it has set a goal to become environmentally positive in the long run. Third, *Lebensbaum* will continue working on their packaging services by adhering even more strictly to the concept of best recyclability. Overall, the company maintains a positive outlook and aspires to sustain and strengthen its status of a German SME-pioneer in the field of organic production and supply chains sustainability.

Key takeaways

Lebensbaum's strategic and comprehensive approach to ensuring sustainability is an inherent part of the company's brand and daily operations. Its experiences demonstrate that a responsible approach to sustainability entails not only ensuring in-house sustainability or sustainable production modes and operations, but also extensive work with international suppliers and local partners. Furthermore, measures aimed at enhancing an institutionalised approach to sustainability and CSR broadly within the company (e.g. establishing a responsible foundation or a different institution/department) help to continuously make the company's efforts in the field more cohesive and their effects more pronounced.

Le Terre di Zoe: a forward-looking fruit farm from Calabria



Community
involvement



Environment

Since the 1950s, Le Terre di Zoe grows fruits, herbs, and olives, and produces various products, such as jams and juices. Unlike many similar farms, Le Terre di Zoe does not use contract manufacturers and oversees the whole production process– from the moment the seeds are sown to the moment when products are shipped – by itself. Le Terre di Zoe’s business rests on innovative thinking and the application of traditional technology in the production process. The company does not use any additives or preservatives in its products and sells them in recyclable packaging. It also organizes educational activities and unique agro-tourism experiences for organisations, students, and farm’s guests. Its business model is based on an enduring philosophy that combines curiosity, tradition, and organic production.

Le Terre di Zoe farm was established by the great grandfather of the current owner, Rosaria Frisina, in the 1950s. At first, the farm only focused on agriculture, but as fruit prices began to fall due to increasing global competition, the owners decided to start producing their own food products. In 2004, Le Terre di Zoe was certified as an organic farm, and in 2012, the owners of the farm, Rosaria Frisina, her father Domenico Frisina and husband Alessandro Malerba, understood that in order to scale-up and gain a decent reputation within the agro-food industry, a proper brand for the farm’s products needs to be established. That is how the brand Le Terre di Zoe was born. Le Terre di Zoe has always put significant effort into sustaining its authentic philosophy of agricultural production, namely growing organic fruits in accordance to farm’s tradition, constantly innovating the production process, and taking the time and risk to serve the best quality products.



Italy, Calabria



Agro-food industry



**5 employees
(+seasonal workers)**



**Revenue: 200 000
EUR in 2020**



Established in 1953



Credit: Le Terre di Zoe

Currently, Le Terre di Zoe grows and sells 8 different types of fruit, and produces juices, nectars, jams, essential oils, and spices. The business grows around 85 tonnes of fresh fruit and produces 70 000 pieces of other goods per year. Le Terre di Zoe also offers a traditional Calabrian farmhouse experience – guests can book a night at the farm where they are taught about organic agriculture and can see the production process of goods. In 2020, the majority of farm’s revenue was from sale of juices, jams and other fruit products (75%), a small share was generated by fruit sales (20%), while agrotourism made up a marginal share (5%).

5 full-time employees work in the business. Le Terre di Zoe employs seasonal workers to pick the fruit or take care of the fields. The company has around 90 business partners, mostly constituted from boutique or organic shops and restaurants because the brand does not want to sell in big retail chains.

Eco-friendly and organic production at the centre of the company's philosophy

Alessandro says that *Le Terre di Zoe* prefers a **traditional Italian organic mode of production**, which is both healthier and better for the environment, when compared to conventional farming. Hence, *Le Terre di Zoe* does not use pesticides in the fields, nor preservatives, colour additives or refined sugar in its products. For example, instead of refined sugar, it uses fructose and glucose, which means that the product contains only fruit and fruit sugar. Also, unlike many food producers, *Le Terre di Zoe* does not manufacture juice from concentrate, as it would take away its nutritional value. Furthermore, fruits are picked only once they are ripe, while some of the final products, like marmalade, are created within the next 24 hours. Although organic production is less convenient from a purely economic perspective, *Le Terre di Zoe* continues to operate according to these principles because it wants to offer best quality products.

To increase sustainability throughout the production process, *Le Terre di Zoe* begun using **renewable energy sources for land irrigation**. Today, a rather small part of the production process is powered by solar energy, but *Le Terre di Zoe* plans to power its lab solely by renewable energy sources in the future. Moreover, the farm is concerned about plastic waste and uses as much **recyclable packaging** as possible.

Since 2004, when the farm's production was certified as organic, it received a few other national and regional quality awards such as the Tutto Food award in 2013 and the Oscar Green Calabria in 2014. But most importantly, *Le Terre di Zoe* received the prestigious **GLOBALG.A.P certification in 2019** for efficiency and innovation in production, resource management, sustainable business management and animal and consumer welfare. According to Alessandro, having an organic farm sometimes causes challenges to comply with all existing regulations and industry standards while remaining competitive. On the other hand, the certifications generate better sales and help gain partners and customers' trust.

Agro-tourism as a tool for raising awareness

Le Terre di Zoe believes that "green" agro-tourism can help raise society's awareness on environmental issues. It has a positive influence on both the natural and the social environment through educational activities that entail **educating about climate change and environmental protection**. *Le Terre di Zoe* regularly invites students on the farm to give them tours and educate about organic farming and, overall, foster a stronger connection with nature. The farm also accepts individual guests that are weary of the typical tourist experiences in Southern Italy and want to have an unconventional and culturally enriching stay.

Keeping strong ties with academia

Farmers in southern Italy tend to be rather passive when it comes to learning about innovation, which overall causes a lower level of development and entrepreneurship in this region when compared its northern counterpart. However, according to Alessandro, *Le Terre di Zoe's* willingness to learn and innovate distinguishes it from its competitors. For instance, they actively participate in the initiatives promoted by the Calabrian Chamber of Commerce, which has been very helpful for establishing partnerships with academia, and consequently, upgrading the business.



Credit: Le Terre di Zoe

One of such partnerships is a **project with the University of Bologna**. In this project, *Le Terre di Zoe* gets a chance to optimize the use of energy in production and apply state-of-the-art technology, while experts from academia are provided with opportunities to test their knowledge in practical settings. This creates a win-win situation for both the company and the university.

Le Terre di Zoe also participates in the project **CO-FRESH**²⁹, funded by Horizon 2020, that aims to develop innovative approaches to scale-up the agro-food value chains in Europe and make them more sustainable. The project brings together 26 businesses from 10 countries, encouraging all participating entities to engage in a multi-actor approach to innovating fruit and vegetable value chains via involvement of NGOs, trade and social organisations as well as public authorities.

Barriers and opportunities for engaging in CSR and sustainability practices

In the future, *Le Terre di Zoe* plans to scale-up the use of recyclable packaging. It is incentivized by the EU Directive 94/62/EC on packaging and packaging waste which states that producers must declare on the product packaging what materials is the packaging made from and how to dispose of it. The evolving regulatory framework incentivizes companies to look more thoroughly into the materials that their packaging is made of and learn about recycling. Alessandro sees this as an opportunity **to invest more into improving the company's know-how on recycling** via projects and partnerships. Most of the waste that *Le Terre di Zoe* produces is fruit peels. At the current scale, they simply give the peels to animals at the farm. However, projecting on the growth of production in the future, the owners of *Le Terre di Zoe* see that using peels merely as animal feed is not going to be sufficient in the future. Therefore, it is planning to upcycle the peels by using them as food ingredients or crop fertilizers.

The upcoming years will be critical for *Le Terre di Zoe* because it wants to modernize and expand. *Le Terre di Zoe* plans to grow in a sustainable way by growing the product and delivery range, upgrading the production process, rethinking energy use, packaging and business management optimization based on the knowledge acquired during various projects. **A potential challenge for the business will be to successfully align its financial goals with its philosophy.** Moreover, while finding seasonal workers is quite a trouble-free process because it is managed by a local farmers' cooperative, **finding full-time employees is difficult** because not that many people are willing to work.

Finally, practices like the 24-hour-production-cycle ensure the best quality products but require a lot of resources and **can hardly be optimized**. Because of that, *Le Terre di Zoe's* products are 10% more expensive than average. This poses a challenge of **effectively communicating with customers** in the evolving agro-food market.

Key takeaways

By choosing the economically more costly option of producing organically, *Le Terre di Zoe* shows care for its customers and the natural environment. The farm's efforts extend beyond organic production – the farmers are passionate about raising awareness of green agriculture by offering educational activities for students and the farm's guests. The team is working on developing a long-term strategy for sustainable business management and production because it plans to expand beyond a small family business without losing the philosophy that has guided it successfully for over more than six decades. In Southern Italy, family businesses like this one are the drivers of the transformation to more sustainable agriculture value chains. In this sense, active involvement in the local chamber of commerce and partnerships with academia has proved particularly useful.

²⁹ More information available at: <https://co-fresh.eu/>

Chrono: Serbian social enterprise empowers local producers and persons with disabilities



Community involvement



Human rights



Consumer issues



Decent work

Chrono is a small social enterprise based in Leskovac, a city with over 60 000 inhabitants in southern Serbia. Chrono produces and packages unique mixtures of flour for healthy and tasty homemade dough. The company fosters the development of rural parts in Serbia by selecting raw materials from small producers and thus providing quality products for its customers. The company also integrates social goals into its agenda, especially the rehabilitation and employment of persons with disabilities.

Chrono is an agro-food company that produces ready-made flour mixtures for unleavened dough. The mixes can be used by consumers to prepare home-made bread by simply adding a certain amount of water to the flour, which is then used to bake bread in a matter of minutes. The bread allows consumers to maintain proper nutrition and a healthy lifestyle due to its high-quality natural ingredients. *Chrono* cooperates with small producers to source raw materials, which are then prepared for packaging and distribution. The company also develops whole wheat and whole grain ready mixtures for bread, as well as spice and herb mixes that are suitable for people with food allergies or special diets (e.g. gluten intolerance, diabetes, Chrono diet, etc.).

This focus on special dietary needs, alongside organic production and product affordability, was one of the main reasons for starting the company. Valentina Bogdanović, founder and director of *Chrono*, relied on her background as a technologist to create an alternative product to bread sold in regular retail stores, and launched the company in 2018. Valentina points out that retail-bought bread contains flavor enhancers, additives, and preservatives – all things *Chrono* rejects in its produce. *Chrono* also promotes the idea of a healthy lifestyle in a fast-paced modern world through their marketing activities and social media blog. Furthermore, social responsibility and sustainability practices (e.g. local sourcing of organic materials and employment of persons with disabilities) have been an integral part of the company's business model from the beginning. Since January 2019, Chrono has been officially registered as a social enterprise, making it one of only 50 companies for vocational rehabilitation and employment of persons with disabilities in Serbia.



Serbia, Leskovac



Agro-food industry



8 employees



Revenue: 20 000 EUR in 2020



Established in 2018

Social responsibility and close ties with the local community

The initial idea to create a social enterprise like *Chrono* originated amongst members of the local NGO *Education Center Leskovac*, which has been actively supporting local community development and marginalised groups since 2000. In order to support social entrepreneurship, create a legal framework for action and provide consulting support, the Center formed the Initiative for Social Empowerment in 2016. The social enterprise "Chrono" was created within the framework of this initiative. Hereinafter, the main goal of the company has been to assist and empower socially vulnerable persons. At the start, the company employed a variety of hard-to-employ people from diverse backgrounds, for example, young people without any work experience or persons above 50. However, over

time Chrono has become more focused on **employing persons with disabilities**, which, as Valentina notes, still remain the most "invisible" group to Serbian businesses. The company is trying to reduce this stigma by setting a good example – currently all of Chrono's employees except for the owner Valentina experience some type of disability.

Valentina notes that in order to employ people with disabilities it is essential to professionally assess the skills and abilities of each employee to effectively differentiate tasks according to individual needs. The degrees of certain disabilities vary, and while some of the workers may need additional changes in the workplace to accommodate them, many do not require any special workplace conditions. *Chrono* provides equal opportunities for every employee to participate in business processes and carry out tasks in accordance with their capabilities varying from management, administrative and marketing roles to working on the production line, weighing raw materials, or packaging the products.

Furthermore, *Chrono* tries to maintain and strengthen **local community ties** as well. The company cooperates with many associations, especially with the Educational Center Leskovac. A share of *Chrono*'s profits are reinvested in programmes for the development of social entrepreneurship initiatives under the umbrella of the Educational Center. *Chrono* also maintains close ties with professional organizations such as business or supplier associations as well as national institutions. To support social entrepreneurship, *Chrono* occasionally chooses other socially responsible companies, associations of people with disabilities or high school student workshops as their service providers.

Sustainable sourcing of raw materials

Chrono is a business that seeks to be profitable, socially responsible as well as environmentally-friendly. To provide its customers with the best quality products, the company only selects materials that meet its high standards.

The company was set-up with the initial goal of **supporting small producers from underdeveloped communities** in Serbia. Hence, it has chosen to source raw materials from local, small, and rural producers within a 150 km radius. By adopting this approach, the company minimizes its impact on the environment, reduces transportation costs, and as a result, can offer products at an affordable price. Sourcing locally enables Chrono to procure raw materials only in the quantities necessary for the near future, always guarantying fresh produce. The company also ensures compliance with internally set quality standards by maintaining constant communication and relationships with suppliers – Valentina herself visits them regularly, checks their production and the quality of raw materials (e.g. grains). The only raw materials that cannot be sourced locally and therefore need to be imported are Himalayan salt and rice flour. The company selects only the materials of proven quality and safety.

Financial support for further development

Chrono has benefited from several financial incentives to overcome certain obstacles preventing company development. First of all, as a registered social enterprise, *Chrono* receives a monthly reimbursement of a certain percentage of the gross salary for each employed person with a disability. The Law on Vocational Rehabilitation and Employment of Persons with Disabilities stipulates that such companies are entitled to a monthly subsidy for each employed person with disability, covering 75% of the total cost of salaries but not more than 50% of the average salary in the Republic of Serbia (Arsić, 2017)³⁰. Secondly, the costs for the purchase of REPRO (recycled plastic raw materials) and raw materials are reimbursed every 6th month. Given that this financial support is tied to the

³⁰ Arsić, R. (2017). Status Of Persons With Disabilities In The Republic Of Serbia With Special Reference To Their Employment. *Knowledge International Journal*, 16(2), 801-807.

Ministry of Labour and needs to be monitored, *Chrono* is more often subject to audits from the Labor Inspection (at least twice a year) than regular companies.

Furthermore, over the past two years, the company has received significant support from the local social enterprise support organization – *Smart Kolektiv*. Through their acceleration program, *Chrono* has refined its business model, developed an online advertising strategy, and improved its design and product packaging. In 2021, the company hopes to receive tailored hybrid funding and further technical support through the Smart Impact Fund launched by *Smart Kolektiv*. *Chrono* was one of the 10 micro- and small enterprises selected to participate in a programme which seeks to positively contribute to underdeveloped areas in Serbia. This includes expert advice and workshops on improving business models, as well as the opportunity to receive grants up to 6 000 USD³¹. This long-term financial and non-financial support will be critical to the continued execution of *Chrono*'s plans, improving sales, and scaling both its business and social impact.



Credit: Chrono

Barriers and opportunities for engaging in CSR/sustainability practices

Although CSR/sustainability support measures played an important role in the establishment of the company, *Chrono* has and continues to encounter obstacles to CSR/sustainability uptake. Most notably, legal barriers and difficulties in employing persons with disabilities as well as the social stigma surrounding this group remain key challenges. The status of persons with disabilities within the Serbian labour market has improved in recent years. More specifically, businesses that employ from 20 to 49 employees are obliged to employ one person with a disability, while those with over 50 employees should have at least two such persons within their team. In case of non-compliance, businesses have to pay a financial contribution amounting to 50% of the average salary in the company. However, the latter option is more common among employers. According to Valentina, the employment of persons with disabilities in Serbia is problematic for the following reasons:

- **Lack of effective legal action.** The employment policies are not always properly and effectively implemented. Namely, the National Employment Service does not provide a systematic registration of persons with disabilities. From the employer's perspective, there is also no updated database on job-seeking people with disabilities, their education and skills, and no support is provided in registering and hiring them. As a result, potential employers are unaware of potential workers and their capabilities, meaning many businesses rather pay financial obligations set by the government than hire people with disabilities.
- **Limited access to education.** The position of people with disabilities in Serbia can be described as rather weak due to limited access to education and vocational training. It is estimated that about 50% of people with disabilities have attained a

³¹ More information available at: <http://smartkolektiv.org/en/news/supporting-sustainable-micro-and-small-enterprises-in-underdeveloped-areas-in-serbia-program-participants-selected/>

primary level of education while only 13% have had any opportunities to work³². Lack of inclusiveness in the education system largely prevents people with disabilities from being independent and autonomous later in life, while people with intellectual disabilities are particularly subject to vulnerability.

- **Social and cultural stigma.** As Valentina notes, many people with disabilities who are fully capable of working on certain tasks do not receive job opportunities because of the stigma surrounding their employment. The notion that people with disabilities are not fit for the labour market still perseveres in Serbia. They often face discrimination and prejudice as well as employers' unfamiliarity with various disabilities and unwillingness to learn.

As a small company that has only been operating for three years, *Chrono* also struggles with a **lack of a stable cash flow**. Valentina points out that their clients primarily focus on the variety of produce, its health impact and price, but only a small scale of them choose the product as a way to support social implications the company conveys. The lack of professional expertise in certain areas also raises a challenge for the enterprise. For instance, Valentina points to the **lack of staff for developing a more professional approach to sales and marketing**, which has a direct impact on limited product sales, and thus on company's unstable financial situation. The company plans to overcome this obstacle by using the funds received from partners (e.g. the aforementioned Smart Impact Fund) to increase brand awareness through marketing activities.

Looking ahead, *Chrono* expects further company growth and development. The company hopes to enhance better product visibility and recognition through promotional activities while maintaining product quality and increasing sales. According to Valentina, reaching financial self-sufficiency is of utmost importance to the enterprise. As far as future social goals are concerned, the company's main objective is to create conditions for hiring more people with disabilities (or at least maintaining the same number) and to expand the list of suppliers for companies and associations from rural communities.

Key takeaways

Ineffective employment policies for people with disabilities and the social stigma surrounding them remain major barriers to the integration of this vulnerable group to the labour market in Serbia. While most companies struggle to employ at least one person with a disability within their team, *Chrono* manages to successfully operate in an economically underdeveloped region with employees that all experience some kind of a disability. *Chrono's* example proves that the label of disability does not necessarily mean that a person will be less capable of contributing to business operations. Moreover, the company takes cost-effective and, most importantly, sustainable measures through local sourcing to produce healthy and affordable products that are highly appreciated by its customers. However, *Chrono* still heavily relies on financial support both from the government and non-governmental organisations. Currently, the company seeks to ensure that such support will not merely keep daily operations going, but rather provide an opportunity to invest in further development of its activities, increase sales and, in turn, lead to financial independence.

³²More information available at: <https://www.esap.online/download/docs/Host%20Country%20Case%20Study%20Employment%20of%20PWDs%20in%20Serbia.pdf/c8852cc86855f0259ee11e64463a446f.pdf>

Ekofungi: a Serbian company promoting a circular approach to mushroom agriculture



Environment



Business relations



Community involvement

Ekofungi is a small Serbian company that takes a 100% circular approach to mushroom cultivation. The company pioneered a technology for sustainable cultivation of edible mushrooms from recycled cellulose waste. Through the Ekofungi School, the company's team actively shares their knowledge with other aspiring entrepreneurs who wish to engage in agriculture by following the principles of local sourcing and the circular economy. Today, Ekofungi is considered the most prominent example of a company following the 'Blue Economy' philosophy in the Balkan region.

Serbian biologist Ivanka Milenković combined her scientific knowledge of mycology with the practical application of scientific methods to pioneer an innovative circular approach to mushroom cultivation. This technology is applied to organic farming of edible mushrooms, and implies using the natural waste from farms as a substrate for growing organic champignon and oyster mushrooms.

With this innovation, Ivanka has been involved in many projects around the world to share her know-how and experience. The first project based on this new technological approach was successfully carried out in Krojcel Brewery in Germany with the support of Gunter Pauli, an entrepreneur and economist who introduced the "Blue Economy" philosophy which extends the circular economy principles to the use of locally available resources through simple innovations³³. Shortly after, similar projects were implemented in England, Zimbabwe, and New Mexico. Now Ivanka shares her 34 years of experience in this industry with other aspiring mushroom farmers through educational activities at the *Ekofungi School*.



Serbia, Belgrade



Agro-food industry



8 employees



Revenue: ~100 000 EUR in 2020



Established in 2012



Credit: Ekofungi

Having successfully implemented the innovative technology abroad, Ivanka decided to establish her own mushroom cultivation facility in Serbia. Thus, in 2002, the infrastructure for mushroom cultivation was built and in 2012 *Ekofungi* was officially established. Each year, *Ekofungi* grows 100 tonnes of organic champignons and 30 tonnes of oyster mushrooms, which are either sold fresh or dehydrated and mixed with other vegetables. The mixes are a healthy and easy-to-prepare alternative to fast food, perfect for salads, pasta, or soups. The products are mainly exported to Western European countries and the US through wholesalers and e-commerce platforms such as *Amazon* but can be found in small organic shops in Belgrade as well.

³³ The philosophy was introduced for the preparation of COP3 where the Kyoto Protocol was signed. More information available at: <https://www.theblueeconomy.org/principles.html>

Circular economy business model

In 2018, *Ekofungi* was recognized by the OECD as the most prominent example of a circular economy enterprise in Western Balkans and Turkey. Indeed, Ivanka's approach to mushroom cultivation differs from conventional agricultural methods in several ways:

- **The production of the substrate.**

To grow organic champignons, waste from local farms and high in cellulose (e.g. horse manure, straw, or even used coffee grounds) is converted into compost, which is then inoculated with mycelium and kept cool and moist until harvest. Once the organic champignons are harvested, *Ekofungi* returns the compost back to the local farmers, who then use it as a natural soil fertilizer for growing vegetables and wheat. Agricultural waste from wheat production is used to grow oyster mushrooms and the spent compost is used for cattle feeding. This cycle has neither a clear beginning nor a clear end – the essence of the circular economy. In comparison, conventional substrate production usually includes only straw and does not utilize every possible raw material.

- **Energy consumption.** Unlike conventional mushroom production, *Ekofungi* uses no heat and generates no carbon emissions in the production of its substrates. Only the raw material itself and water are used to stimulate the natural microbiological processes.
- **Water consumption.** Ensuring sufficient moisture in the substrate is key, thus mushroom production requires significant amounts of water. Ivanka estimates that 3 litres of water are needed to grow 1 kilogram of mushrooms. To limit excessive water consumption, *Ekofungi* uses technical water instead of fresh water from the municipal supply. Additionally, once the water has been used to wash the substrate, it can be reused for other activities on the farm. Ivanka adds that the food industry, in general, has a high water demand, especially in cultivation, however, mushroom production does not waste any water as it is entirely absorbed by the mushrooms.
- **Local sourcing.** From the very start, the company has been using only raw materials that are found within a 30 km radius. By applying this principle, *Ekofungi* reduces both transportation costs and carbon emissions. In addition, *Ekofungi* purchases surplus vegetables from the farmers on fair conditions and creates dehydrated vegetable mixes with their mushrooms.
- **Chambers for mushroom cultivation.** For the past 20 years, *Ekofungi* has been using aluminium tunnels to produce mushrooms under optimal growing conditions ensuring proper ventilation and air humidity. Ivanka explains that mushroom production cannot be effective without artificial control of the microclimate and that this technology creates good growing conditions at a low cost. According to Ivanka, this system was adapted to the Serbian climate based on an Irish model.
- **Waste management.** Today, *Ekofungi* uses regular plastic bags for growing the mushrooms, and disposes of them along with other plastic waste for municipal recycling. Although *Ekofungi* was willing to buy biodegradable plastic from an Italian company, the company refused to collaborate further because it was not profitable for them to produce a small quantity of custom-sized bags for an SME like *Ekofungi*.



Credit: Ekofungi

Community involvement through education

The company shares its technology through training, ad-hoc consultations, and an open-source business model. In 2013, Ivanka opened the *Ekofungi School*, where she and her colleagues from Belgrade University organise week-long training sessions on mushroom biology, substrate production, bioplastic (i.e. plastic made from plant or other renewable biological materials), and the entire mushroom manufacturing process. The school welcomed around 150 students over the years, the majority of them coming from abroad. Today, about 30 successful mushroom growers across different countries base their work on the knowledge imparted through the *Ekofungi School*. Ivanka notes that the main idea behind the school is not just to teach people how to grow mushrooms in line with circular economy principles, but to empower them in starting a small sustainable business.



Credits: Ekofungi

Ekofungi also actively collaborates with the school's alumni network. Most notably the Zimbabwe-based organisation *The Future of Hope Foundation*, which was founded by an activist Chido Govera, is an important partner. The founder of the organisation was trained in mushroom cultivation by Ivanka and her colleagues and now the young woman herself promotes mushroom cultivation as a sustainable source of food and income in various communities in Zimbabwe. *Ekofungi* also allocates some percentage of its profits to support the foundation and its development.

In 2017, *Ekofungi* also contributed to an open-access publication *Mushroom Cultivation Manual for the Small Mushroom Entrepreneur*, which includes detailed information on mushroom cultivation know-how, medicinal properties of mushrooms and compost production³⁴.

Participation in research and innovation projects

Through the Serbian Innovation Fund, *Ekofungi* has received funding for the installation of aluminum tunnels for mushroom cultivation. According to Ivanka, without this crucial support, this technology could never have been implemented on an industrial scale. Under the *Matching Grants* programme, in which *Ekofungi* participated, Serbian SMEs can receive up to 300 000 EUR in grants for innovation and research³⁵. Ivanka does not doubt that the Serbian Innovation Fund is a pivotal institution for promoting research and innovation in the country.

Moreover, Ivanka believes that the synergy between science and practical approach is a crucial aspect of the agricultural industry. Thus, as an SME, *Ekofungi* is a member of two scientific consortia involved in research projects supported by the Horizon 2020 programme: IPANEMA³⁶ and BIOCHAMP³⁷. In both projects, the company practically tests the scientists' innovations from the agro-sector, provides feedback and shares its industry-specific experience with other partners. Through these projects, *Ekofungi* also shares its own research findings with scientific institutions and the scientific community.

³⁴ More information available: <https://www.mushroomcompany.com/resources/background/Mushroom-Cultivation-Manual.pdf>

³⁵ More information available: <http://www.inovacionifond.rs/programs/matching-grants-program>

³⁶ More information available: <https://www.ipanema2020.com>

³⁷ More information available: <https://bioschamp.eu>

The value of certification

Ekofungi only collaborates with farmers within a 30 km radius who have obtained an *Ecolabel* certificate as proof of meeting higher environmental standards. However, it can be quite expensive for small farmers or businesses like *Ekofungi* to receive European certification – it costs 2 500 euros and must be renewed every year, translating to additional costs for the company. The Serbian government, on the other hand, partially funds the less costly local certification, but European certification is critical for exporting their products to the EU. The company owner points out that the EU organic logo is what sets *Ekofungi* apart from other companies in the eyes of consumers, and without such proof of quality and sustainability, they would not be able to compete with other companies in the European market for organic products.

Barriers and opportunities for engaging in CSR and sustainability practices

Ekofungi faces major challenges in terms of **market development and access to foreign markets**. Western European wholesalers stereotypically perceive companies from South-East Europe as mere suppliers of raw materials and not producers of the final product. The company initially found it difficult to build trust between foreign business partners and present itself as a quality business that can compete with companies from other European regions. However, years *Ekofungi* has proven itself over the and now works closely with Benelux countries and the UK. Ivanka notes that for now, these 2-3 strong collaborations with strategic markets would be sufficient for them as a small producer to sustain their business.

Another internal barrier that the company faces is the **lack of cooperation with the public sector**. Ivanka hopes that in the future the government will give more priority to entrepreneurship, as it is an important pillar of the economy and sustainable development. Finally, most **Serbian consumers remain price-oriented**, thus the market for organic products in the country is underdeveloped. As a result, about 80% of *Ekofungi*'s production is sold on foreign markets. This is somewhat of an issue, as Serbia is not part of the European Union and its currency, the Dinar, is not pegged to the Euro.

In the future *Ekofungi* wants to expand to new markets, but remain a small producer in a niche for high-quality, healthy food. Russia is now a strategic market for the company's expansion due to the recent free trade agreement between Serbia and Russia. *Ekofungi* also plans to increase its positive impact through knowledge sharing and circular economy promotion. That said, Ivanka has the vision to build a network of small mushroom producers (mostly *Ekofungi School* graduates) and sell their surplus production under the well-known *Ekofungi* brand, thus supporting and encouraging mushroom cultivation.

Key takeaways

Ekofungi showcases an example of an agro-business fully in line with circular economy practices. The company bases its business model on sharing its know-how on sustainable methods for growing mushrooms so their business model could be replicated anywhere. However, Serbian consumers are rather price-oriented and the demand for organic products remains low in the home market, which drives sustainability-oriented businesses to foreign markets. *Ekofungi* aims to defy the stereotype of Balkan countries as raw material suppliers and has already managed to become equal competitors in the European and US market for organic mushroom and vegetable mixes. Having an EU organic logo also plays an important role in strengthening their position. Since *Ekofungi* has become a relatively well-known brand in this field, the company now wants to help other mushroom growers by selling their products under the *Ekofungi* name.

fair-finance: an Austrian pension fund that seeks to make a change through sustainable investment



Environment



Consumer issues



Business relations



Organisational governance

fair-finance is one of eight Austrian occupational pension funds, and the only one that places exclusive focus on sustainable and impactful investment. The company's vision is to effect positive social, environmental, and governance-related change in issuers of investment options but also the wider financial community. Their industry-leading efforts have won numerous accolades, prompting Marketing Director Rainer Ladentrog to conclude that fair-finance has become a "beautiful success story."

fair-finance is an occupational pension fund (de. *Betriebliche Vorsorgekasse*), founded by Markus Zeilinger in 2008. After a lengthy licensing procedure, it entered into business in 2010. Since then, *fair-finance* has firmly established itself as one of Austria's leading occupational pension funds. In March 2021, it reached a record market share of 6% and 795 million EUR in trust. The funds' customer base is made of Austrian business that choose to contribute a share of their employees' wages to occupational pension funds to ensure superannuation upon retirement. Owing to its success, *fair-finance* has diversified into real estate development, insurance brokering, and asset management. But the pension fund remains at the heart of its business operations.

fair-finance considers itself a social enterprise because it is driven by a desire to effect change rather than maximise profit. The company's achievements in and determination to achieve sustainable investment have attracted industry-wide attention. Apart from winning numerous prestigious prizes, the company's portfolio has been awarded the Austrian Umweltzeichen – a certificate awarded by the government for financial products that comply with rigorous environmental standards. As a result, Marketing Director Rainer Ladentrog believes that the company has occupied a leading role in establishing principles of sustainable investment in the Austrian finance industry.

fair-finance's sustainability-focussed business modal has been a success for the following reasons:

- There is extensive **participation of customers** in business affairs through a dedicated Customers' Council, an interest guarantee (0.5% for 2021), and profit-sharing (150 000 EUR in 2020).
- *fair-finance's* investment practices meet high **transparency standards**. All investments must first pass a transparent sustainability rating procedure that considers environmental, social, and governance-related factors. The entire portfolio is subject to quarterly revisions based on the same criteria and comprehensive information on its composition is publicly accessible. For each 100 EUR invested, 33 EUR go towards impact investment options such as microfinance, real estate or thematic investment funds (i.e. funds focussing on important macro-themes such as environmental change), while the remaining 67 EUR are used for 'conventional' but sustainable investments such as shares, bonds, and currency.



Vienna, Austria



Banking, finance and insurance industry



34 employees



Revenue: ~ 5.6m EUR in 2020



Established in 2010

Investment based on sustainability criteria

The **sustainable investment guidelines** (*Nachhaltige Veranlagungsrichtlinie*) and the complementary **sustainable real estate rating** are at the heart of *fair-finance*'s business. The two documents detail the sustainability requirements that any asset must meet and the evaluation process that any asset must pass to be eligible for investment. There are two types of sustainability criteria – both of which are aligned to the UN's SDGs – the company uses, namely 1) exclusion and 2) best-in-class criteria. An asset's financial viability is evaluated only after passing both sets of sustainability criteria. The process is conducted as follows:

1. **Meeting any negative criterion is cause for exclusion.** Exclusion criteria for assets issued by companies, institutions, and states are grouped into three categories. Any issuer doing harm by engaging in or generating significant revenue from activities that fall under any of the exclusion criteria within these categories will not be considered for investment. Table 1 gives examples of some exclusion criteria. Real estate, microfinance and other types of investments have separate, but similar own exclusion criteria.

Table 1: Examples of Negative Criteria.

| Category | Example of Exclusion Criteria |
|--|--|
| Environment and climate protection (<i>Umwelt- und Klimaschutz</i>) | A company is producing biocides classed as "extremely or highly hazardous" by the WHO. A country has not ratified the UN Convention on Biological Diversity. |
| Human and labour rights (<i>Menschenrechte und Arbeitsnormen</i>) | A company or a country is systematically, gravely, and continually violating internationally recognised norms on human rights (e.g. Universal Declaration of Human rights). |
| Governance | A company has engaged in corruption or extortion within the past 3 years. A country is scoring a 60 or lower in Transparency International's Corruption Perception Index. |

2. **Best-in-class style evaluation** follows for issuers that do not meet any exclusion criteria. For this purpose, *fair-finance* recently developed its own social scoring which considers environmental, social, and governance-related factors at a weight of 20-50-30 respectively. Investments in real estate and private real estate debt follow separate criteria. These include location, energy efficiency, resource efficiency, and transparency. Only assets that pass this best-in-class evaluation will be subject to financial screening and eventually be eligible for investment.

The sustainable investment guidelines were first introduced in March 2011 after discussions amongst experts and customers in a joint workshop. The *fair-finance* team regularly develops and proposes further changes in co-ordination with an external research agency *The Value Group* as needed. CSR and Sustainability Manager Alexandra Schwaiger estimates that she invests approximately 20 to 30% of her working time into identifying emerging topics of interest for and proposing updates to the sustainable investment directives. The [Customers' Council](#) (*Kundenbeirat*) confirms any proposed change.

Unlike the investment guidelines, the sustainable real estate rating was first introduced in 2015 and developed by an external engineering firm. Said firm also updates the rating as new regulations, standards, and practical experiences necessitate.

fair-finance practices active **shareholder engagement** to ensure that assets within *fair-finance*'s portfolio continue satisfying their high sustainability standards. The Value Group, *fair-finance*'s external research partner, re-examines the entire portfolio once every quarter to ensure continued compliance with all sustainability criteria. If infractions are detected, *fair-finance* will notify the issuer and demand improvements. If the infraction continues, divestment follows. Assets that appear worthy of investment for their financials but fail to meet some sustainability criteria go through a similar process: if the issuer implements improvements to comply with *fair-finance*'s rules following an engagement notification, investment follows.

While engagement following violations of *fair-finance*'s sustainable investment criteria often enough result in divestment, there are some instances where change for the better was the outcome. For example, *fair-finance* was able to persuade a large investment fund (*Siemens Fonds Invest*) to include sustainability criteria for their Siemens Euroinvest Corporates mutual fund. Further, the Blue Orchard Microfinance Fund was considered a viable investment financially but failed to meet all transparency criteria – in this case required by Austrian law. But an investment followed anyway because the fund had moved towards meeting all criteria during and due to engagement.

Impact of sustainable investment

The most easily quantifiable impact of *fair-finance*'s investment activities is reduction in the portfolio's CO₂-footprint. While the footprint appears to be increasing (approx. 20t CO₂/Million EUR in Q4 2019 v approx. 40t CO₂/Million EUR in Q4 2020), that is only due to more emissions data on an ever-growing number of asset classes becoming available. Accounting for such data anomalies, the carbon footprint of *fair-finance*'s portfolio has likely been contracting considerably due to the rigorous application of the sustainable investment guidelines. In fact, there are concrete examples of *fair-finance*'s selective investment protocols leading to reductions in CO₂ emissions:

- *fair-finance* invests in the Green for Growth Fund (GF) which, in turn, invests in measures reducing energy use and CO₂ emissions and increasing energy efficiency. In 2020, GGF-financed measures reduced CO₂ emissions by 970.802 tonnes. *fair-finance*'s share amounted to 14.995 tonnes saved.
- Through investment with sustainable investment management company Aquila Capital, *fair-finance* reduced CO₂ emissions by 300 tonnes in 2020.

Solving societal issues through the Social Entrepreneurship Fund

The Social Entrepreneurship Fund is a cooperation between *fair-finance* and *Senat der Wirtschaft* and provides social entrepreneurs with seed capital. Driven by CEO Markus Zeilinger, the idea was borne out of the observation that there was a lack of funding opportunities for impactful business ideas. In response, *fair-finance* joined forces with *Senat der Wirtschaft* to set up this fund. Having been the first of its kind, a lengthy licensing process ensued, lasting from 2019 until early 2021. It resulted in a 5 million EUR fund providing seed capital for social entrepreneurs with promising business models and clear social impact. All applicants must undergo a rigorous step-by-step screening procedure that comprises the following (from first to last step):

1. Pre-screening by *Senat der Wirtschaft*.
2. Impact assessment by expert impact council (assess whether business idea has sufficient societal impact).
3. Business case assessment by a due diligence committee (carries out legal and economic due diligence process).

4. Final approval by the fund manager.

Despite the fund's recent launch, Marketing Director Rainer Ladentrog is confident that the Social Entrepreneurship Fund is already contributing to solving some of society's most pressing problems. Notable investment examples include:

- A repairs and service centre specialising in repairing items which would otherwise be thrown out, including a repairs café (*Reparaturcafé*) where customers are taught how to conduct necessary repairs themselves.
- A bottle neck attachment technology that converts contaminated water into drinkable when placed in the sun, thus, removing the need for boiling the water.

Involving customers through the Customers' Council (Kundenbeirat)

fair-finance's entire business model is built on cultivating trust through transparency. This is exemplified by the portfolio composition and investment guidelines being accessible online but also by the company's commitment to active customer participation in investment decisions. The Customers' Council (*Kundenbeirat*) embodies *fair-finance's* exceptional regard for customer issues – the Council represents customers at the management level and enjoys significant influence. It provides recommendations towards the supervisory board, while the Chair of the Council has the power to suggest agenda items for supervisory board meetings. It determines annual engagement priorities, and, most importantly, the Customers' Council is responsible for supervising and maintaining the sustainable investment guidelines by approving its updates.

Barriers and opportunities for engaging in CSR and sustainability practices

Austria's current government, which assumed office in 2019, has publicly recognised the financial market as a stirring tool for green policy and vouched to allow institutional investors more impact investment. The government has announced support for social entrepreneurs such as those targeted by the Social Entrepreneurship Fund. However, currently policy support for sustainable investment remains scarce, and it seems that concrete action is yet to follow. While Ms Schwaiger and Mr Ladentrog emphasise the importance of financial market regulations, the current regulatory framework within Austria restricts *fair-finance* from realising the full potential of sustainable finance.

fair-finance – being an institutional investor licensed as a special bank (*Spezialbank*) – is subject to set of regulations restricting the investment portfolio's composition. This is problematic because these regulations diminish *fair-finance's* ability to invest in impactful asset classes. Real estate, for example, is capped at 10% of the portfolio, even though, as Mr Ladentrog insists, owning land or property is one of the safest investments with some of the biggest potential for improving sustainability. In addition, pension funds may only invest in real estate through investment funds. In response, *fair-finance* have drawn up the 'fair-finance real estate sustainability fund', their own real estate fund. Current rules also prevent pension funds such as *fair-finance* from directly financing start-ups or appearing as core shareholders of sustainable businesses. Despite the heightened risk, CEO Markus Zeilinger has stressed in a recent interview with *forum Nachhaltiges Wirtschaften* that such investments would be a valuable contribution for more sustainability and climate protection.

Furthermore, investing in HtM (Held to Maturity) assets leads to paradoxical situations whereby *fair-finance* is legally prohibited from selling them, even if the portfolio's government-provided sustainability certification would require them to do so. HtM assets must be held for a given period and can only be sold due to limited reasons. Meanwhile, *fair-finance's* portfolio in its entirety has been awarded the government-regulated Austrian Umweltzeichen which imposes strict sustainability criteria, one criterion being backing out of gas and fossil fuels. However, an asset issuer not meeting these strict sustainability criteria is not a legally acceptable reason for a premature sale. For example, *fair-finance*

held HtM titles of OMV – one of the world’s largest oil and gas companies. To respect the government regulated Umweltzeichen’s criteria, divestment should have followed in response to OMV violating sustainability criteria. However, divestment was impossible since HtM titles cannot be sold for sustainability reasons.

Other barriers encountered relate to a lack of operationalisation in *fair-finance*’s sustainability assessment and public perception of sustainability and CSR:

- *Fair-finance*’s sustainable investment guidelines suffer from a lack of clear operationalisation on how to measure the sustainability criteria, leading to dissatisfying engagement outcomes. Sometimes *fair-finance* concludes that an asset issuer is violating a sustainability criterion, while the issuer merely responds that there are no violations according to their own evaluation.
- Nowadays, more and more companies – even unsustainable ones – are trying to give themselves a sustainable image. As a result, Marketing Director Rainer Landentrog believes *fair-finance* (and others) struggle to convey the difference between those who invest sustainably out of conviction and those who do it because returns can be made without being accused of ‘greenwashing.’

An opportunity for further engaging in sustainability practices has been *fair-finance*’s participation in the engagement network ‘Shareholders for Change’ (SfC) and has, in turn, received considerable support from like-minded investors. SfC is a network of sustainability-focussed investors that attempts effect sustainability improvements in companies with questionable and unsustainable practices, yet the assets of which are held within the network. SfC does so by identifying target companies and then using the combined weight of all assets held within the network for posing critical questions to business management and/or calling for votes at general meetings. The network is primarily active on matters concerning the environment, corporate governance, and human and labour rights.

In addition, *fair-finance* is driven by its conviction to create value for their customers while at the same time making the world an ever so slightly better place. The determination to make a difference in environmental, social, and other matters through investing sustainably is *fair-finance*’s benefit. For that, *fair-finance* are willing to accept disadvantages such as those regulatory barriers described above. These ideals also inform their plans: There will be a Social Entrepreneurship Fund II, III, and IV, the customers’ council will retain its influential position, and the sustainable investment directives will be further refined according to emerging needs.

Key takeaways

fair-finance is an example of an SME in the finance industry whose focus has been on sustainable investment from the very beginning. Only one year after its foundation in 2011, the company introduced sustainable investment guidelines which serve as the foundation for all investment activities. What began as a leap of faith at a time, when nobody knew, if investing sustainably could lead to success, developed into one of Austria’s leading pension funds. Despite having been held back by administrative restriction in the form of lengthy licensing procedures and limitations on the investment portfolio’s composition, *fair-finance* has had a tangible impact on the sustainability of asset issuers as well as the finance industry as a whole. Ultimately, Mr Landentrog believes that those in the finance business who are honest, fair, and transparent, but also bold enough to follow their conviction by implementing CSR and sustainability principles will be rewarded.

Responsible investment at the core of asset management strategy at La Financière de l'Échiquier



La Financière de l'Echiquier (LFDE) is one of France's leading asset management boutiques. LFDE follows well-developed ESG criteria when making investment decisions, placing a particularly strong focus on governance, as well as in-depth knowledge of the companies. Furthermore, LFDE is involved in socially responsible investment (SRI), which entails active and long-term engagement with companies to help them improve their impact. Lastly, the company has established a foundation that supports action in the areas of health, education, and social and professional integration.

LFDE was established by two entrepreneurs in the early 1990s, with a high conviction and long-term approach to their portfolio management strategy. From the very beginning, LFDE was guided by a belief that the companies in which one invests should undergo a rigorous selection procedure. Paying close attention to the "value of things" proved to be a successful strategy – today, the company manages a range of funds worth 13.4bn Euros primarily invested in equities (77%), corporate bonds and convertible bonds. In terms of equities, the company focuses on listed companies (i.e., publicly traded stocks). Most of the investments are made in France or other European countries, while the portion of international investments is around 20%. The company works with different types of clients, including wealth management professionals, institutional and private investors. Therefore, although LFDE can be considered a boutique asset management firm, it nevertheless covers a broad spectrum of activities and approaches. Lastly, LFDE plays a role in the social and solidarity economy through a Foundation that provides support to the community in the areas of education, integration and healthcare.

In 2019, LFDE was acquired by *Primonial Group*, a leading wealth management company in Europe. This transaction allowed LFDE to continue its steady growth and diversify into new asset classes.



France, Paris



Banking, finance and insurance industry



136 employees



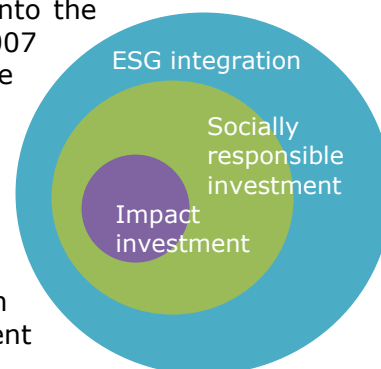
Assets under management: 13.4bn EUR as of 30/06/2021



Established in 1991

An engaged investment strategy that facilitates positive impact

LFDE applies **varying levels of ESG criteria integration** into the asset management. Its SRI methodology was formalised in 2007 and, a year later, LFDE signed the UN Principles for Responsible Investment (PRI). Currently, 92% of the investments made by LFDE include Environmental, Social and Governance (ESG) criteria. Although ESG analysis is applied to all the actively managed stocks, particularly strong attention to this is paid in SRI-labeled funds. Nine funds managed by LFDE have obtained the French SRI label, which comprise almost 50% of the total value of their assets. Two of these SRI funds (worth almost 350m Euros in total) are considered Impact investment funds and have the highest level of ESG criteria integration.



The **ESG criteria are primarily focused on the aspect of governance**, while this forms a basis for developing a strategic approach towards sustainability within a company. Such an approach allows not only to select the best-in-class companies, but also help improve the performance of those that do not have a perfect ESG score. A 'best efforts approach' can be ensured by the management team's active dialogue with their investors and commitment to move towards more sustainable practices. LFDE also follows an **exclusion policy** which includes fossil fuels, weapons, GMOs, tobacco, and UN Global Compact violations³⁸.

The companies that show investment potential are being assessed based on **qualitative and quantitative ratings** which include both financial and non-financial criteria (for instance, do no significant harm assessment, social safeguards assessment). This step requires a lot of resources while this kind of data has to be bought from external sources, such as *Bloomberg*. Moreover, qualitative data (such as annual reports) has to be manually assessed by people and cannot be optimised, which requires dedicating an extensive team of analysts.

Another important element in the assessment process is to **meet with the management teams** of the companies. According to LFDE's website, applying this approach results in more than 1,200 meetings each year. Although it may seem time-consuming, face-to-face contact allows to determine whether the companies actually follow what they preach and demonstrate strategic commitment.

Over the years, a pool of expertise was built around impact investment, leading to a launch of dedicated funds. Currently, two impact funds are managed under the framework of LFDE's new **impact doctrine**, which is based on three pillars of intentionality, additionality, and measurability³⁹. For instance, the team of the *Echiquier Positive Impact Europe Fund*⁴⁰ not only excludes controversial sectors and identifies ESG risks, but also directs capital to companies that contribute positively to the SDGs. In 2020, 73.7% of the turnover of the companies in the fund portfolio contributed to one or more of the SDGs (related to health, energy transition, digitalisation, etc.)⁴¹. At the end of 2020, LFDE launched a thematic climate impact fund⁴², entirely dedicated to the energy and environmental transition. It focuses on three types of companies: a) solution providers to climate challenges b) pioneers to their sector and c) companies that have begun their climate transition.

³⁸ More information available at: <https://www.lfde.com/en/responsible-investment/our-methodology/>

³⁹ More information available at: https://cdn.lfde.com/upload/partner/202108_DoctrineImpact_LFDE_EN.pdf

⁴⁰ Worth 328m Euros as of 31/12/2020

⁴¹ More information available at: https://cdn.lfde.com/upload/partner/en_Rapport_dimpact_2020.pdf

⁴² Worth 13m Euros as of 31/12/2020

Overall, *LFDE* exercises **active engagement** in their portfolio companies. Participation in shareholders' general meetings provide an opportunity for dialogue with the companies and allow to vote on important decisions, with particular attention given to environmental and social resolutions. As an illustration, *LFDE* managed to convince the French engineering company SPIE to respond to the annual CDP Climate Change survey and improve their transparency regarding carbon emissions.⁴³

Transparency helps to achieve sustainability objectives

LFDE seeks to ensure full compliance with its **Transparency Code**, which is being updated at least once a year. In addition, information to stakeholders is provided in the company's website under the "Responsible investment" section, while there are also separate pages dedicated to each of the funds. Other publicly available documents include Responsible investment policy, Voting and engagement policy, as well as the recent Climate Strategy.

In order to track progress and see the actual impact, **measurability is of crucial importance**. For instance, *LFDE* tracks the carbon footprints of their funds, enabling managers to monitor it and keep it below the benchmark. To complement the research done within *LFDE*, an external consulting firm performs independent reviews of impact performance. This not only allows *LFDE* and its investors to assess the impacts of the portfolio companies and the funds but is also a motivating factor for the employees. In fact, the remuneration of the impact funds' managers is aligned with ex ante impact targets. Since 2020, each employee's individual objectives now include a specific ESG/SRI objective that is taken into consideration when determining one's annual salary.

Giving back to the community through a foundation

In 2005, *LFDE* launched a *Financière de l'Echiquier Foundation* in order to unite the company's employees around the idea of solidarity and contribute to the society. Following the company's acquisition in 2019, it was renamed as *Primonial Group Foundation*⁴⁴. The Foundation is largely financed via a portion of some of the *LFDE* funds' management fees. This amounts to an average annual endowment of 1 million Euros. In addition to simply providing financial support to charities, the *LFDE* encourages members of the staff to dedicate some of their time to projects implemented by the Foundation. The Foundation has a clear governance structure, including a Strategy Committee and Engagement Committees covering the different action areas, made up of *Primonial Group* staff and external experts. The company allows employees to devote up to 5 working days per year to associations supported by the Foundation (mentoring young people, renovating premises, etc.).

The Foundation engages in a variety of projects each year. This includes charities and projects seeking to reduce inequalities in education, strengthen social skills and tackle isolation or help people (re-)find their independence and gain employment. In response to the pandemic, the Foundation's Strategy Committee decided to also position itself in the health field. In this action area, the Foundation initiates calls for projects that provide a response to the psychological problems of the most exposed and vulnerable populations to the pandemic. Lastly, the Foundation operates a charity that supports high school students from less-advantaged backgrounds that seek admission to the preparatory classes for France's elite *grandes écoles* universities.

Barriers and opportunities for engaging in CSR and sustainability practices

LFDE is convinced that a strong focus on SRI and close attention to corporate governance **pays off in the long-term and allows to overcome market fluctuations**. 2019 study

⁴³ More information available at: https://cdn.lfde.com/upload/partner/en_Rapport_dimpact_2020.pdf

⁴⁴ More information available at: <https://www.fondationprimonial.com/en/the-foundation-2/>

performed by *LFDE* revealed that the portfolio of companies with the best ESG scores generated a performance which was 2.3 times better over 9 years than the portfolio of companies with the worst ESG scores. Companies with poor governance ratings performed least well⁴⁵. Later on, the pandemic has proved that companies with the best ESG score were more resilient and significantly outperformed those with lower scores⁴⁶.

Therefore, *LFDE* plans to **gradually increase the level of ESG integration** when making investment decisions. Impact investment, which currently plays a rather minor role in *LFDE*'s asset management, will certainly be one of the main focuses in the future. Although applying ESG criteria to at least some extent is becoming more mainstream in the financial sector, it is unclear whether all investors and asset managers will truly commit to systematically integrate it to their decision-making processes. According to representatives of *LFDE*, it will **require increasingly more data and reporting** to adequately assess the impact performance. As mentioned before, being transparent is, indeed, resource-consuming and **highly-dependent on the information that companies disclose themselves**. In 2020, *LFDE* participated in a UN PRI workshop regarding EU taxonomy alignment. After looking at the portfolio companies in the *Echiquier Positive Impact Fund*, it was found that more than 75% portfolio was not aligned with the taxonomy (i.e., most companies did not disclose their taxonomy-aligned turnover)⁴⁷. This poses a challenge to act as responsible asset managers and comply with the new standards and obligations.

Key takeaways

LFDE proves that SRI is not just a means of being ethical but has become a powerful risk management tool and a key factor to steady growth. Gradually increasing the level of ESG integration and taking into account the companies' contribution to the SDGs requires more and more data and analysis. Therefore, face-to-face meetings with the companies can help fill the gaps and make sure that the provided information does not contain greenwashing. Moreover, active engagement and dialogue with portfolio companies may help them improve their CSR and sustainability practices. Interestingly, *LFDE* has made sustainability not only a part of its objective as a company but has also integrated it into individual objectives of each employee. Giving back to the community is deeply embedded in the corporate culture, as the company also operates a foundation which allows employees to engage in solidarity projects.

⁴⁵ More information available at: https://cdn.lfde.com/upload/partner/Etude-ISR_2019_EN_WEB.pdf

⁴⁶ More information available at: <https://cdn.lfde.com/upload/partner/CarnetsdeRechercheIR2020EN1.pdf>

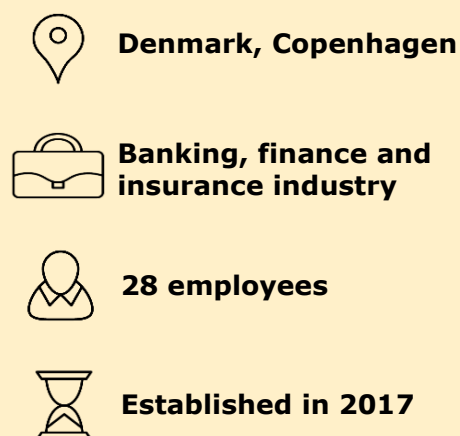
⁴⁷ More information available at: <https://www.unpri.org/eu-taxonomy-alignment-case-studies/eu-taxonomy-alignment-case-study-la-financiere-de-lechiquier/6390.article>

Matter: a Copenhagen-based fintech helps investors take a better look at the sustainability of their investments



Financial institutions can choose from a variety of Environmental, Social and Governance (ESG) ratings in order to evaluate the companies they (plan to) invest in. However, most of these ESG ratings aim to measure a company's resilience only to financially relevant ESG risks. In other words, the scores are focused on financial materiality and do not provide a holistic insight into the sustainability profile of a company. The Danish financial technology start-up Matter offers a flexible alternative to ESG ratings by providing access to in-depth information about a broad range of critical sustainability themes. Thus, the company helps the financial industry to steer vast amounts of capital towards achieving the UN 2030 Agenda.

Matter was founded by Niels Fibaek-Jensen, who previously worked at the UN, and Emil Fuglsang, who had experience in management consulting. Throughout their careers, they both saw that institutional investors crucially need better information about sustainable investing. To address this issue, in 2017 they established Matter which started as a B2C platform aiming to work with the Danish pension industry. The start-up launched a collaboration with the financial service corporation Skandia, offering individual customers and workplace pension scheme managers an opportunity to ensure that their money is invested with high concern for people and the planet. However, Matter's team quickly realised that their analytical tools have a far broader use-case beyond Denmark. In late 2018, the company started pivoting towards B2B with the idea of helping financial institutions (such as insurance companies, pension providers, asset managers, banks) understand, act and report on the sustainability of their investments.



In 2020, Nasdaq Ventures made a strategic investment in Matter, in part to accelerate the development of Nasdaq's ESG Footprint solution which is powered by Matter's analytics technology.⁴⁸ Today, Matter also works in close partnership with over 30 international and Danish clients, ranging from big players such as Nordea and AP Pension to retail investors and small family offices.

Unlocking critical impact information across portfolios

The company prefers using the term "sustainability" instead of "ESG", even though the latter is more common in the financial industry. This is because Matter seeks to provide a more nuanced and holistic approach towards investment impact information when compared to standard ESG frameworks. ESG rankings usually contain only aggregated information which may hide various red flags (a listed company is given an overall score and a set of scores for the three pillars of ESG). To respond to this issue, Matter aims to offer an intuitive, easily understandable, and yet transparent and granular view into a company's or portfolio's performance.

⁴⁸ More information available at: <https://www.nasdaq.com/articles/matter-solutions-help-investors-better-understand-the-sustainability-impact-of-their>

Matter collects data on over 50 sustainability themes across more than 14 000 listed companies in three different ways:

- **Traditional impact metrics**, which, for example, connect self-reported data on CO2 emissions, the amount of water a company consumes, the proportion of women on its management board, etc.
- Since impact metrics are largely imperfect and self-selective, *Matter* has developed an **estimation tool to fill the missing data** gaps (e.g. if a company does not report its emissions, the tool provides an estimate based on the sector's average).
- **Thematic data**, which allows to present an investor with red flags. This allows to determine, for instance, whether a company has been involved in human rights violations or contributed to deforestation. *Matter* draws this data based on 50 sources of global expertise. In order to achieve this, *Matter* actively collaborates with organisations from civil society, NGOs and academia, such as Business & Human Rights Resource Centre and the World Benchmarking Alliance.

Matter combines this quantitative and qualitative data to help investors understand the full extent of their impact, as well as to see where the information is coming from. *Matter's* portfolio analysis does not present a client with an aggregated ESG score, but rather provides a tailored report against more relevant sustainability metrics to get a full overview of their portfolio.

Enabling financial institutions to demonstrate the impact of investments directly to customers

Matter has created a digital solution that enables financial institutions to prove and display the impact of their products and services directly to their customers. The API and widget solutions allow financial institutions to easily integrate *Matter's* impact reporting onto their platforms. For instance, customers can be presented with different impact metrics (e.g. greenhouse gas emissions or renewable energy generation) or sustainability flags on their individual investments.

This not only allows to increase transparency, but also helps customers better understand their footprint and steers them towards more sustainable investment (e.g. avoid owning shares in companies with relatively high CO2 emissions or human rights' abuses).

Sentiment data to understand how companies are perceived in global media

Another aspect that makes *Matter* stand out among its competitors is its proprietary tool *SDG Signals*. The tool is powered by artificial intelligence and is driven by machine learning. By processing natural language from over 60 000 daily articles, the tool assesses how more than 38 000 companies are perceived in global news media in relation to the UN SDGs.

SDG Signals enables investors to anticipate sustainability related risks and opportunities and quickly respond to shifting trends. For instance, if a media outlet reports that a particular company is involved in a labour abuse scandal or that another company has released an ambitious sustainability strategy, an asset manager can easily predict which names are going to be revised up or down in ESG scores in the near future.



Credit: Matter

A Copenhagen-based asset management company *Qblue Balanced* has incorporated *SDG Signals* into their balanced approach to sustainability analysis. Since *SDG Signals* is a potential predictor of a company's sustainability performance, *Qblue Balanced* believes that it may even bring financial returns on their investments⁴⁹.

It is important to note that *SDG Signals* does not discriminate between SDGs, meaning that it provides sentiment data across all 17 SDGs and treats them with equal importance. This aspect corresponds with *Matter's* overall strategy to pay attention to various sustainability themes, and not only the ones that are financially relevant. In other words, *Matter* does not focus solely on issues that are likely to impact the financial condition or operating performance of a company, but encourages investors to take ethical aspects into consideration as well. On the other hand, *Matter* does not want to impose their own normative values upon investors and only seeks to present them with objective data.

Barriers and opportunities for engaging in CSR and sustainability practices

Incomplete, unstructured, or non-transparent data is a significant challenge for *Matter*. Moreover, the social side of the metrics is not advancing that fast as the environmental side and remains more difficult to quantify. On the other hand, incomplete data is also the biggest opportunity for *Matter*, as its business model is driven by getting as close to the full picture as possible. Moreover, regulation is increasing throughout Europe, especially with the recent EU Sustainable Finance Disclosure Regulation and the EU Taxonomy. Companies are required to disclose more and more transparent information concerning their sustainability efforts, and Benjamin believes that stricter regulations will be introduced in the future.

Another challenge is to find the right balance between complexity and humility, when presenting the sustainability-related data to investors. Besides, there are challenges in breaking out on each ESG, without losing the multidisciplinary perspective (for instance, moving away from coal has positive environmental impact but may have negative consequences to employment in that area).

Overall, sustainability is one of the strongest drivers and trends in investing and it will only increase over time. In fact, the number of available sustainable investing funds has nearly tripled since 2008⁵⁰. With vast inflows of capital being put into sustainable funds, the demand for granular data from a variety of sources is growing. Therefore, *Matter* is constantly striving to stay ahead of the game and offer innovative solutions to their clients. In the near future, they are planning to launch a Digital Dashboard to make their products more user-friendly, as well as continue improving their *SDG Signals* tool. Lastly, they are

⁴⁹ More information available at: <https://www.thisismatter.com/customer-stories/qblue-balanced-utilise-matters-ml-powered-sdg-signals-to-gain-a-competitive-advantage-in-new-fund>

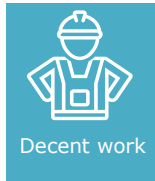
⁵⁰ More information available at: https://www.ey.com/en_us/financial-services/why-sustainable-investing-matters

focusing on commercial development of their easily-scalable products, which might make sustainable investment more accessible for everyone in the financial industry.

Key takeaways

Although the interest in sustainable investing has been increasing steadily in recent years, the financial industry is still facing a variety of challenges. Issues such as incomplete and non-transparent data or ESG rankings hiding various red flags, often prevent investors and asset managers from seeing the real impact of their investments. *Matter* demonstrates that although it is possible to see merely a fraction of the full picture, it is worthwhile to look for more data than traditional impact metrics suggest. In four years, the company has managed to develop a multi-stakeholder approach presenting data from over 50 sources of global sustainability expertise, bridging the gap between current investment practices and the growing wealth of scientific knowledge on how companies interact with society and the environment. Moreover, the company has created an innovative way to draw up-to-date information from global news outlets, namely, the machine learning-driven sentiment data analysis tool *SDG Signals*. The growing interest in such tools show that the tech industry's support will be increasingly important to investment decision-making in the future.

WeBuust: a Finnish virtual online start-up accelerator available for entrepreneurs across the globe



Decent work



Information sharing



Community involvement



Environment

WeBuust is a virtual acceleration and funding platform that brings together start-up founders, investors, incubators, and accelerators. The company offers comprehensive digital development paths to aspiring entrepreneurs, which can be either self-paced or implemented as part of an acceleration or incubation programme. WeBuust contributes to several SDGs by providing affordable educational tools to people from different parts of the world and diverse socio-economic backgrounds, and then helping them find investors who support their business idea. (<https://webuust.com>)

Developing countries face a number of trade barriers and a lack of support for entrepreneurship. The co-founder and current CEO of *WeBuust*, Janne Lauanne, became familiar with the struggles of aspiring entrepreneurs in his 15 years of hands-on experience working in a start-up. *WeBuust* was established in 2017 with the idea to offer easily-accessible guidance to entrepreneurs across the globe and provide them an opportunity to attract investment. Today *WeBuust* serves as a digital platform where people who have a business idea can develop business plans by themselves or as part of their participation in incubators or accelerators, as well as prepare to attract interest from investors and raise capital.



Finland, Oulu



Banking, finance and insurance industry



9 employees



Established in 2017

The *WeBuust* platform is beneficial for entrepreneurs as well as investors and start-up incubators. By registering on the platform, entrepreneurs get an array of development tools to polish their business idea. The standardized and digitalised process on the platform makes it easier for investors and incubators to review new businesses and decide whether to invest. Today, around 4000 start-ups and several hundred investors and incubators have already registered within the platform.

To help connect companies, *WeBuust* works in partnership with several accelerators and incubators that play an important role for the subsequent development of start-ups. For instance, in 2019, the company signed an agreement with the Japanese start-up accelerator *Startup GoGo* to foster the expansion of Japanese companies into Finland and vice versa.

Accessibility for every entrepreneur worldwide

The lack of capital, knowledge and financial innovation is one of the main obstacles to promoting the culture of entrepreneurship in developing countries. Many entrepreneurs in emerging markets need to rely on external financing, but the high interest rates of getting a loan often prevent them from pursuing their business ideas⁵¹. Hence, *WeBuust* is an easily accessible tool for entrepreneurs in these markets to help them overcome the obstacles associated with further development. Although *WeBuust* focuses more on developing regions, Janne explains that entrepreneurs also need networking support,

⁵¹ Source: <https://globaledge.msu.edu/blog/post/1273/understanding-entrepreneurship-in-develo>

advice, and resources to build their businesses even in rural areas of EU Member States like Finland.

With this in mind, the *WeBuust* platform helps entrepreneurs grow their businesses, regardless of their financial means, networking skills, or education:

- **Free service.** Entrepreneurs can register for free on the platform to use basic services that cover all material necessary to kick-starting a venture. This option allows anyone around the world, despite their financial means, to work on the platform. In addition, *WeBuust* offers paid premium services, however, they are mostly meant for start-ups that participate in incubation/acceleration programmes which cover the costs of the premium services.
- **Comprehensive guidance.** Janne notes that by using *WeBuust's* guidance programmes, entrepreneurs can advance their business ideas despite a lack of knowledge and experience. For example, *WeBuust* facilitates the business development process by helping entrepreneurs create professional standard deliverables (e.g. pitch presentations, validation reports, and business plans) that attract the interest of investors and business accelerators. Entrepreneurs also learn how to set up an appropriate team structure, identify competitors and market their ideas. However, guidance is not industry-specific. On the contrary, they provide systematic information that is relevant to any business: product positioning in the market, analysis of the team's skills and experience, and help in determining the added value the start-up has for potential investors. Furthermore, through AI video analytics, start-up founders have the opportunity to practise their pitches for investors and receive clear feedback and opportunities for improvement.
- **A tool for networking.** As Janne puts it, *WeBuust* is a digital backbone for start-up accelerators and incubators. This means that start-ups registered on the platform are more likely to be selected by business accelerators and incubators for further development and fundraising. Furthermore, several such programmes have incorporated *WeBuust's* platform into their processes as a complementary digital tool.
- **Different approaches to business development.** *WeBuust* offers several approaches to how start-ups can accelerate their ideas catering to various needs of every entrepreneur. First, a fully-fledged acceleration programme that can be used as self-paced is available to companies that have already received funding. Also, in their quest to democratise entrepreneurship *WeBuust* will soon unveil a *Start From Zero* path that includes basic information an entrepreneur needs to be aware of before starting a business or even before coming up with an idea.

Approach to sustainability in the early start-up stage

Although investors often require mid-sized or listed companies and corporations to meet certain ESG (environmental, social and governance) criteria, Janne notes that similar requirements are now gaining traction with SMEs and start-ups. He points out that most new ventures, in contrast to large and well-established corporations, do not have the resources and cannot hire staff members to work on CSR and sustainability issues. For this reason, *WeBuust* is planning to include training on sustainability factors and social impact as part of the start-up development path. The approach to sustainability in start-up development is lenient and flexible now, but Janne hopes that this process will be more structured in the future. The training on sustainability should become more prevalent, explicit and include the following:

- **General information on CSR.** Janne hopes to systematise all relevant information about sustainability and ESG criteria for SMEs and start-ups so that they can apply it easily and methodically.
- **Sustainability strategy.** On the platform, start-ups will be guided through the process to design their Sustainability/CSR strategy and integrate it into the core business model.

- **Transparency.** *WeBuust* will provide clear environmental KPIs and other ESG metrics that companies can use to assess their impact on the environment. In addition to financial reports, these KPIs will be available to investors to review and evaluate the company's potential social and environmental impact.

Barriers and opportunities for engaging in CSR and sustainability practices

Extensive government funding and support facilitate a culture of cooperative entrepreneurship and a **well-functioning start-up ecosystem in Finland**, creating a hospitable environment for *WeBuust's* growth. However, Janne notes that launching the company was quite a challenge. Although *WeBuust* set up the platform in 2018, the first customers arrived just before the pandemic broke out, causing some uncertainty. On the other hand, unlike other companies for which the pandemic presented significant obstacles and financial risks, *WeBuust* seized the opportunity to go fully digital – Janne notes that there could not have been a better time to launch a digital company.

He also points out that being a virtual start-up accelerator comes with its own set of obstacles. It was a **challenge to digitise the entire platform** and make it user-friendly for both investors and entrepreneurs. Therefore, they worked with Oulu University to develop an AI deep learning analysis tool that produces unique data to the risk assessment process so that the potential investor can determine if the start-up is worth investing in⁵².

Having overcome the initial challenges, Janne **cannot see any significant obstacles** for *WeBuust* today. Looking ahead, *WeBuust* could be an answer on how to enable sustainable growth in the early stages of venture development. They plan to gradually increase the level of ESG integration in guidance programmes for start-ups and focus on the importance of impact investing.

Key takeaways

WeBuust acts as an intermediate between capital and business ideas that might change the world for the better. It is paving the way for ventures to develop in a sustainable manner step by step, starting from the conception of an idea to its transformation into a financially viable project. Through standardised and yet comprehensive guidance, *WeBuust* supports and empowers entrepreneurs from across the globe, including developing regions. *WeBuust* dedicates great importance to ESG, sustainability and social impact investment by increasingly highlighting these issues in the platform. *WeBuust* is based on the idea that thinking about the possible impacts on the planet and society in the early stages of starting a business will provide a solid foundation for developing a strategic approach towards sustainability within a company. Moreover, investors will be able to look into the start-ups' performance on sustainability when making their investment decisions and, thus, direct capital into companies that contribute positively to the SDGs.

⁵² Source: <https://www.theseus.fi/handle/10024/261543>

Sano Touring seeks to make travelling in Romania accessible to all



Approximately 15% of the global population experiences some form of disability, while older persons with various health difficulties constitute an increasingly growing group. Yet, this population segment is still experiencing a lack of accessibility to social and cultural life, including tourism. Sano Touring, a Romanian travel agency, addresses this issue by offering customized services for seniors and people with various kinds of disabilities. The company's employees are deeply involved in the non-profit sector, which allows them to better understand the needs of their clients, as well as educate other Romanian businesses about accessibility.

Sano Touring is the only Romanian travel agency that addresses inbound travel specifics for persons with disabilities, seniors or families travelling with children. The company provides travel services, namely tours and travel packages for visitors. For instance, Sano Touring offers travel packages to groups of seniors from Israel, who often come to Romania's SPA and rehabilitation facilities. Other services are more customized to individuals and their families – this may include provision of wheelchair-friendly transportation, arranging arrival details with hotels or leisure facilities, and even recommending restaurants that have accessible restrooms. Their clients include foreign tour-operators in need of local expertise to assist their clients during the journey, as well as companies, NGOs or fully independent travellers, looking for authentic experiences in Romania.



Romania, Bucharest



Tourism and hospitality industry



2 employees (+5 external workers)



Revenue: 60 000 EUR in 2019 (activities were on hold due to Covid-19)



Established in 2015

Cristina Căluianu, the founder of Sano Touring, previously worked as a Marketing Manager at one of the top travel agencies in Romania. In 2004, she decided open her own business, *Marketing Development SRL*, and focused its activities on consulting and management of EU-funded projects. In 2013, Cristina was doing some research on travelling for seniors and stumbled upon the topic of accessible tourism. She became fixated on the idea and, one year later, decided to develop a second line of business – a travel agency that would address accessible tourism. At the time, this was a new and unfamiliar concept not only in Romania, but in neighbouring countries as well. To this day, Cristina claims that Romania is lagging far behind some other EU countries with respect to disability awareness, acceptance, and integration. Although there are laws and regulations in Romania that require to ensure equal access to infrastructure, culture, tourism etc., these provisions are poorly enforced. Despite these barriers, a few other like-minded travel professionals joined Cristina's team in 2015, and Sano Touring started its operations.

Today, Cristina is proud of what Sano Touring has managed to achieve in five years. She believes that the quality of their services compares to that of similar agencies operating in countries with highly-developed regulatory frameworks and strategic approaches towards accessibility. Sano Touring has put Romania on the world map of accessible tourism, as it is now a member of the European Network for Accessible Tourism (ENAT), and is listed on *Lonely Planet's* "Accessible Travel Online Resources" collection. The team is putting effort into learning more about the needs of their clients, discovering accessible locations around the country and sharing their knowledge with other organisations.

Accessibility audits

Sano Touring has a closely-knit partnership with a non-profit organisation, *Association CED Romania*, focused on supporting the rights of individuals with disabilities in terms of universal access in physical and virtual environments. In 2016, the Association **launched a website called *AccessibleRomania.com***, which seeks to inform both Romanian and foreign travellers about accommodation, food and beverage services and tourist locations that can be comfortably visited by persons with special needs and seniors. However, the actual conditions must be carefully checked at each destination. For instance, hotels that are marked as accessible on *Booking.com* in reality are often only partially adapted to wheelchair users. For restaurants, the most common problem is the lack of space in the restrooms. Museums and cultural venues have to adapt to all kinds of disabilities, not only in terms of infrastructure (parking spaces, ramps, flooring) but also in terms of the activities offered (descriptions in Braille, adjusted lighting, special programmes for the intellectually disabled, etc.).

For this reason, Irina Schvab, who works as a Travel Manager at *Sano Touring* and project manager of the website *AccessibleRomania.com*, **organises and performs on-site assessments**. Only those locations that fulfil most criteria (such as accessibility for motor impairments) are then placed on the website. The Association has a network of volunteers – persons with various kinds of physical disabilities – that provide their feedback during these audits. This includes wheelchair users, slow walkers, blind and vision impaired, deaf or hard-of-hearing persons. The on-site assessments provide Romanian persons with disabilities an opportunity to visit new places, participate in social and cultural life, and benefit from adapted transportation, which they are often deprived of due to a lack of financial support from the state.

The results of these assessments feed into *Sano Touring's* activities, such as creating the accessible travel guides "Accessible Romania" and "Accessible Bucharest"⁵³. Moreover, direct contact with volunteers allows travel agents and guides to better understand the needs of persons with disabilities, and thus contributes to *Sano Touring's* quality of services. However, while the infrastructure-level concerns are rather evident, the team is less familiar with disability-friendly activities and cultural events. Previously, they contributed to an initiative "Help Me Be a Rockstar", which included music performances in sign language. Further collaborations like this would allow the team to get more knowledge in this area.

The actions of the Association are supported by *Marketing Development SRL*, partner organisations (such as associations of persons with disabilities), and sponsors identified through the Association's efforts. However, due to the COVID-19 pandemic, the sponsorship from private companies was minimal throughout 2020 and 2021. While *Sano Touring's* tour operations remain suspended, the development of the database of accessible locations and potential partners has become one of the main activities of the team.

Partnering with other organisations through EU-funded projects

The team keeps in close contact with similar organisations abroad, as well as international networks, including ENAT and *Destination Everywhere*. Membership in such platforms gives access to information on their projects and provides opportunities to be invited as project partners. Today, *CED Romania Association* is partner in two ongoing projects financed under different funding mechanisms:

⁵³ Available at: <https://www.accessibleromania.com/tours-daytrips/>

- **Strategic alliance project “AYO Accessibility in Youth Organisations”⁵⁴**, funded under *Erasmus+ Key Action 2*, the aim of which is to share good practices on accessibility in youth organizations from Spain, Portugal, Greece, Sweden, and Romania and to carry out an analysis that will be reflected in a subsequent guide to make European youth entities more accessible.
- **Mobility project “Best Practices in Inclusion for Adult Education”⁵⁵**, funded under *Erasmus+ Key Action 104*, the aim of which is to facilitate an exchange of good practices between Spanish and Romanian entities and institutions working in the field of disability (this includes exchange visits to facilities in Spain that are built in accordance to universal design principles).

Sano Touring is partner in the ongoing **R&D project “Tourism 4.0 for the Black Sea (T4BS)”**, funded under the European Maritime Fisheries Fund, the aim of which is to demonstrate the potential of data analysis for tourism development with the purpose to reduce the negative environmental and social impact of tourism and improve local socio-economic performance⁵⁶.

Barriers and opportunities for engaging in CSR and sustainability practices

During their close work with businesses, the team has identified various barriers in relation to accessible tourism:

- **Misconceptions about the demand for accessible infrastructure and services.** Tourist locations do not see the business case of improving accessibility. For example, hotel managers claim they almost never receive visitors that have special needs, hence upgrading their infrastructure would not pay-off. Business owners do not take into account that persons with disabilities and seniors represent a significant part of the population, and statistics show ever growing rates. They also do not consider that persons with disabilities seldom travel alone, which means that the hotel dismisses not one, but at least two potential customers. The accessibility audits provide an opportunity to at least briefly present these arguments to service providers.
- **Misconceptions about the costs of improving accessibility.** Business owners often believe that the costs of adding accessibility installations are higher than they actually are. For example, installing tactile flooring for visually impaired people costs relatively little. Cristina claims that accessibility can be easily improved while implementing infrastructure modernisation projects that receive funding from the state. Such financing programmes generally have specific requirements for accessibility, however, this aspect is commonly overlooked. Therefore, Cristina’s business consultancy firm *Marketing Development SRL* suggests options for their clients to actually take accessibility into account when applying for grants (e.g. planning the plumbing). For example, they offer consultations with architects and designers that specialise in universal access.
- **Lack of government support.** As mentioned before, the laws and regulations connected to accessibility are not followed by enforcement mechanisms. The government authorities are more focused on funding social services for persons with disabilities, rather than inclusiveness and integration, which could be fostered through awareness-raising and training activities for society and businesses.
- **Negative stereotypes that surround Romania.** Cristina notices that the country lacks a positive reputation abroad, which prevents *Sano Touring* from finding more international partners, as well as attracting more tourists in general. In this sense,

⁵⁴ Available at: <https://oretaniaciudadreal.es/index.php/areas/proyectos-internacionales/erasmus-plus;https://rightchallenge.org/en/ayo/>

⁵⁵ Available at: <https://cfcecas.ro/bune-practici-in-materie-de-incluziune-pentru-educatia-adultilor/>

⁵⁶ More information available at: www.t4bs.eu

she believes that a national strategy for tourism, including a large-scale marketing campaign, would perhaps alter these perceptions.

Cristina believes that the aforementioned barriers can be overcome via **information and training campaigns** for local businesses. The team's current efforts, limited by scarce resources, are not enough to raise awareness and make a change in mentality among tour operators, tourist destinations, event venues, hotels, and restaurants. Cristina considers training to be a beneficial solution,

however, businesses would be reluctant to pay for it themselves. For this reason, the team is currently working on *Erasmus+* and other grant applications. The material collected during the on-site assessments will feed into the design of the training programmes. Receiving the grants would also allow to diversify *Sano Touring's* and the *Association CED Romania's* sources of income, which is especially relevant considering the pandemic-induced financial uncertainty.



Credit: Sano Touring

Key takeaways

Sano Touring provides an example of a company that greatly benefits from strategic collaborations with non-profit organisations. Continuous efforts in mapping disability-friendly locations and building thematic expertise allowed the team to increase the quality of their own travel services. Today, the team is ready to turn this knowledge into a mission of helping other businesses and organisations become more accessible. *Sano Touring* may also encourage other SMEs to get involved in various partnerships and make use of EU-funding both for the good of society and the environment, as well as for their business. Diversification of activities and involvement in such projects has also made *Sano Touring's* team more resilient to the pandemic.

Clio Muse Tours: a Greek digital platform that connects tourism and culture industries, and empowers professionals



Clio Muse Tours is an award-winning company that creates and distributes self-guided digital tours and virtual tour experiences. Founded in 2014, it has produced over 350 digital tours in 15 countries promoting sustainable practices in tourism. The tours span a wide range of themes such as history, art, architecture and "dark tourism." Some of them are used for educational purposes and are distributed for free. What distinguishes this company from its counterparts is that the tours' content is based on an award-winning methodology, which among others mitigates over-tourism. Finally, the paramount element of Clio Muse Tours' business model is that it has also developed cutting-edge technology tools that enable third-party creators such as cultural institutions and experts of the tourism industry to become content creators and digitize their businesses.

The company's authentic storytelling methodology and business model were developed by Andreas Fatouros, Daphne Tsevreni and Yiannis Nikolopoulos in 2012. The future co-founders of *Clio Muse Tours* had different educational and professional backgrounds but shared a common interest in tourism, history, and education. From the very start, their mission was to improve the tourism experience, make cultural tourism sustainable and bring people back to the museums while also contributing to the management of overtourism. Therefore, their content creation methodology and business model are based on reducing overcrowding while at the same time offer tourists an interactive, entertaining, and unconventional way to experience the world's most fascinating sites.

Clio Muse Tours, named after the muse of history in Greek mythology, was officially founded in 2014. The company creates self-guided audio tours and 360° virtual tour experiences and then distributes them via its platforms and on the world's leading online travel agencies. The tours are available for iOS and Android on the *Clio Muse Tours* app and are also accessible on any browser through the Tour Experience, the company's application for any browser. More importantly, the Athens-based company not only creates its own digital tours but also provides professionals of the tourism and the culture industries with its technological tools and its award-winning content methodology enabling them to create their own digital tours. During the first few years, the company earned money mostly by creating digital tours for museums. Today, its scope of activity has broadened – not only does it profit from projects commissioned by cultural institutions and other organisations, but also from selling tours directly to consumers via numerous online travel agencies. Since 2014 it has created over 350 digital tours for destinations in 15 countries. In 2019 alone, it served around 50 000 travellers. The previous year it had



managed to secure considerable sums of funds – around 500 000 EUR – from venture capital funds, such as the Greece-based *Uni.Fund*. It used those funds to improve its products and expand to more countries including Italy, Spain, and Turkey. By the end of 2021, the company expects to expand to 20 more countries and 100 destinations. Overall, the company is successful – 60% of the tours on their platform are created by third-party partners such as tour guides, historians, and archaeologists. However, all of the tours are checked and revised by the Clio Muse Tours' Content Department team in order to assure they are accurate and of high quality. Its innovative and sustainable practices have earned the company the title of one of the 30 best Greek start-ups according to the *Startupper Mag*.



Credit: Clio Muse Tours

The COVID-19 pandemic had a devastating impact on the global tourism industry. It is estimated that 50 million workers lost their jobs⁵⁷ and international tourism levels fell by almost three quarters in 2020 compared to 2019⁵⁸. Although the pandemic caused a drop in revenues and other challenges for *Clio Muse Tours* (see barriers and opportunities section), the period was also very productive for the company. During the lockdown measures, the team created 23 virtual 360° tours which are available on their platform, and they also developed a fully automated e-ticket and bookings management system. This allows museums to easily offer skip-the-line tickets to travellers who either want to make last-minute bookings or want to skip long queues and avoid close contact with other people.

A more inclusive way to experience cultural heritage sites

The company looks for innovative solutions to develop an interactive and inclusive cultural tourism experience. Its means to achieve this goal are as follows:

- **Enabling professionals and beginners in the tourism industry to become tour content creators.** *Clio Muse Tours* enables workers of the culture and tourism sectors to create self-guided tours via the company's authoring tool *CREATE*. The company then sells these tours on the *Clio Muse Tours* app and website and distributes them via major online tourism agencies (OTAs). *CREATE* is a scalable platform that supports different types of features such as text, images, maps, and audio recordings. Third-party partners create their tours based on *Clio Muse Tours*' methodology and they can enrich them with the visual and written content of their choice. This scalable technology solution empowers professionals who, for example, lost their jobs during the pandemic and helps them earn an additional income by dedicating commissions of 30% of the tour's price to the contributors. The price for each tour ranges from around 7.99 to 15.99 EUR and it can become an important source of extra income for tourism professionals. What is more, during an EU-funded project *Clio Muse Tours* developed a free of charge platform called *PLUGGY*⁵⁹, which allows non-professionals – cultural heritage enthusiasts – to create digital tours for their favourite landmarks and present them

⁵⁷ More information available at: <https://hospitalityinsights.ehl.edu/covid-19-impact-hospitality-workforce>

⁵⁸ More information available at: <https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism>

⁵⁹ More information available at: <https://pluggy.eu/>

to a wide community by uploading them on PLUGGY. These cutting-edge approaches to content creation have earned the company a good reputation in the tourism industry – in 2021, it was selected as one of the 25 winners from 18 countries at the United Nations World Tourism Organization (UNWTO) SDGs Global Startup Competition for its widespread ability to contribute to SDG8 “Decent work and economic growth”.

- **Promoting tours on their partners’ platforms.** *Clio Muse Tours* actively collaborates with the largest online travel agencies, such as *GetYourGuide*, *Booking.com*, *TripAdvisor* and *Expedia*. Cooperation with these platforms has a positive impact not only on their business but on third-party authors as well. After publishing the tours on the *Clio Muse Tours* app and website, the company also disseminates these products on their partners’ platforms, thus helping lesser-known destinations and museums gain recognition by an international audience.
- **Constantly improving services for persons with disabilities.** The team of *Clio Muse Tours* believes that physical impairments should not be a barrier to a quality tourist experience. Therefore, the company is constantly improving its services to adapt to the needs of persons with disabilities. For example, they upgraded the *Clio Muse Tours* platform for browsers *Tour Experience* in a way that allows people with visual impairment to adjust the contrast, the way the text and images are displayed as well as highlight certain parts of the text. At the moment this feature is available only on specific tours, but it is in the company’s goals to apply it on all of its products as well as on the *Clio Muse Tours* app.

Contributing to a greater dispersal of travel

Tourism has a substantial and damaging impact on the environment – it causes noise and air pollution, resource depletion, and increases transportation levels. Moreover, sightseeing sometimes leads to an excessive number of tourists visiting famous historical places in cities such as Amsterdam or Venice. Over-tourism contributes to the destruction of ecosystems, increases the amount of waste, and raises the cost of living to locals⁶⁰. Being a part of this industry, *Clio Muse Tours* **seeks to minimise the negative effects of tourism in popular destinations**. To help mitigate this phenomenon, *Clio Muse Tours* plans the tours’ routes in such a way that encourages users to visit both legendary heritage sites and lesser-known places as well as go off the beaten track. The company often cooperates with less-popular museums, as well as municipalities and public utility companies such as the Athens Water Supply and Sewerage Company (EYDAP) assisting them to attract more visitors to their region (for instance, less-known towns in inner Greece). This method of increasing tourism dispersal has proven very successful and the company received a *Booking Cares Lab 2018* award in Amsterdam for it.

Creating educational content to raise awareness of significant historical events

One of the objectives of *Clio Muse Tours* is to teach people about important historical events and help them understand the impact they have on society. Therefore, the company has worked with the topic of “dark tourism”, that is, tourism to places associated with tragedy, suffering and death. The company examined and worked on this type of tourism by:

- **Participation in the RePAST⁶¹ project.** Supported by Horizon 2020, the project aims to improve our society’s understanding of the troubling events in its past by employing interdisciplinary educational methods and a variety of resources (such as art, media, oral and official history). Within this project, *Clio Muse Tours* created eight digital tours, one for each of the countries included in the project (Cyprus,

⁶⁰ More information available at: <https://ecobnb.com/blog/2020/02/overtourism-causes-consequences-solutions/>

⁶¹ More information available at: <https://www.repast.eu/>

Germany, Poland, Greece, Bosnia, Kosovo, Ireland, and Spain) which were later used as educational material for 30 webinars that introduced cultural tourism professionals to the etiquette of dark tourism. These 30 webinars (mid-January - end of March 2021) were prepared by *Clio Muse Tours* in collaboration with the project team, including *The European Federation of Tourist Guide Associations (FEG)* and multiple academic and cultural organizations.

- **Creation of educational content about Jewish history.** *Clio Muse Tours*, together with *Europeana* and 13 other partners, are working on a project to create tours for approx. 13 000 Jewish history objects in six European and two non-European countries. Among the 13 partners are museums of Jewish history, memorial sites, libraries, cultural NGOs. The tours will be distributed via *Tripadvisor* and other well-known platforms.

Barriers and opportunities for engaging in CSR and sustainability practices

Unsurprisingly, the growth of the company was slowed down by the COVID-19 pandemic. The team was ready to start a major scale-up process in 2020 by signing an agreement with a major OTA, but the pandemic put these plans on hold. On the other hand, the pandemic made more apparent the need for digitization and many businesses in the industry were forced to transfer to the digital environment. Therefore, the methods to attract customers and organize trips are changing and a lot of different business models are emerging. It is becoming difficult to keep track of all novelties in the industry. These developments pose a challenge to *Clio Muse Tours* – the company had to figure out how to maintain profitability, user engagement and satisfaction, and compete with new companies in the digital environment.

Despite the challenge, *Clio Muse Tours* benefits from the advantage of an experienced and diverse team and its strong network of tourism professionals. This aspect allows them to quickly adapt to changes and innovate. Operating in both the tourism and the culture industries, the Greek company has built a solid business model which constantly enriches and enhances. For example, it adds new features and elements to their self-guided tours such as educational quizzes to keep users interested throughout the whole experience, it adds new features to the *CREATE* authoring tool and to the booking system to offer the ultimate user experience. *Clio Muse Tours* is also actively seeking for potential collaborations in EU-funded projects in order to further improve the accessibility and inclusiveness of their tours.

Key takeaways

Clio Muse Tours enables travellers to experience cultural heritage sites and discover the world's history in an entertaining and educational way. Due to its business model, the company's success story has a multiplying effect on a broader community of partners and collaborators. The company played an especially important role during the pandemic because its digital solutions empowered professionals in the tourism industry to develop digital tours on the *CREATE* platform and helped the museums find ways to connect with new and wider audiences. Based on sustainable practices, the company's business model promotes greater dispersal of tourists and highlights lesser-known destinations helping them gain traction. Finally, the case study illustrates how actors within the tourism industry can benefit from participation in collaborative EU-level projects. During such projects, the young start-up was given the much-needed opportunity to build a larger network of partners, develop new tools, methodologies and create new content.

Mano Guru: a salad bar that helps persons reintegrate into society



Human rights



Environment



Community
involvement

Mano Guru is a salad bar based in Vilnius, Lithuania, with a unique mission. Instead of experienced chefs and waiters, Mano Guru employs people who are rarely given a second chance – former prisoners, people dealing with drug or alcohol addictions, homeless people and persons with disabilities. It also organizes educational activities, donates books to prison inmates, cooperates with education institutions to teach about addictions and environmental awareness. Mano Guru's success in helping people from marginalised groups reintegrate into society has gained it recognition at home and abroad.

Mano Guru is a social enterprise that employs persons from marginalized groups without social and practical skills to become waiters, barmen and cooks. The founder and director of the enterprise, Reda Sutkuvienė, once visited a similar enterprise in Prague and was inspired to establish one in Lithuania. Moreover, she noticed that many people go back to using drugs, drinking or undertaking illegal activities after completing a rehabilitation course or detention, which made her realise that some kind of different incentives are needed to help them reintegrate into the labour market and social life. Thus, in 2004 a social enterprise – integration project *Mano Guru* – was established. *Mano Guru* is an authentic place – it is arguably the only social initiative of this kind in Lithuania that has managed to remain successful for so long. Not only does it give people from marginalized groups a chance to make a living but encourages them to engage in social activities, namely events, seminars and integration projects. *Mano Guru* won the prestigious “European of the Year” and the “European Citizen’s” awards in 2021 for its dedication to helping marginalized individuals.

Usually, around 20 people work at the salad-bar (currently 22). The team is composed of individuals, who are employed for six months or up to one year, and professionals – mentors, psychologists, social workers. After this period, it is expected that *Mano Guru*'s employees will be equipped with social and practical skills necessary to fully integrate back into society.

Although it operates almost like a private enterprise, *Mano Guru* does not accumulate profit. When Reda established *Mano Guru*, she did not receive any financial support from the state to fund the bar's infrastructure, therefore she got a mortgage. The money made from food orders is used to pay off this mortgage and cover other aspects of the integration process, such as clothes, accommodation, and some medical costs. However, *Mano Guru* uses financial support received from the European Social Fund to cover the costs for human resources – pay salaries to some employees, give them opportunities to enrol in seminars, etc. For two years in a row, the salad bar has been receiving financial support under a programme initiated by the Employment Service. This program subsidizes jobs for persons from disadvantaged groups, thus enabling *Mano Guru* to effectively help even more people start a new life.



Vilnius, Lithuania



**Tourism and
hospitality industry**



22 employees



**Revenue: 290 449
EUR in 2020**



Established in 2004



Credit: Mano Guru

Business model based on the goal to foster social reintegration

According to Reda, 17 years ago, when the salad bar was opened, society's perception on persons with problematic life stories and their perspectives of holding a steady job was sceptical and sometimes even hostile. However, over time, attitudes shifted towards an understanding that empowerment and work, rather than unemployment benefits and social negligence help such persons change their mind-set and cope

with addictions. Over the course of 17 years, *Mano Guru* has **employed around 700 people**, most of whom managed to become fully integrated members of society. After leaving *Mano Guru*, they found other jobs, created families and live fulfilling lives.

Mano Guru is both an immensely **supporting and a challenging workplace**. On the one hand, it provides accommodation, clothing, covers healthcare expenses, if necessary, offers psychologists' consultations, teaches to work responsibly and legally, creates development programs for individual employees. On the other hand, *Mano Guru* also understands the importance of helping people get off of welfare benefits, use their abilities to work and expose them to as much social interaction as possible.

Mano Guru is unlike other restaurants in one other regard – it **does not permit smoking and is against selling alcohol**. In fact, *Mano Guru* was a non-smoking place even when the law permitted it both inside a restaurant and outside of it. Although these two activities seem indispensable from the restaurant industry, especially because serving alcohol is highly profitable for restaurants, according to Reda, allowing customers to smoke and drink alcohol would defeat the whole purpose of this enterprise and make it more difficult for its employees to overcome their problems.

Focusing on a wider community of people in need of help

Alongside giving people from marginalized groups a second chance in life, **changing society's perception** remains very important to this enterprise. To achieve that, *Mano Guru* participates in initiatives and events aimed at raising awareness about drug use and alcohol addiction, and prevention. For example, the bar's employees regularly visit prisons where they tell their success stories and talk about reintegration opportunities after leaving prison. Afterwards, the bar often receives emails from prisoners asking whether they could come work once they leave prison. *Mano Guru* also helps people living at night shelters and persons coming from families with a history of abuse or neglect.

Also, *Mano Guru* started a **book donation initiative** called "Debesų pieva" (en. Meadow of clouds). *Mano Guru* encourages customers, which it calls "socially responsible eaters", to donate books about personal development and resilience which it then donates to inmates at a particular correction facility in Lithuania. The impact of this initiative might seem marginal, but it motivates the inmates to consider legal and responsible ways of starting a different life after prison.

Mano Guru **rents its premises** to clubs, NGOs, and organisations that plan valuable, inclusive and educational events. For instance, it helped organize a painting exhibition that told the stories of people suffering from addictions and showcased their inner challenges and feelings. The company also offers its premises to events aimed at raising awareness, such as seminars about addiction prevention, extra-curriculum activities, discussions, etc.

Finally, *Mano Guru* **organizes educational activities** – its staff visits schools and teaches students about healthy food and waste management, cooks nutritious food together.

Teaching about eco-friendly lifestyles

Mano Guru limits its food waste as much as possible and encourages others to do the same. Throughout 2019-2020 it participated in the Erasmus+ project **“Zero Waste Cuisine for a Sustainable Future”**. During this project, *Mano Guru* and project partners from Austria, Italy and Portugal organized various activities, such as talks about zero-waste lifestyle at universities and schools. Most notably, they conducted an international comparative study regarding zero-waste, in which they assessed the attitudes of 121 teachers and 510 community members from Lithuania, Italy, Austria, and Portugal. This project aimed to contribute to introducing more environmentally friendly and less-waste thinking in educational institutions and to creating communities of zero-waste lifestyle supporters. *Mano Guru* **publicly promotes waste reduction online** by publishing educational posts and infographics to its wide *Facebook* audience.

Barriers and opportunities for engaging in CSR and sustainability practices

According to Reda, the COVID-19 pandemic caused an existential challenge to the business – **its daily revenue decreased by 80-90%**. Moreover, **the number of daily costumers decreased considerably** during the lockdowns because costumers were forced to work from home. According to Reda, the years of 2020 and 2021 were a particularly difficult period because there was no way of planning for the future and predicting changes. Although the salad bar is already open as usual, it tries to make up for some more of the revenue and customers lost by offering catering services to various companies and delivering to customers at home. Another challenge is to **comply with all new COVID-19 requirements** for businesses **in the restaurant industry**, such as the requirement for all employees to wear face masks throughout the whole workday. According to Reda, this is more challenging for *Mano Guru* than other businesses because its employees are usually less concentrated and aware of their surroundings and thus require more supervision. Because of that, Reda is thinking about **introducing new supervision mechanisms and employing more experts**, but it is quite problematic given the substantial losses this business experienced in the last year.

More importantly however, the pandemic took a big toll not only on *Mano Guru's* business operations, but on its employees' **mental health**. Due to being absent from work, some employees went into depression, or developed other mental issues. To keep the daily lives of its employees meaningful, *Mano Guru* **bought a food truck which it uses to sell food from different locations in Vilnius**. For example, *Mano Guru* used the food truck to present various dishes in the project “The Dishes of Vilnius” that was organized by *Go Vilnius*, the development agency of the City of Vilnius. Although working in the bar is undoubtedly more emotionally benefitting than in the food truck, it nevertheless gave *Mano Guru's* employees an opportunity to socialize and apply their skills.



Credit: Mano Guru

Before the pandemic, there was a lot of interest from NGOs and various clubs in renting the bar's premises for events and meetings. This interest shrunk during the pandemic,

therefore *Mano Guru* is thinking of new ways to **use its premises for youth events or educational, cultural, or socially responsible causes** in the post-pandemic period.

Mano Guru's achievements in terms of the number of people it helped to integrate into the job market and the scope of its activities is remarkable given the lack of financial support and guidance from government institutions. For example, the company is **exempt from the social enterprises law**, which ensures important support measures for social enterprises in Lithuania. The processes of getting financial support can be problematic for some social enterprises in Lithuania because the law does not treat all types of social enterprises equally, depending on their organisational status. Without the support provided by this law, the financial and service-related challenges *Mano Guru* experienced during the pandemic become very difficult to solve and thus its abilities to help marginalized groups might shrink in the future.

Key takeaways

Mano Guru's mission is to help people from marginalized groups reintegrate into the labour market and social life. It does so by teaching them a profession, offering living conditions, providing them with food, clothes, and medical assistance. Most importantly, giving such people an opportunity to employ their skills at the workplace gives them purpose, teaches valuable social skills and helps change some of society's negative perceptions about persons who suffer from addictions, spent time at correction facilities, or lack a place to live. The company extends its positive societal impact through participation in educational events and projects. However, the COVID-19 pandemic brought serious financial, operational and emotional challenges to the company and its employees. While temporary solutions were put in place, the company, just like the whole restaurant industry, will need to remain adaptive for at least a few more years.

Ecoalf: a Spanish fashion brand pushing the boundaries of what it means to be sustainable



Sustainability, innovation, and timeless design are a must for Ecoalf, a Spanish fashion brand. The brand seeks to close the loop on raw materials by using pioneering technologies to create garments entirely from recycled materials. For Ecoalf, innovation and research are tools to reduce the negative impact of the fashion industry that starts with themselves.

Ecoalf was founded in 2009 by Javier Goyeneche, who had a vision of driving the fashion industry towards more sustainability. Javier had previously worked in the industry and was frustrated by the careless use of natural resources, and especially in the second most wasteful sector – the fashion industry. Thus, *Ecoalf's* operations are based on the concept of the circular economy, with the company aiming to produce the first generation of recycled products that rival the best non-recycled products in quality and design. *Ecoalf* focuses on ensuring that its garments are made from high-quality materials, are timeless and, unlike fast-fashion clothing, can be worn for many seasons.

After starting the company, Goyeneche spent the first three years sourcing and developing fabrics. He struggled with the limited selection and poor quality of recycled materials. At the time, most fabrics available on the market contained only 15-20% of recycled material. In a period of 12 years, *Ecoalf* revolutionized the fashion industry by creating fully recyclable fabrics from waste.

Over the years, the company has grown steadily and is now a comprehensive lifestyle brand. *Ecoalf's* outerwear, swimwear, casual apparel, footwear, and accessories can be found in many of the world's most prestigious department stores, wholesalers and online. *Ecoalf* has collaborated with companies such as *Apple*, *Coolhunting*, *Starbucks*, *Swatch* and *Will.i.am*, as well as *Barneys New York*. Today, *Ecoalf* is a brand of conscious clothing: most of its manufactured products are exported outside of Spain, with Europe and the US being the main markets. The company has its own e-shop and brick-and-mortar stores throughout Spain, Berlin, Tokyo, and another opening in Paris by the end of November 2021.

To scale its efforts, *Ecoalf* is also using its business as an educational platform. In some *Ecoalf* stores, one can find an *Act Now* room, where events are held to educate customers on innovation and new initiatives regarding sustainability. In 2015, the company established the *Ecoalf Foundation* collaborating on waste management and environmental awareness projects such as *Upcycling the Oceans* which cooperates with more than 3 000 fishermen across Spain, Greece, Italy, Thailand and has recovered more than 700 tonnes of waste since 2015.



Research and development – a tool for sustainability

The company reinvests a significant amount of their profits into R&D. The founder Javier Goyeneche claims that *Ecoalf* can be called a huge R&D programme, as the quality of the yarn used for garments depends on the quality of waste collected⁶². Brendan James Sapato, the marketing communications coordinator at *Ecoalf*, notes that investing in R&D is crucial for moving the company closer to zero emissions and the circular economy.

Ecoalf uses R&D as a fundamental tool to develop innovative technologies and reduce the environmental footprint. Key initiatives include:

- **Development of new recyclable materials.** *Ecoalf* has developed more than 450 high-quality fabrics from used plastic bottles, fishing nets, nylon waste, old tyres and used coffee grounds, as well as post-industrial wool and cotton. The company has developed garments from 100% recycled PET polyester and has even converted old garments into new products.
- **A sustainable clothing line.** The *Ecoalf Premium 1.0* collection is the latest achievement of *Ecoalf's* 12 years of investment in R&D. One of the main materials used is the *Ocean Yarn*, which is spun from recycled plastic bottles recovered from the ocean through their *Upcycling the Oceans* project. In the past, this yarn was limited to manufacturing footwear due to technological limits and the varying quality of the plastic collected. However, now the company offers accessories, jackets, and winter coats from *Ocean Yarn*. Other innovative materials in this line include vegan leather, and organic kapok, a natural cellulose fibre, which saves 375 litres of water per shirt made. As an alternative to traditional synthetic yarns which require fossil fuel, the line also includes biopolymer yarns, made from the waste of corn plants.

Through R&D, *Ecoalf's* Fall-Winter 2021 collection has already achieved the following:

- Saved 1.44 billion litres of water
- Reduced CO2 emissions by 712 tonnes of CO2 equivalent
- Recycled 4.5 million plastic bottles into new items

WHAT DO WE RECYCLE?



Credit: *Ecoalf*

Implementing sustainability principles across business processes

Alongside an extensive R&D programme, the company employs a variety of measures at all stages of production and shipping to reduce its impact on the environment, including:

- **Calculated Production.** To avoid overproduction, *Ecoalf* only manufactures exactly what wholesale customers order. Also, there are only two collections per year (fall-winter and spring-summer), and the amount sold per season is

⁶² Source: <https://real-leaders.com/fashion-brand-made-ocean-trash/>

conservatively estimated. In addition, the brand aims to create a timeless product design so that the items sold can be worn for years.

- **Recycling method.** *Ecoalf* uses mechanical recycling, which is a more sustainable method when compared to its chemical counterpart. Mechanical recycling is less energy-intensive and produces less CO2 emissions. It also does not involve toxic chemicals whose by-products and waste pose a risk to the environment.
- **Shipping.** Instead of shipping packages by plane, *Ecoalf* prefers to do so by maritime transport, which saves a significant amount of CO2 emissions. This is implemented to reach zero net emissions by 2030. Also, *Ecoalf* offers a last-mile delivery by bicycle. Currently, the option is available only for local customers in Madrid. Nevertheless, Brendan mentions that the initiative might be expanded to other cities as well.
- **Sustainable packaging.** The new footwear packaging by *Ecoalf* is made from 100% recycled cardboard and is designed to be reused for storage. The whole manufacturing process of cardboard boxes is carried out in Spain, thus reducing CO2 emissions by 13% when compared to non-recycled cardboard.
- **Non-animal-derived materials.** *Ecoalf* does not use leather, but instead a synthetic material made with recycled polyester and grape waste. The brand also uses recycled polyester as fillings for their coats instead of feathers.
- **Renewable energy.** The company uses renewable energy in both its stores and offices. The buildings are constructed from sustainable materials and meet the highest standards of energy efficiency.

Supply chain transparency, communicated to consumers via QR codes

Ecoalf is committed to transparency in its supply chain management. The company follows the Environmental Management System ISO 14000 to evaluate business processes and manage its environmental responsibilities. *Ecoalf* also adheres to the voluntary Global Recycled Standard⁶³, which ensures appropriate environmental and social responsibility throughout the supply chain. For meeting higher standards of social entrepreneurship and transparency, *Ecoalf* is the first Spanish fashion brand to be certified as a B Corp. Brendan notes that membership in this community showcases the company's values and that companies "can and should put the planet and people before profit."

To monitor the sustainability of its supply and production chain, *Ecoalf* uses a third-party sustainability data platform *BCOME*⁶⁴. The platform is used both internally and externally:

- **Internal use.** The company's entire environmental footprint is analyzed, and an assessment is made. Based on the results, the company looks for strengths and weaknesses to make changes and improvements in the supply chain.
- **External use.** Consumers can scan the QR-based smart tags on each *Ecoalf* product and discover important information about the manufacturing and sourcing related to the human, environmental and traceability indicators of each garment.

In addition to checking the origin of the fabrics, *Ecoalf* also pays attention to how suppliers limit water and CO2 emissions, how they apply decent work practices and which chemical substances are used in the production. To this end, the company has created a restrictive list of substances that follows international regulations, but also includes additional substances that *Ecoalf* believes are harmful to the environment. They require all suppliers to have certain certificates, which are divided into three categories and consider the origin of the material as well as ecological and social aspects.

⁶³ More information available at: <https://textileexchange.org/standards/recycled-claim-standard-global-recycled-standard/>

⁶⁴ More information available at: <https://bcome.biz>

Ecoalf Foundation

The *Ecoalf Foundation* was established in 2015 as a non-profit, and funded by allocating 10% of the company's profits from *Because There Is No Planet B®* collection. The foundation runs the *Upcycling the Oceans* project, which aims to recover marine debris (e.g. plastic bottles) from the Mediterranean Sea and transform it into new, 100% recycled *Ocean Yarn*. The project, which started with just three fishermen in Spain, now works with 3 200 fishermen in 54 ports across the Mediterranean Sea (including Greece, Italy, France, and Lebanon) and Thailand, and has so far recovered 700 tonnes of waste.

This project is complex and faces major challenges, mainly related to the low and inconsistent quality of the waste recovered by the fishermen. The plastic bottles are often broken down and weakened by exposure to sunlight, salt, and water. Only 5-10% of the plastic recovered from the oceans can be recycled into high-quality yarn. The plastic that is too damaged is given away to be disposed of in waste recycling plants. He also points out that this project is not at all profitable for the company but encompasses a bigger picture of raising awareness and promoting sustainability.



Credit: Ecoalf

Barriers and opportunities for engaging in CSR/sustainability practices

Brendan notes that there are many challenges for a company to remain inherently sustainable. For example, raw materials are more expensive, while investing in sustainable processes and R&D is costly as well. He explains that it is **a challenge to ensure the highest standards of sustainability while staying profitable**. However, *Ecoalf* does not sacrifice sustainability for profit. For example, when *Ecoalf's* best-selling fleece jackets were found to be among the worst contributors to microfiber pollution, the company halted their production despite significant loss of revenue. That said, the company cannot always know in advance whether its products are harmful to the environment, even if they are made from recycled materials.

In addition, **suppliers are often unable to offer high-quality recycled materials**. For example, the company has had difficulty finding certain high-quality parts for their products (e.g. zippers, shoelaces) that would be fully recycled because very few manufacturers offer that. On the other hand, the gradual shift in the fashion industry towards sustainability, driven by brands like *Ecoalf*, is also pushing manufacturers to rethink their approach to environmental problems⁶⁵.

While *Ecoalf* has a holistic approach to sustainability, Brendan notes that other companies, rather than looking at sustainability as a comprehensive set of actions, tend to only incorporate small, singular eco-friendly initiatives. In his opinion, this only contributes to the **prevalence of greenwashing in the industry**. Brendan also notes that consumption patterns are at the heart of many problems in the fashion industry. Low prices and fast

⁶⁵ More information available: <https://fashionunited.uk/news/fashion/ecoalf-ceo-on-global-ambitions-and-the-challenges-of-true-sustainability/2020022147636>

fashion trends are not only unsustainable in terms of resource consumption but are also unfair to the people involved in the supply chain.

Ecoalf has shown extreme resilience during the pandemic. The company's sales increased by 78.5% from 14 million EUR in 2019 to 25 million EUR in 2020. Brendan notes that more people understand the importance of investing in high-quality garments. He suggests that the pandemic has led to more people realising the fragility of the environment, which has contributed to the company's growth.

Going forward, the company plans to continue innovating, developing new fabrics, and achieving zero net emissions by 2030. Next season, *Ecoalf* plans to introduce a nylon filament made from retrieved airbags, which does not throw microfibers back into the environment when washed. Brendan says the company has already taken steps to offer more sustainable lifestyle products such as furniture and yoga wear. *Ecoalf* also has ambitious goals to expand into foreign markets, particularly the United States, and open more stores across Europe.

Key takeaways

Ecoalf is one of the few brands striving to revolutionize the fashion industry by creating a holistic approach to sustainability in all aspects of production. In doing so, it exposes the hypocrisy among fast-fashion brands that sometimes introduce collections of sustainable clothing but do not incorporate comprehensive measures into their processes. The company not only demands strict compliance from its suppliers but also educates the public on the responsible use of resources and addresses issues such as greenwashing and over-consumption in the fast fashion industry. *Ecoalf* is a rare example of a company that does not encourage its customers to over-consume, even at the expense of its profits. Finally, despite already extensive investments in R&D, *Ecoalf* remains committed to innovating and improving technologies for the production of recycled materials. R&D is a crucial tool for *Ecoalf* to anticipate and manage various risks, such as microfiber pollution.

FOONKA: a sustainable textile company inspired by nature



Environment



Community
involvement



Consumer
issues

FOONKA is a small textile and garment company based in Szczecin, which offers high quality home accessories and innovative bedding, manufactured exclusively in Poland. The company has already gained recognition at home and internationally, winning numerous awards. For FOONKA, sustainability and social commitment are strategic goals, implemented through various initiatives that often combine both areas.

FOONKA is a Polish home textile brand founded in 2014 by Gosia and Marcin Dziembaj. The designer couple had the idea of producing bedding that resembles a pile of straws and hay. This was how the HAYKA bed linen had been created, first presented in 2013 at the exhibition & competition held at Wroclove Design Festival. The product was so well-received that the designers decided to put the bedding on the market and create the FOONKA brand (originally HAYKA). Since then, the company has won numerous awards for its designs, with the HAYKA bedding collection being its best-known product. For its outstanding design, the straw bedding was awarded the prestigious European Product Design Award 2017 and the German Design Award 2018.

The company now produces various types of nature-inspired home accessories – bed linen, blankets, bedspreads, table linen, decorative pillows and wall posters.

Every year the company expands its designs, adding more natural prints and those created in cooperation with Polish artists. All products differ from ordinary textiles – the images on the cotton are digitally printed and not conventionally dyed. Although these high-resolution photorealistic prints have become increasingly popular, in 2014 there was no other company on the Polish market than FOONKA offering similar products.

Since FOONKA's establishment in 2014, the founders' main goal was to create a product that would be 100% made in Poland – from the design itself, to the fabric and printing, to the packaging. The company's production centre is based in Łódź – the epicentre of the textile industry in Poland, where most sewing and weaving companies are located. Bedding designs require high-definition prints, hence Gosia and Marcin first thought that printing will have to be outsourced to other countries. However, they discovered a local printing house, which had recently received EU funding to install the equipment for digitally printing on cotton. The two companies decided to collaborate and continue working to this day. Since all production takes place in Poland, the company has direct control over the quality of its products and can swiftly respond to any errors in the process. In 2019, FOONKA opened its own sewing room in Szczecin, where the final stage of production is carried out.

The company's products have already gained recognition at home and internationally, with 50% of 2019 sales coming from abroad and the other half from customers in Poland. To see and test the bedding, one can visit the company's showroom in Szczecin, 35 stationary stores that distribute products in Poland and Germany or stay in hotels collaborating with FOONKA. The company is also building its brand in foreign markets and has started cooperation with stores in Germany, Austria, Switzerland, and the Netherlands, as well as with online marketplaces such as Amazon or Wayfair.



Poland, Szczecin



**Textile and garment
industry**



12 employees



**Revenue: ~ 440 000
EUR in 2020**



Established in 2014

Eco-aware approach as an integral part of the business

Following the zero-waste principle, the company aims to **reduce the amount of production waste** to a minimum. To achieve this, each product is cut from a different point in the fabric to avoid material waste. However, it remains impossible to completely eliminate fabric scraps, hence FOONKA came up with a few ideas on how to reuse them:

- Some scraps are used to sew sacks for bedding sets and sheets in which they are packed. Later, these bags can also be used for various everyday purposes, e.g. travelling or shopping. The fabric scraps are also used to create new products such as pouches, scrunchies, or sleeping masks.
- The fabric scraps were used to make reusable protective masks during the COVID-19 pandemic. This has helped not only to fully utilize the fabric but also adapt to market changes and generate enough revenue to keep the company afloat in 2020.
- FOONKA stays in contact with various fashion designers who could use second-hand or fabric scraps for their designs. However, at the moment the company still find it time-consuming to find suitable partners for sharing fabric scraps. Company owners suggest creating a website or an online community of businesses that could share their leftover fabrics with others, e.g. artists, who could reuse them.

The company also strives to **minimize its plastic consumption**. Although FOONKA initially used plastic packaging to ship pillowcases and tablecloths, as of now, all packaging is more environmentally friendly than before: cardboard boxes are used for shipping, and products are wrapped in either cloth bags or paper packaging. However, Gosia notes that it is impossible to completely avoid plastic waste, as they work with third-party companies who use plastic to ship packages.

The entire production process of **digitally printing images on cotton is more environmentally friendly** than the traditional dyeing of cotton. By using printing machines instead of dyeing, the amount of water and electricity used in the production process is significantly reduced. It is estimated that digital textile printing can save up to 95% of water consumption and reduce energy consumption by 75%, resulting in minimal use of resources and textile waste⁶⁶. In the same vein, given that all manufacturing takes place in Poland (weaving, printing, and sewing are done locally), the CO2 emissions from transportation during production is also reduced to a minimum. Yet, this does not apply to all stages of production, given that cotton is imported from Turkey and Kazakhstan.

Ultimately, Gosia notes that the company's efforts to reduce its footprint on the environment are well received by customers who appreciate the sustainable and durable product made in Poland. However, production in Poland means higher prices for local consumers who are still relatively price-oriented. Therefore, FOONKA leans towards foreign consumers, e.g. Germans, hence the cooperation with German *Amazon*.

Strengthening local community ties

Through various initiatives, FOONKA manages to combine its sustainability practices with greater community involvement and empowerment in the Szczecin region.

- **Supporting the health sector in the midst of the pandemic.** In 2020, the company participated in a local campaign called "Szczecinians sew masks for doctors, health care workers and citizens" to support health care workers in the fight against COVID-19. FOONKA began sewing protective face masks from leftover bedding scraps and donated them to health care workers and volunteers. Some of the leftover fabric scraps were also donated to volunteers, who made over 10 000 face masks for hospital workers and border guards.

⁶⁶ More information available at: <https://www.fespa.com/en/news-media/features/the-environmental-benefits-of-waterless-digital-textile-print-ink-systems>

- **Reusing fabric scraps for community development.** To minimize waste from the manufacturing process, *FOONKA* had sent its fabric scraps to the Szczecin Academy of Arts, where students used them for their final diploma projects. Additionally, fabric scraps were sent to the Detention Center in Szczecin, where inmates from the Forensic Psychiatric Unit made dens for homeless animals as part of an occupational therapy workshop. Along with the dens, protective face masks were also made by inmates and donated to the Animal Welfare Society inspectors⁶⁷. These workshops are an important element in the process of social reintegration of inmates, and it is expected that cooperation with *FOONKA* will encourage other Polish businesses to get involved as well. Every couple of months, the company delivers bags of fabric scraps to these facilities. In the first 8 months of 2021, 510 kg of fabric were donated for reuse.
- **Partnering with other sewing companies** when they receive large orders, especially around the holidays. One of those companies is *SELSIN* – a sewing company that employs mostly people with disabilities and operates in the same building as *FOONKA*. *FOONKA* has been working with this social enterprise for several years, thus supporting the employment of people with disabilities in the Szczecin region.
- **Collaboration with Polish artists.** Since 2019, *FOONKA* has been working with contemporary illustrators, painters, and designers to create new bedding collections. The concept behind the project is particularly interesting: an artist currently working with the company will recommend another artist and influence the development of the entire collection. Aleksandra Morawiak, a Polish illustrator whose Liquid Memory bedding launched the initiative in 2019, pointed to Pola Augustynowicz who will then nominate new artists, one of whom will be invited to collaborate. Gosia notes that the company hopes to collaborate with foreign artists in the near future as well.

The value of certification

Certification procedures can be a major obstacle for small businesses, and *FOONKA* is no exception. Although the company meets many of the criteria required to obtain a certificate, it cannot afford the certification process due to high prices. Gosia explains that although there are various certificates to choose from, they are too expensive for a small company – the certificate could cost around 30 000 PLN (about 6 600 EUR) per year – around the same as it takes to hire an employee for 6 months.

However, these financial hurdles do not prevent the company from providing quality assurance to its customers. *FOONKA* chooses to cooperate only with Polish weaving and printing companies that can guarantee not only quality but also 100% safety for their users. Therefore, the selected weaving company and the printing house both have an Oeko-Tex® Standard 100 certificate. Having this world-known label confirms that the fabrics and printing inks used in the production processes have been tested for more than a hundred harmful substances⁶⁸. Printing and weaving companies that obtain the certificate are also subjected to regular audits that ensure the continuous quality and safety of the products.

⁶⁷ More information available at: <https://gs24.pl/bezdomne-zwierzaki-ze-schroniska-w-dobrej-dostaly-nowe-legowiska-szczecinska-marka-i-wiezniowie-znow-lacza-sily/ar/c1-14473037>

⁶⁸ More information available at: <https://www.oeko-tex.com/en/our-standards/standard-100-by-oeko-tex>

Regard for consumer issues and satisfaction

FOONKA finds ways to integrate sustainable practices with consumer satisfaction without requiring a lot of additional funding. The company offers customisation services for irregular-sized bedding to accommodate consumers with specific requests. FOONKA also makes products on-demand as well. This approach enables the company to avoid overproduction, which is usually a significant problem in the textile industry, and partly eliminates the need to store products in a warehouse. Having a sewing room also allows the company to handle individual orders quickly. Besides, customers can turn to FOONKA to repair their bedding as well, e.g. to replace a zipper.

The company is planning to take a step further and look for ways to **reuse or recycle customers' damaged or worn-out bedding**. In fact, one customer requested the company to produce something new out of a barely-used bedding set that had been ruined by an unfortunate wine stain. The team decided to make smaller pillowcases and bags from the fabric. This particular case gave the company an idea to offer and market this service in the future so that the materials could be recirculated, unnecessary waste avoided, and customers would be satisfied with their bedding sets for longer.



Credit: FOONKA

Financial support, trade fairs and networking – means for further development

From the beginning, FOONKA has participated in various **exhibitions and fairs to market its brand**. Participation in trade fairs is extremely valuable to such companies as FOONKA, especially at the early stage development. It helps to establish business-to-business (B2B) contacts and expand the customer base. For example, in 2018 FOONKA took part in the *EU Gateway Fair* – a business trip to South Korea, organized and funded by the European Commission to promote long-term business cooperation between European and Asian companies. Among many others, the company has also participated in the *Tent London*, *Oslo Design Fair* and *Meet My Project* exhibition in Paris. However, participation in these trade shows often requires additional funding. To participate in an exhibition in London in 2015, the company received funding through the “Let's Exhibit!” (Wystawiajmy Sie!) programme, initiated by Adam Mickiewicz Institute and aiming to give Polish artists the opportunity to showcase their work and commence international partnerships.

FOONKA is one of the many companies that have benefited from the **advisory services offered by the Enterprise Europe Network** (EEN) centre in Szczecin. EEN offers comprehensive assistance for the SME sector to help companies develop their export potential and innovative capacity. Cooperation with the EEN began with the company's employees taking part in training sessions and registering in a database of international cooperation opportunities. This enabled the company to establish contacts with foreign manufacturers, distributors, and sales representatives. Participation in EEN provides the opportunity to develop B2B contacts, increase brand awareness and boost sales internationally. The company also participated in conferences and business meetings, which allowed to meet potential business partners. Finally, FOONKA took part in an innovation audit, where an analysis was carried out to define and recommend further development plans for the company⁶⁹.

⁶⁹ More information available at: <http://prestizszczecin.pl/magazyn/148/biznes/otworz-firme-na-zagraniczne-rynki>

Barriers and opportunities for engaging in CSR/sustainability practices

Although FOONKA's revenue has remained relatively stable throughout 2020, while the company received state support after imposed lockdown measures, the pandemic presented a significant obstacle to company's further development. Gosia notes that currently it remains **difficult to invest in the company's growth** as prices are rising in other sectors, i.e. shipping and transportation are more expensive, as are weaving services. However, to retain its customers, the company cannot set retail prices too high, meaning the profit margin remains too low to invest in R&D. This is largely due to the fact that most **Polish consumers are still price-oriented** buyers who are used to cheap products imported from foreign markets. That is why the company's sales tend to be better abroad, as German customers, for example, are more oriented towards sustainability than price. Moreover, production prices for local customers are relatively high, compared to their purchasing power. However, FOONKA has expanded its loyal customer base and the company is starting to observe increased Polish consumers' concerns as regards sustainability and appreciation for locally produced, high quality products.

On the other hand, the COVID-19 pandemic also provided some opportunities for FOONKA. Given that people spent even more time at home throughout 2020, **sales of nature-inspired bedding began to increase**. It became apparent that customers loved FOONKA's designs, as they are gentle reminders of nature. The company seized this opportunity to adapt its marketing strategy and promote its products more widely, which is evident in FOONKA's social media.

For future prospects, Gosia hopes to **receive funding for further development, innovation, and research**. FOONKA is planning to apply for the *Go to Brand* funding which is co-financed by the European Regional Development Fund to help companies increase their product awareness in international markets. Non-repayable grants contributing up to 85% of project costs (up to 185 450 EUR) can be used to cover participation in trade fairs, conferences, consulting services, training for employees, innovation, and many other expenses⁷⁰. This financial and non-financial support could be crucial for further expansion of the company, improvement of sales, but especially for the development of new products. In fact, the expansion of the product line and the possible opening of a clothing division are the main goals. Gosia hopes to start manufacturing home textiles such as bathrobes. FOONKA is also considering the possibility and financing capabilities of expanding domestically and opening a brick-and-mortar store in Warsaw.

Key takeaways

FOONKA is an example of an SME in the textile industry whose focus on being an environmentally conscious company was an ethical objective from the very beginning. What started as an idea of a single bedding design has evolved into concrete sustainable practices that go hand in hand with empowering the local community. Most importantly, these practices often do not require large additional investments, but rather willingness to take action. The "Made in Poland" label stands for the reliability and quality of the brand, which is recognised throughout Europe. The commitment to social responsibility has also made FOONKA more resilient to the economic crisis during the pandemic. Finally, the company greatly benefits from participating in various industry networking events across Europe and makes good use of financial support from the European Regional Development Fund in order to scale-up their business.

⁷⁰ More information available at: <https://samito.co/en/go-to-brand-project/>

Garlita: an innovative flat knitting company from Lithuania



Garlita is a medium-sized contract manufacturing company run by a father and two daughters. The venture of two generations has led the knitwear factory into becoming a successful internationally-oriented business. The company focuses on producing long-lasting garments made of biodegradable, recyclable, and ethically sourced raw materials. In addition, the company seeks to reduce its energy and water consumption, as well as avoid chemical pollution and waste in its production processes.

Garlita is a Lithuanian family business, recognized as the best-performing outerwear company in the country in the group of medium-sized enterprises. The company was established right after Lithuania regained independence from the Soviet Union in 1990. Juozas Martikaitis, the founder of *Garlita*, saw a business opportunity to produce the first set of uniforms for the newly established Lithuanian military and police forces. Initially, Juozas and his team were looking up to European textile manufacturers that had implemented state-of-the-art production techniques. Today, *Garlita* itself has become a good practice example for other companies. The company's team regularly participates in exhibitions and fairs to showcase their innovative products, as well as organises tours for anyone interested in their facilities.



Lithuania, Garliava



Textile and garment industry



170 employees



Revenue: ~5m EUR in 2020



Established in 1990

Garlita operates internationally and maintains long-term partnerships with suppliers and clients from across the globe. It also participates in public procurement calls. The company offers a wide range of textile products such as sportswear, outdoor and casual clothes, uniforms (i.e. for schoolchildren, police and military personnel), home textile and accessories. The production capacity is 10 000 pieces per week and the manufacturing process is based on innovative and efficient technologies, including 60 new flat knitting machines. The company exports about 97% of its production to European countries, mostly in Western and Northern Europe. According to Rita Haselvander, the daughter of Juozas and one of the managers of *Garlita*, the company focuses on contract manufacturing services and is not planning to establish its own brand in the near future. However, a small portion of their business is B2C, since some production samples are sold to local customers via their online store⁷¹ for lower prices.

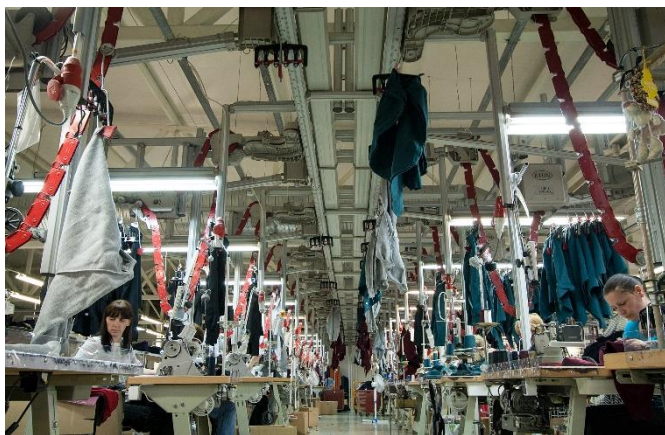
Increasing sustainability and innovation with the support of EU investments

Garlita's management team follows a shared vision of environmentally friendly and high-quality production. To achieve this vision, the company has been actively looking for ways to get help via available **EU financial support**. *Garlita* has already implemented several projects⁷² co-funded via EU Structural and Investment funds, enabling the company to buy state-of-the-art machinery, solar panels and, thus, allowing to **significantly reduce energy costs and CO2 emissions**. The company now operates in accordance to EMAS, ISO14001 and ISO9001 standards, which are highly-valued by their clients. Recently,

⁷¹ <https://e-shop.garlita.lt/>

⁷² <https://www.garlita.lt/eu-projetcs/>

Garlita received a grant to install additional solar panels on the factory's rooftop. This investment will allow to cover about 53% of the company's total energy consumption with renewable energy sources, as well as reduce electricity costs by around 11 000 EUR annually.



Credit: *Garlita*

According to Rita, *Garlita* aims **to become a waste-free textile manufacturer**. Most of *Garlita*'s production is made of wool or *Tencel*, both of which are biodegradable. In fact, wool can decompose in just 12 weeks, or, if it had not been treated with chlorine, it can be recycled. Moreover, the knitting machines at *Garlita* are quite precise, which allows to maximize material utilization and minimize scraps. Since scraps cannot be totally avoided, the company donates them to other manufacturers that produce wool-based carpets or wall heating for buildings. In the future, however, the company plans to install even more innovative equipment – according to Rita, waste generation can be avoided altogether with the use of ready-to-wear technology which allows to knit, shape, and connect pieces with only one machine within a single process, omitting the need for manual cutting.

Another innovative feature of *Garlita*'s production process is **the use of Washingballs**, an organic-certified washing technique which allows to reduce the amount of water by 70% and avoid the use of chemicals, such as soap, detergent, silicone agents or paraffin⁷³.

The company uses only high-quality yarns and **strives for maximum durability and longevity of their products**. Rita mentions that their Finnish client even gives a 10-year-guarantee for the cardigans and, later, collects and sells them second-hand. Rita contrasts this approach to the fast-fashion industry, where the quality of products is often compromised in favour of lower prices. Moreover, some of *Garlita*'s products feature **innovative properties**, such as windproof-lining, resistance to mosquitos, sharp objects, fire and UV light, which is especially relevant for police and military forces. They also produce cardigans filled with Vitamin E, dedicated to marine soldiers who participate in underwater missions and do not have access to sunlight.

Building a trusting relationship with suppliers and clients

Garlita strives to maintain long-term partnerships with other businesses. In order to find business partners, *Garlita* frequently participates in industry-level events to showcase samples of their products – the team has visited exhibitions and fairs in 29 countries so far. The company mostly focuses on medium-sized brands that share similar sustainability-oriented values. To gain clients' trust, *Garlita* welcomes them to their premises in Garliava, **giving tours of the facilities**. Rita claims that clients are often impressed by the modern equipment and well-developed infrastructure. The company strives to provide good working conditions by constantly upgrading the workstations, automating repetitive manual tasks as much as possible, as well as providing air-conditioning and ventilation.

With respect to suppliers, *Garlita* aims to use only **high-quality and fairly-produced raw materials**. For instance, Rita has visited their wool suppliers in Uruguay to inspect their farming practices and make sure that the animals are well-treated. *Garlita* does not tolerate mulesing, a cruel method practiced by some sheep farmers in attempt to create

⁷³ https://www.brushingballs.com/wp-content/uploads/2020/01/Washing_Brushing_250x1775-ENG.pdf

smoother skin that will not retain moisture. Rita also mentions that in the near future, the company will be certified by *Nativa*⁷⁴, which is the most advanced 100% traceable Merino wool label globally.

When asked about why these CSR practices are not described on the company's website, Rita explains that the management team does not consider this necessary. The company **communicates about their practices and certifications directly to their clients**. Since they already receive a lot of orders, they choose not to dedicate their time to information-sharing online.

Barriers and opportunities for engaging in CSR and sustainability practices

Garlita is continuously facing difficulties in attracting new employees. Although *Garlita's* production capacity is currently growing, the company says it could be even higher if they had more employees. Despite the fact that the company offers fair wages, decent working conditions and is willing to accept people without any work experience, they are not able to attract more employees. According to Rita, this issue is mainly related to the gaps in the Lithuanian education system. Incentives to choose vocational education in Lithuania are insufficient, while study content is not well-adapted to industry needs. The negative image of work in the textile industry also contributes to this (i.e. work in the industry is not perceived as prestigious enough, while careers are believed to lack advancement opportunities).

Gaps in public procurement create barriers for sustainable SMEs. In Lithuania, public procurement criteria are often based solely on price. However, companies that offer the lowest-price bid, use low-quality and unsustainable raw materials, polluting production technologies, and fail to ensure fair pay and decent working conditions for employees. Such a system does not create incentives for small businesses to move towards more sustainable solutions and implementation of CSR practices. This tendency has pushed *Garlita* away from its local market – although the company was the first one to supply uniforms to the Lithuanian police and military services, today it rarely ever chooses to participate in Lithuanian public procurement.

Despite these barriers, *Garlita* has a vision of becoming the number one flat knitting company in Europe in terms of sustainability, innovation, quality, and service. The management team continues to develop innovative and sustainable textiles in collaboration with their clients and is already working on making its supply chain more transparent to the end-consumer. Rita hopes to receive institutional financial support to further aid this transition, despite the fact that it is sometimes difficult to fulfil the rather rigid funding criteria.

Key takeaways

Garlita showcases how a medium-sized contract manufacturing company can integrate different aspects of CSR over time. The gradual modernization of the company (e.g. installation of new machinery, solar panels and energy management standards) was facilitated by grants from the EU funds. The opportunity to gain financial support motivates *Garlita's* management team to continue generating new ideas to further upgrade their business (e.g. developing a zero-waste production process). On the other hand, the company does not see itself in the local Lithuanian market due to the prevailing lack of interest in sustainable textiles and, instead, is focusing on Western European and Scandinavian markets. Lastly, despite the increasing amount of orders from foreign brands, the company has to address the issue of labour shortage in order to continue its growth.

⁷⁴ More information available at: <https://www.nativapreciousfiber.com/>

The Turkish brand Bego Jeans leads a sustainable production movement



Bego Demir was only 15 when he started working at one of Istanbul's jeans factories. Due to unsafe working conditions, he lost multiple colleagues and was himself diagnosed with a chronic lung disease. Today, he wants to end the malpractice in textile production, leading by example with his own brand, Bego Jeans. By adopting a sustainable approach to materials and methods that respect nature, human health and workers' rights, Bego Jeans proves that clean and fair production is possible for the entire fashion industry.

In the 1990s, a 15-year-old Bego Demir moved from Eastern Turkey to Istanbul, looking for work in order to provide for his family at home. He ended up working in a textile factory, producing jeans for a well-known American brand. His main task was sandblasting the jeans, that is, hitting the denim with grains of sand under high pressure to make the jeans look worn. Due to constant exposure to sand particles, Bego contracted silicosis, an occupational disease, and lost half of his lung capacity.

Soon after receiving his diagnosis in 2007, Bego established the Denim Sandblasting Workers Solidarity Committee. By 2011, the Committee managed to convince legislators to ban denim sandblasting and give retirement rights to affected workers. However, Bego's work did not end here, as he was aware that various malpractices prevalent in the fashion industry still persist in Turkey and beyond. He not only continued advocacy work, but also decided to become a social entrepreneur and established his own ethical and eco-friendly brand in 2019. Currently, Bego Jeans is owned by 12 like-minded investors from business and civil society, and produces around 2000 pairs of jeans annually in partnership with 12 Turkish subcontractors.



Turkey, Istanbul



Textile and garments industry



5 employees (+volunteers)



Established in 2019



Credit: Bego Jeans

Awareness raising activities to improve textile workers' conditions

Although sandblasting was prohibited in Turkey, the method was still prevalent in Asian countries, including Bangladesh which is now one of the leading denim exporters to the EU. Witnessing this issue, Bego joined the Clean Clothes Campaign (CCC), an international network dedicated to improving working conditions and empowering workers in the global apparel and sportswear industries. Bego established a Turkish branch of CCC⁷⁵ in 2013, which focuses a lot of its work on improving the

⁷⁵ More information available at: <http://www.temizgiysi.org/>

working conditions at home and in Bangladesh. In fact, many Turkish companies outsource their production to Bangladesh, hence the issue is more problematic than might seem at first. CCC Turkey managed to convince over 100 brands to ban sandblasting from their supply chains. The organisation is also looking into the effects of another bleaching method which has largely replaced sandblasting, namely, potassium permanganate spray⁷⁶.

The CCC also launched a website that aims to raise awareness about occupational diseases. The website provides guidance to employees who experience or may be at risk of developing an occupational disease across various sectors. The website also publishes stories of employees who have an occupational disease.⁷⁷

Bego is actively involved in CCC Turkey's activities to this day and participated as a speaker in various events across Europe. Bego believes that both designers and, especially, consumers are able to mobilize and pressure the fast fashion industry towards change.

Leading by example: encouraging subcontractors to offer decent work opportunities

Understanding that denim production is not going away and that jeans are and will remain one of the most popular pieces of clothing, Bego decided to open his own business and demonstrate that sustainability is possible in each step of the supply chain.

Bego's business idea was not to establish in-house manufacturing facilities but rather form a supply chain of like-minded subcontractors in Turkey. In order to have a clean supply chain, he needed to convince potential subcontractors to adhere to certain criteria, such as ensuring safe working conditions, eliminating child labour, registering all employees and paying them a fair living wage. However, this proved to be a difficult task and many contract manufacturers refused to take part in the movement. Bego explains that many workshop owners in Turkey believe that if they offer a minimum wage and employees agree to it, this is enough. However, workers often have little choice but to agree to such conditions, and an overall culture of labour exploitation persists.

Bego Jeans are now partners with 12 Turkey-based subcontractors that cover the whole supply chain. For example, the company has helped an ironing and packaging workshop to transform its business model. The workshop is owned by two previous 'underground' textile workers who started their own business with around 15 unregistered Syrian employees. Bego offered the owners a buying price that was several times higher than the market price and managed to convince them to register all of its employees and offer them a living wage. Due to improved working conditions, the workshop attracted a second client who was interested in fair trade.

According to Bego, paying employees a living wage naturally increases the price of the final product. However, a pair of jeans is not significantly more costly than those sold by the fast fashion industry (i.e. around 40 Euros). However, the price composition of *Bego Jeans* products is different, because it aims to cover the costs of production instead of having a high profit margin.

Minimizing environmental impact in denim production

Bego is also highly concerned about the negative environmental impact of the textile industry. Denim manufacturing, in particular, requires significant amounts of water, while the dyeing process causes water pollution and may have detrimental effects on health⁷⁸. Denim bleaching is especially harmful and, in addition, reduces product lifespan. Another

⁷⁶ <https://cleanclothes.org/file-repository/turkey-potassium-report.pdf/view>

⁷⁷ <http://www.meslekstastaligi.org/>

⁷⁸ <https://www.dw.com/en/denim-clothing-sustainability-recycle-pollution/a-56951179>

harmful practice is manufacturing stretch jeans, such as jeggings, as this requires mixing cotton with synthetic materials, which hinders the possibility of recycling.

Bego Jeans opts for 100% organic cotton as their raw material and has recently introduced a product line which contains 20% hemp. They also do not use chemicals: the jeans are not bleached and a vegetable substance is used for the dyeing process. Using natural dye, organically produced cotton, as well as hemp, significantly reduces the amount of water needed to produce the fabric. Bego mentions that the company also adds 1-3% of elastane, but this does not affect the ability to recycle jeans. In fact, the brand has introduced a return policy – each product has a QR code sewn in and can be returned to *Bego Jeans* in order to be upcycled into another product or recycled. Customers are given a 10% discount for bringing worn trousers back. However, it is yet difficult to evaluate the success of this policy, since the brand started selling its products only recently.

Barriers and opportunities for engaging in CSR and sustainability practices

Bego explains that the COVID-19 pandemic had a negative impact on the business, mainly because it prevented the company from entering the European market, which is one of the company's strategic goals. However, Bego does not expect the company to grow into a much larger business, because after all, the social mission of *Bego Jeans* is a stronger motivating factor than business growth.

As for the future, Bego shares two ideas:

- The team is working on a project proposal for EU funding under the Horizon Europe programme. The project would allow to implement a blockchain technology solution to improve transparency and **supply chain traceability**, starting from raw material. Workers, clients and end-consumers would be able to directly leave comments about the product and its production conditions. This would also serve as a platform for workers to report any human rights' violations or unfair practices.
- *Bego Jeans* plans to open a pilot factory, where design students from Turkey or Europe could get hands-on experience about sustainable manufacturing. Bego explains that university graduates often start working for big brands and succumb to their malpractices, without getting exposed to more responsible alternatives. Employing students for a period of 2 years and sharing the know-how could potentially inspire positive change in the entire industry.

Overall, Bego feels rather positive about the future and already sees improvement compared to the situation 10 years ago. Despite the fact that the market is still controlled by high-street brands, regulatory changes, such as the mandatory due diligence frameworks in Europe, are forcing the industry to take human rights issues more seriously.

Key takeaways

Turkey, one of the global centres for textile, still struggles with social and environmental negligence. Production for European and American brands often takes place in workshops where unregistered workers, such as migrants or even children, work under unfair and unsafe conditions. *Bego Jeans* showcases that changing these practices is possible if contract manufacturers are offered decent buying prices and are required to adhere to certain minimum criteria. Although this may bring smaller profits (at least in the short term), it can result in increased sustainability and social cohesion across the entire supply chain without significantly affecting the final price of the product. As such, *Bego Jeans* offers a small-scale and, nevertheless, tangible alternative to mass global manufacturing.

Hymness from Denmark designs exclusive accessories and jewellery, carefully tracing sources of materials and manufacturing processes

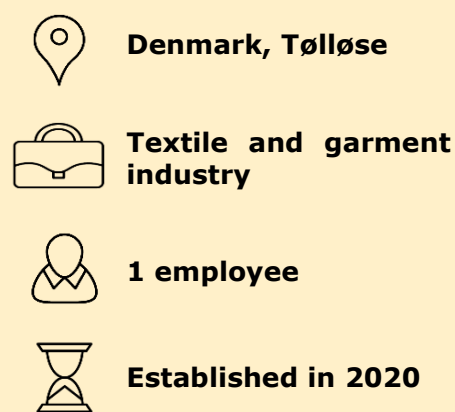


With sustainability being a topical issue, with even the best-selling fashion brands adapting measures to reduce the negative impact of production on the environment, SMEs in fashion industry are also increasingly oriented towards sustainability. Hymness is a micro-enterprise, operated solely by the founder of the enterprise. The company exemplifies what a small, independent design workshop can achieve in terms of sustainability and CSR. As the case study reveals, when it comes to choosing more sustainable alternatives, being a small jewellery and accessory brand brings both benefits and challenges.

Hymness was founded in 2020 by a Danish designer Stina Birthe. The name of the brand was preceded by *Peganpoetry* which naturally grew into the new *Hymness* brand and mindset, celebrating female empowerment and sustainability by careful choice of materials and suppliers.

Stina has been working in the fashion industry since 2007, including projects helping other brands to make their designs and production processes more sustainable. In 2020, she decided to start her own individual project. For now, Stina manages *Hymness* on her own, doing both designs and careful supervision of the manufacturing process. The small workshop sells bags, earrings, necklaces, and bracelets, scarves and other accessories.

Currently the main platform for selling products is the *Hymness* e-shop⁷⁹ and the products are also available on the *Wolf&Badger*⁸⁰ website: a UK-based platform for ethical and sustainable brands.



All *Hymness* accessories have a story behind them, not only in the creativity of the design process, but also in the careful choice of materials. Being sensitive to different chemicals and having experienced allergic reactions herself, Stina is particularly conscious about checking various risk factors in the whole chain of the production process for each item. The cashmere scarves are handwoven in Nepal while the linen and silk scarves are handwoven by artisans in India. Meanwhile, the jewellerys are made in Portugal, with some of the manufacturing processes taking place in Italy. Finally, the leather bags are currently made in India, while a cooperation with a Portuguese tannery that uses only eco cow leathers that come from Europe is also being set up.

Gradual improvement towards more sustainable design

Stina admits that, while the fashion industry is slowly adapting to more sustainable manufacturing, it is far from ideal. Moreover, it is not yet entirely clear what the final sustainability goal should be or even what the exact steps would be to achieve it. Therefore, Stina suggests that sustainability should be viewed more as an ongoing process of change. She also uses the same approach with *Hymness* by gradually introducing more recycled materials, such as recycled gold and silver, zippers made of recycled parts, and leather scraps. When designing new items for *Hymness*, she considers the available

⁷⁹ More information available at: <https://www.hymness.com/>

⁸⁰ More information available at: <https://www.wolfandbadger.com/eu/pages/about/>

options for materials in order to decide on the most sustainable manufacturing process. Stina admits that if sustainability is one of the central pillars of product manufacturing, it should be already thought-through during the design stage. Otherwise, the designer may encounter a situation when the suppliers do not offer suitable materials for the manufacturing of an item that would correspond to the set sustainability standards. In that case, Stina has to alter the initial design of the accessory, and, in general, she tries to avoid such situations.

Hymness website provides consumers with details about the type of leather that bags are made of, as well as the usage of recycled materials in earrings or bag zippers. Extensive information is also given on the production of *Hymness* scarves that are manufactured in an Indian village specializing in this craft and dyed with herb or azo-free dyes. All of this is particularly useful for a customer who wants to make more conscious fashion choices, or has sensitive skin and wants to avoid chemical-induced irritation.

As a new addition, the next *Hymness* jewellery collection is going to have a special coating that protects colours and prevents oxidative damage of the gold-plated jewellery. The golden finish will last for a longer period of time than standard, increasing the sustainability of the items, simultaneously still allowing the customer to buy an affordable product.

Keeping track of the source and the quality of materials, and the manufacturing process

When looking at *Hymness* products on the website of the brand, it is noteworthy to consider the careful tracing process of the whole supply-chain behind each item. There are two directions where tracing has been ensured: **the origin of the materials and conscious, sustainable manufacturing process.**

Stina points out that the communication and understanding of each manufacturer's standards improves with the possibility to **visit the suppliers in person**. However, current travelling restrictions due to the COVID-19 pandemic have deterred her from visiting the Indian manufacturers she collaborates with. It means that, while she has been able to visit the future



Credit: Hymness

partners in Portugal, she has had to maintain particularly close online communication with Indian suppliers. While she has managed to compensate the lack of visits of the facilities with a more detailed exchange of information online, she still maintains the view that visiting a manufacturer in person is preferable whenever possible.

To make up for the lack of possibility to visit the manufacturers in person, Stina has been **collecting as much information and necessary documentation as possible** about the current manufacturers in India, including specific certificates (e.g. ensuring that the manufacturers of the scarves in India have specific weaver certificates) and invoices. The invoices are used to certify that the manufacturers have bought the exact raw materials they have claim to use. The same process is repeated for the production of each separate item, since each manufacturing process is unique.

Finding trustworthy suppliers also depends on each country's regulations and their enforcement. Cooperation with Portugal in this regard is easier, since there are already strict regulations for tanneries and more environmentally friendly options are available, for example, working with fully biodegradable leather. The cooperation with Portuguese

manufacturers in jewellery production has been particularly pleasing also in terms of sustainability, since there is an established recycling path of valuable metals, such as gold and silver, involving recycling of metal scraps in another Portuguese company. Afterwards, the metal is returned in a reusable form to the jewellers.

Working with certified Leather Working Group (LWG) tanneries

Even before the foundation of *Hymness*, Stina was working with multiple projects involving the design and manufacturing of bags, therefore she has been particularly interested into increasing sustainability of this fashion area. Leather accessories such as purses and bags also constitute a considerable part of *Hymness*' collection. She uses the website of LWG⁸¹, an organisation that promotes environmentally friendly and sustainable leather manufacturing practices, to find LWG-certified leather manufacturers. When choosing the manufacturer, several criteria are taken into account:

- **Opting for vegetable tanning methods.** Currently there are three main types of methods of leather tanning: chrome, vegetable, and synthetic chrome-free tanning. *Hymness* products do not contain leather that has been manufactured with the chrome tanning method, since the process involves using harmful chemicals. On the other hand, vegetable-tanned leather is friendlier towards the environment, the manufacturers, and for the wearer, especially for people with sensitive skin and allergies. Thus, opting for vegetable-tanned leather benefits both for the customers and the environment, while also minimising workers' exposure to harmful chemicals.
- **The traceability of the product.** LWG website lets Stina find certified partners who allow the traceability of the product's supply-chain (it depends on the manufacturer, as not all of them provide this option on the website). Stina knows that the lamb leather she has used until now comes from local regions, it can be traced back to the slaughterhouse, and they are typically local farmers who depend on the livestock who sell the hide.
- **The location of the tannery.** Stina chooses to collaborate with tanneries that are located in those areas of India that depend on meat production and consumption. In these areas, leather is an inevitable by-product of meat production and leather tanning in turn is the next step in the chain that is responsible for processing this by-product.

While the durability and sustainability of vegetable tanned leather have been main motives for Stina to use this material in her accessory collections, she keeps an open-minded attitude and is looking into possibilities of using different types of leather in the future as long as the material corresponds to the high quality and sustainability standards that she has set for her brand.

Barriers and opportunities for engaging in CSR and sustainability practices

Stina emphasises that, in order to achieve higher CSR and sustainability goals within the fashion industry, the work towards improvement should be ongoing, and "how can we do it better" attitude should be maintained at all times, even after failures that are an inevitable part of the process. Challenges can be seen as areas for growth for the industry, and Stina has spotted several of those in her work as a designer:

- **Challenges related to the supply chain.** Stina highlights the difficulty of maintaining consistent quality products, as this largely depends on the fairness of manufacturers' practices. Stina has experienced that both big and small manufacturers change the leather to a similar but cheaper and lower-quality variant between the sample batch and the bulk-production batch. She has had such experiences not only with Indian but also European manufacturers and considers such malpractice unethical towards the client, as well as problematic for building mutual trust between a manufacturer and a designer. While this malpractice shouldn't be attributed to all manufacturers, these

⁸¹ *Leather Working Group* website. <https://www.leatherworkinggroup.com/>

occasions are encountered often enough. Since the faulty items cannot be sold, a certain amount of waste is produced that goes against the sustainability goal of the brand. Ultimately, such malpractice is disadvantageous also for the manufacturer, since they are often forced to remake the ordered items in accordance to the production methods that were initially foreseen in the contract or simply by losing the bulk order, if the samples keep changing.

- **Educating suppliers about sustainability.** To tackle the problem of fluctuating quality, it should be acknowledged that a lot of production for European design brands takes place outside the European Union. Therefore, investing in education and providing the necessary support to implement sustainable manufacturing practices in third countries is crucial to improve the overall sustainability of the fashion brands in Europe from the bottom-up. Stina also sees her cooperation with Indian manufacturers as a way of helping them acquire more responsible manufacturing habits.
- While there is a gradual shift in the mindset of the customers, it is still important to continue **educating the consumers** about the importance of supporting conscious and sustainable design. Furthermore, **marketing of the products and building brand recognition** in the competitive textile and garment industry is challenging for small design workshops as *Hymness*. On the other hand, there is already a group of consumers who appreciate and support small slow fashion brands, even if their items belong to a price category that is higher than average. Thus, by maintaining its high standards, *Hymness* is able to meet the expectations of this category of buyers.
- Finally, **finding balance between design, quality, and sustainability** can be seen both as a challenge and a motivating, creative task. Maintaining the high quality of the exclusive *Hymness* items is a must for the business. Therefore, when a new material is introduced, it is important that it still corresponds to the quality standards set by the brand founder. When making the choice in favour of one material over another, an important factor is the durability of an item. For an accessory to last for many seasons, even the smallest details must be produced of high-quality materials: e.g. the zippers of a bag must be durable, since changing a broken zipper of a leather bag is very difficult.

While the best-selling fashion brands still have a lot of steps ahead on the sustainability road, Stina admits that the policies and research that the large brands have done so far have made the suppliers more aware of the need to adapt their manufacturing practices to the new requirements. The increased supply of sustainable materials makes it easier for micro-enterprises like *Hymness* fulfil their needs.

Key takeaways

While *Hymness* is still in its initial stages of development as a company, the experience in the fashion industry of brand's founder Stina allows it to already serve as a good practice example of incorporating CSR and sustainability practices among SMEs in the fashion industry. Mostly it is achieved by careful tracking of manufacturing processes and transparent sharing of this information with the customers. The creativity of the designing process involves not only choosing shapes and colours, but also materials. As a result, the *Hymness*' accessories contain recycled metals, the bags are made of vegetable tanned leather, and the scarves are weaved by certified Indian artisans and coloured with environmentally friendly dyes. The research done by the best-selling brands of the fashion industry has also helped SMEs of the industry to find more sustainable materials; however, it should be seen more as a step closer to the sustainability goal rather than the ultimate success, as new technologies evolve and the process of learning and educating all parties involved in the supply chain continues.

Volvero: a business seeking to bring more democracy to the vehicle sharing sector



Environment



Consumer
issues



Community
involvement

Volvero is a Milan-based start-up which is revolutionizing mobility and the vehicle-sharing economy. Volvero delivers an app that offers private owners, rental companies, and vehicle dealers an opportunity to conveniently share their vehicles at a reasonable price. Vehicle owners simply have to install the app, register their vehicle, set a price for sharing the vehicle and contact other clients. Sustainability, innovation, and community engagement are central to Volvero's business model. Volvero's mission is to provide clients with an opportunity of reducing carbon emissions without having to radically alter their lifestyles. Volvero has plans to bring more sustainability and innovation to a rapidly growing vehicle-sharing economy not only in Italy but in other regions as well.

Volvero differs from most companies in the vehicle-sharing business because it does not put new vehicles on the street but rather gives vehicle owners an opportunity to lend theirs to others. This concept that *Volvero* operates on was thought of by the company's CEO and co-founder, Marco Filippi, back in 2016 when he started to notice issues with transportation systems while commuting between Luxembourg and Milan. Marco found car renting experience insufficiently adapted to commuter needs, and public transportation – unreliable and inconvenient for frequent travelling. Later on, he observed that this problem was very common both in Italy and elsewhere. Hence, Marco quit his job in finance to launch an app that would not only make commuting more convenient but could also have a positive societal and environmental impact.

The *Volvero* app was launched in 2020. Although the COVID-19 pandemic hampered the app's launch, *Volvero* dedicated this time for product development and further innovation. Currently, its service operates in Northern Italy and there are plans to expand to Chile, the UK and Belgium in the near future. The team at *Volvero* is composed of three founders, six full-time employees and four interns. *Volvero* plans to expand its workforce, but this depends on when investors will provide capital.

The team received a contributory investment from *ImpactHub*, a network of innovation incubators, accelerators, and NGOs to set-up the company. Although later *Volvero* received funding from several EU programmes, such as the *EIT Climate KIC Accelerator* and *EIT Urban Mobility*, finding investors is still a tedious and burdensome process. For instance, the CEO Marco Filippi noted that Italy's legal system and incentives for establishing start-ups is flawed, while access to early-stage investments remain especially problematic.

One of the primary long-term goals of *Volvero* is to offer innovative solutions to challenges emanating from the tension between contemporary consumption trends and climate protection goals. *Volvero* aims not only to become one of the most successful vehicle-sharing businesses in Europe but also a leading example of CSR integration into the company's agenda. It plans to do so by upholding and developing the three main pillars of its business model, namely:



**Italy, Milan and US,
San Francisco**



**Transport and
logistics**



13 employees



**Revenue: 78 000 EUR
in 2020**



Established in 2018

- Put to use vehicles that remain largely unused by their owners. The fact that transportation accounts for 24% of global emissions⁸² motivated company founders to look for ways to reduce the density of vehicles. Furthermore, according to global trends, consumers are increasingly less willing to buy new vehicles and are becoming more accepting of sharing, making *Volvero's* business case more feasible.
- Use the most advanced technology to collect and store their clients' data produced while driving.
- Support clients in becoming active agents in the business. This means allowing their clients to set the prices for sharing a vehicle.



Credit: Volvero

Sustainable consumption is central to Volvero's business model

Although Italy enjoys an extensive transportation infrastructure compared to other countries in Europe, most residents find the transportation system inadequate.⁸³ Public transport is unreliable due to tardiness, while towns further away from metropolitan areas are difficult to reach⁸⁴. Italy also has one of the highest numbers of privately registered cars. Aware of these trends, *Volvero* has acknowledged the opportunity to transform mobility through innovation while also generating a positive environmental impact. The company uses the following means to protect the environment through its activity:

- **Reducing the number of vehicles on the road.** According to an estimate by *Volvero*, private cars are not used 96% of the time. However, the production of vehicles leads to high environmental costs. *Volvero* believes that it makes very little sense to buy new cars, especially if people tend to leave them in the parking lot or garage for most of the time. In fact, according to *Volvero's* estimate, the environmental impact of 1 shared vehicle equals to that of 8 privately used ones. *Volvero* allows clients to register any type of private or commercial vehicle on the app, especially as negative environmental impact is not limited to private automobiles but is generated by all types of vehicles. The company plans to expand to areas that are more heavily urbanized and thus tend to generate a stronger negative environmental impact. This is an important step because it would help to reduce the density of vehicles and contribute to lowering the carbon footprint in Italy and other countries.
- **Using AI to reward sustainable driving habits.** *Volvero* is one of the first start-ups to use advanced AI technologies for making mobility more sustainable. Simply put, *Volvero* measures the sustainability of users' driving habits. The app uses composite technology already available on the mobile phone, such as a gyroscope or an accelerometer, to gather data on users' driving habits. This data is then sent to the app's software where AI performs data analysis and gives the driver a score based on how sustainable his or her driving was – for example, if the driver's acceleration and braking was steady and the engine speed was kept optimal throughout the trip, he or she gains a better score because the drive is less energy-consuming. This gamification function is essential to the company's sustainability

⁸² More information available at: <https://volvero.com/2020/10/drive-sharing-the-new-disruptive-future-of-mobility/>

⁸³ More information available at: <https://ec.europa.eu/transport/sites/default/files/2019-transport-in-the-eu-current-trends-and-issues.pdf>

⁸⁴ Ibid.

agenda and cannot be mechanically turned off. Accumulated sustainability scores lead to credits, which can then be used in the company's partnership program. By using "carrots" rather than "sticks", this company incentivizes users to travel in a cheap, effortless, and sustainable manner.

Using innovative technology to ensure clients' data security

Volvero considers its clients' privacy a top priority and is actively working on advancing its data collection and storage technology. Companies are continuously pressured to come up with more innovative, secure and trustworthy methods of collecting and storing information, given the fast-paced advances in information technology and artificial intelligence, as well as data protection scandals, such as the *CityBee* users' personal data leak due to company's poor data protection mechanism⁸⁵. Hence, the company has adopted the most innovative and decentralized method of data protection: blockchain technology which allows to secure customer data, which makes the incident of data leaks due to a failure by the company or hacks highly unlikely.

Active community involvement is part of Volvero's mission

Volvero differs from other companies in the field because it includes vehicle owners as an integral part of its business model. Usually, businesses in the sharing economy have a centralized management system where app users act only as consumers. In contrast, Volvero includes app users into the decision-making process by allowing vehicle owners to set prices and conditions themselves, rather than offering a fixed price generated by the app. This aspect of Volvero's business model comes with a social benefit – it enables owners to easily manage their earnings, be active participants in business-making and have the freedom to decide what is best for them. Renters also have more freedom because they can make arrangements about the use of vehicles with vehicle owners personally via the app.



Credit: Volvero

Barriers and opportunities for engaging in CSR and sustainability practices

According to Marco Filippi, Volvero CEO, **attracting investment is a challenging and time-consuming task**. He believes that a combination of support measures is needed at different stages of start-up development. EU or locally funded incubation or acceleration programs that include mentorship, business development support and networking, bring a lot of value to start-up owners. However, at this stage of business development, gaining financial support from private investors is what matters most. Marco claims that it took three years for Volvero to gain enough traction, which means that the team had to focus on raising money rather than developing the product. In general, start-ups in Italy receive more funding from informal (independent business angels, equity crowdfunding platforms, etc.) than formal entities, but the rate of investments from informal sources has slowed down in recent years. Although the Italian start-up ecosystem is improving and various

⁸⁵ More information available: <https://www.euronews.com/2021/02/17/thousands-of-citybee-users-have-their-personal-data-leaked-online>

policy measures have been introduced⁸⁶, it remains difficult to find credible sources of investment outside the regional government or EU accelerators, which hampers the process of business expansion.

The team is actively **looking for local partners to expand the reach of Volvero**. Car sharing still has not gained enough popularity to be seen as an alternative to public transportation in Italy⁸⁷. However, to reduce pollution and reach the EU's ambitious climate goals, Italian cities are looking for ways to make long-term investments in sustainable mobility solutions. These developments create an opportunity for the local governments and SMEs, especially innovative start-ups, to cooperate. For instance, *Volvero* already has agreements with municipal governments in two other European countries and Chile to pilot their vehicle-sharing solution. More extensive cooperation with the municipal governments would increase the publicity of the business, provide access to a larger group of car renters and drivers, and increase investments.

Lastly, with respect to increasing their environmental impact even further, *Volvero* plans on **expanding the set of electric vehicles (EVs) and applying discounts for their use**.

Key takeaways

Volvero is among the first start-ups to apply advanced AI, blockchain and innovative business modelling technologies to the sharing economy. It showcases an example of successful application of three pillars that help enhance CSR in business: environmental sustainability, attention towards consumers' issues and community involvement. Sharing the resources that are already there rather than buying new ones differentiates *Volvero* from most mobility start-ups. Moreover, *Volvero* is based on a unique democratic business model whereby app users – vehicle owners and renters – decide the terms and the price of the car sharing service within the general policy framework set by the company. Although finding investors and partners is a burdensome process, the team is confident that the sharing economy and green mobility solutions will gain more and more recognition in the future.

⁸⁶More information available at: https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/2020-Itali%C3%AB-The%20Italian%20startup%20and%20scaleup%20ecosystem%20website.pdf

⁸⁷More information available at: <https://core.ac.uk/download/pdf/98164904.pdf>

Last Mile Team: pushing for a green and digital transition in transportation with a focus on the Triple Bottom Line



Last Mile Team is a Spanish SME, which uses artificial intelligence, and innovative technological approaches to deliver sustainable transport solutions that work in the COVID-19 era. The start-up, develops inclusive digital solutions to bolster road transport sustainability, efficiency and resilience through solving urban distribution problems. Their inclusive digital solutions enable cities and companies to implement fairer, smarter, and greener urban logistics as well as the last mile delivery models.

Last Mile Team is a relatively young start-up but it already strives to become a catalyst to the green and digital transition within the road transport segment. Specifically, the company intends to address a variety of gaps related to greening and digitalisation in the transportation market. First, *Last Mile Team* claims that the transport industry is one of the most fragmented in Europe, with over 90% of drivers being either self-employed or working in companies with less than five vehicles. Second, the transportation market also suffers from a major digital divide. Finally, the COVID-19 pandemic triggered an upsurge in home deliveries. Traffic congestions were temporarily offset by the reduced number of personal mobility vehicles. EU Member States were able to largely focus on people mobility, while urban goods transport ended on one of the last spots in the policy priority lists. However, this will become an increasingly apparent issue in the “new normal” future.

The *Last Mile Digital Platform*®, developed by the company, addresses the above-mentioned issues by allowing mid-sized or large companies to optimize their loads and routes. The coordination system allows to identify and use idle vehicles, those that are running empty, or with a low load. The software’s algorithms take into account logistic, legal, environmental, and other city or zone-specific restrictions, which allows to better manage pick-up, transport, and delivery operations as well as track and trace transport in real time. It also provides companies with a permanent contact to drivers, which ensures better support, as well as on-demand updates of estimated time of arrival and information about pick-up and delivery points. Real-time tracking may increase the rate of successful deliveries, as well as reduce downtime. Finally, the solution also provides the tools for contactless proof of deliveries and collections by mobile phone that may be registered in a blockchain, trigger Smart Contracts, etc. The latter function is particularly important when maintaining social distancing in the COVID-19 era.

Focus on drivers’ working conditions

Unlike other applications available on the market, the *Last Mile Digital Platform*® allows clients to reduce costs but does not focus entirely on profit maximisation. On the contrary, their approach pays special attention to drivers’ working conditions. In designing their solutions, the company has implemented the requirements and recommendations stated in national legislation on the social rights of drivers (e.g. pertaining to their working hours or getting on-road support when needed). The topic of drivers’ working conditions has become particularly relevant due to the COVID-19 pandemic, which has resulted in a



Spain, Rivas - Vaciamadrid



Transport and logistics



3 employees



Established in 2016

massive increase of deliveries across the board and in mounting work pressure on the drivers, who struggle to maintain satisfactory work-life balance.

Drivers' working conditions are ensured through a variety of functions integrated in the digital platform. For example, their platform details out the exact time when a delivery is about to arrive and provides better opportunities for customers to reschedule in advance. This decreases the amount of waiting time for drivers and results in a smaller number of undelivered packages. Furthermore, drivers do not have to wait (often, unpaid) for their clients and suppliers at the warehouses to fill out the necessary paperwork since the process is digitalised. Another important function integrated in the company's digital solutions is contactless delivery, which prevents additional health risks for drivers in the context of the COVID-19 pandemic.

Barriers and opportunities for engaging in CSR/sustainability practices

The company's efforts in the transportation sector were noticed by major stakeholders both in the public and private sectors. On top of that, *Last Mile Team* is one of the *Microsoft IP Co-Sell Ready* partners, having been validated by *Microsoft* as a Delivery Logistics Platform for Corporates and Enterprises.

Last Mile Team is a high-risk, high-potential startup. One of the main challenges that the company faces now is raising funds to accelerate the implementation of their innovative solutions. *Last Mile Team* collaborates with both industry players (transport service providers, retailers and manufacturers) and municipal administrations. They are actively looking for lead city or industry customers to accomplish their mission to drive economic growth and strongly support transport decarbonisation in Europe and worldwide with the CSR values they want to project.

Despite that, *Last Mile Team* also sees many opportunities in its future. One of the main drivers, according to the company's management, is the *Last Mile Team's* targeting versatility since the company can work with municipalities and transport companies, incorporating all other stakeholders and help design and operate any public-private partnership and accelerate the development and implementation of effective interventions. Secondly, the company has witnessed a massive increase in demand for delivery



Credit: Last Mile Team

services, which presents another opportunity for the market growth. Finally, *Last Mile Team* benefits from the current technological and digitalisation drifts, which have been further fostered by the COVID-19 pandemic (e.g. the company is now using blockchain technology to manage secure proof-of-delivery and Smart Contracts).

Another important positive driver is the fact that the company uses multi-stakeholder cooperation opportunities available at the European level to expand both its networks and outreach. The company was among the first 15 teams selected for the EIT Urban Mobility Scale-up Hub and its follow-up EIT Urban Mobility GoGlobal programme. Apart from that, *Last Mile Team* was selected by the European Institute of Innovation and Technology as "one of the most promising start-ups, with a convincing and scalable business model that reduces congestion and raises goods transport system efficiency". Being visible at the EU level gives *Last Mile Team* access to an innovation community of various stakeholders (academia, research, businesses, and cities). Furthermore, *Last Mile Team* was also

designated as a partner in the H2020 RIA “LEAD” project⁸⁸, which is funded by the European Commission. The project started in June 2020 to design Digital Twins of urban logistics in six European cities and perform route optimisation and sustainability assessment in Madrid, to which the company contributes.

Key takeaways

The company’s approach to sustainability and CSR is engrained in the service that it provides. The digital tools developed by *Last Mile Team* aim to help companies in the transportation sector to make their businesses greener, efficient, and more socially responsible by providing them with the necessary digital tools. The company also successfully positions itself in the European market as a mediator between drivers and transport service providers. This positioning helps the company to use the multi-stakeholder cooperation opportunities available at the EU level such as the Urban Mobility Scale-up Hub. That said, as a start-up, the company also must work hard to generate additional investment that syncs well with the CSR values they aim to project.

⁸⁸ Source: <https://cordis.europa.eu/project/id/861598>

ATC Computer Transport & Logistics: Irish white glove service providers aiming for highest standards of work security and sustainability



Decent work



Consumer issues



Environment



Business relations

There are certain segments within logistics that require security and work safety measures, which are above the average, such as shipping medical devices, pharmaceutical products or delivering equipment to data centres. ATC specializes in the latter – the company works with the world's leading technology and cloud service providers to ensure that deliveries requiring specialized transport and shipping policies are brought to their destination with all the extra care and precautions. Various CSR practices help the company to ensure that even the highest standards determined by their clients' are met.

ATC Computer Transport & Logistics was set up in 1979 as a courier company, and later specialized in computer transport. Currently, the company is not only a leader in the field of computer transport and logistics in Ireland, but also a solid service provider to major multinational technology and cloud service companies in Europe.

ATC specializes in deliveries in the IT sector, where clients are particularly demanding about the quality of services. This is very different from conventional logistics, where price is often more important than quality. To ensure that valuable hardware is safely brought from manufacturing plants to data centres across Europe, the company has made significant investments in the equipment, software, and training of its employees. To further guarantee the safety and care during delivery, including unloading and unpacking equipment, ATC provides final mile and white glove services to its clients. Adrian Byrne, Operations Director of ATC, explains that white gloves are literally used for the handling of the equipment, therefore the 'white gloves' are a precise symbol for the close attention and care that is taken of each delivery.



Saggart, Co Dublin, Ireland



Transport and logistics



82 employees



Established in 1979

Preventing risks regarding physical safety and data protection

The Road Safety Authority of Ireland has ranked ATC at 98% in its Risk Prevention Rating. It means that, based on vehicle maintenance, fleet management and the team, the risk of having an incident is 98% lower than for other companies in the same industry. The company has undertaken the following measures for maintaining safety on the road:

- **Regular training and driver assessment.** Drivers receive regular training, including support from qualified external safety consultants. The drivers are assessed twice a year. Regular training and assessment help to ensure both the safety of the drivers and the high standards of computer logistics.
- **Always providing updated information on road safety.** The drivers are equipped with *FTAI (Freight Transport Association of Ireland) Drivers' Handbook*. The handbook serves as a work reference for drivers, providing information on such topics as responsible driving, drivers' hours and working time, healthy living, and driver fatigue. The drivers are always provided with the most recently updated version of the handbook. *FTAI* represents freight distribution, supply chain, and logistics sector of Ireland, and the published handbook serves as an example of an

industry-level partnership resulting in creating, updating, and using a single, approved tool in companies across the country.

- **Using fleet management software.** Due to a highly specialized nature of deliveries, ATC must ensure that the whole trip is carefully monitored and tracked. The company uses fleet management software and maintenance system *Fleetio* that helps to track and manage various units, such as the state of equipment or vehicles status (if they are active). Digitalised tracking allows to receive real-time information on vehicles and the services provided, further minimising risks and ensuring service quality.



Credit: ATC Computer Transport &

In addition to physical safety measures, the company follows strict security protocols and has signed non-disclosure agreements with its clients. For example, drivers are not allowed to use social media while on duty to exclude the risk of deliveries being maliciously tracked and endangered by following drivers' activities on social media platforms.

ATC also offers a special service to help companies **dispose of media in a secure way**. Certified ATC specialists manage end-of-life IT equipment by safely destroying the physical data storage devices. The service is done in an environmentally friendly way by following Waste Electric and Electronic Equipment disposal guidelines, with some parts of the equipment being recycled.

Ready to learn from clients' CSR commitments

ATC regularly gets acquainted with their clients' approach to green strategies and policies and is ready to learn to achieve the green standard in its operations:

- International technology and cloud service companies across Europe have expressed their commitment towards reducing the carbon footprint. ATC has followed their example, as the same goals are also relevant to the company. It has been awarded with FTAI "Green" Gold TruckSafe Standard, which proves its continuous commitment to **reducing carbon footprint and moving towards the goal of carbon neutrality**.
- **Inquiring the customers about their priorities** and finding out in advance, if there are any new policies emerging is an important practice within the company. This Customer Relationship Management approach involves establishing more personal contact not only with the logistics department but also with the senior management of sites where equipment is being delivered. Therefore, Alan Young, founder and director of ATC has personally visited every site to ensure that the company has considered each customer's priorities.

Striving towards gender balance in a male-dominated industry

According to Eurostat (2017)⁸⁹, only 22% of transport workers in Europe are women. In the land transportation segment the percentage is even lower, with only 14% of female employees in 2017. Moving towards greater gender balance among employees is one of the long-term goals and priorities of ATC, and a priority has been set for the Human Resources management team to **hire more female employees**. Consequently, in the

⁸⁹ Source: <https://ec.europa.eu/transport/sites/default/files/images/women-in-transport-infographic.jpg>

period of 6 years, the number of non-male employees in the company has increased from 3 to 19. Adrian agrees that greater gender balance within a company brings positive change, better performance, innovation, and, eventually, higher profit. Motivating more women to become drivers would also benefit the industry in general which is currently experiencing driver shortages. Finally, ATC guarantees **equal pay**, ensuring that employees performing equal work receive equal pay regardless of gender.

Barriers and opportunities for engaging in CSR and sustainability practices

Several of key barriers are due to the lack of development of technologies and infrastructure in the industry, namely:

- **Lack of options for alternative fuels.** Apart from gas, the technology has not advanced so far that fleets could be equipped with vehicles operating on alternative fuels or electricity. Even though gas is a friendlier option for the environment than diesel, Mr Byrne wishes that governments would invest more in research and development of environment-friendlier options. He believes that “the future is electric”, i.e. in the future, electric vehicles will be used in the transport industry.
- **Lack of gas fuelling stations in Ireland.** While *ATC Logistics* already strives to make its business as green as possible with the options that are currently available in the countries where it operates, it is about to advance even further by introducing at least 2-3 vehicles that are based in Europe, Frankfurt, and running on gas. Nevertheless, Mr Byrne explains that the gas option is not feasible in all countries; for example, in Ireland the company encounters a challenge set by the infrastructure as there are only two fuelling stations across the whole country where freight vehicles could be fuelled. This infrastructure would not be sufficient to fully supply the trucks with gas for the whole duration of deliveries within the country.
- **Lack of secure stops.** This drawback of infrastructure makes it more challenging to fulfil the requirements set by customers for secure delivery of equipment, while also fulfilling drivers’ need and requirement to have regular stops for rest. While there is plenty of regular rest services, their security measures are usually lower than necessary for the deliveries that *ATC Logistics* specializes in.

While ATC is already committed to reducing its carbon footprint, it is willing to invest in new vehicles to advance even further. However, **current delays in vehicle manufacturing** has caused disruptions. Before COVID-19 it took around 3 months for a company to receive an ordered truck. Currently the company stays on the waiting list for a new truck for around 18 months. Finally, the **lack of drivers** across Europe has proven to be a challenge for ATC like other companies working in the sector. Mr Byrne explains that also lower commitment, a tendency observed among new drivers, should be addressed as an issue for the industry not only by companies but also by governments.

Despite these barriers and challenges, ATC has managed to secure a strong position in the market and maintains a trusting relationship with its clients. The company has been learning from their clients' CSR strategic commitments and policies; an approach which could be taken as a good practice example also by other companies whose (potential) clients are businesses or public sector institutions practicing CSR.

Key takeaways

At *ATC Computer Transport & Logistics*, CSR practices are intertwined providing delivery and white glove services to clients in accordance to highest industry standards. Organising regular trainings to prevent risks on the road, introducing vehicles with lower carbon emissions, and striving towards making the team more gender-balanced: these CSR goals do not work as something "extra" for the company but have been made an integral part of its operations. While advocating towards even greater change within the industry, *ATC* showcases an example of a company that has been able to set and achieve high CSR goals regardless of current drawbacks in overall infrastructure or technologies. Finally, the *ATC* case exemplifies how SMEs may adapt its CSR activities to the policies set by larger businesses they work with. As such, large companies and public sector institutions can have a direct motivating impact on SMEs to incorporate and update CSR.

BAMA Logistics: Polish family business offers extra support to drivers, their families, and the community



Logistics plays a crucial role in supply chain, when transporting goods to factories, warehouses, and, finally, to households across Europe. However, the industry experiences a significant shortage of trained drivers, further exacerbated by the COVID-19 pandemic. The sector faces rarely acknowledged challenges, such as keeping drivers motivated to stay in the field of logistics while simultaneously maintaining clients' satisfaction. It is also challenging for a logistics company to cultivate drivers' sense of belonging or to become embedded within a community, since work essentially entails being on the move. However, BAMA Logistics has proven that companies in this sector can strive for ambitious CSR goals. The company has made a name in Poland for incorporating CSR activities that tie together employees' well-being and charity work within the local community.

Located in Dębica, a small Polish town of ~50,000 inhabitants, *BAMA Logistics* is a family business that offers domestic and international logistics and shipping services. Established in 2009 by a female entrepreneur, Agnieszka Drozd, the business has grown since then and is currently managed by Agnieszka's family members, including her sisters and daughter Klaudia. While in the beginning *BAMA* only organised shipments without truck ownership, in approximately five years the company bought its own trucks, thus expanding the services offered. The company kept growing over the years and currently operates 60 trucks that include both regular trailers and refrigerated trucks. *BAMA* has managed to respond quickly to the dynamic changes in the market – for example, refrigerated trucks were introduced as a direct response to the growing need of shipping food and medical supplies during the COVID-19 pandemic. The company aims at increasing its business to operating 100 trucks within the next five years.

| | |
|--|------------------------------------|
| | Poland, Dębica |
| | Transport and logistics |
| | 70 employees |
| | Revenue: ~ 8.6m EUR in 2020 |
| | Established in 2009 |

For several years in a row, *BAMA* has not only received the Gazelle Award, awarded for rapid and outstanding business growth, but also awards for successfully incorporating CSR activities. The awards include a Fair Play Business Certificate awarded by the Polish Chamber of Commerce, as well as the Ethical Company Award, which serves as an acknowledgement of continuous maintenance of fair operating practices towards business partners, customers, investors, officials, and employees.

Some of the most prominent company's practices include fundraising activities and charity events aimed at children in need within the community, and developing a package of various activities to help the employees and their families overcome possible issues and challenges related to drivers' demanding work conditions. While these activities are related to different CSR areas, they are all interlinked, as they help the company to work towards its overall vision of cultivating employees' sense of belonging at work while simultaneously guaranteeing a constantly high standard of service, based on Fair Play business principles. As such, all *BAMA's* employees need to read and sign an ethical code before being employed.

Extra efforts to ensure that employees' needs are met

While caring for employees has always been one of the key priorities of *BAMA*, the company is constantly exploring approaches to address employees' needs, work-related issues, and challenges. It is not a simple task to maintain the sense of belonging in a company where drivers are on the move and colleagues do not see each other often. Thus, it is even more crucial to have a systemic approach for making employees feel more connected and more satisfied overall. The company is committed to the following:

- First, the management team conducted some **research to identify drivers' specific needs** that have not been met by the company yet. This included talking to the employees, looking for information online (e.g. on drivers' forums) to identify the problems drivers face. This helped to spot needs that are not always directly vocalised or extend beyond the usual assistance on work-related questions (e.g. personal issues that may arise from drivers' dynamic working conditions).
- Given the issues identified, *BAMA* now offers **an advanced healthcare package** which includes a guarantee that an appointment with a healthcare provider can be arranged within 48 hours. The healthcare package helps to ensure that a driver can receive timely health care or dentist services even within a limited time frame between shipments, which is especially crucial in acute cases.
- Furthermore, the company provides **internal and external training** for office workers to guarantee better support for drivers on the road. *BAMA* provides trainings carried out by a lecturer that specialises in business psychology. This helps employees in managing roles to become more assertive and, at the same time, empathic to company drivers.
- The company has set up a '**A Centre for Helping Drivers**' to assist drivers with various needs and challenges. Currently, there are of two employees who are not directly involved in the planning of shipments, but who are available for drivers to help with immediate issues, such as finding fuelling places or technical solutions on the way. The goal of the Centre would be to address not only immediate problems, but also to provide a more holistic support to drivers, thus, keeping them motivated to remain within the company. This would include the possibility to consult on personal issues that might be either connected to or may have an impact on the drivers' work and/or overall well-being.

Acknowledging the role, challenges, and needs of drivers' families

BAMA acknowledges the potential challenges that drivers' frequent absence from home may pose to their families, namely partners, and children. Therefore, the company strives to, at least partially, compensate their employees' families for this.

- Knowing that drivers might not be able to spend all important days, such as birthdays or other celebrations, with the family, the company organises some **day trips for the mothers⁹⁰ and children**, even if the drivers are not present. The day trips are beneficial to the whole family and help to strengthen the community.
- Recently, **a space for weekly workshops for children** was opened next to the company's office. It invites the local children to spend their time after school in a useful way by learning some new skills. It is also available for drivers' children – the workshop activities serve as means to support drivers' partners who usually take care of children while the other partner is away, provide an opportunity to have some extra time for themselves or do some other necessary tasks or chores while the children are occupied. So far, the workshops have mostly been organised by employees but the company is also looking for other partners who could contribute to activities.

⁹⁰ Currently, all drivers at *BAMA Logistics* are male.

Engaging in charity work in the local community and beyond its borders

Apart from weekly workshops, the company is locally well-known for other kinds of charity work that has taken place in various forms over the years:

- The company has founded a **local charity**, named **"Hot Brick Foundation"** with a goal of helping the local children in their education and development. It also responds to cases of health issues of children in need and helps to raise money for surgeries or other costly medical procedures for their rehabilitation. The charity helps to 'build' support by involving both company employees and local community members.
- Klaudia holds **free English and German lessons** for children at the local orphanage.
- Apart from work in the local community, *BAMA* also **supports UNICEF and the Plan International** organisation. As partners of *Plan International*, *BAMA* provides financial aid and exchanges letters with four children from developing countries.

Keeping up with standards for environmental management

To fulfil fair practice in the area of environmental management, *BAMA* uses trucks that meet the latest and the highest **Euro 6 emissions standard**. Following the standard both improves the fuel economy and helps to reduce CO2 emissions. The company also reports its CO2 emissions to the responsible government offices.

As an addition, the *BAMA* office has been equipped with **solar panels** to help achieve additional positive impact for the environment.

Barriers and opportunities for engaging in CSR and sustainability practices

Klaudia admits that due the dynamic and often challenging nature of the industry, it is crucial to keep a high standard honesty in balancing both drivers' and clients' needs on an everyday basis to ensure that CSR activities remain at the core of company's operations.

Moreover, *BAMA* experiences the issue of **finding reliable drivers and keeping them in the company**, a challenge prevalent across the industry. A recent survey indicated that European road transport companies expect a 10% rise in driver shortages in 2021. This is mostly a result of challenging working conditions (especially during the pandemic), as well as difficulties attracting women and young people to the profession⁹¹. Klaudia further adds that the challenge is linked to the overall work requirements that sometimes may seem limiting for young people who want to spend time with their families and enjoy similar experiences as their peers. Some young people may start working at the company to fulfil some short-term monetary goals, working for a couple of years, and then leaving the industry. However, this is also an opportunity for a company like *BAMA* that practices CSR to stand out from other operationally similar companies in Poland that may not be so advanced in this field yet.

⁹¹ <https://trans.info/en/iru-survey-europe-s-driver-shortage-to-rise-by-10-in-2021-226644>

Working in the sector of long-distance transport and logistics poses a separate challenge to sustainability practices. While the company fulfils all the requirements and uses trucks that correspond to the highest emissions standards, it is **limited to the most recent technological developments in the transport field**. Moreover, thinking about future possibilities, it should be considered that even when the developments occur, it might pose high costs for the business to change the current equipment (e.g. the trucks) to more eco-friendly options within a short period of time. On the other hand, it can also be considered an opportunity, as it would allow the company to differentiate themselves from their competitors and decrease CO2 emissions.

Key takeaways

BAMA Logistics is an example of a company which has successfully incorporated systematic development of CSR practices into its overall growth and business development. In a highly competitive industry, delivering on time and ensuring clients' satisfaction is not enough for a successful business. Prioritizing not only customers' but also employees' needs with a particular focus on drivers who have demanding working conditions, *BAMA* has set itself apart from other similar companies. The company is ready to try out innovative approaches, such as starting a help centre for the drivers, providing psychology training for the managers, as well as offering workshops for employee children. This case illustrates the overall forward-thinking approach of *BAMA*, acknowledging that financial benefit is not enough to attract reliable long-term employees.

ECTerra steers mining companies towards greater responsibility



ECTerra is a German/Australian exploration and mining consultancy and project management company, with a small but experienced team that has worked on projects all over the world. Regardless of their clients or the location, ECTerra promotes the highest environmental and social standards and, most importantly, oversees their application with a 'hands-on' approach.

In the aftermath of a massive fraud scandal associated with the Canadian group of companies *Bre-X* in the late 1990s, the mining industry and professional geology became an increasingly regulated field. The need to identify, address and monitor various risks propelled the establishment of professional consultancies to accompany the exploration and extraction activities. According to Christian Masurenko, geologist and CEO of *ECTerra*, the provision of such consultation services is increasingly more bureaucratic and insufficiently adapted to each project. He also claims that most consulting companies offer only feasibility studies and lengthy reports without ensuring a follow-through during the implementation of a mining project. After working in the field of consulting and active mining for over two decades and witnessing these tendencies, Christian and several other experts decided to start their own company in 2008.



ECTerra was created with the idea of 'being more than a consultancy', which means coming on-board on the client's team for a mining or exploration project and getting deeply involved in their business activities. Another difference from a typical consultancy is that experts can be paid via monthly flat fees (in case of longer-term contracts) rather than daily rates, which allows for more flexibility. Therefore, the business model of *ECTerra* is to engage in several-year-long contracts with one or a couple of clients at a time. The company's services include various aspects of project management, such as identifying the right partners to conduct parts of a feasibility study, finding the right drilling company, writing Standard Operating Procedures (SOPs) and providing employee training on-site, as well as handling the relations with local communities.

The value of sound and clear procedures in operational governance

As mentioned previously, the high level of regulation in the mining industry has led to the production of routine paperwork (incl. CSR strategies) that is often left ignored during the later stages of project implementation. *ECTerra* seeks to reverse this trend by delivering SOPs "for dummies", meaning that each operation is followed by clear and simple instructions that are specific to each particular project. For instance:

- It is clearly stated that maintaining a relationship with the local community is the responsibility of an appointed community relations manager (and not, for example, the geologist). Having a single contact point and communication channel creates trust within the community and helps to secure the "Social Licence" to operate.
- Employees are given detailed instructions on their tasks, for example, how to treat drill core or grab samples, where to put and how to store them. This allows to prevent injuries, on-board new employees and maintain a steady workflow.

- Having a solid and validated data base and a management plan brings greater transparency and makes it easier to analyse data in-house, which is then provided for external audits (thus lowering the consulting fees for the client).

According to Christian, it is important to convince the client that following these procedures is actually beneficial. While working for a Nigerian company that tried to plan a granite quarry, *ECTerra* legalised all documents and licences, planned the entire quarry, managed its construction, eventually trained the management team to apply high social and environmental standards, as well as convinced them of updating legal permits. Eventually, the project became a showcase for the local government with regards to following all legal requirements and applying additional industry standards.

Community relations and social development

Throughout the years, *ECTerra* has dealt with multiple social and community issues on mining sites. Christian gives an example of entering an exploration project for steel raw materials in West Africa, which was put on halt due to strikes and strong mistrust from the local community. Christian took the role of a community relations manager and went out to meet the village elders. At first, he asked the seniors what they believe the foreign company was doing. It turned out that the locals had many misconceptions about the company's activities and were completely uninformed – for instance, they believed that the company was going to extract oil or diamonds. After hearing out their concerns, Christian and his newly appointed community relations team took the villagers to the mining site, showing around the equipment and explaining about the purpose and process of exploration activities. This change in the management approach on behalf of the client allowed to resettle the conflict and build trust among locals and employees.

ECTerra does not avoid projects where sustainability is threatened by social factors. Instead, Christian believes that mining companies can contribute to social development in vulnerable and critical areas. For instance, it does not require a lot of financial investments to set up a small school (perhaps even under a tree) to avoid child labour, while at the same time give the mothers a chance to work in agriculture and produce food for the miners. Ensuring legal employment should also be a preference for the mining companies, as it helps to avoid risks such as involvement of criminal groups and forced labour. Actively working together with local and international NGOs helps to enhance the livelihood of the communities.



Credit: ECTerra

Currently, *ECTerra* is discussing a close collaboration with a UK-based company *Synergy Global Consulting Ltd*⁹², which provides expertise in helping companies, governments and community-based organisations around the world enhance the social impacts of large-scale development projects. This collaboration will help *ECTerra* to manage an upcoming project in Liberia.

Transparency and traceability – a pilot project in Liberia

Christian believes that supply chain due diligence should not start with the end-producer but rather with the company that extracts raw materials. Due to current lack of

⁹² More information available at: <https://synergy-global.net/projects/>

traceability, it is impossible to guarantee whether raw materials used in, for instance, the automotive industry, were extracted under fair conditions. *ECTerra* is working on solutions that can help mining companies improve their transparency. The team, together with partners, is going to try out new methods in the field by launching a small-scale mining project “Fair Tantalum Liberia”, which is funded by the *EIT Raw Materials* (EU-level initiative). The team wants to provide public access to the project’s data, including environmental impact and employment conditions, the type of materials extracted and its quantities, and is even considering providing live updates from the mine.

However, in order to make use of this data, the journey of raw materials should be monitored throughout the value chain. In this respect, Christian thinks of adapting blockchain technology to make monitoring easier. He gives an example of *Minespider*, a company also supported by *EIT Raw Materials*, which is developing a due diligence product called *OreSource*. This blockchain product should help mines and smelters capture key information that importers in the EU need to comply with the EU Conflict Mineral Regulation. It should also allow companies to track their raw material shipments, showing where the materials come from and the conditions under which they have been produced⁹³.

Barriers and opportunities for engaging in responsible mining

Christian believes that mining is inherently in conflict with the concept of sustainability, as it unavoidably alters environmental and social conditions. Instead, he says, the goal is responsible mining. Although the industry already has comprehensive laws and guidelines in these areas (both in Europe and abroad), their enforcement is often insufficient or is left unchecked. This relates to the low level of capacities within the governments (especially in developing countries), the complexity of rules and bureaucratic loopholes.

In the future, Christian wishes to implement the principles of responsible mining on a larger scale across different countries and raw materials. He believes that the project in Liberia can serve as a ‘lighthouse’ project for the industry and policymakers in Germany and the EU, especially in the context of upcoming supply chain due diligence legislation. Moreover, he is leading a group of scientists that work on the topic of raw materials under the “Scientists for Future Deutschland” initiative⁹⁴. The group is actively committed to the development, application and awareness-raising activities of sustainability standards and geoethical guidelines. Lastly, Christian hopes to inspire dialogue and cooperation between the industry and NGOs in terms of responsible mining, who tend to perceive each other as opponents rather than partners.

Key takeaways

ECTerra provides a positive example of operating in an increasingly complex industry of exploration and mining of raw materials. Today, performing routine consulting and project management activities is not enough to guarantee responsible implementation of projects. The expertise of *ECTerra* extends beyond geology, engineering and acquisition of licences into the areas of governance, human rights, the environment and community affairs. Although it might be easy to abuse legislation and turn a blind eye on the existing guidelines in this field, *ECTerra* wants to prove that operating in a legal and, most importantly, humane, and compassionate manner can prevent crises and spur social development. The next step is to convince other stakeholders of the benefits of responsible mining and change the outdated habits prevalent in the industry and across the supply chains.

⁹³ More information available at: <https://eitrawmaterials.eu/minespider-secures-eit-rawmaterials-booster-funding-to-develop-responsible-mineral-tracking/>

⁹⁴ More information available at: <https://de.scientists4future.org/fachgruppe-rohstoffe/>

Extracthive: a French company creating value from waste



Extracthive is an SME dedicated to circular economy principles - it produces secondary raw materials by recycling industrial waste. This amounts to more than 10 000 tonnes of products and waste processed every year. The company relies on strong R&D capacity, including expertise in mineralogy, extractive metallurgy, and chemical engineering. Alongside developing novel recycling processes, Extracthive designs tailor-made solutions for low-impact mining.

Dr Frederic Goettmann, the co-founder of *Extracthive*, used to work in nuclear waste management. As environmental concerns in France grew more prevalent, Frederic decided to transfer his knowledge on recycling of nuclear waste to other fields, such as mining and metallurgical industries. His decision was also influenced by the fact that most raw materials, excessively used in European 'clean technologies' are actually extracted under poor environmental and social conditions outside of Europe. Therefore, *Extracthive* was established in 2015 with the aim of increasing the efficiency of raw materials and, thus, limiting the environmental footprint of European industry. The team started as a small chemical engineering office, designing processes and offering alternatives to better access the metals and chemical elements present in their clients' input/output streams. Their first client was a former mining company that had closed its mining activities but still had to deal with mining waste. *Extracthive* later bought 2 industrial facilities and started offering recycling and valorization services themselves. Today, the company can perform numerous material treatment techniques: drying, grinding, crushing, milling, screening, sieving, magnetic sorting and packaging. The company also sells transformed secondary raw materials, such as aluminium oxide, chromium oxide, silicon carbide and carbon fibres.



France, Sorgues



Mining and quarrying industry



25 employees



Revenue: ~ 2.5m EUR in 2020



Established in 2015

Besides these day-to-day activities, *Extracthive* is involved in many collaborative and innovative projects with respect to recycling of complex industrial waste, and improving mining processes.

Active involvement in partnerships to find novel recycling solutions

Extracthive is an active **member of various networks and consortia** in France and in Europe. For instance, it participates in an international association *PROMETIA*⁹⁵, promoting innovation in mineral processing and extractive metallurgy, as well as in the French *Alexera* cluster, which brings together the players involved in the controlled management of materials and resources (water, air, soil, energy).⁹⁶ Another important network for *Extracthive* is the *EIT Raw Materials*⁹⁷, the world's largest innovation community in the raw materials sector. Membership in such initiatives gives *Extracthive* the opportunity to become part of various consortia that implement R&D projects. These projects are often

⁹⁵ More information available at: <https://prometia.eu/>

⁹⁶ More information available at: <https://www.axelera.org/fr>

⁹⁷ More information available at: <https://eitrawmaterials.eu/>

funded through European calls for projects such as *ERA-MIN*⁹⁸, *KIC EIT Raw materials*, Horizon 2020.

During these projects, *Extracthive* **contributed to finding novel recycling solutions**, such as the following:

- A process to recover high quality carbon fibres from carbon reinforced plastic
- Environmentally-friendly process to treat antimony ore⁹⁹
- A process (including a demonstration unit) to produce lithium carbonate and other lithium salts from various industrial waste streams

Moreover, Frederic claims that being a part of such networks is **beneficial for SMEs that could not make an impact on the industry on their own**. For instance, a change in legislation is necessary to make use of the results achieved throughout the project that deals with recovery of carbon fibres. Therefore, representatives of the *EIT Raw Materials*, are working to amend the EU-level regulations. Frederic claims that *Extracthive* is too small of a player and could not advocate for such changes in Brussels.

A project to create a more sustainable mining paradigm

Extracthive is involved in a UK-led Horizon 2020 project *IMP@CT*¹⁰⁰, which aims to develop proof-of-concept sustainable mining and processing solutions. In the current economic climate, many small mining companies have ceased to exist due to the need of high investments in operations and large feasibility studies to prove long-term commercial viability. The potential return of investments is particularly low for critical raw materials which are usually produced in small quantities. The *IMP@CT* project aims to change the business model of mining, reducing the required capital expense and utilising mobile and modular equipment. The project team seeks to develop and commercialise a set of Switch-on/Switch-off solutions that will reduce the feasibility studies required, throughput of extracted material, infrastructure, land use, resource consumption and waste.

Within this project, *Extracthive* developed a solution to operate comminution in 20" container in order to reduce commission time and cost and facilitate Switch-on/Switch-off mining. Testing the design in a brownfield mining site in Serbia has brought successful results and evidenced that a containerized comminution unit could be up and running in less than two days.

Barriers and opportunities for engaging in CSR and sustainability practices

Frederic notices a trend that manufacturers are becoming increasingly interested in reducing their pollution and valorising by-products. Because such companies are very objective-oriented, they usually look for subcontractors that could take care of the waste. However, the main motivating factors for clients who seek recycling services are ethical reasons and environmental regulations. Frederic estimates that the **financial benefits of selling the transformed by-products are close to zero**, considering the costs of processing them. Their reasons behind this areas follows:

- The industry is **not ready to use recycled materials** in their production, hence the demand remains low. Companies usually follow strict technical specifications that include primary raw materials and are sceptical of changing their practices. Therefore, *Extracthive* often has to convince potential buyers that primary raw materials can be substituted with secondary ones without experiencing any loss.
- The **regulatory frameworks regarding the use of secondary raw materials are not uniform** across Europe. In many cases, the transformed materials (such

⁹⁸ More information available at: <https://www.era-min.eu/>

⁹⁹ More information available at: <https://blogs.exeter.ac.uk/impactmine/>

¹⁰⁰ More information available at: <http://www.impactmine.eu/>

as aluminium oxide) technically still qualify as waste and, thus, cannot be exported. In Poland, for example, environmental permits are very strict regarding what kind of materials one can take into their plant. This makes it difficult for *Extracthive* to sell the transformed products for a decent price or to find clients abroad.

Despite experiencing a drop in turnover during the COVID-19 pandemic, the future of *Extracthive* seems promising. As mentioned previously, being involved in networks such as *EIT Raw Materials* makes it easier for *Extracthive* to **engage in European-level projects** that might have a lasting impact on the extraction and processing of raw materials. Moreover, Frederic mentions that it is possible to **find new industrial clients** among the members of these communities. Moreover, the tender evaluations to gain EU funding contain strict environmental and social criteria, which was a rather new thing for an engineering company like *Extracthive*. Because of this, the team **began to apply a more systematic approach to CSR and sustainability**. For instance, the team now regularly conducts Life Cycle Analysis, calculates CO2 emissions, and considers their activities' potential impact on local communities.

Another important push for *Extracthive* towards systematic approach towards CSR and sustainability is their **investors**. The company now operates two industrial plants that were acquired during an auction due to the bankruptcy of previous owners. The facilities are rather rundown and need significant upgrades to be considered state-of-the art. This not only entails buying equipment to increase production efficiency, but also technologies that would improve the health and safety of employees (e.g. by preventing dust). Frederic claims that commercial banks were reluctant to provide financial support for such technologies as they are non-productive and do not bring direct financial gains. In the last two years, however, *Extracthive* has sought alternative funding opportunities and managed to raise 5.2 million EUR during several investment rounds. Frederic notes that ESG criteria, including environmental sustainability and healthy working conditions, are a priority to some of their investors. Therefore, alongside their business plan, *Extracthive* now has a CSR plan, ensuring that the two plants will be modernised in a responsible way.

Key takeaways

As the environmental and social issues of extracting and processing primary raw materials are becoming increasingly evident, *Extracthive* seeks to ensure a more responsible and conscious use of these highly-demanded resources. Metallurgical companies and other manufacturers are increasingly willing to give a 'second life' to their production waste, although the financial gains of doing so remain limited. This is due to the fact that the use of secondary raw materials in production is not yet a popular option within the industry and also comes with legal constraints. However, the future of *Extracthive* looks bright as its team has attracted a significant investments, as well as actively collaborates with industrial, academic and institutional actors. These developments will allow the company to scale-up and commercialise more innovative recycling solutions. Moreover, the requirements set by investors, as well as EU funding criteria, has pushed the company to adapt a more systematic approach to CSR and sustainability.

Finnish Network for Sustainable Mining: creating a responsible mining culture and trust-building in Finland



The Finnish Network for Sustainable Mining is an industry-financed platform that provides a neutral ground for dialogue between the mining industry and its stakeholders. Another focus of Network's activities is self-regulation, which entails offering various tools, guidelines and trainings for exploration and mining companies operating in Finland. These actions ensure that the industry operates responsibly in all areas of activity, allowing to avoid accidents, significantly harmful impacts on the environment, as well as major conflicts with different stakeholders.

Finland is one of the few European countries where all the key battery minerals, such as cobalt, nickel, lithium and graphite, alongside other rare raw materials, are found. Ore potential, convenient geographical location, existing infrastructure, and research expertise makes the country an attractive site for both local and international mining companies. In the early 2000s, substantial investments were made in the Finnish mining sector, which included Canadian and Australian companies. Despite positive economic effects (especially on rather remote regions in Finland, where most mines are located) and the ever-increasing demand for sustainable battery technologies, civil society has remained sceptical. The negative attitudes intensified in 2012, when the Talvivaara mine's toxic metal-contaminated tailings leaked, threatening local waterways. What started as a local environmental conflict, grew into a symbol of national conflict in the mining industry. All actors along the permitting chain, including industry representatives, politicians, and governmental authorities, realised that the industry's legitimacy was at stake¹⁰¹.



The Talvivaara accident was a catalyst for implementing trust-building measures. Sitra, Finland's leading public think-tank, took up the role of bringing stakeholders together to contribute to the Government's action plan "Making Finland a leader in sustainable extractive industry"¹⁰². In 2014, Sitra formally established the *Network for Sustainable Mining*, which became self-governing in 2015. Currently, the Network is supported by the Finnish Mining Association (around 90% of funding) and contributions from support members. Although some of the Network's goals were achieved (such as creating tools and standards for responsible mining), it aims to play a permanent role in the field.

Strengthening co-operation between the extractive industry and its stakeholders

The organisational structure of the *Network for Sustainable Mining* is based on international best practices of multi-stakeholder networks. The Finnish Mining Association is the host organisation of the Network. Other members include NGOs (such as the Finnish Association for Nature Conservation, WWF Finland), sectoral associations (such as, the Reindeer Herders' Association and the Central Union of Agricultural Producers and Forest

¹⁰¹ <https://link.springer.com/article/10.1007/s13563-021-00260-9>

¹⁰² <https://www.sitra.fi/en/topics/responsible-mining/#what-is-it-about>

Owners), the Finnish Metalworkers' Union, and regional authorities (the Regional Council of Lapland, the Association of Finnish Local and Regional Authorities).

Most of these member organisations are represented in the Network's board. It was a principal position of the Network not to include individual persons as members but rather to have stakeholder associations who nominate their representatives, in order to create a neutral and balanced space for discussion and trust-building, and ensure widest possible commitment to the results achieved. Each stakeholder group (mining industry, industries affected by mining, nature conservation organisations, local stakeholders) has two representatives and two substitutes on the Board. The Network is chaired by Hannele Pokka, Permanent Secretary of the Ministry of Environment of Finland. Network's administrative affairs are supervised by two permanent staff members, including Secretary General Kimmo Collander. Board meetings take place four times a year – online, in Helsinki or, occasionally, at mining sites. In addition to board meetings, thematic working groups (together with external experts and stakeholders, if needed) are organised to build practical tools and address certain issues more closely.



Credit: Finnish Network for Sustainable Mining

Although it is unrealistic to expect that all parties will agree on every discussion point, decisions are required to be made unanimously, in the spirit of consensus and compromising. This approach has allowed to successfully define what practices can be considered an industry standard in Finland (see below). However, other discussions have been more challenging, especially regarding mining activities close to significant nature or tourism destinations (see the [Barriers and opportunities](#) section).

Developing concrete tools for responsible mining

One of Network's goals has been to adapt a **responsibility standard suitable for Finland**. It was decided to base this standard on the Canadian responsibility system *Towards Sustainable Mining* (TSM). The Canadian TSM system helps mining and metallurgical facilities evaluate and manage their environmental and social responsibilities. A rating system is applied, which allows companies to benchmark their achievements (C represents abiding to national legislation, next steps are B, A, AA and AAA). Companies annually report on their progress in implementing the standard, while external audits take place every three years to verify that the reported achievements are correct.

The Finnish version of the TSM was adapted to the national legislation and complemented with a protocol on mine closure, hence it now **covers the entire lifecycle of mining operations**. In addition, a toolbox and online courses were developed to aid in implementation (both for exploration and mining activities). The Finnish Mining Association has made it **compulsory for its members to use the Network's system**. CSR reporting (based on 60 different questions) also became a prerequisite for participating companies. The Network publishes annual information on CSR-related activities of mining companies. A similar system is going to be put on place for exploration activities in 2022.

According to Secretary General Kimmo Collander, spreading awareness about the Finnish TSM Standard is very important for companies to improve. He mentions that exploration companies often **start community outreach activities far too late in the process** (because most of them are foreign-owned and unfamiliar with the Finnish mentality or

because they are too small to have sufficient PR and communication skills). He believes that transparency is already necessary at the initial stage, when a reservation of a specific area is made. At this point, rumours among locals and NGOs start spreading and should be addressed without hesitation, thus preventing further conflict.

On the other hand, good practices of following the standard are already available. A Canadian-owned *Pyhäsalmi* mine is about to close its mining operations soon and is undergoing an **extensive phasing-out programme**. The company actively promotes the reuse of the underground mining area in various ways – in 2019, a TV series was filmed there, breeding of edible crickets began and practical OSH training for underground workers took place. Proposed new activities include opening a secure data center, energy storage, laboratories and other types of underground businesses.

Barriers and opportunities for engaging in CSR and sustainability practices

The Network faces several challenges. Overall, the mining industry's **relationship with some stakeholder groups remains adverse**. He mentions that the 'not in my backyard' (NIMBY) attitude is still prevalent – some civil society organisations and local action groups would rather suggest sourcing raw materials from third countries, where social and environmental conditions are questionable, rather than develop responsible mining activities in Finland. Currently, two important stakeholder groups (Sámi people and the HORECA¹⁰³ industry) are not represented in the Network because of the unwillingness to have mining sites close to reindeer husbandry sites, hotels and skiing resorts in regions such as Lapland. Environmental activists also tend to doubt that environmental risks will be effectively mitigated by mining companies after witnessing the Talvivaara accident. Labour unions are also rather reluctant to engage in the Network's activities, as the most pressing issues in the sector are not related to wages or working conditions.

Kimmo suggests that the **organisational structure of the Network should become more dynamic and flexible**. For instance, individual experts that specialise in HORECA or Sámi culture could provide their opinions, thus at least partially compensating for the missing associations. Making sure that members truly take ownership of the Network will be a key factor for impactful activities in the future. Furthermore, the Network's mission needs to be reconsidered, since the Finnish TSM standard is already in place. One road is to simply update the standard from time to time, while another is to engage in conflict mitigation between individual companies and local action groups (which was out of the scope of the Network's activities in the past). Lastly, dissemination of information about the Finnish TSM standard and the promotion of a more positive attitude towards mining activities is still crucial and will remain a key focus for the Network.

Key takeaways

The establishment of the *Finnish Network for Sustainable Mining* proves that self-regulation can be the path forward for the extractive industry in other countries as well. Concrete and demanding standards that go beyond the national legislation can foster progress in individual companies. Industry players – both local and international – contribute to Finland's economy and the green energy transition, create employment in remote regions and are becoming more and more socially and environmentally aware of their impacts. A recently established rating system adds up to the motivation to improve operation's sustainability. However, civil society is yet to be convinced of these positive developments and consensus is unlikely to be achieved every time. However, in the long-term, transparency, dialogue, and relationship-building may help different stakeholders find a common ground and find mutually beneficial decisions.

¹⁰³ The hospitality industry encompassing hotels, restaurants and cafes.

Synthesis report: lessons learnt

This synthesis report discusses the general findings on and lessons learnt from the 30 case studies presented in this document. Although the showcased SMEs are very different in terms of the contextual backgrounds in which they operate, their size and nature of their activities, it is possible to identify certain trends that complement the overall findings of the study. Below are some general insights regarding the motivations, support, barriers, challenges, and impacts of the good practices, illustrated by specific examples.

What motivates SMEs to engage in CSR and sustainability?

Similarly to the overall findings of the study, **ethical and moral responsibility** towards the environment, company employees, the local community or the broader society appeared to be one of the main motivating factors for SMEs. In many cases, companies engage in practices that are not necessarily financially rewarding, and sometimes even require quite a lot of resources. For instance, the Turkish brand *Bego Jeans* offers a higher buying price to its subcontractors in order to ensure that textile workers receive a living wage. Companies operating in the financial industry spend additional resources to investigate whether profitable listed companies are not using greenwashing before deciding to invest in them (e.g. see case study on *Matter*). This is also visible in small-scale actions – for instance, *Econea*, a Czech e-commerce platform, spends extra time on packaging while looking for pre-used boxes and chooses a more expensive but recyclable tape for sealing.

Moreover, activities such as sponsorship, volunteering and collaborations with NGOs **help increase employee motivation**. *BAMA Logistics*, a Polish SME operating in a highly competitive industry which experiences labour shortages, shows that engaging in community development may help employees identify with the company and, thus, increase their retention.

Another highly-visible trend is that companies aim to **gain a competitive advantage** in niche markets or **stand out from competition**. For instance, *NOIE* and *Reynaldi* both operate in the highly-competitive cosmetics and skincare industry, dominated by large multinational companies. Therefore, to create a loyal consumer base, these SMEs pay special attention to the origin and quality of ingredients and the needs of consumers. For some companies, especially those based in Central and Eastern Europe or Western Balkans, sustainability is among the key factors to **gain access to foreign markets**. *Garlita*, a textile manufacturer from Lithuania, constantly upgrades their production methods which helps to appeal to Scandinavian business partners.

Sustainability can also be driven by economic motivations, such as:

- **Long-term financial gains.** This is quite prevalent in the financial industry (see case studies of *LFDE* and *fair-finance*). The French asset management company *LFDE* consistently applies ESG criteria and increasingly engages in social impact investing, since it brings positive financial results and helps overcome market fluctuations.
- **Cost reduction**, which often coexists with environmental gains. Multiple respondents mentioned energy saving, equipping their facilities with renewable energy and modern machinery. Also, reusing waste help several SMEs create new valuable products (see circular economy approaches by *Ekofungi* or *Extractive*, re-using scraps by *FOONKA*). Another interesting example of this is *Marinomed's* solution to reduce the amount of active ingredients in pharmaceuticals, which may result in lower costs and, simultaneously, lower chemical pollution in wastewaters.

Furthermore, some companies **pay close attention to various risks in order to prevent larger issues**. The most obvious example would be *ATC Computer Transport &*

Logistics, an Irish company which invests a lot in drivers' trainings to significantly reduce the risk of accidents. This aspect is also prevalent in the mining industry: both *ECTerra* and the *Finnish Network for Sustainable Mining* claimed that following strict procedures and fostering dialogue with the local community from the early-stages helps to prevent conflicts with other stakeholders. Lastly, the risk prevention aspect applies to responsible supply chain management: for example, keeping in close contact with suppliers in third countries can help prevent potential labour abuses and other violations.

Finally, it should be mentioned that some SMEs (and start-ups in particular) **base their whole business model on sustainability**. That is, their main source of income is based on:

- Reducing the use of virgin raw materials (e.g. *Extracthive* or *Ecoalf*, creating value from waste, start-ups like *Volvero* offering sustainable mobility solutions)
- Creating positive social impact (*Sano Touring*, *Bego Jeans*, *Chrono*, *Mano Guru* or *La Comunitaria*, helping or employing vulnerable groups)
- Contributing to both environmental and social goals (*Matter*, *Last Mile Team*)

What helps SMEs implement their CSR and sustainability practices?

SMEs tend to lean on the following support mechanisms to implement their CSR and sustainability practices, as well as share information about them:

- For some companies, **EU support** was crucial in developing their business, for instance, to buy the necessary modern equipment or switch to renewable energy (e.g. *Ekofungi* and *Garlita*). Many of the SMEs actively engage in R&D&I¹⁰⁴ activities or other **projects that bring value to environment and society**, which are often supported by EU funding or national authorities (e.g. via Horizon 2020, Erasmus+ programmes). Usually, such projects are implemented in partnership with other industry players and academia (see *ECOALF*, *Extracthive*, *Le Terre di Zoe*, *Sano Touring*, *Clio Muse Tours*).
- **Partnerships and networking** might help SMEs to find consortium partners for EU projects or start long-lasting collaborations with NGOs and other businesses. This includes taking part in **EU-level initiatives**, such as EIT Raw Materials, EIT Urban Mobility, as well as **local networks**, such as Chambers of Commerce (see *Extracthive*, *Le Terre di Zoe*). Participating in various **exhibitions and fairs** can allow SMEs to find long-term business partners (both buyers and suppliers) who share the same vision as them (see *FOONKA* or *Garlita*).
- **Following industry standards** helps SMEs strategically implement CSR and sustainability practices. For instance, setting a common standard for the country's mining industry helps Finnish mining companies coherently address potential risks at every stage of a mining project.
- Certification and the use of **internationally-recognised labels** helps SMEs secure access to foreign markets. For food producers, such as *Biovega* or *Ekofungi*, the EU organic logo allows to distinguish their products from less credible 'green' foods found in supermarkets. Moreover, **certification eases the selection of suppliers** that adhere to the same values, especially in retail (see *Econea* and *Biovega*).
- Lastly, **investors are becoming more and more concerned** with sustainability of the companies they choose to invest in and are **encouraging changes**. For instance, NOIE's investors encouraged them to create a sustainability strategy and set clear KPIs, alongside their business development strategy. Asset management company *LFDE* organises face-to-face meetings with their portfolio companies, in order to assess their management boards' commitment to sustainability and advise them on improving it.

¹⁰⁴ Research, development and innovation

What barriers and challenges do SMEs face in relation to CSR and sustainability?

Market-related challenges seem to be among the most recurrent. This is especially prevalent in CEE countries and Western Balkans: organic food producers like *Ekofungi*, or manufacturers *FOONKA* and *Garlita* export their products because local consumers are either not interested or cannot afford them. Securing a strong market position and standing out among competitors is also difficult due to **unfair marketing practices and greenwashing**. For instance, *Biovega* sells certified organic products while other retailers offer products with less credible 'green' labels. The biotech company *Marinomed* witnesses that some pharmaceutical companies increase their sales by claiming that their products are effective against COVID-19, although scientific proof is lacking.

SMEs can often dedicate **very limited resources to marketing** and making their name more well-known. This is related to the fact that some of them operate on low profit margins, while others tend to re-invest the money into other areas of business. Although these companies are already doing a lot in terms of sustainability, they share relatively little information about it, thus potentially losing some clients and customers (see *Reynaldi*, *Chrono*, *FOONKA*, *Garlita*).

Thirdly, SMEs often mentioned a **lack of control over their supply chains**:

- Reaching 100% traceability is hardly possible for SMEs with long and complex supply chains. *NOIE* and *Lebensbaum*, which source their raw materials from around the globe, both mentioned that they cannot be sure about the number of emissions generated and social conditions throughout the supply chain. Also, *Lebensbaum* noted that they alone cannot ensure that workers in Asia, Africa or South America will have a proper channel to complain about labour abuses or human rights violations.
- Some of the SMEs are too small to have a strong influence on their suppliers' practices. For instance, the owner of *Hymness*, a Danish design workshop, cannot ensure that, despite obtained certificates, her Indian supplier uses safe leather production methods.
- Suppliers cannot offer sustainable solutions to SMEs because they are not yet available on the market. This issue is the most visible in relation to transport: *ATC Computer transport and logistics* has to rely on diesel or gas trucks, zero-waste retailers such as *Econea* have no choice but to use conventional transport solutions for long-distance deliveries.

Furthermore, **lack of data** creates barriers for SMEs to make well-informed decisions and engage in all-round sustainable activities. This issue is mostly faced by financial companies that want to know more nuanced information about listed companies than is self-reported or displayed in aggregated scores of ESG ratings (see *LFDE* or *Matter*). However, this is a struggle for other companies as well, for instance, those operating in textile and garments industry. As mentioned by representatives of *Ecoalf* and *Hymness*, most fabrics have qualities that are good for the environment in one sense, but can have hardly-predictable detrimental effects in other aspects.

Finally, **lack of institutional support** was mentioned by several SMEs, especially in CEE and Western Balkans. Although SMEs can access fragmented financial support through EU funds, they claim that national governments lack strategic commitment to raising awareness about sustainability and are not enquiring enough about the needs of sustainability-oriented entrepreneurs (see *Biovega*, *Ekofungi*, *Sano Touring*, *Garlita*, *La Comunitaria*). For instance, *Garlita* claimed that public procurement clauses in Lithuania are still solely based on price, with no additional points given for sustainability. Another example is that the Serbian government only co-funds the local organic certification, although the EU organic logo is much more relevant for export-oriented SMEs (see *Ekofungi*). In general, these SMEs tend to have little contact with policymakers and are

more engaged in small communities of other like-minded businesses, customers and NGOs.

What are the impacts of the good practices?

The impact of the good practices more or less relates to the motivations of SMEs to engage in CSR and sustainability in the first place. **Environmental impacts the most visible and tangible:** reduced CO2 emissions, water and energy consumption, lower amounts of waste, etc. Moreover, setting sustainability-related goals **helps to improve the overall performance** and strategic management of the organisation, as well as contributes to its market position and growth. Many SMEs notice that sustainability is more and more valued by business partners, investors, customers and governments, giving hope that the relevance of their activities is going to increase in the future.

However, the most noticeable impact, recurring across multiple case studies, is that **good practices have spillover effects**. In other words, they do not only relate to SMEs' performance, but have a positive influence on other stakeholders. For instance, food producers and retailers can empower small local farmers and offer them a fair price, which would not necessarily be possible when dealing with large enterprises (see *Biovega*, *Ekofungi*, *Chrono*, *Rifuzl*). Vulnerable communities, or people who otherwise lack opportunities, can also become part of the SMEs' business model and get a chance to earn a living wage (see *Bego Jeans*, *Reynaldi*, *Chrono*, *Manu Guru*, *Clio Muse Tours* and *WeBuust*). This effect is also visible in companies that have long supply chains: they do not only apply sustainability criteria and ask for certifications from their suppliers, but also educate and support them in improving their practices (see *Lebensbaum* and *Reynaldi*). Finally, investors are increasingly realising themselves as mediators that have a mission to shift capital towards sustainability (see *fair-finance*, *LFDE* and *Matter*).

These case studies not only prove the 'business case' of CSR and sustainability, but also that good practices, carried out by one SME, can lead to a chain of events and inspire positive change in their fellow businesses, local communities and other regions.

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