

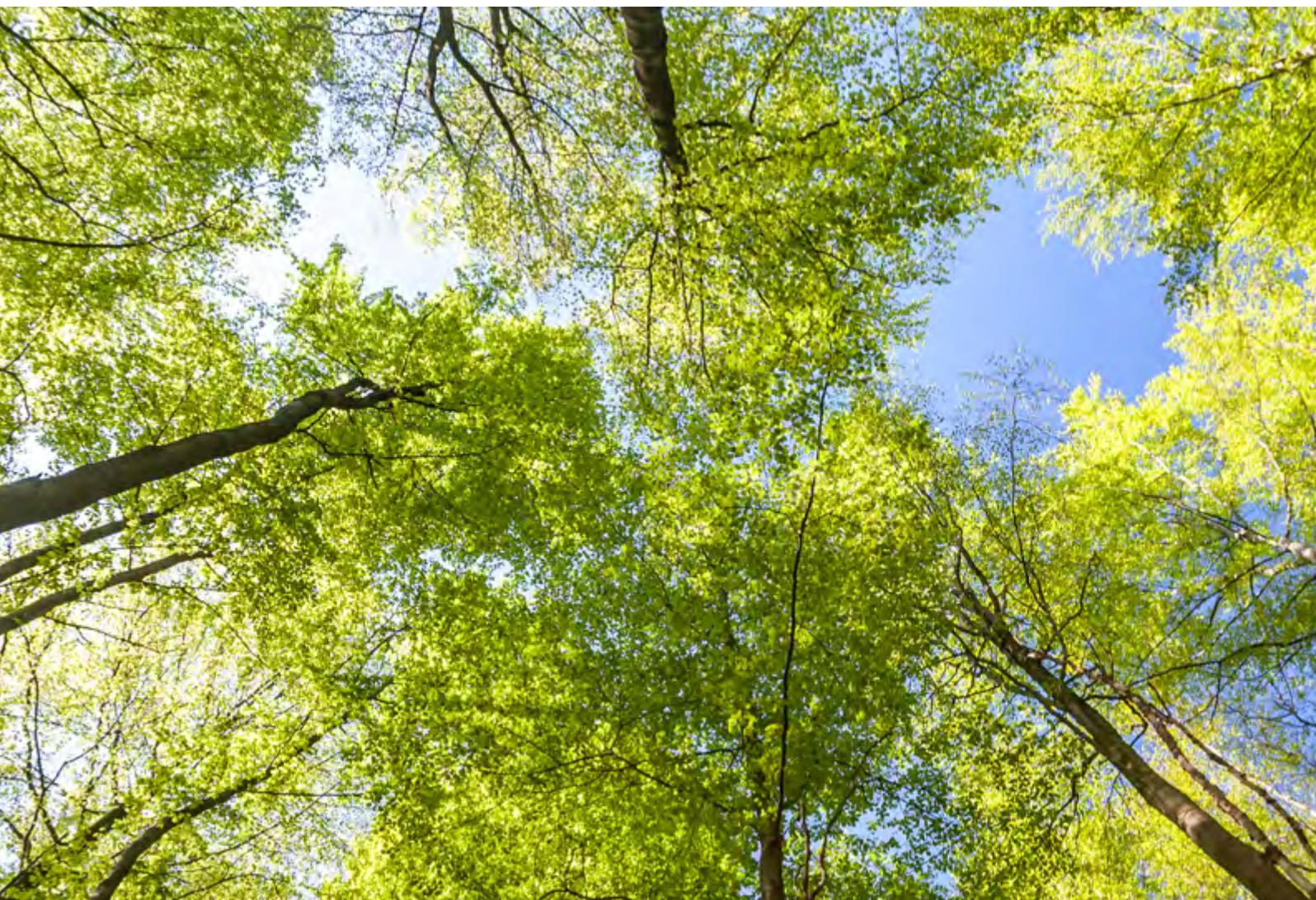


State of Sustainability 2021

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Building a better
working world



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Foreword

Since EY announced its new climate ambition in January 2021, we have sought out the true story of sustainability among Irish businesses. We believe that business must work for sustainability, and that with the right mindset and planning, sustainability will work for business and generate long-term value.

We started this study on Earth Day 2021 to explore how businesses see themselves with respect to sustainability, but also to see if action and vision were aligned. We wanted to understand our collective degree of readiness for the changes to come and to gauge the sentiment of Irish business and how deeply (or otherwise) the concepts of sustainability were held.

As the research concluded, the Intergovernmental Panel on Climate Change launched its pivotal report highlighting the unequivocal truth of our global climate situation, followed immediately by a report from Met Éireann, the Marine Institute and the Environmental Protection Agency bringing the same message right to our front doors.

Right before the publication of this report, we conducted additional research to understand the impact of recent climate-related news coverage on the psyche of citizens in Ireland. People are increasingly worried, and many are becoming more motivated to change their behaviours. In short, it appears citizens are willing to play their part, but they're relying on the Government and businesses to play their part, too.

People want better incentives for the retrofitting of homes (53%), more investment in greener public transport (53%), greater incentives for electric vehicle use - and they want to see stronger measures to force individual behaviour change (31%).



Stephen Prendiville

Head of Sustainability, EY Ireland

However, there is also a clear expectation of the Government to hold business to account; 43% feel the Government should introduce stronger penalties for major carbon-emitting industries and organisations.

As we launch this inaugural study, we anticipate even greater scales of ambition and transformation to be set out as part of Ireland's Climate Action Plan 2021, the important carbon budgets, and the forthcoming Conference of the Parties 26 meeting in Glasgow.

But what about today? Are there leaders? Are there even followers? As I invite you to review the findings, I am struck by the need to create virtuous circles of sustainability-related momentum. Momentum is hard to create, and nothing kills it like a sense of consistent failure. To build momentum, we must focus on quick wins and celebrate our gains. Meeting the 2030 goals is essential - but doing so in a manner that leaves people further energised to meet 2050 goals is equally critical.

Our journey needs to begin now! Set a target, engage with employees, start the discussion. **Small steps will build to great momentum.**



Executive summary

The EY State of Sustainability Report 2021 aims to establish how Irish organisations view themselves with respect to sustainability and their depth of understanding of and commitment to the changes that will be required of them in the years ahead.

The research concluded just before the IPCC issued its dramatic “Code Red Warning for Humanity.” The research uncovered a degree of over-confidence among the 250 organisations surveyed in relation to their sustainability standing.

While 61% of respondents to the survey said there was good or complete awareness of sustainability considerations and implications across their organisations, 53% say compliance with government regulations and requirements on sustainability is sufficient; 46% utilise recognised standards or benchmarks to measure that performance; and a very low 22% have adopted a science-based target to guide them on their decarbonisation journey.

This suggests that organisations may not only be missing the point on sustainability, but they may also be missing out on the valuable opportunities superior performance can bring.

Those opportunities lie in the concept of value-led sustainability and companies that embrace it understand the importance of sustainability to their customers, employees, investors and other stakeholders.

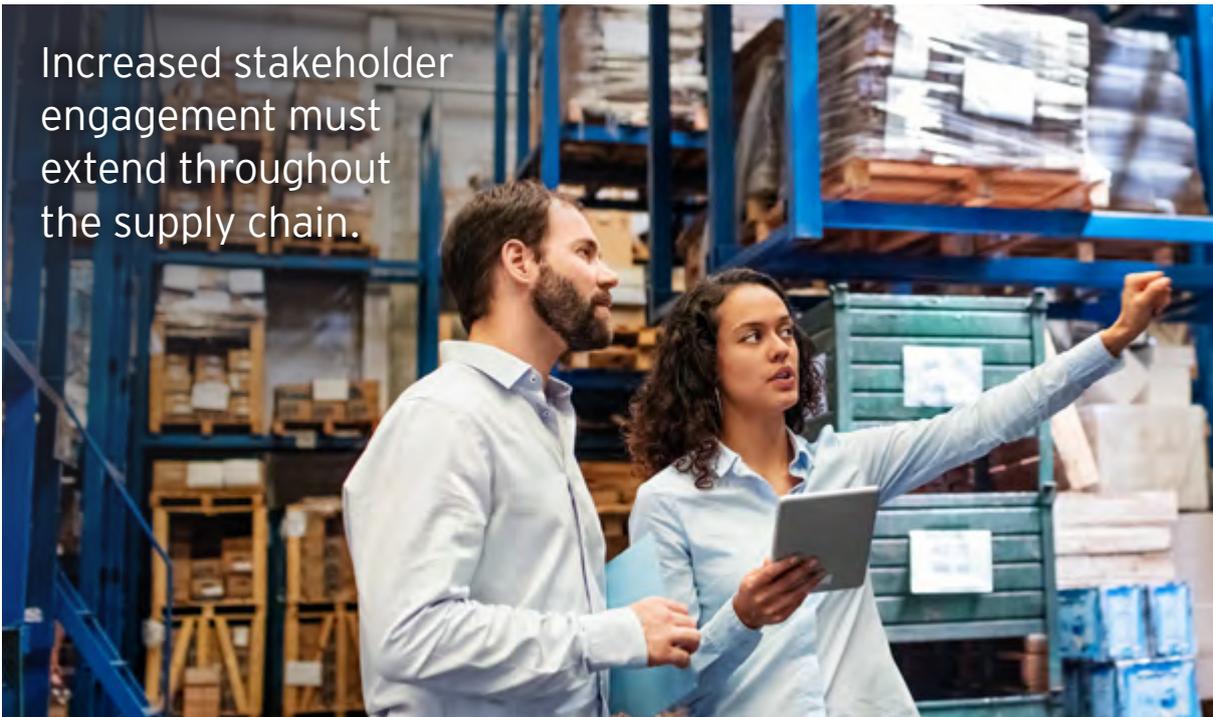
On a more positive note, the majority of Irish businesses have set up strong processes for sustainability reporting. However, only half of respondents said they engaged a third party to provide assurance of sustainability reporting, results, or measures.

Employees represent a powerful lever of change for organisations wishing to embrace value-led sustainability. However, just 33% of respondents said they have incentive schemes in place to prioritise sustainability objectives. A clear opportunity therefore exists for organisations to make sustainability gains by putting in place incentives related to clear, transparent, and attainable targets.

Businesses also need to know what their other stakeholders expect of them. But less than half of the respondents say they have high-quality stakeholder engagement around sustainability. Increased stakeholder engagement will help guide companies on their journey towards value-led sustainability at the same time as ensuring actions taken now will bear fruit for the business in future. That engagement must extend throughout the supply chain.

Sustainability and profit are not mutually exclusive and Irish organisations are now faced with a world of opportunity. Embracing value-led sustainability will make them more attractive to customers, investors and employees and confer long term competitive advantage. Organisations that embed sustainability into their culture, operations, products, and services will also enjoy clear bottom line improvements.

This may be our last chance to get this right. Organisations have an opportunity to take actions that will benefit the planet and their own business performance. It is time to create a virtuous circle where that once in a lifetime alignment between environmental good and business benefit is harnessed to drive the decarbonisation agenda.

A photograph of a man and a woman in a warehouse setting. The man, on the left, has a beard and is wearing a light blue shirt. The woman, on the right, is also wearing a light blue shirt and is holding a tablet computer. They are both looking at the tablet. The background shows blue metal shelving units filled with boxes and other warehouse items.

Increased stakeholder engagement must extend throughout the supply chain.



Introduction

The EY research has found a relatively high level of awareness and understanding of sustainability within Irish organisations but with some room for improvement.

61% of respondents to the survey said there was good or complete awareness of sustainability considerations and implications across their organisations. Just 7% rated the level of awareness as poor or non-existent.

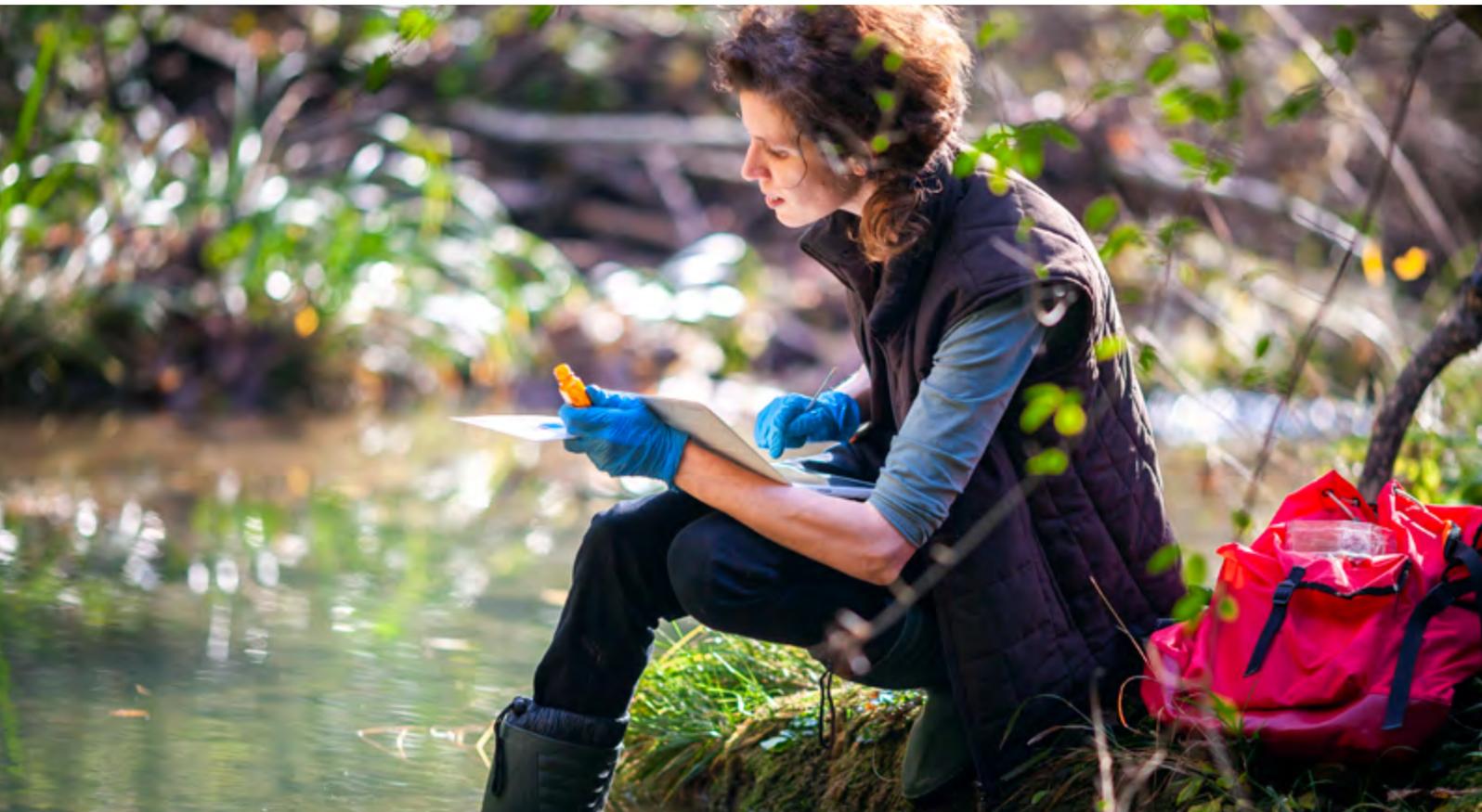
Even more encouragingly, some 71% rated the level of leadership understanding of sustainability within their organisation as either good or comprehensive. Just 3% said it was poor or there was none at all.

This is good news in light of the recent publication of the IPCC Climate Change 2021 report which issued the 'code red' warning for the planet. It is clear from that report, as well as from the subsequent "The Status of Ireland's Climate" report from the Environmental Protection Agency, Met Éireann and The Marine Institute, that the time for rapid change is here and conversations on value-led sustainability need to happen now before the issue becomes value destructive.

However, the nature of that understanding may not align to the levels of readiness required to effectively meet the challenges ahead. The majority (53%) of respondents say compliance with government regulations and requirements on ESG is sufficient while less than half (46%) utilise any form of recognised standard or benchmark to measure their sustainability performance.

This could suggest a level of overconfidence among some respondents when it comes to their environmental awareness and performance. While almost three-quarters say their leadership has at least a good understanding sustainability, more than half say the minimum standards required by regulation are sufficient.

Equally concerning is the fact that just 22% have a science-based target to help guide their decarbonisation efforts.



Science-based Targets

Science-based targets help organisations appreciate how much and how quickly they need to reduce their GHG emissions to prevent the worst impacts of climate change, leading them on a clear path towards decarbonisation. An emissions reduction target is defined as ‘science-based’ if it is developed in line with the scale of reductions required to keep global warming below 2°C from pre-industrial levels. The emissions level that keeps global warming below the 2°C level is classified as the ‘net zero’ emissions target.

22%

have a science-based target to help guide their decarbonisation efforts.

This further suggests that organisations may not only be underestimating the level of change that lies ahead around sustainability, but they may also be missing out on important opportunities. There is a growing body of evidence to show that organisations that do well on sustainability measures perform better than their peers when it comes to profitability and shareholder returns.

For example, research carried out in 2020 by Morningstar into the long-term performance of a sample of 745 Europe-based sustainable funds showed that the majority of strategies have done better than non-ESG funds over one, three, five and 10-year periods.

Superior ESG and sustainability performance has the power to add real value to organisations. From staying ahead of growing consumer awareness and related purchasing choices associated with sustainability, to talent attraction and retention, and even with respect to access to capital and funding.

However, less than half (44%) of the participants said their organisation regularly assesses current and emerging environmental, social and governance (ESG) risks and opportunities to a moderate or high level. By all accounts, it looks like most Irish businesses are missing the critical opportunity presented by sustainability - and worryingly they may also be exposing themselves to an ever-increasing threat to their business viability in the long term.

It is not too late for businesses to alter their focus. We have a chance to get this right and we are in the fortunate position where immediate action can make a difference to the bottom line and the environment in the near and medium terms.

There is also an opportunity for Government to take a central leadership role and exhort businesses to make the necessary changes for the country to achieve our climate goals. The fact that so many businesses believe meeting regulatory targets is sufficient action for them to take is clear evidence that they will follow the Government's lead when it is given.

The message is clear. Organisations that take timely action to understand, plan for and take action to mitigate the risks of climate change and embrace the opportunities of sustainability and long-term value creation will also enjoy significant competitive advantage in the coming decade and beyond. It is time to reimagine businesses and business models from the core. No areas are off limits.

53%

of respondents say compliance with government regulations and requirements on ESG is sufficient

61%

of respondents claim to have a good or complete awareness of sustainability considerations and implications across their organisations.

46%

of respondents utilise any form of recognised standard or benchmark to measure their sustainability performance.



Embrace value-led sustainability now

The majority of organisations are monitoring and measuring their sustainability performance.

72% of respondents carry out risk and materiality assessments to identify sustainability issues and topics of importance. A further 62% have KPIs aligned to sustainability measures and an equal number have an approved sustainability strategy which has been implemented, while the same number again have systems in place to record sustainability-related data.

59% of organisations also report clear accountability for any measurable targets set in relation to sustainability.

Overall, the majority of Irish businesses have set up strong processes and governance for reporting of sustainability measures.

On the other hand, only half of respondents said they engaged a third party to provide assurance of sustainability reporting, results, or measures.

Most companies have sustainability on their boardroom agenda



Value-led sustainability

Value-led sustainability (VLS) turns ESG into a business, as well as a moral, imperative. Companies that embrace VLS may increase their earnings, reduce their costs, and therefore increase their total value, as a result of becoming more sustainable.

These companies have sustainability embedded within the organisation's strategy and have a business plan to support it; they see sustainability as an opportunity to find new customers and increase revenue and market share; and they have clearly articulated the value of sustainability to internal and external stakeholders.



That number fell to 46% when it came to aligning sustainability reporting to recognised frameworks and standards such as the Global Reporting Initiative of the Sustainability Accounting Standards Board.

Taken together this suggests that a large portion of Irish business are going to need to update their reporting processes and governance procedures to align with changing regulatory expectations, including the forthcoming Corporate Sustainability Reporting Directive. This will place a burden of new data sourcing, more vigour and robust reporting on many - as well as the burden of being subjected to external assurance.

Indeed, there is an opportunity for Government to send clear signals in relation to those upcoming changes in order to encourage companies to prepare for them well in advance. Such preparations would in themselves support enhanced sustainability performance.

The low level of adoption of independent standards is a natural corollary to the finding that 53% of respondents believe that once their organisation is compliant with Irish Government and EU related sustainability standards, they are confident the business has done enough from a sustainability perspective.

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Organisations are being rightly pressured from all sides to address sustainability challenges, from Governments, investors, customers, suppliers, employees, and not least consumers. Increasingly, businesses are being held accountable to take a proactive lead role in driving change and to not only rely on consumer demands to drive that change, but to back themselves in leading the charge and allowing the market to respond.

Yvonne Kiely
Customer and Growth Lead,
Head of EY-Seren Ireland

The inference is that organisations are aware of the need to monitor and measure their sustainability performance, but this is more of a response to regulatory requirements than it is to any perception of the value it can bring to the business.

It also suggests that the monitoring and measurement systems in place are mainly internal and there is relatively little use of external benchmarks other than regulatory standards. While that will place organisations in a good position when it comes to Government and EU requirements it will leave them at a disadvantage to competitors who are going further and reporting on their sustainability performance in order to enhance their standing with customers, investors and employees.

Organisations that embrace value-led sustainability understand the importance of sustainability to their customers and employees. Interestingly, 54% of respondents believe the sustainability of their products and services is extremely important to their customers. That fell to 47% when it came to the sustainability of business operations.

On the other hand, less than half (44%) said the sustainability of their products and services is extremely important to employees with the number falling to 41% for the sustainability of business operations.

These results suggest that Irish companies have some way to go when it comes to appreciating the potential of sustainability performance to add value to their businesses.

It also likely means that Irish businesses have yet to acknowledge the full degree to which consumers are actively pursuing sustainable products and services - and that they do care as much about the sustainability of the product as the business that delivers it.



of respondents believe the sustainability of their products and services is extremely important to their customers.



of respondents believe the sustainability of business operations is extremely important to their customers.



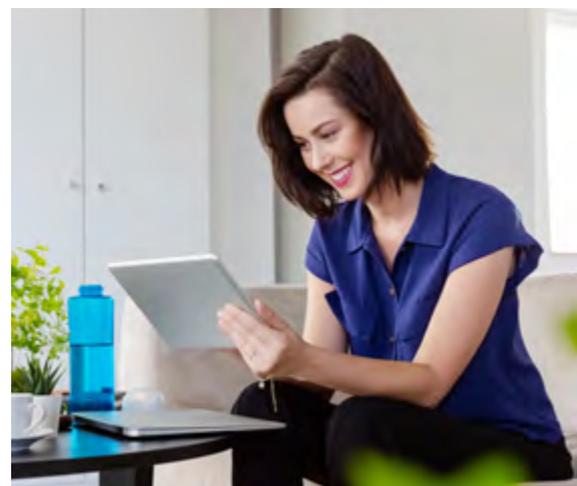
of respondents believe that once their organisation is compliant with Irish Government and EU related sustainability standards, they are confident the business has done enough.

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The longer sustainability is perceived (and pursued) as a regulatory minimum, with associated compliance standards and an increasing burden of reporting and forensic assessment of backward looking past performance, the more challenging it will be for organisations to truly face forward into the opportunities that value-led sustainability can provide.

Stephen Prendiville
EY Ireland Head of Sustainability

Unlock employee purpose for sustainability



One of the most striking findings of the research is the low number of organisations with employee incentives in place to prioritise sustainability objectives. Just 33% of organisations said they had such arrangements in place.

While there may be some incentive schemes for C-suite and other senior executives related to achieving sustainability targets, it is rare to find them extending to lower levels of an organisation.

Indeed, it is difficult to find any formal sustainability-related employee incentive schemes. In this light, the claim by 33% of respondents that they have such a scheme in place may be overstating the case somewhat. It is possible that they are confusing incentives with benefits such as the Bike to Work scheme and support for public transport season tickets. However, the absence of exemplars is no reason or excuse for organisations not to establish their own schemes. If employees are not involved and committed to the effort it will be extremely difficult for organisations to make the hard yards on sustainable transformation or succeed in reducing waste, water and carbon in the timelines required.

This follows on from the finding that less than half of the respondents rated the sustainability of their products and services and business operations as extremely important to their employees. Given the experience of many global organisations in the intensifying war for talent, this may represent a misreading of the situation. Job candidates are increasingly raising sustainability and ESG issues during the hiring process while organisations with perceived poor environmental and sustainability credentials are experiencing difficulties in recruiting and retaining top talent. This could mean that the current generational mix of existing employees is not as attuned to sustainability related matters of the organisation as the potentially new candidates (the next hiring round) from the next generation.

Employee buy-in will be hard to obtain if the organisation itself has not demonstrated its own commitment by putting in place real incentives linked to clear KPIs which individuals can understand and relate to.



33%

of respondents have employee incentives in place to prioritise sustainability objectives.

From a more positive standpoint, the low level of adoption of employee incentives actually represents an opportunity. Employees represent a powerful lever of change for organisations wishing to embrace value-led sustainability. Ambitious sustainability targets cannot be achieved in the absence of significant behaviour change on the part of employees, and vice versa.

But a necessary precursor of any such change is the setting of targets which are clearly linked to the future success of the business. Furthermore, the targets themselves must be clear, transparent and measurable. And they must be based on verifiable independently set external benchmarks.

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It's not easy for organisations to achieve their sustainability goals, even when their employees, including leadership, care about sustainability. The challenge is how to connect their employees' personal values around sustainability with their daily work. Success in this regard depends on strategic communication and people engagement to drive real behavioural change.

Laura Flynn
Head of People Consulting



Measuring and monitoring to verify progress and performance

Just over half of respondents rated their organisation's focus and actions on sustainability as 7-8 out of 10.

However, this must be set against the clear bias in favour of regulatory compliance evident in the study's results. It also must be viewed in terms of the fact that the majority of organisations rely on internal systems to measure their sustainability performance, without external assurance.

If sustainability is to add value to organisations, performance must be independently assessed against recognised benchmarks and standards. This requires businesses to put in place systems to gather key sustainability metrics.

Of even greater concern, perhaps, are the findings in relation to science-based targets. The COVID-19 pandemic has highlighted the need to 'follow the science' when it comes to decision making in terms of human health and this is a lesson which can be applied across all spheres of economic activity. Just one in five organisations say they have science-based targets in place aligned with the Paris Agreement, while only slightly over one third of them say they would be able to achieve a carbon neutral target by 2030 if required to do so.

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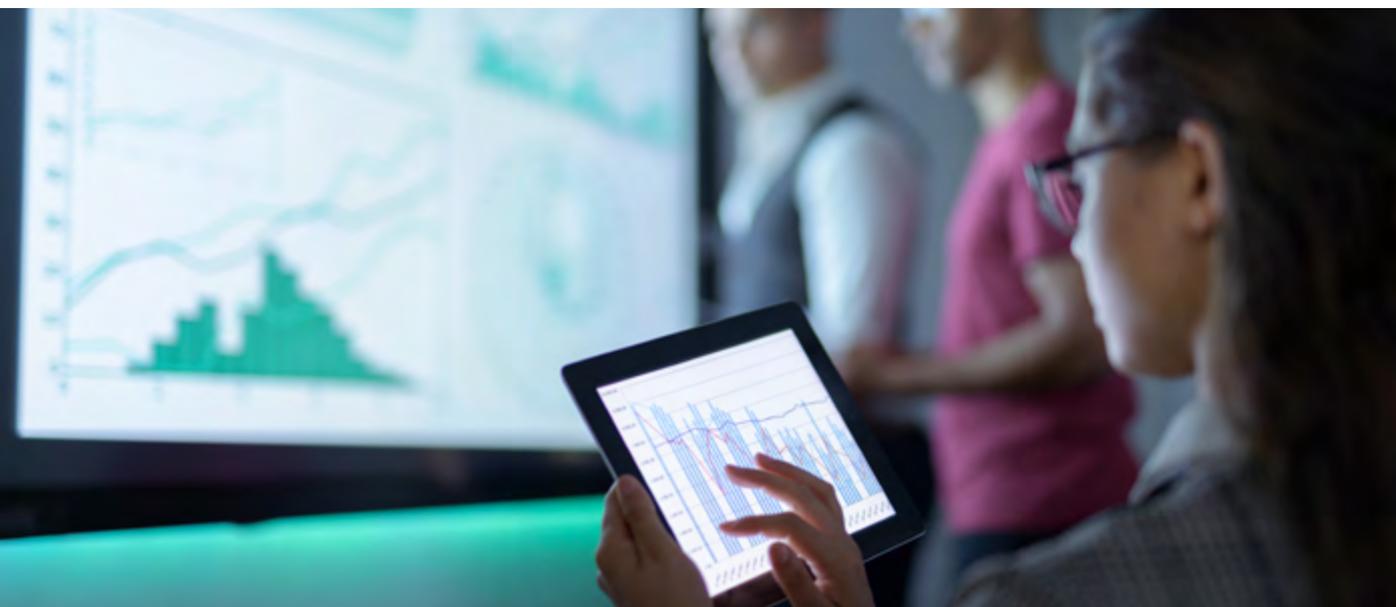
Regulations requiring the measurement, reporting and assurance of sustainability performance are now only 15 months away through the implementation of the Corporate Sustainability Reporting Directive. There is now an impetus on Irish businesses to put rigour and controls around sustainability performance and reporting like never before.

Lorraine McCann
Director,
Climate Change and Sustainability Services



33%

of organisations would be able to achieve a carbon neutral target by 2030 if required to do so.



What is Scope 3?

Scope 3 emissions include all indirect emissions (other than those associated with purchased energy) that occur in the value chain of the reporting company, including both upstream and downstream emissions. According to CDP*, a company's supply chain emissions are on average 5.5 times larger than its Scope 1 and 2 emissions, it is therefore crucial that businesses tackle Scope 3 emissions to meet the aims of the Paris Agreement and limit global warming to 1.5°C. *Source: UN Global Compact Network UK.*

**CDP is the not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.*

40%

of organisations claim that their organisation employs an average or high level of reporting on sustainability performance to drive transparency on matters relating to sustainability.

The lack of science-based targets or other established benchmarks also suggests a low level of awareness of the Scope 3 emissions which occur along an organisation's value chain and which they will need to address in years to come.

In addition, just four in 10 organisations claim that their organisation employs an average or high level of reporting on sustainability performance to drive transparency on matters relating to sustainability. Organisations that wish to reap the rewards on offer from superior ESG and sustainability performance need up their game in relation to reporting, align their metrics to recognised frameworks and enlist the support of third parties to verify their data. They will also need external support if they are to reach carbon neutrality targets which may be imposed by governments and customers.

It must also be recognised that sustainability is a moving target. Today's excellence can be tomorrow's average. Competitive advantage can disappear very quickly if businesses do not move forward continuously.

Stakeholder engagement

Value-led sustainability is not an end in itself. Rather, it is the confluence of actions that are good for society and the planet with others that are good for business.

There is a view still held in some quarters that sustainability actions add cost and reduce business efficiency. This needn't be the case. Indeed, it shouldn't be the case.

Sustainability actions properly implemented in the right place, at the right time, using the right approach can reduce costs, improve efficiency, enhance a company's brand, and make it more attractive to investors, customers, and employees. This is true value-led sustainability. To develop a strategy and implementation plan that considers all these factors is a major undertaking - and then to actually execute that plan is quite another level of activity.

There is no point in any single organisation reaching the sustainability finish line on its own. Sustainability must be viewed at a system rather than an individual level. The interaction of a wide array of environmental, social, and economic factors must be assessed.



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Sustainability is a strategic imperative that goes to the heart of organisational value. To succeed in the long-term, business leaders need to embed a sustainable mindset in every corner of their business and stakeholder ecosystem. Business strategy must urgently balance the future needs of planet, people and prosperity, to unlock opportunities and to support sustainable business transformation.

Vivienne McCourt

Director,
Sustainable Strategy & Innovation,
EY-Parthenon

In a recent article in Forbes Magazine, Rachel A Meidl, the fellow in energy and environment at Rice University's Baker Institute-Center for Energy Studies, explained that;

"Sustainability involves quantifying and understanding the risks, trade-offs and unintended consequences, from a life cycle perspective, across the entire value chain. This is what leads to long-term system balance. Although there is an environmental dimension, sustainability is far more complex than simply focusing on conservation/preservation, choosing presumed eco-friendly options, or switching to alternative energies.

*A comprehensive understanding of the impact on the overall system and of any potential risk shifting is needed before an action, policy, or product is deemed sustainable."*¹

¹ 'A Circular Economy Does Not Necessarily Translate To Sustainability', Rachel Meidl, Forbes Magazine, 03 August 2021



That 'sustainability as a system' concept explains why the Sustainable Development Goals are so wide ranging. If we are to create a truly sustainable society it will require balance across a multitude of different factors.

This makes stakeholder engagement vitally important for individual organisations. We are all trying to tackle a challenge that is inherently global. If organisations and individuals adopt a 'me' mindset instead of an 'all in it together' mindset, there is little chance of success.

Stakeholder expectations vary depending on the organisation and its sector. For instance, responsible sourcing is a growing issue for the global fashion industry. Similarly, sustainable production is top of the agenda for the food industry with consumers increasingly making choices based on factors such as greenhouse gas emissions, animal welfare and resource usage when the information is available to them.

Indeed, consumer pressure might be even greater if there was more transparency in relation to sustainability and other metrics. Greater transparency and improved access to information will come about partly as a result of regulatory changes and partly due to food industry players using them as competitive differentiators.

Actions must be collective. We can see this necessity in the approach to the home retrofitting programme here in Ireland. It relies on individual householders to find a contractor, get quotations, raise finance, and eventually get the work done. A more effective approach would see government support for neighbourhoods and communities to come together to engage contractors on favourable terms and ensure that no household is left behind.



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Knowing what your carbon footprint looks like now, and to what extent the supply chain contributes to that footprint, is a crucial first step toward defining the way forward. You are then equipped to focus on the decarbonisation methods and levers best suited for your business, and to think about the metrics required to track that activity.

Alan Dickson

Director,
Consulting and Procurement and Supply Chain,
EY Ireland

We are moving into a new social and economic paradigm. The existing model has not worked for climate action to date and is unlikely to do so in future.

Businesses need to know what their stakeholders expect of them. Unfortunately, less than half of the respondents to the EY study say they have high-quality stakeholder engagement around sustainability.

At the same time, 48% of organisations say their stakeholders are increasingly enquiring about their sustainability impact.

The low level of stakeholder engagement suggests a lack of awareness of Scope 3 emissions regulations which make organisations responsible not only for their own direct emissions but those created across their entire value chain.

This means the engagement should extend throughout the supply chain. An organisation's sustainability is only as strong as its weakest link. Poor performance or behaviour on the part of suppliers can diminish a company's ability to make progress on sustainability and damage its reputation. Suppliers must therefore be brought on the journey as well.

This highlights once again the importance of science-based targets. Independently verified science-based targets compel organisations to measure their Scope 3 emissions across the complete value chain. This in turn compels them to engage with the stakeholder universe on sustainability in a deep and meaningful way.

Increased stakeholder engagement will help guide companies on their journey towards value-led sustainability at the same time as ensuring actions taken now will bear fruit for the business in future.

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Transforming businesses to unlock value from sustainability requires engagement and connectivity across the entire value chain and indeed, industry-level changes. This is likely why individual businesses are stopping short of full commitment to a value-led sustainability approach – it looks like a mountain to climb.

Katie Flood

Head of Transformation Execution,
EY Ireland

This will require a significant change in mindset. Traditional approaches to competition will need to be reprogrammed. Sustainability solutions must span the entire ecosystem and not just individual companies and their direct suppliers and customers.

This is not a zero-sum game where a company can wait for its neighbours to fail and hope to be the last one standing. If an industry sector goes down, everyone will go down with it.

This might see companies actually helping the competitive position of others in their sector. But the likelihood is that everyone will gain, and competitive advantage will accrue to those who act first and who force the market to change to their vision.

Competition is not new and has a proven track record of success. In this scenario, everyone can prosper by embracing value-led sustainability, but only if they adopt an approach that addresses it as a systemic issue rather than one for their organisation alone. Those that don't move, or determine not to change, will very likely be left behind.

Increased stakeholder engagement will help guide companies on their journey towards value-led sustainability.



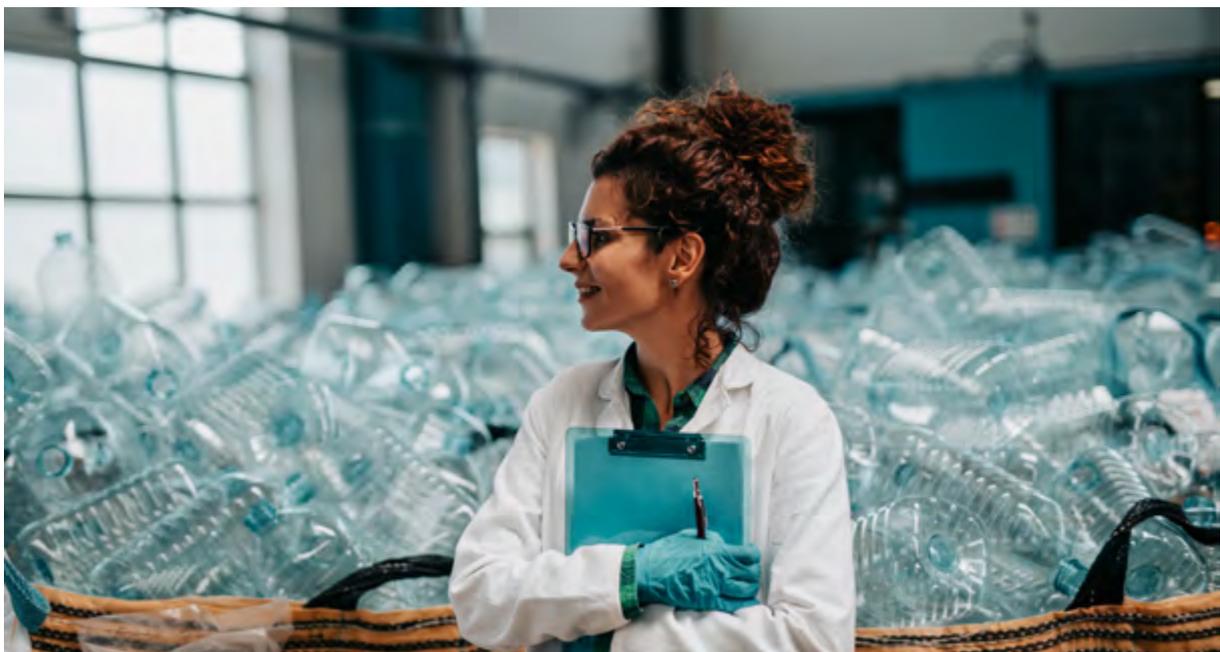
Identify the opportunities

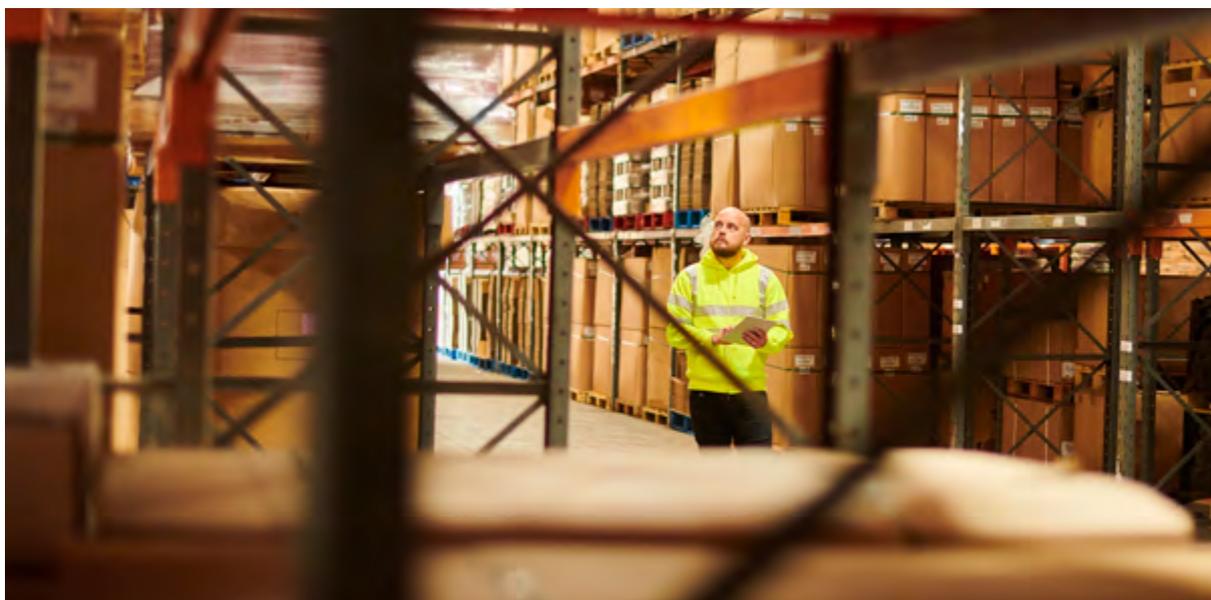
Value-led sustainability is founded on a combined basis of necessity and opportunity.

Governments, consumers, employees, investors and other stakeholders are increasingly demanding improved sustainability performance on the part of the organisations they deal with. On the other hand, they are also rewarding organisations that demonstrate superior sustainability performance.

However, there appears to be a low level of awareness of the opportunities on offer. Less than half of the organisations surveyed say they regularly assess current and emerging ESG risks and opportunities.

If sustainability actions and strategies are to bear fruit and add meaningful value to the business, they must be aligned to market opportunities. Organisations should engage in constant research activity to identify both current opportunities and those that will arise in future.





The same applies to risk identification. Organisations face more risks than those directly associated with their own operations. Are they at risk of key assets being stranded as a result of climate change? What risks do they face in their supply chains? Is there a possibility that regulatory changes will place restrictions on certain products or services?

If organisations are to reap the rewards of upping their sustainability game, they must be aware of the opportunities it presents as well as of the risks that require mitigation.

Subsequent to this study being conducted, the publication of the IPCC report as well as the The Status of Ireland's Climate report from the Environmental Protection Agency, Met Eireann and The Marine Institute, may act as a spur to drive organisations to take further action in this regard. It is to be hoped that once they get over the initial shock of the findings, they will begin to identify the opportunities presented.

These opportunities range from the simple and immediate to the more complex and long term. For example, reductions in packaging waste can take out costs and cut recycling needs. Adoption of energy-saving technologies can also cut costs while renewable options like microgeneration can also open up prospects for new revenue streams.

The circular economy

The circular economy is a model of consumption production aimed to reduce waste to a minimum by extending the life cycle of products. It involves reusing, repairing, refurbishing and recycling existing products and materials, as well as sharing and leasing products. When a product reaches the end of its life, its components remain within the economy where possible to be used again, creating further value. It is a distinct departure from traditional linear models of consumption and production.

In the long term, adoption of circular economy approaches can vastly reduce waste, cut costs and create significant competitive advantage.

There is also the opportunity to do things a little closer to home. Appreciation for the sustainability benefits of shortened supply chains were one of the positive outcomes of the COVID-19 pandemic.

In addition, there are some interesting possibilities for organisations being impacted by disruptive competitors. Sustainability could become the great leveller if organisations can demonstrate that they are superior to the disruptors in that regard.

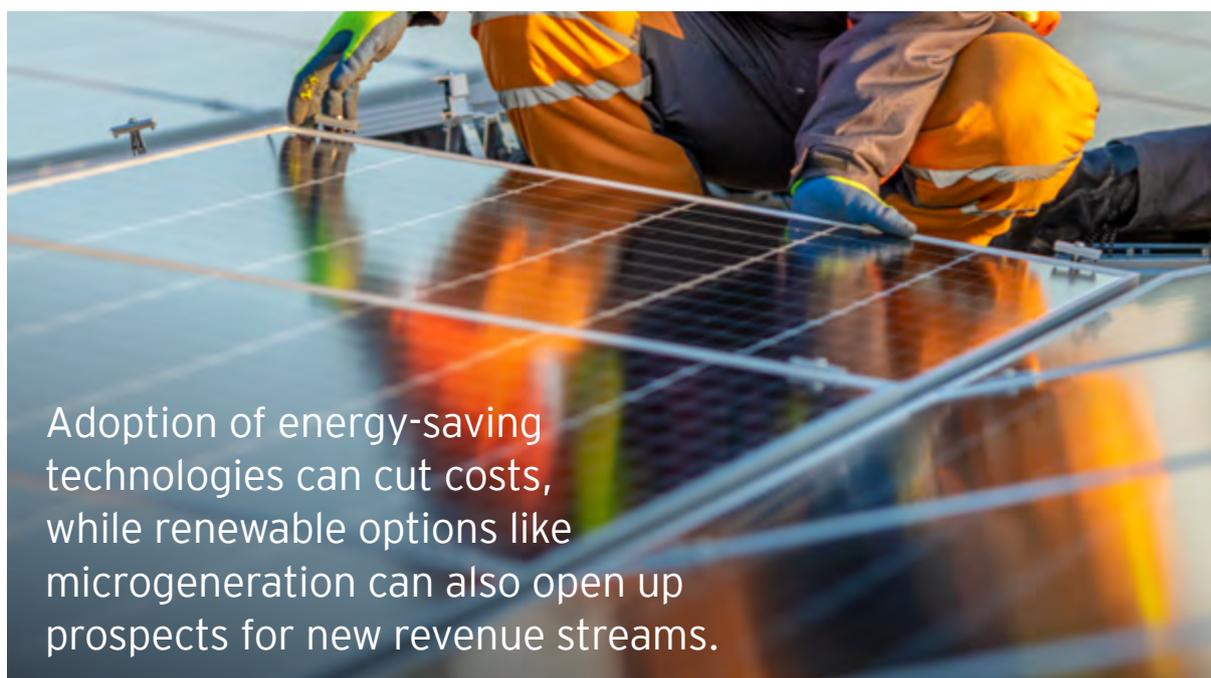
Regulation will bring its own disruption. In the UK, the Government has introduced a rule that companies pitching for public contracts worth more than £5 million must be on an audited and verifiable sustainability journey. Sustainability criteria are already included in Irish public tenders, and it won't be too long before they become a must-have rather than a scoring system component.

But while the changes required may be quite profound in terms of business operations, the fundamentals will remain remarkably stable. There will be no necessity for businesses to create new competitive muscles to thrive and prosper in the new environment. What will be required is for them to use the same instincts and skills that made them successful in the first place. It is that innate ability to identify and exploit opportunities that will offer a path to sustainable success and survival.

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Business knows how to innovate, how to grasp the opportunities. In Ireland we have a proven entrepreneurial spirit and tenacity that is world renowned. Value-led sustainability doesn't demand any new skills of business leaders in this regard – only that they open their field of vision to the opportunities that could be pursued. EY Sustainability helps businesses to see those opportunities more clearly.

Stephen Prendiville
EY Ireland Head of Sustainability



Adoption of energy-saving technologies can cut costs, while renewable options like microgeneration can also open up prospects for new revenue streams.

Getting the message across



The value added by superior sustainability performance will be diminished if stakeholders are unaware of it. Organisations need to develop strategies to communicate their sustainability credentials to different stakeholder groups.

Employees must be made fully aware of the organisation's achievements and progress in the area and encouraged to become ambassadors for the employer brand. Sustainability should also be high on the agenda in customer engagement and investor relations activities.

Sustainability is a moving target and today's best practice can quickly become viewed as poor performance. Sustainability is a journey, not a point in time.

Raising stakeholder awareness need not entail expensive advertising and marketing campaigns, however. It should begin with the organisation setting out its clear and transparent ESG and sustainability ambitions.

It must be recognised, however, that the sustainability standards which represent today's state of the art will quickly become minimum standards as progress is made towards a carbon neutral world. Indeed, there is already a trend towards carbon negativity on the part of growing band of global corporations - the rationale being to make up for past carbon and other outputs. Organisations wishing to do business with those corporations will need to match their sustainability standards. Listing them as customers will add to the business's sustainability credentials, but businesses will need to act quickly if they are to be capable of meeting the exacting criteria required to do so.

Once again, that will require engagement across the supply chain to ensure that suppliers match the organisation's sustainability ambitions.

Conclusion

Irish organisations now stand on the threshold of a massive opportunity. Embracing value-led sustainability will make them more attractive to customers, investors and employees and confer long term competitive advantage. Sustainability and profit are not mutually exclusive - far from it. 44% of respondents already indicate that their company's sustainability efforts have positively impacted their bottom line. Organisations that embed sustainability into their culture, operations, products, and services will also enjoy that positive impact.

On the other hand, sustainability requires a system-wide effort, and we are still not having a national conversation in relation to it. There is an opportunity to establish Ireland as a global hub for sustainable innovation but there is no real engagement with that at a national level.

A national goal of that nature would provide a major boost for the sustainability efforts of all organisations in Ireland. It would act as a form of commander's intent, in military parlance. You can do all the planning and strategy preparation before a mission, but they rarely survive first contact with reality. The commander's intent is what informs individuals in the field on the actions to take when things don't go according to plan.

For Ireland, sustainability is a campaign that will run for a very long time and there will be setbacks. If we are to succeed in meeting our climate and sustainability goals, success relies on every person and every business to get on board. We need everyone to understand the commander's intent. Part of that is a vision statement for Brand Ireland so that everyone knows where we're going and why we're going there. And the Government needs to articulate that vision as soon as they can.

Methodology

About the survey

- ▶ The main research was conducted by Empathy Research in June 2021 amongst a nationally representative sample of businesses in Ireland with 50 or more employees. The research respondents were senior level representatives including managing directors, business owners, chief operating officers, senior managers and heads of sustainability.
- ▶ Consumer research was conducted by Empathy Research through an online survey across a nationally representative sample of N=1,001 adults aged 18+. Quotas were placed on gender, age, social class and region with weighting applied to ensure final data was representative of these quotas. Research was conducted amongst members of Empathy Research's proprietary research panel. Fieldwork was conducted from 6th - 10th September 2021. The sample size of N=1,001 results in a margin of error of +/- 3.1%

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