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Appetite for Change

Pulse Survey 2010



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Executive Summary



I am delighted to introduce our first Irish study on Climate Change. The survey is a snapshot of views amongst Ireland's leading manufacturers and decision makers on environmental issues including regulation, legislation, taxes and the role of Government. Irish business leaders also share their perspectives on the essential ingredients to encourage investment in environmentally beneficial initiatives. The survey forms part of PwC's global research 'Appetite for change: Global business perspectives on tax and regulation for a low carbon economy'.

Overall, the survey reveals that an overwhelming majority of Irish business leaders believe that climate change will impact the way they do business. Other key findings in the survey include:

- Over three-quarters (77%) of survey participants feel that it is not clear what tax incentives exist and how to apply for them;
- Irish business finds it difficult to understand the opportunities presented by climate change initiatives; and
- The majority strongly feels that Ireland needs to offer more incentives to support investment in environmentally beneficial initiatives.

According to the survey, many Irish businesses are finding it difficult to link the benefits of climate change initiatives to their bottom line and brand positioning, and specifically to potential new product and service business opportunities. Climate change is not just about the environment but is also about identifying where improvements in energy, waste and water management can lead to sustainable practices and good business sense.

The survey suggests that there is some work to be done to effectively embed climate change strategies into Irish businesses. But there is also hope, as the survey highlights that a package of incentives, emissions trading schemes and even carbon taxes could win support of the business community, if effectively implemented. The survey highlights that it will be a combination of Government and businesses working together to ensure Ireland seizes the competitive advantages that environmental initiatives and climate change can deliver. Perhaps there is an opportunity for Ireland to lead the charge in climate change and sustainable business for the future.

Alisa Hayden
Manufacturing Services Partner, PwC

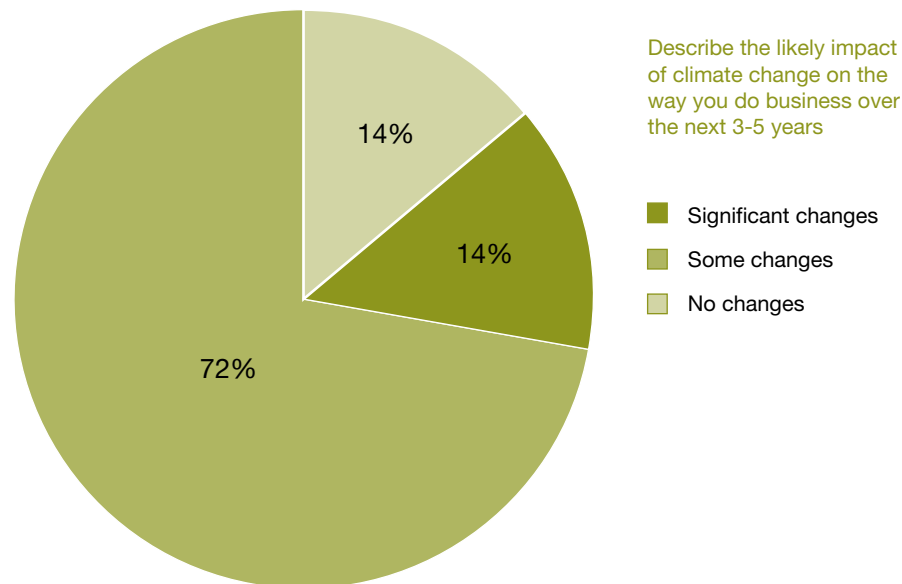
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Impact of climate change

The majority (86%) of Irish business leaders accept that climate change will alter the way in which they do business over the next 3-5 years. Over half (56%) of survey participants said that their organisation will need to reduce its emissions to some extent.

Figure 1: Impact of climate change on business over the next 3-5 years



“Overwhelming majority of Irish business leaders believe climate change will change the way they do business”

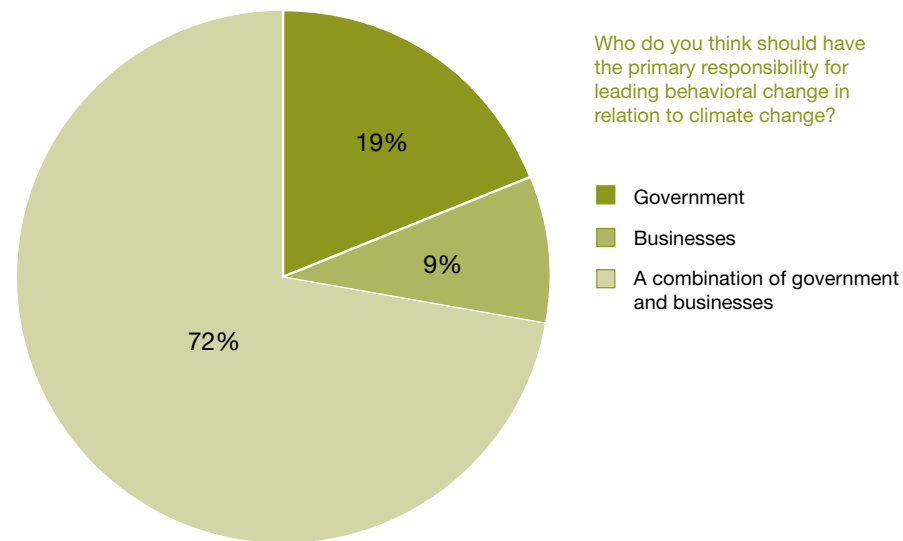
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Responsibility for leading behavioural change

Nearly three-quarters (72%) of executives feel it is a combination of Government and business that should work together to share

responsibility for bringing about a shift in behaviour regarding climate change. This compares with 44% of global survey participants who believed that it was primarily up to Government to take the lead.

Figure 2: Primary responsibility for leading climate change behaviour

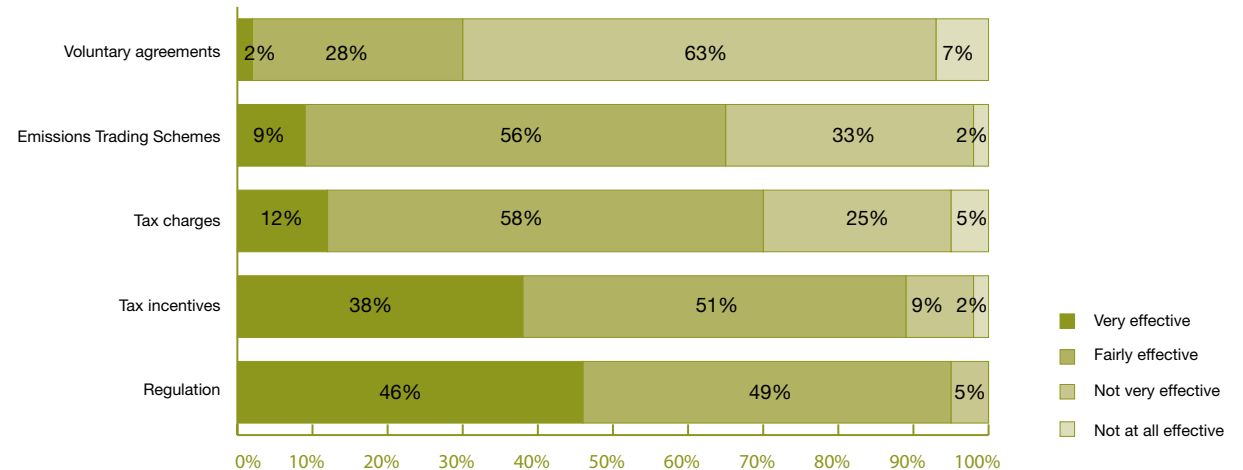


How can Government policies find support from business?

When it comes to the most effective way of getting Irish business to reduce its impact on the environment, similar to global findings, Irish

survey participants suggest that it is a ‘carrot and stick’ approach that is needed. For example, 46% of Irish executives believe that regulation is very effective while 38% believe that tax incentives are very effective.

Figure 3: Effectiveness of certain tools to reduce environmental impact



“It is a mixture of the ‘carrot and stick’ approach to reduce the impact on the environment”

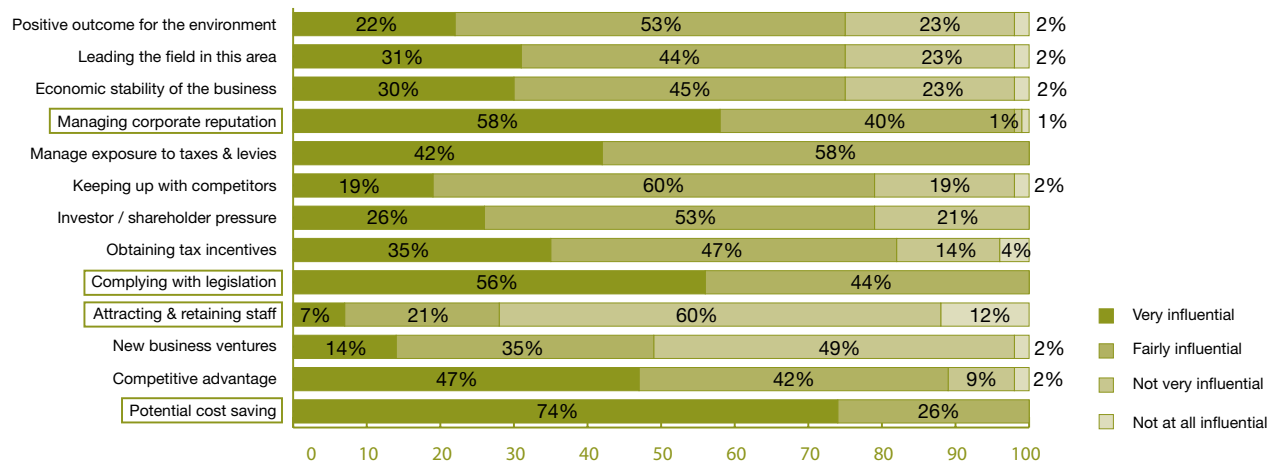
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Business leaders believe that stable, properly enforced policies would promote fair competition and facilitate long-term planning. Simply put, businesses want to be on an equal footing with their international counterparts.

The leading factors instrumental in influencing an organisation's decision-making for minimising its environmental impact are potential cost savings (74%); corporate reputation (58%) and compliance (56%). Globally the most influential factor was compliance, followed by corporate reputation.

Interestingly, the survey also suggests that attracting and retaining staff is not top of the agenda when it comes to climate change. Businesses need to consider whether the perceived increased sense of social responsibility amongst the future generations should have an impact on the way in which businesses' attitudes towards climate change is embedded into its organisational culture.

Figure 4: Factors influencing decision to minimise environmental impact



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Where are the opportunities for government?

The business community is ready for, and supportive of government action. An overwhelming majority of Irish survey participants are in favour of more tax measures as a way of encouraging responsible environmental behaviour. For example, 79% are in favour of an emissions trading scheme, 77% are in favour of a carbon tax and 89% are in favour of tax incentives to help

companies become carbon neutral.

Nearly two-thirds (65%) of survey participants feel strongly that Ireland needs to offer more incentives to support investment in environmentally beneficial initiatives. Over half (56%) feel that their company would benefit from such Government financial support. The survey suggests that there may be scope for more businesses to avail of such incentives. For example, nearly three-

quarters (74%) feel that meeting the criteria required by current tax incentives is too onerous to make the incentives worth applying for.

Over three-quarters (77%) feel that it is not clear what tax incentives currently exist and how to apply for them. Furthermore, a similar proportion (79%) believes that current tax incentives are not sufficiently motivating to make businesses change their behaviour. Globally, 55% of survey participants felt

that government policies relating to tax incentives are ineffective.

“The business community is ready for, and supportive of government action”

“The vast majority feel that it is not clear what tax incentives exist and how to apply for them”

Interestingly, to date, landfill levies, electricity taxes and carbon tax were felt to be the most effective specific taxes in changing an organisation's environmental behaviour. For example 79% agreed that landfill measures were effective; 68% felt that electricity taxes were effective while 63% felt that carbon tax was effective.

It appears that business are not in favour of "revenue-generating" taxes but have genuine support for taxes which contribute to protection of the environment. Indeed, the majority (88%) believe that such monies collected from environmental taxes and regulation should be directed to environmental initiatives.

Figure 5: What can government do to drive change?

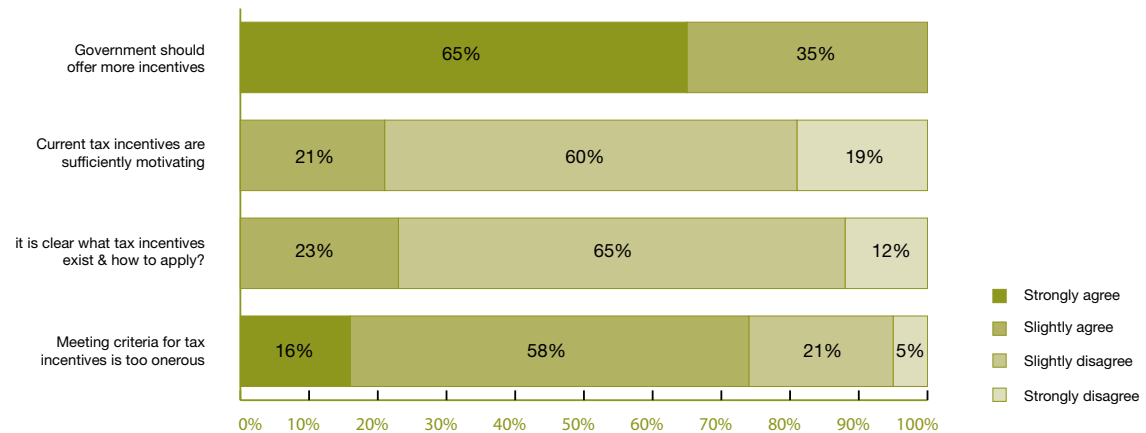
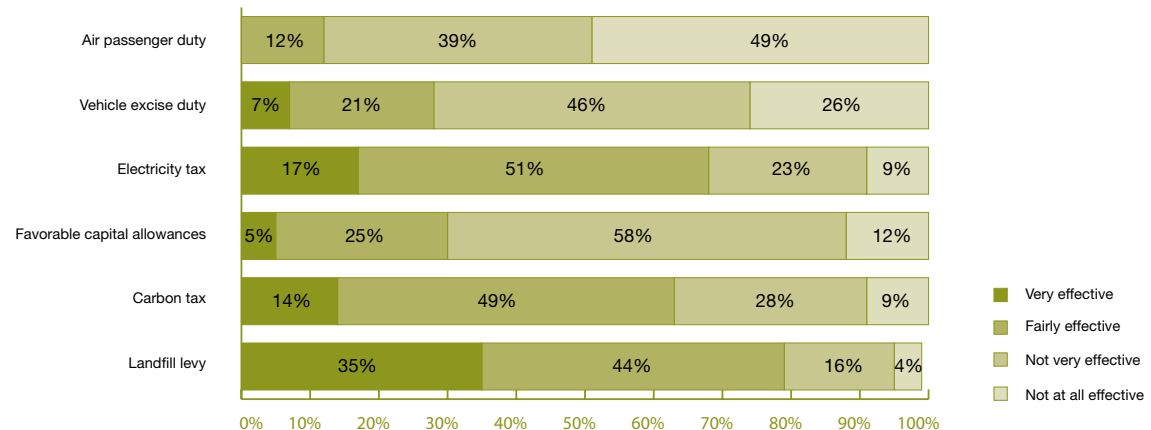


Figure 6: How effective are the following specific taxes?

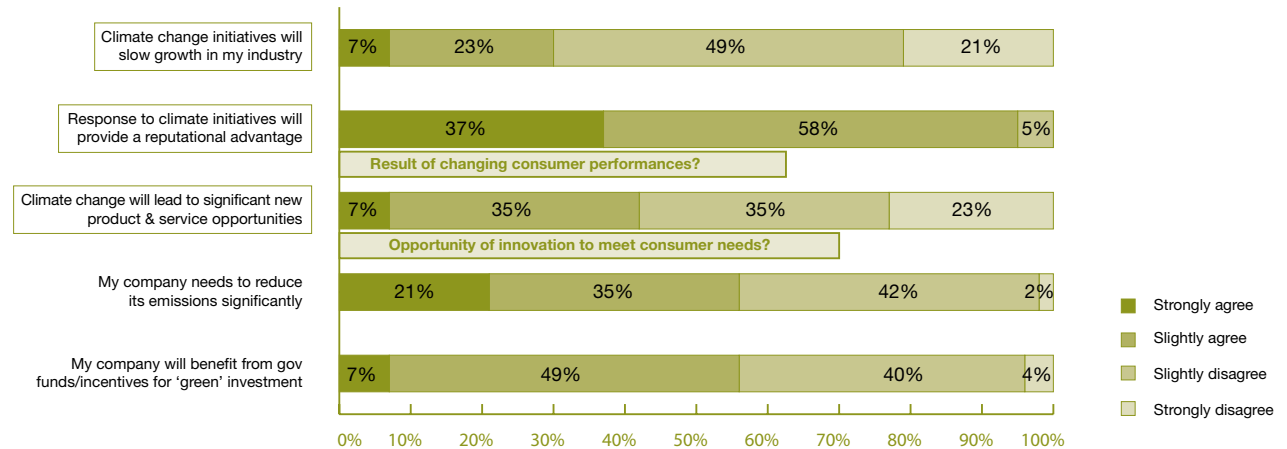


Climate change business opportunities

According to the survey, many Irish businesses do not clearly understand the opportunities that climate change initiatives can provide. For example, only a third (37%) agree strongly that climate change initiatives will provide reputational advantages while the majority

(57%) do not see any new product or service opportunities. Having said all of that, Irish businesses recognise the need to reduce their carbon footprint. For example, over half (55%) agree they will need to reduce their emissions significantly. Nearly three-quarters (70%) agree that climate change initiatives will not slow growth in their industry.

Figure 7: Impact of climate change on the way you do business



“Irish business finds it difficult to understand the opportunities presented by climate change initiatives”

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Reporting on environmental performance

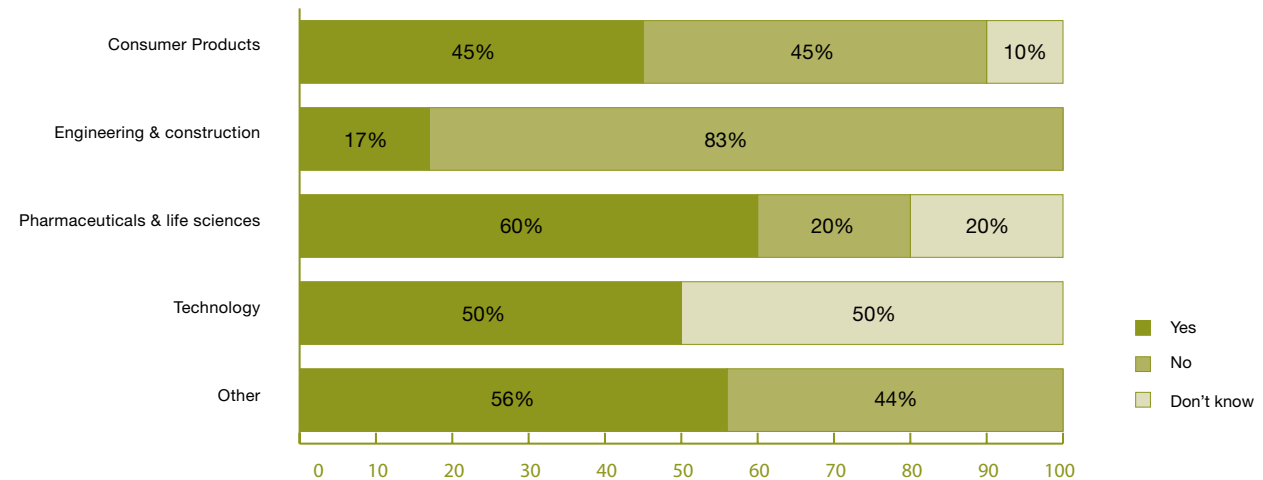
The survey reveals that nearly half (48%) of Irish companies currently publish information on environmental performance, for example, in an annual sustainability report. However even for companies in the same industry, the form and content of the sustainability report can vary widely.

It may be worth considering a standard environmental reporting framework which is comparable across industries and which will reduce the cost associated with the uncertainties around reporting on environmental performance.

Any reporting guidelines must balance simplicity, so as not to burden business further, with presenting the information in a way that it is valuable and comparable with others.

For most businesses, becoming carbon neutral will require the integration of carbon and energy management systems with operations and key performance indicators. Rather than being just an annual number crunching exercise, this information will impact investment decisions and therefore need to be readily available and reliable.

Figure 8: The result broken down by industry sector is as follows:



“Any reporting guidelines must balance simplicity, so as not to burden business further, with presenting the information in a way that it is valuable and comparable with others”

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Survey methodology

The survey was carried out in September/October 2010 amongst Ireland's leading manufacturing companies. Industry sectors included: consumer products (26%); engineering and

construction (14%); pharma/life sciences/healthcare (35%). 75% of the sample represented multinational organisations. The survey had 63 respondents. The global research can be found at www.pwc.com/appetiteforchange

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