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For many companies, sustainability will mean staying in business in 2009. While sustainability has been temporarily pushed out of the spotlight by the need to combat the economic crisis, it will become increasingly important.

At the UN Climate Summit in Poznan in December last, the US declared that it is ready to lead the world to a successful outcome of a new climate deal in Copenhagen later this year, when the world will try to agree on a way forward post-Kyoto. While the outcome is by no means guaranteed, what is clear is that we are moving towards a low-carbon, more energy-efficient world which will have implications for all businesses. Sustainability will be higher up the agenda of CEOs and Boards after the economic crisis has passed, because it fits with how the world's economies are changing.

Global findings

In our latest Global CEO survey, we found that CEOs are moving quickly to understand the commercial implications of stabilising global carbon emissions, but they also want more direction from government in the form of clear policies. The majority of CEOs say that their companies are already adjusting how they manage risk in response to climate change or are planning to do so in the next 12 months. In other areas, CEOs are also making changes and are already seeing returns on their investments through innovation in products and services and through adjustments

in day-to-day operations. Changes to risk management in response to climate change rank second behind changes to day-to-day operations in showing financial returns. Globally CEOs are looking to governments for leadership on the international standards necessary to propel global action, but they recognise their organisations' responsibility to invest in initiatives that reward long-term thinking.

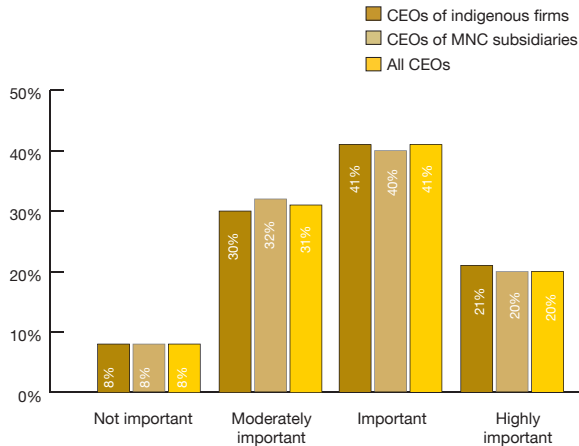
Sustainability high on Irish corporate agenda

Our survey of Irish CEOs found that over 60% believe sustainability to be either important or highly important for their business. The key reason identified as to why they will place more emphasis on sustainability in the next two years was enhancement and/or protection of brand and reputation. For this reason, many companies, both in Ireland and internationally, have taken the initiative and begun transitioning themselves to becoming more sustainable organisations – improving their energy efficiency, reducing waste, measuring and reducing their carbon footprint, producing and delivering their products and services in a more sustainable manner.

Other reasons why Irish CEOs believe they will be placing more emphasis on sustainability include increased regulation from Government as well as the need to access and retain key human resources. Interestingly, more CEOs felt the latter would be a bigger driver than the former.



Figure 5.0 Importance attached to managing sustainability (% of respondents)



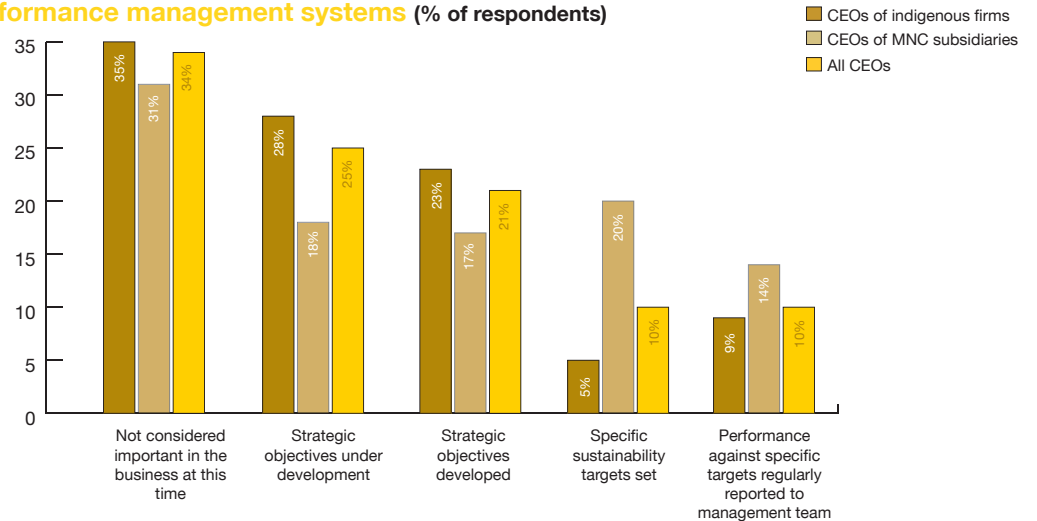
Despite acknowledging its strategic importance, it is clear that many companies have yet to act convincingly on sustainability. While just over 50% of indigenous Irish CEOs state that their companies have developed or are developing strategic sustainability objectives, only 5% state that they have set specific targets around sustainability. In the case of multinational subsidiaries based in

Ireland, 20% of their CEOs state that they have set specific sustainability targets while 14% state that performance against these targets is reported to the management team.

For many companies, the true realisation of what sustainability entails comes from a request from one of its corporate customers conducting Life Cycle Analysis, assessing what its performance is in relation to sustainability.

For now however, it is clear that the majority of CEOs are more focused on immediate financial concerns, such as cashflow and slowing demand in the market.

Fig. 5.1 Extent to which sustainability is embedded into business strategy and performance management systems (% of respondents)

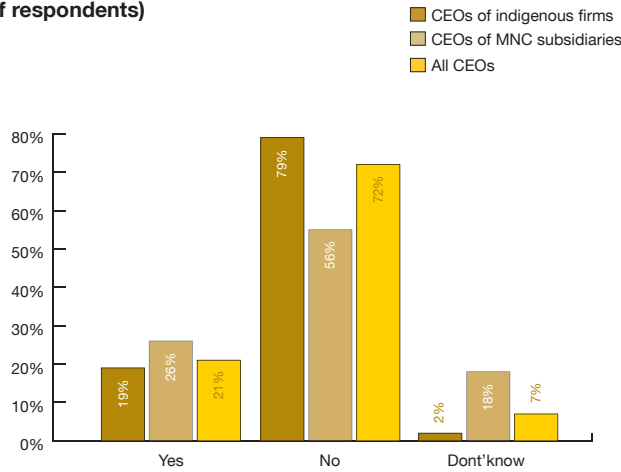




When it comes to external reporting on sustainability, the majority of firms are not providing information to external stakeholders on their activities. Among Irish firms, less than 20% provide external reporting, while 26% of multinationals with operations in Ireland provide some form of reporting. Surprisingly, 18% of the CEOs of multinationals in Ireland did not know whether or not their company provided external reporting on sustainability.

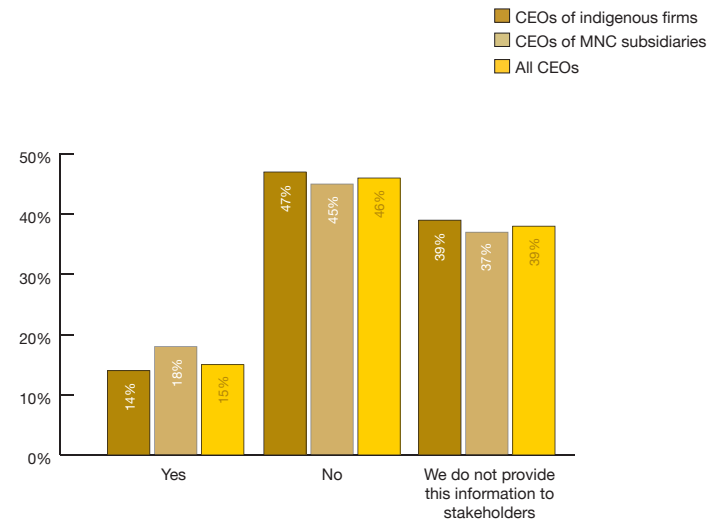
Figure 5.2 Is sustainability reported to external stakeholders?

(% of respondents)



For those companies that are providing external reporting, the majority do not have the data independently audited. Again surprisingly, a large percentage of CEOs did not know whether they were having their sustainability information audited or not.

Figure 5.3 Is the sustainability information provided to stakeholders independently audited? (% of respondents)





As the concept of ‘Triple Bottom Line’ reporting (i.e. People, Profit and Planet) becomes more popular, and the benefits of integrated reporting (i.e. financial and non-financial) become clearer to stakeholders, we expect to see more companies opting to provide assurance on their reporting in relation to sustainability.

While sustainability encompasses many different issues under one umbrella, e.g. resource and water use, waste management, security of supply, ethical business conduct, landscape preservation, supply chain integrity etc., the burning platform at the moment is around carbon and efforts to meet challenging emissions targets over the next decade. Our survey indicates that as yet, the majority of Irish companies have not measured, tried to reduce nor set targets for their carbon footprints.

While there are clear challenges and costs involved, it is vital for Irish companies to understand the medium and long-term risks

that they are exposing themselves to, in terms of being uncompetitive if they continue to ignore the sustainability agenda. Many of the world’s leading companies are looking to capture not only the cost savings that can be made from becoming green and efficient, but also the opportunities for growth and brand positioning.

A key area of sustainability that will continue to grow in importance, perhaps even more so as a result of the economic crisis, is Corporate Governance. The downturn will put renewed emphasis on the need to rebuild trust and show commitment to conducting business in a manner that goes beyond basic compliance and legal requirements, and instead incorporates decision-making and reporting procedures that respect all stakeholders.

Figure 5.4 Carbon footprint measurement (% of respondents)

