



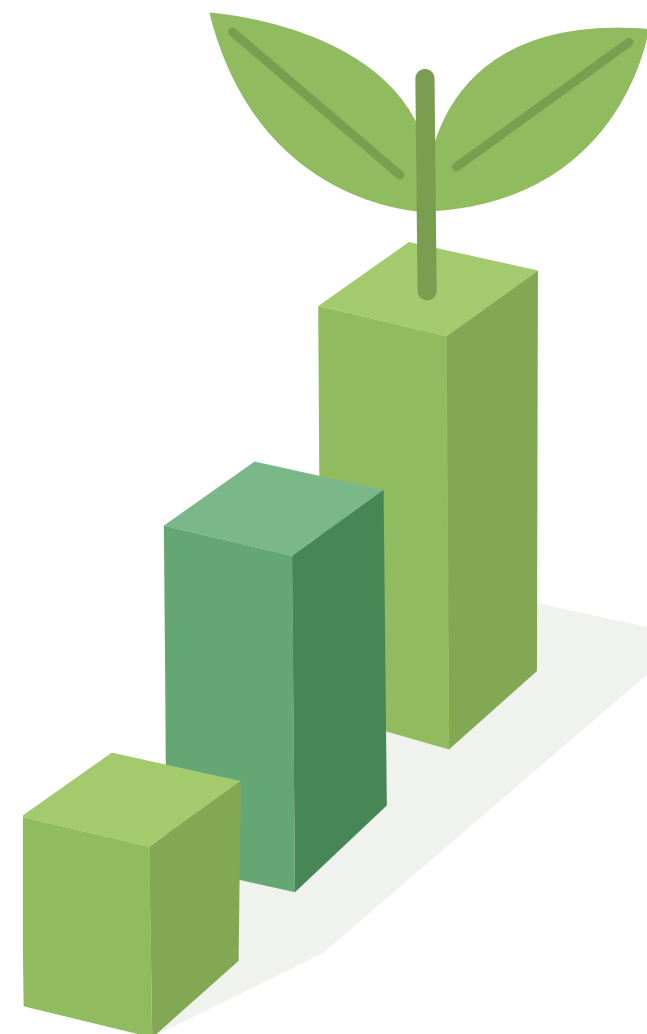
CHARTERED  
ACCOUNTANTS  
IRELAND

# SUSTAINABILITY FOR SMALL BUSINESSES



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## FOREWORD FROM BARRY DEMPSEY

Sustainability, climate change and managing our impact on the world are perhaps the greatest collective challenges we will face in our lifetime.

As this guide notes, pressure on businesses to operate more sustainably is increasing from investors, consumers and employees, making it clear that businesses of all sizes can no longer afford to ignore sustainability.

Small business owners are seeking solutions. We believe that as a profession, Chartered Accountants combine the leadership, values and vision required to help businesses of all sizes to ensure that their targets are met, and that sustainable development becomes a reality.

With the challenges facing businesses to survive and rebuild given the impact of COVID-19, how can businesses reduce their carbon emissions, improve their diversity and inclusion and meet sustainability goals?

The answer is simply to start small, plan and keep going. Small businesses can embrace sustainability and build it into their operations quickly without significant costs being incurred.

In a recent survey conducted by Chartered Accountants Ireland, only 2% of accountants felt they were fully equipped to understand the challenges ahead posed by sustainability, with 21% admitting they had little idea where to start.

We hope that this guide from Chartered Accountants Ireland will help small businesses and their advisors to take the next step, address the challenge and to make a real difference. We aim to give those who are tasked with the responsibility of addressing the sustainability challenge a much better idea of what is required, and how to begin.

Standing still is not an option. I hope that this guide helps your business to take the next step.

**Barry Dempsey, Chief Executive, Chartered Accountants Ireland**



## FOREWORD FROM ZARA DUFFY

As the sustainability movement gathers speed, businesses across the world are realising the scale of the challenge and urgency with which we need to make significant changes to protect the natural resources and ecosystems upon which we all depend. The impact of climate change, and the effort to fight it, is now mainstream.

Sustainability may be the ultimate disrupter for businesses. Even if an organisation does nothing to address sustainability issues, sustainability issues are still going to impact on them.

Regardless of an organisation's function or size, sustainability will impact its legal and regulatory requirements; how it provides a service or produces a product; whether it retains or attracts talent; whether it is attractive to customers, or whether it is perceived as a viable prospect for banks or investors.

Businesses can make a huge difference in the world. However, many companies have a long way to go in preparing for this changing landscape and several are struggling with where to start. I hope that this guide helps many businesses and advisors to start their sustainability journey.

I also believe that the guide shows that sustainability is both a risk and an opportunity. Of course, managing change is never easy, but the sustainability challenge affords businesses the opportunity to improve governance, make a greater positive contribution to society and build stronger relationships with customers, staff and investors.

**Zara Duffy, Head of Northern Ireland, Chartered Accountants Ireland**



# WHAT IS SUSTAINABILITY?

The definition of sustainability is broad and means different things to different people. For business it means balancing environmental, social, and economic considerations.

It is often referred to as ESG (environment, social and governance).

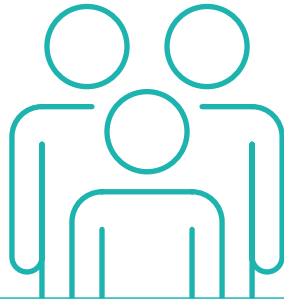


# ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)



## ENVIRONMENT

How a business uses natural resources (like water) and impacts on the environment, both directly and across their supply chains. Postive environmental impacts include recycling, conserving water and paper, and using renewable energy.



## SOCIAL

How a business interacts with and impacts on employees, customers, suppliers and communities. Examples range from implementing strong diversity and inclusion policies, to supporting wellness programmes for employees, to investigating your supply chain for human rights abuses.



## GOVERNANCE

The rules and processes set by a business to govern itself. Examples include how it makes decisions, how its board of directors is established, operates and is remunerated, and how it manages risks.

Sustainability in business is about survival. It is about future-proofing your business.

### It means:

- ✓ making decisions that are good for your shareholders, your community, your employees, and the environment
- ✓ becoming resilient to future shocks
- ✓ being able to respond to market conditions that are changing rapidly
- ✓ meeting your needs without stopping future generations meeting their needs.

For many, sustainability means ‘climate change’, but it extends to social, governance and economic issues also.<sup>1</sup>

Businesses can view sustainability in terms of **risks** and **opportunities**. Small business in particular should consider sustainability as an opportunity. In the post-pandemic world, small businesses and practices need to look at ways they can stand out. Acting on environmental, social and governance issues is one way to do this.

“The best managed companies – those that are really successful today and will be in the future – are the ones that have fully integrated these considerations, whether they label them sustainability, environmental considerations or CSR.”<sup>2</sup>

## SUSTAINABLE DEVELOPMENT GOALS



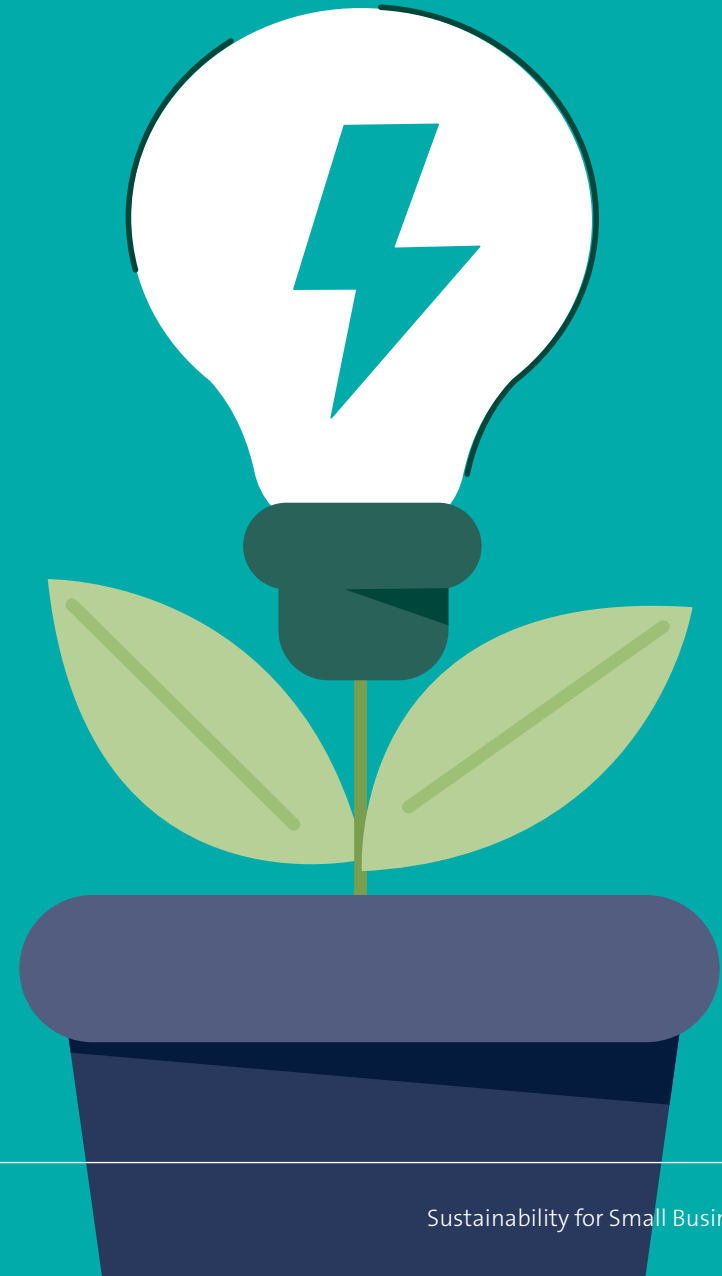
The United Nations have a far-reaching plan called the ‘UN Sustainable Development Agenda’. It aims to end poverty, reduce inequality, and tackle climate change. The agenda calls for action from all countries to improve the lives of people everywhere. It is underpinned by 17 Sustainable Development Goals. The governments, businesses and individuals of Ireland and Northern Ireland are mobilising efforts to achieve this agenda by 2030.

# ABOUT THIS GUIDE

This guide is aimed at leaders of small to medium enterprises (SMEs) and accountants working in SMEs or in small to medium practices (SMPs).

***It will:***

- describe sustainability risks, particularly climate risks
- discuss opportunities for businesses which embed sustainability
- show businesses how they can be more sustainable
- provide case studies
- explain key terms.





# WHY SUSTAINABILITY MATTERS TO SMALL BUSINESSES

Sustainability issues affect all sectors, including the SME sector.

“Sustainability is an increasingly urgent focus for businesses, large and small. It places an organisation’s environmental and societal impact on the same scale as financial viability.”<sup>3</sup>

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Sustainability-related demands of stakeholders are increasing. Board members, customers, clients, employees, and the public are holding organisations to a higher standard than before. Many SMEs are now subject to the same stakeholder expectations as larger organisations.

“Being small can also be an advantage: it often means being more flexible and able to make changes quickly.”<sup>4</sup>

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# WHY SMALL BUSINESSES MATTER TO SUSTAINABILITY

Both Ireland and Northern Ireland have committed to ambitious climate targets and will need the buy-in of the SME sector to achieve them. Ireland has a legally binding target of becoming a ‘carbon neutral’ economy by 2050, following the passing of the Climate Action and Low Carbon Development (Amendment) Act 2021. In Northern Ireland, climate change targets are undergoing pre-legislative scrutiny (at the time of writing) but contained within draft bills is a target of reaching ‘net zero’ greenhouse gas emissions by 2050.

Achieving this transition to a sustainable economy would be impossible without involving SMEs. They are critical to the health, stability and sustainability of the global economy. They represent over 90% of the business population, accounting for the majority of private sector Gross Domestic Product (GDP), wealth and employment creation, social impact and carbon footprint.<sup>5</sup>

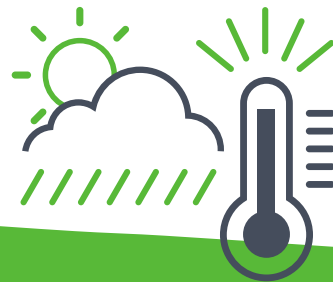
90% of businesses on the island of Ireland employ fewer than 10 people. The sector accounts for 99.8% of active enterprises in Ireland employing 58% of the workforce.<sup>6</sup> In Northern Ireland, 98% of businesses have fewer than 50 employees and of those 89% have fewer than 10 employees.<sup>7</sup>

The SME sector will not only be crucial to critical climate goals, but also to implementing social and governance goals.

# ACCOUNTANTS AND SMALL BUSINESSES

Accountants in small practices are business owners, financial service providers and trusted advisors. They recognise risks and opportunities and act on them. They are involved in critical decision-making. They also advise and have the potential to influence action in others. They are uniquely placed to be a positive force in driving change. They are committed to protecting long-term value for organisations and society, and they act in the public interest. This, in turn, contributes to the sustainable advancement of today's global society.

Therefore, accountants have a pivotal role in the transition to sustainability both as small businesses themselves and as the advisors to other small businesses.



## SME Climate Commitment

*The SME Climate Commitment is one of the three pillars of the UK's SME Climate Hub. This is a global initiative that empowers small to medium sized companies to take climate action and build resilient businesses for the future. The SME Climate Commitment provides SMEs - no matter their sector or geography - with the opportunity to make an internationally recognised climate commitment which is aligned with the latest climate science.*

## Morrissey Chartered Accountants

Morrissey Chartered Accountants in Downpatrick, County Down, is a 2-partner practice offering a full range of accountancy, tax, and advisory services in Northern Ireland and Ireland. Michael Morrissey, one of the firm's partners, also advises clients on creating sustainability strategies and embedding them in their business culture, as well as advising on government supports available. He sees this as vital in an economy dominated by SMEs, all of which will need help to transition to a net-zero economy.



Michael Morrissey

Climate change is high on Michael's agenda, both personally and in his practice. The practice has invested in a new fully electric company vehicle and installed a 4kw solar panel system with grant assistance from Invest NI. It has also implemented a digital transformation project to remove paper from their office and improve their IT security.

Michael also advised a number of clients on significant PV system investments in their businesses to help meet sustainability goals and reduce their energy costs given the recent oil, gas, and electricity price increases. On average each project eliminated an estimated 9-10 tonnes of CO<sub>2</sub> from the atmosphere. An advocate of giving back to the community, Michael also lends his expertise to various community initiatives, including the local enterprise agency Downpatrick Business Centre, a local charity Mainstay that supports adults with learning difficulties, and Down Triathlon Club.

"The practice has signed up to the SME Climate Commitment, recognising that climate change poses a threat to the economy, nature, and society at large, and committing to take action immediately in order to 1) halve our greenhouse gas emissions before 2030, 2) Achieve net zero emissions before 2050 and 3) Disclose our progress on a yearly basis. This commitment is recognised by the United Nations Race to Zero campaign."

The practice is about to launch a new Sustainability and ESG (Environment, Social and Governance) Advisory Service, and Michael recently completed a Certificate in Sustainability for Finance.

*"Sustainability affects profit, however many business owners do not believe the benefits justify the costs. Improving sustainability and energy efficiency has the potential to not only increase your business performance, reduce your costs and improve your profits, but to reduce your environmental impact and help to build a better reputation with your customers and suppliers."*

# SUSTAINABILITY-RELATED BUSINESS RISKS

Research in 2016 concluded that climate change impacts will cost the Irish economy billions of euros by 2050. Damage from flooding could [be] €1 billion per year,<sup>9</sup> while in the UK the economic costs could be from 1 to 1.5% of GDP/year by 2045.<sup>10</sup>

Every business is different and faces different risks specific to their sector, size, age, and business model. However, what they all have in common is that they will face sustainability-related risks. These risks – particularly climate-related ones – are already affecting Irish businesses and are likely to worsen.

## COSTS

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### Energy

Businesses that are heavily reliant on fossil fuels are at risk of increasing their operating costs in the medium to long term.

### Insurance

According to reinsurance company Swiss Re,<sup>11</sup> climate-related risks will drive a 22% increase in global property insurance premiums over the next 20 years.

### Waste

Sustainable businesses are resource efficient. Inefficient use of heating, electricity and water may all be costing your business more than it needs to.

### Productivity costs

Business group IBEC found that 11 million days were being lost each year in Ireland due to unplanned time off, at a cost to Irish businesses of €1.5 billion per year. The cost to the Northern Ireland economy for sick leave in its public sector has been calculated at £149 million, with mental health issues identified as being the main contributing factor.<sup>12</sup> Therefore, not embedding employee health and wellbeing within an organisation can cause unexpected costs to business.

### Cost of inaction

Even greater costs await businesses who do not implement change early enough. According to Liam McKenna, Consulting Partner with Mazars, if businesses “wait for regulation, they will miss the boat and the opportunities. They will also spend more money by doing it late.”<sup>13</sup>

## FINANCE

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Many banks have now signed up to the United Nation’s Principles for Responsible Banking meaning they have sustainability-related targets to meet in their lending portfolios. They are incorporating ESG criteria when assessing loan and investment decisions. In these cases, proof of sustainable practices is required from companies looking to avail of finance. Likewise, investors are screening out certain sectors or companies in which they do not want to invest (like those heavily reliant on fossil fuels, for example). Almost half of all global assets under management (AUM), some \$65 trillion, are now linked to Net Zero commitments.<sup>14</sup>

As Liam McKenna puts it: “Everyone will be challenged to meet those criteria and those who do will be able to access to capital at competitive rates.”<sup>15</sup>

## COMPETITION

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Businesses unable or unwilling to embed sustainability in their operations may find it harder to compete and risk losing market share. Automaker Volkswagen Group lost market share in Europe after admitting in 2015 to altering diesel cars so that they would give inaccurate emissions readings tests. Not only did the group experience a drop in sales, but the revelations also harmed the company's reputation for quality and gave competitors a chance to take advantage of the company's damaged image.

In Ireland, Enterprise Ireland advises professional services companies and office-based firms that they should start measuring and being clear on carbon footprints and targets.<sup>16</sup> Customers and clients have increasingly high expectations of how all businesses should behave.

## REPUTATION

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Organisations of all types and sizes failing to meet stakeholders' expectations around environment, social and governance metrics risk severe reputational damage. An independent review of the online fashion retailer Boohoo Group in 2020 exposed major failings in its supply chain, following allegations about employee exploitation, working conditions and low pay at many of the company's suppliers. Shares fell by 71% in one year and the group was downgraded by leading broker RBC Capita following two profit warnings in four months as it dropped behind competitors in the international markets.

According to communications experts, this is part of a growing trend in which the corporate sector has had to become more 'socially conscious' of the risk of

the consequences. Companies will sustain great reputations not just because they have great products and services, but also because they take full account, in advance, of the public impact on – and reactions to – their decisions:

“Failure to make decisions that account for the common good and the public interest can wreak enormous reputational damage and all the attendant costs of that.”<sup>17</sup>

Donnchadh O'Neill, Managing Director of Gibney Communications

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**GREENWASHING**

*Many businesses are embracing sustainability as a means of differentiating themselves to attract customers, client staff and even finance. However, businesses must be aware about making false or unsubstantiated claims that their products, aims, and policies are environmentally friendly. Accountability is king, so if you pledge to do something, do it, disclose it, and ensure that it will have an impact.*

## COMPLIANCE

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The fast-changing regulatory landscape of sustainability presents challenges for busy professionals. There is constant development in reporting standards and regulation (both national and international). As advisors to businesses, accountants need to be aware of the increasing levels of policy and regulation to avoid fines or penalties that may arise.

There are also obligations on businesses to comply with non-regulatory requirements. SMEs may find themselves in the supply chain of large organisations that comply with regulatory requirements in relation to sustainability. These include adoption of responsible business practices and reducing carbon emissions. These large organisations are reviewing their supply chain to make sure their business partners are in line with their values.

With the coming into force of European regulations<sup>18</sup> more and more organisations will fall under the scope of sustainability reporting requirements, with a knock-on effect on companies in their supply chains. Organisations in scope will report against stricter sustainability goals and are starting to expect the same of their suppliers. Many of them are already sending questionnaires to their suppliers asking about their sustainability. Companies that fall short of these expectations risk finding themselves unable to tender for this business.

“Businesses are being forced to adapt and review their overall practice management [to include social and governance elements] and increased regulation is leading to conversations about ESG for people new to the concept.”<sup>19</sup>

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## Impact on Financial Statements

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Preparers and auditors of financial statements should also consider the impact on sustainability and climate change on every entity. Quoted companies, and some categories of larger companies have defined obligations to report on the impact of environmental matters on the companies' businesses. These specific reporting requirements do not apply to private limited companies reporting under FRS 102.



However, climate change and sustainability are major and developing issues that cannot be ignored by anyone. Both IAASA and the FRC have commented on matters that they expect to see considered in financial statements. Whilst their comments were largely made in the context of the IFRS framework, much of what they have said is directly applicable to financial statements prepared under FRS 102.

Accountants should consider and report on how climate change has impacted on the assets and liabilities of the company, what additional risks have emerged and whether new or increased provisions are necessary. How has climate change impacted on the estimates and judgements applied, and do these need to be disclosed? Consider such matters as the useful lives of property, plant, and equipment. Consider also the impact on impairment assumptions. Does the entity have an obligation to remediate environmental damage caused by any of its activities? Have any of its contracts become onerous, or are they likely to? The financial statements, taken as a whole, should contain sufficient information to be useful to stakeholders, and preparers should avoid the use of non-specific boilerplate.

See IAASA's [observations on published financial statements](#).

*Sustainability and Small Practices, Practice News, 1 October 2021*

## KNOWLEDGE

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Sustainability is an evolving area, generating an ever-increasing volume of material and information. It can be daunting, especially as most businesses are new to its terminology. Businesses need to get up to speed quickly or risk becoming susceptible to the rising costs, competitive loss, reputational damage resulting from failing to embed sustainability in their businesses.

**2%** of accountants felt they were fully equipped to understand the challenges ahead posed by sustainability, with 21% admitting they had little idea where to start.

This is a particular risk for small businesses. Professional services firm PwC found from a survey that small enterprises may struggle to respond to the challenge without the financial and human resources available to large corporates. The same survey found that larger companies with specialist teams and well-resourced R&D and sustainability departments feel better informed and prepared for the coming challenges.

Likewise, accountants unfamiliar with the new ESG landscape may find themselves at a disadvantage when attracting or retaining clients. Knowledge of ESG is a growing trend among clients who are themselves facing changing stakeholder expectations, and who may expect their accountants to be well-informed.

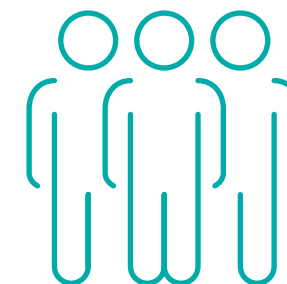
## STAFF

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Companies not embracing sustainability risk losing existing staff and/or not attracting valuable talent. There is growing evidence of job candidates rejecting jobs in firms which are not aligned with their own values. This is a trend seen by Karin Lanigan, Head of Member Experience in Chartered Accountants Ireland:



“I have worked in recruitment for more than 20 years and in recent years I have noticed a growing trend whereby candidates have become more and more discerning about types of organisations they’ll work for. They are not just considering salary and package; they are looking at the sector, at the reputation of an organisation .... They want to have sense of pride in their place of work.”<sup>20</sup>



# OPERATIONAL RISKS

There are specific risks to business presented by climate change. These are defined as **'physical'** and **'transitional'** risks: <sup>21</sup>

## PHYSICAL RISKS

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Physical risks can be either acute or chronic:



**'Acute'** risks are driven by specific events, such as a flood, wildfires, landslides, or a hurricane.



**'Chronic'** risks are caused by longer-term changes in climate patterns, like increasing temperatures, biodiversity loss, longer drier spells, and wetter winters.

## COSTS TO BUSINESS

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Both acute and chronic physical risks have financial implications for businesses. These include:

- damage to assets
- disruption and weakness along a supply chain
- disruption to transport infrastructure and other essential services
- lost labour productivity
- over-reliance on scarce resources
- developing stranded assets
- business interruption
- inability to produce or transport goods
- costs arising from negative impact on employee wellbeing and safety.



Environmental issues also cause sickness. The WHO has described air pollution as the 'single biggest environmental health risk'. In Ireland, the number of premature deaths attributable to air pollution [annually] is estimated at 1,300 people and is mainly due to cardiovascular disease. In the UK this figure is an estimated 40,000 early deaths a year.

### Taiwan chip shortage

Any business that needs a reliable supply of water for its production process needs to monitor local risks like drought. However, local risks can have global impacts. Computer chips are components in innumerable other products and require high-quality water in their production. The supply chain for these chips was already under strain caused by the COVID-19 pandemic, but crippling water shortages caused by climate-change-induced droughts in Taiwan resulted in the government partially suspending water supply to high-tech industry in 2021. The knock-on effects on the global supply chain caused by this water shortage was felt across the world, impacting the manufacture of phones, games consoles and cars.

## TRANSITIONAL RISKS

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Transition to a sustainable economy is critical for the economic survival of all organisations. But there are risks related to this transition. These transitional risks are associated with adapting to new laws and policy, litigation for climate-related negligence, the impact of changes in technology, dealing with changes in the supply and demand for certain commodities, products and services, and increased costs of insurance.

Business owners and their accountants need to be aware of the likely impact of these transitional risks on their businesses and their clients' businesses.

### Carbon tax

Carbon taxes are an example of increasing regulation on companies and individuals to help accelerate their transition to a low-carbon economy. In a drive to decarbonise Ireland's economy, the rate of carbon tax increased by €7.50 on 1 May 2022 from €33.50 to €41 per tonne/CO<sub>2</sub>. The carbon tax will increase each year by €7.50 up to 2029 and by €6.50 in 2030 to achieve €100 per tonne.



The carbon tax will increase each year by €7.50 up to 2029 and by €6.50 in 2030 to achieve €100 per tonne.



# OPPORTUNITIES FOR BUSINESSES

It's not all bad news! Businesses can benefit from identifying and developing solutions to address sustainability-related challenges. Those that seize these opportunities stand to gain competitive advantage and will be well-placed to weather the disruptions that climate change, for example, will bring.

“Taking advantage of the opportunities will require businesses across and within sectors to work in partnership. SMEs that embrace this and which proactively partner with the larger corporates they supply will see their position as preferred suppliers strengthened.”<sup>22</sup>

A global survey conducted by McKinsey reported that nearly a quarter of companies realised value from sustainability in the past five years. Nearly twice that expect their sustainability programmes will yield significant value in the next five years.



## COST SAVINGS

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Operating in a sustainable manner is an opportunity to save costs. An economy-wide stress test carried out by the European Central Bank in 2021 found clear benefits from adopting green policies early. Studies have shown that the medium to long-term benefits outweigh any short-term cost of transitioning to a zero-carbon economy:<sup>23</sup>

### Electricity

The Sustainable Energy Authority of Ireland (SEAI) estimates that the average SME can save up to 30% on its energy bill by becoming more energy efficient.

“We did some work with a manufacturing company with a €3 million annually electricity bill and [ ... ] were able to knock €700,000 off it pretty much straight away.”

Liam McKenna, Consulting Partner with Mazars

### Operating Costs

These include:

- improved heating and lighting
- lower maintenance (electric vehicles)
- efficient management of water and materials
- reduced cost by using recycled materials
- lower waste-disposal costs.

### Water

Examples include:

- Dublin Airport Authority achieved a 40% decrease in water usage over 9 years despite passenger numbers increasing by 40%.

- Invest NI’s A Practical Water Efficiency Guide for Businesses in Northern Ireland demonstrated how improving a business’s water efficiency brought about a reduction of 20% to the total cost of water to a business.

### Reliance on fossil fuels

Switching to renewable sources of energy reduce a business’s reliance on fossil fuels and exposure to fluctuating prices of oil and gas. In Ireland, it also reduces a business’s exposure to carbon tax.

### Tax reliefs

- **Accelerated Capital Allowance:** The Accelerated Capital Allowance (ACA) for energy-efficient equipment allows the full cost of expenditure on qualifying energy efficient equipment to be deducted for tax purposes in the year of purchase. It disallows equipment that is directly operated by fossil fuels from qualifying. In order to qualify, the equipment must be included in the list of energy-efficient equipment maintained and published by the SEAI. Businesses can apply the ACA to electric vehicles and charging equipment.
- **Tax relief on electric vehicles:** There is a €5,000 relief from VRT for battery electric vehicles, and an exemption from BIK where an employer makes a battery electric car (both new and used) available to employees. There will however be a tapering effect on the BIK exemption threshold value. From 2023 there are new rates for BIK, and the rate for electric vehicles will be 22.5% for everything over the exemption threshold. Currently the threshold is set at €50,000, meaning no BIK is due on amounts up to €50,000. For 2023, this threshold will be reduced to €35,000; €20,000 in 2024; and €10,000 in 2025.

For more information, see ‘Financing Sustainability’ in the [Resource section of the Chartered Accountants Ireland Sustainability Hub](#).



## Chartered Accountants Ireland

As part of an ongoing project to conserve water, Chartered Accountants Ireland removed 13 (50%) of its water coolers, placed sensors on urinal flushes so that flushes were dictated by the number of users entering the bathroom instead of automatic flushing, and introduced '2 button' cisterns which gave users the choice of using 50% of the water stored in the cistern. This resulted in a 20% reduction between the 2016 and 2017 billing periods and a further 27% reduction in the 2018 billing period.



## City Hotel Derry

City Hotel Derry is a four-star, 158-room hotel, located on the banks of the River Foyle. In 2007 it embarked on a project to make the hotel more sustainable and reduce costs on utilities. It enlisted the help of the Carbon Trust and later Invest NI, International Synergies WRAP, and the Green Tourism Business Scheme.

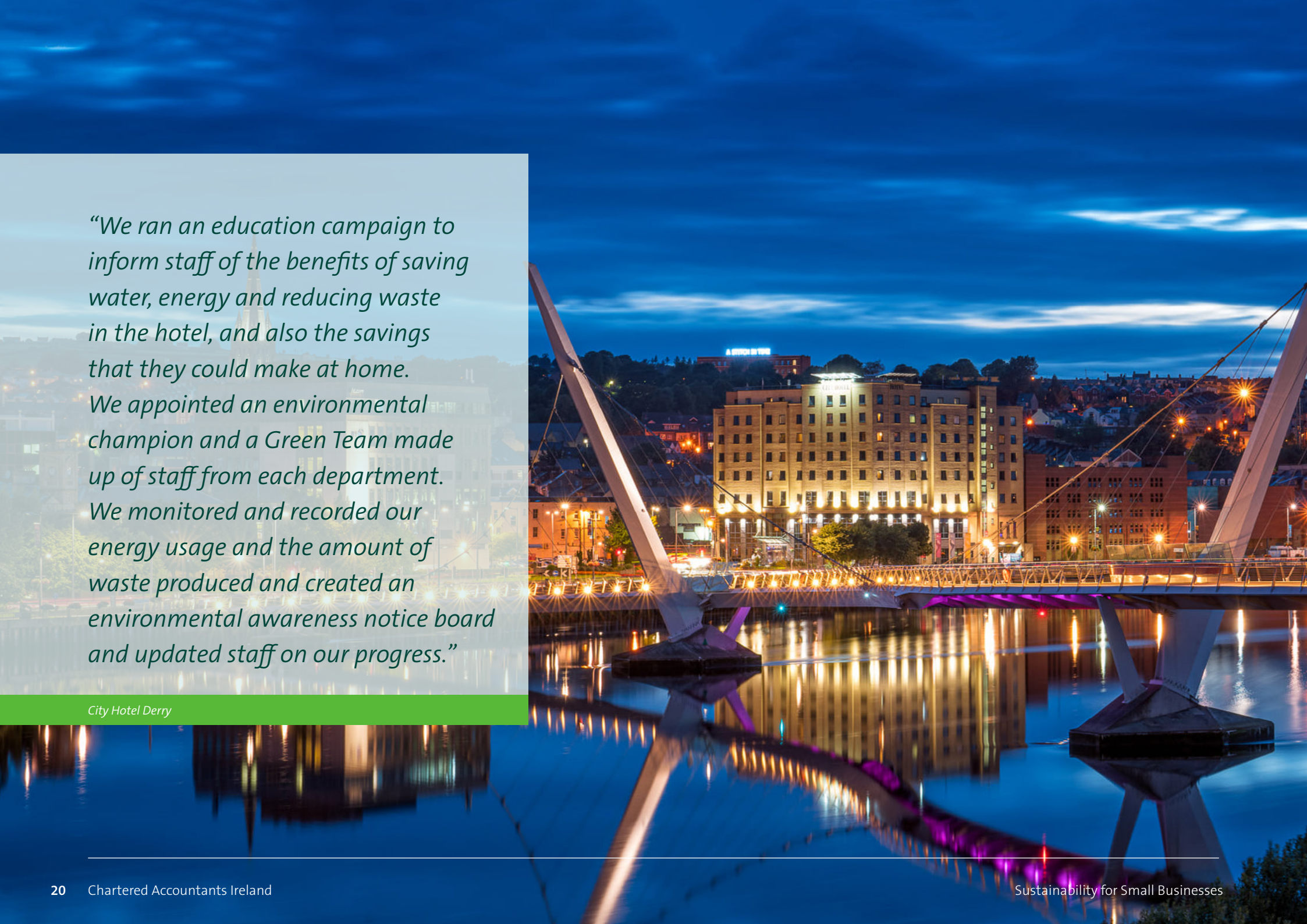
The hotel took a number of steps, including engaging with its suppliers to help achieve its goals. Internally, it ran an education campaign to inform staff of the benefits of saving water, energy and reducing waste in the hotel, and also the savings that they could make at home.

"We appointed an environmental champion and a Green Team made up of staff from each department. We monitored and recorded our energy usage and the amount of waste produced and created an environmental awareness notice board and updated staff on our progress."

The hotel implemented a number of changes to energy, gas, water, and waste. Staff, motivated by the greater environmental awareness, helped to raise funds for different charities such as £1,000 for Water Aid, and have worked on a number of environmental projects in the local community.

"Since 2007 until 2019 we have made over £438, 930 savings on our utilities bills despite increasing our occupancy levels and our number of meals served per year, with the highest savings being made in the earlier years. Staff training and awareness requires refreshing to keep it alive in the hearts and minds of an ever-changing workforce."

The hotel has won a number of awards for its work, such as The Gold Star Award with the Green Tourism Business Scheme, UTV Business Eye Award for Waste Reduction, the Zero Waste Gold Award and the Energy Efficiency Award at the Sustainable Ireland Awards. The team has also attended a number of events as guest speakers to share what they have learned and to demonstrate that looking after the environment, reducing their CO<sub>2</sub> emissions and saving on utilities go hand-in-hand.



*“We ran an education campaign to inform staff of the benefits of saving water, energy and reducing waste in the hotel, and also the savings that they could make at home. We appointed an environmental champion and a Green Team made up of staff from each department. We monitored and recorded our energy usage and the amount of waste produced and created an environmental awareness notice board and updated staff on our progress.”*

City Hotel Derry

## ACCESS TO CAPITAL AND FINANCE

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Businesses able to meet the criteria of banks and investors already incorporating ESG criteria in their decisions have the opportunity to access capital at competitive rates.

A recent PwC ESG report<sup>26</sup> found that the majority (68%) of UK businesses surveyed say they can access better financing options with stronger ESG credentials.

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There are opportunities for small businesses seeking this investment if they are able to collect and report on their sustainability-related activities against a recognised standard, like the UN Sustainable Development Goals.

“ESG is no longer a nice-to-have, but it has become a business imperative. With the changing political tide, increased consumer pressure and focus around employee wellness, we see each environmental, social and governance issue be top of mind of our CEOs, CFOs, and audit committee chairs.”

Angela Jhanji, ESG Director at Grant Thornton LLP<sup>27</sup>

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## A COMPETITIVE EDGE

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As shown above under ‘Risks’, opportunities may exist for small enterprises to tender for contracts with larger organisations and governments if they are able to meet their sustainability-related criteria.

### Hibernia REIT

Irish real estate investment trust Hibernia REIT plc has a Supplier Code of Conduct which sets out the standards and principles for Hibernia’s suppliers to ensure safe and fair working conditions throughout the supply chain. It aims to ensure suppliers are aligned with the organisation’s business values on environmental, social, and ethical issues. The Code sets out Hibernia’s expectations in relation to community, employment, and labour practices, the environment, governance, health and safety, payment practices, privacy, and reporting. All new and existing suppliers are expected to read, acknowledge and comply with the principles set out in the Code.

ESG is also changing consumer demands for particular types of goods and services:

- A PwC report in 2019 found that 41% of Irish consumers are prepared to pay a premium for sustainable products.
- A survey conducted by Kerry Group across 18 countries in 2021 found that 49% of consumers consider sustainability when buying food and drink. In the report from the survey, Soumya Nair, Insights Director from Kerry Group, stated that the “results that have positioned sustainability as a must-have rather than a differentiator among consumers”.

Businesses that are flexible and innovate in responding to these demands find opportunities to meet them.



### Green Outlook

Green Outlook is an online eco-friendly retail business owned and run by Chartered Accountant Fiona Smiddy. The shop supports local, sustainable, natural, and plastic-free products to help people reduce their environmental impact.

Fiona has seen a strong consumer demand for locally sourced, plastic-free, and environmentally friendly corporate gifts. Green Outlook has generated 400 5-star reviews and Grant Thornton Ireland and Kildare County Council are among its corporate clients.

This is a trend that is set to continue: “Consumers are becoming more educated on sustainability and their purchasing power. Business owners must consider ESG in each business action and be transparent in their actions and transition towards sustainable business.”

Businesses that respond to ESG challenges enjoy reputational benefits. This in turn gives rise to opportunities to respond to an increased demand for goods and services and to build consumer confidence and brand loyalty. They may also be able to avail of market opportunities, such as collaborating with government organisations.

- ✓ Ireland’s Expert Group on Future Skills Needs in 2021 estimated that achieving Ireland’s carbon reduction targets will generate more than 20,000 new jobs in the economy.
- ✓ The Irish Government recently launched its first ever Further Education and Training (FET) Green Skills Summit looking at the opportunities of the green economy and the need to upskill and reskill for changes to existing roles.
- ✓ Northern Ireland’s Department for the Economy’s published its ‘Skills Strategy for Northern Ireland’ to support more people in improving their job prospects and fulfilling their economic potential. This is a key pillar of the Department’s wider 10X Economic Vision for Northern Ireland, which aims to support Northern Ireland’s economic, social, and environmental objectives.

## Polar IceTech

Cork-based dry-ice cleaning specialist [Polar IceTech](#) describes 'going green' as an invaluable boost to any company, deeming it vital for modern companies who want to improve their profile, save costs, and protect the environment.

The specialist dry-ice cleaning service uses sustainably sourced, reclaimed and recycled eco-friendly solid CO<sub>2</sub> to clean high-value moisture and abrasive sensitive equipment for many industries around the country. Managing Director, Damien McDonnell, found sustainability to be cost-saving and a competitive advantage: "We continually review and assess our own processes and look at how we conduct our business internally and also while we are on our customers' sites. This can range from reducing printing need by using both sides of a document, to reusing PPE when safe to do so and ultimately, reducing the amount of waste we create as a business."



**POLARICETECH**  
Dry Ice Blasting Specialists



## Cork Flower Studio

Sustainability has become one of the most important things about flower and takeaway coffee shop, [Cork Flower Studio](#). According to CEO Justine Looney, there are both environmental and financial benefits to making sustainability changes.

Cork Flower Studio eliminated all the single-use packing from the business and introduced a €1 cup deposit scheme, which customers can reclaim if they bring the cup back. It also introduced solar panels and uses cargo bikes for delivery to eliminate reliance of fossil fuel for energy: "We've realised customers are looking for a greener option, everyone is so aware of the climate emergency, not just for business but for individuals. We really found that by offering what the customer wants, our business has increased in the last 18 months."

"Customers have become much more environmentally aware, so it's really important that we are able to offer them options to help them make greener a choice. Not only is that good for the environment, we've found that it's been really good for business."

## 2GoCup

Irish reusable cup manufacturers have reported a jump in business following the Government's announcement of plans to place a levy on disposable cups.

Dublin-based [2GoCup](#) allows customers to order a coffee, pay a deposit for their cup, return it, and receive their money back. Following the announcement, they received 70 more orders from customers across Ireland and Scotland, adding to their base of 80 customers across Ireland and Scotland, and saw demand from cafés for supplies increase by almost 90%.

CEO Kevin Murphy said "We are not surprised to see more orders coming in. Businesses – from independents to large organisations – want to avoid the production, consumption and landfill created by single-use cups. But they need the same convenience and affordability that they're used to. Environmental initiatives like 2GoCup give them both – they get a 75% saving with us compared to using any alternative single-use cup on the market, and don't have to change how they serve coffee".

A similar company Mother Reusables saw a 286% increase on sales in the first quarter of 2022, compared to the same time last year.

*Businesses – from independents to large organisations – want to avoid the production, consumption and landfill created by single-use cups.*





## TALENT ATTRACTION

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In 1997 consulting firm McKinsey identified the ‘war for talent’, and it is as fierce as ever. Businesses that promote their commitment to sustainability values are increasingly reporting a competitive advantage in talent attraction.

Accounting firms are now seeing their commitment to ESG values as a competitive differentiation, and are promoting their sustainability consulting work to potential candidates. It is a valuable employee value proposition: working on ESG projects offers accountants to chance to collaborate with multiple departments:

“Sustainability offers an opportunity for those who want to work, collaboratively and be flexible. This cross-service line approach is the way forward –a ‘full-package solution’ offering clients the highest value service possible.”<sup>27</sup>

**Aisling McCaffrey, Grant Thornton**

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A business with an engaged and motivated team with high employee satisfaction and improved health and safety is less likely to experience high employee-turnover and associated costs. Companies that can demonstrate that they value sustainability in an authentic manner may find they are in a strong position when seeking to attract and retain talented staff than those that do not.



“Practices who want to engage particularly with the next generation of staff and clients need to be able to take sustainability seriously and need to be able to demonstrate that.”<sup>8</sup>



**Conal Kennedy, Head of Practice Consulting, Chartered Accountants Ireland**

## CLIENT RELATIONSHIPS

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In many cases SMEs have only one professional advisor, their accountant. Accountants who have invested time developing their knowledge in this area may be in a position to provide services to their SME clients embarking on a sustainability journey.

Embracing sustainability is also an opportunity to differentiate to new clients. Firms can expand the definition of what sustainability means for them and look at it in terms of ‘future-proofing’ their practice. For some firms, sustainability means guaranteeing succession, offering a high-quality service, or providing productive employment to the community. For other small practices, sustainability can mean having a social, economic, and cultural impact in their local communities through participation in local events, offering their services to charities, or supporting local clubs and teams.

“With ‘measurements’ everyone thinks of ‘carbon footprint’. But it doesn’t have to be. You can measure staff satisfaction through surveys. You can measure employee-turnover and retention or absenteeism. Encourage staff to measure the number of hours they spend giving back to others in the community.”<sup>27</sup>

**Teresa Campbell, PKF FKM**

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## RESILIENCE

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Embracing sustainability ultimately means ensuring the financial future of a business. It often involves using a framework to identify, assess, prioritise, and respond to ESG risks and opportunities, and to evaluate their preparedness in the event of having to adapt to specific climate hazards.

“For some SMEs, the main value and use of sustainability information is for internal decision making, rather than external reporting. Relevant, timely, comparable, and accurate sustainability information assists SMEs to think holistically about their strategy, business model and impact on the environment and society.”<sup>30</sup>

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Looking holistically at a business means that business owners have to break down any internal silos that may exist between people and departments so that the organisation can better understand its total impact on the environment and society, and areas where it needs to build up resilience. This resilience planning is of strategic benefit to businesses. It also signals to financial institutions that they are attractive investments. SMEs with simpler business models have the opportunity to be more flexible than larger organisations in doing this.

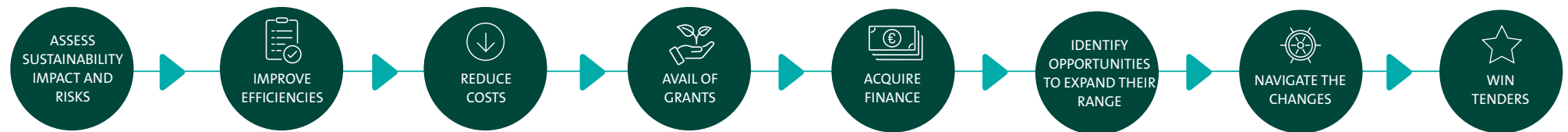
“Better environmental performance leads to improved resource efficiency and direct cost savings and can also increase access to customers who are increasingly demanding more environmentally friendly products and services. Better environmental performance will also increase the agility and resilience of the company to climate change impacts.”<sup>31</sup>

**Enterprise Ireland**

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There are considerable opportunities for accountants here too. The role of Chartered Accountants is changing, and accountants can now do more to assist companies in building resilience, becoming more sustainable and measuring and reporting on sustainability. As companies increasingly report a competitive advantage gained from sustainability through cost savings, reputation enhancement and talent attraction, accountants can guide clients who are beginning their sustainability journey to take advantage of this growth potential. They can advise on succession planning, optimising sustainable practices, saving, and reducing costs, attracting new clients, managing carbon tax liabilities, advising on models to monitor sustainability-related metrics, and identifying risks and opportunities.

*For example, accountants can help clients to:*



“If your chief financial officer is the last person you would think of to take charge on climate change, think again. Today, smart organizations are shifting sustainability responsibilities to the finance function.” <sup>33</sup>

*The remainder of this guide will show small businesses where they can get started on their sustainability journey.*

## GETTING STARTED

It can seem like a daunting task to implement a sustainable plan for your business. And many might feel that they don't know where to start. Be assured: even the smallest of changes can make a big difference.

“The climate emergency can seem like such an overwhelming problem, but we've been amazing at the impact our small changes have had. As business owners we really shouldn't under-estimate the impact we can have.”

Cork Flower Studio



## Here are some ideas to get you started.

1

### Think about what 'sustainability' means for your business.

For some companies, it might mean guaranteeing succession, producing a quality product, or providing full productive employment to the community. For others, it could be fostering innovation, ensuring sustainable production, or improving gender balance in their organisation. Look at your business or your practice through an 'ESG' lens to discover how it impacts on people and planet.

2

### Measure what you are already doing.

Remember: it's not just about climate. Businesses have a social, economic, and cultural impact too. Expand the definition for your business and look at sustainability in terms of 'future-proofing' your business or practice. You are probably doing more than you think. Measure staff satisfaction through surveys. Measure employee-turnover and retention or absenteeism. Encourage staff to measure the number of hours they spend giving back to others in the community.

3

### Start small.

Choose three goals that you and your organisation are passionate about or are important to your community and build from there.

For example:

- Climate Action
- Responsible Consumption and Production
- Industry, Innovation, and Infrastructure

4

### Keep it simple.

You do not have to get overly technical in the early stages. Once you have identified your goals, describing how are meeting them and what you plan to do to go further is enough.

5

### Start now.

Create an action plan to achieve the goals. Not only is this a valuable scoping exercise, but it will also provide a roadmap with milestones for you and your team to follow.

6

### Lead.

Sustainability can't be done without leadership. Make it a strategic priority. Involve your whole team. Ask for committed volunteers and support them. Ask for regular reports and share these internally, for example at all-staff company meetings.

7

### Build the habit.

Do something every day, even if it is reading a news article, checking the labels when purchasing food, or reducing your meat consumption.

8

### Don't reinvent the wheel.

Check what organisations of a similar size in your sector or industry are doing. You can adapt and scale the approach of a large organisation that is doing this well. You can use existing frameworks to help. The UN's Sustainable Development Goals framework, for example, is broad enough to apply to all organisations.

9

### Communicate.

Describe what you do, publicly. Write a diversity and inclusion statement. Publish your climate-action pledge. Post your goals on your website, and in your social media channels. Don't hide your commitment to this and keep updating your content to show what you have achieved.

10

### Don't panic.

Remember – this is a journey. It won't be completed overnight.

## LOOK AROUND YOU

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- Check how your premises is set up.
  - Are your printers set to print double-sided by default?
  - Do you provide your staff with recycling and compost bins? Are these disposed of properly?
  - Are you using refillable ink cartridges?
  - Are your cleaning products environmentally friendly?
  - Do you have light sensors to reduce your energy consumption?
  - Can you adjust the run-time for taps and the flushing system for toilets to conserve water?
  - Do you review your heating use?
  - Can you change your lights to LEDs?
- Set aside an area for secure dedicated bike-parking and provide shower facilities, where possible.
- Find out if there is a WEEE collection point near you to recycle your electrical goods for free.



## DON'T LET YOUR TECHNOLOGY BE A DRAIN

*Consider 'smart technology'. Smart meters allow you to monitor water and energy usage, while also helping to identify areas for energy-efficiency improvements. If you're considering investing in new printers, appliances, and boilers be sure to check their energy rating before you buy or lease them. Always choose energy-efficiency over price – you will recoup any investment you make in energy-cost reduction.*

## DISCOVER MORE ABOUT YOUR ENERGY USE

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Official figures show that most organisations can save 20% on their energy bills by undertaking 'effective energy management', which is a proactive, systematic approach to managing energy use.

- **Check your energy bills.** These will show your energy usage measured in kilowatt-hours (kWhs). The price you pay per kWh is the unit rate on your bill.
- **Commission a professional energy audit.** An energy audit is a good option for companies spending at least €10,000 on energy each year. Energy audits establish how much energy your business uses, highlights which equipment and processes use the most energy, and identifies actions you should take to save energy. The SEAI has a list of registered energy auditors who can carry out an audit for you and provides a €2,000 voucher to cover an energy audit under the Support Scheme for Energy Audits.

## CREATE AN ENERGY ACTION PLAN

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Energy action plans are a good option for businesses. Creating an energy action plan typically involves outlining the practical steps your business can take to reduce energy consumption.

These can include only running energy-intensive machinery during off-peak hours, identifying and sealing up places where heat may be escaping from your premises, and even just turning down your thermostat by one degree (this can cut heating bills by up to 10%).

## LOWER YOUR ENERGY CONSUMPTION

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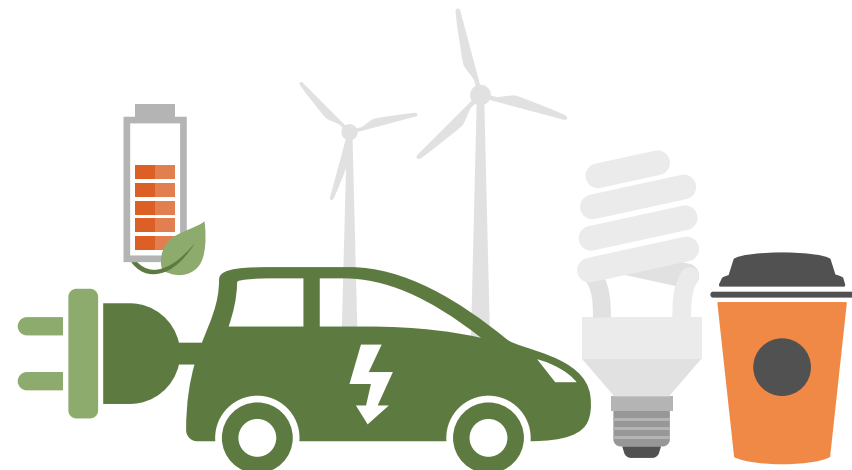
- Change from traditional incandescent bulbs to LED bulbs.
- Use light sensors for areas not in continual use, for example, in the bathroom.
- Manage your heating and cooling so that heating stops at 19°C and cooling starts at 24°C.

**Review your energy providers** and make a switch if necessary. You may be able to generate energy in your own building by installing solar panels. Also consider investing in a renewable source of heat, such as a heat pump. Grants are available from the SEAI.

## TRY TO CHOOSE SUSTAINABLE OPTIONS WHERE THEY EXIST

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- Go paperless:
  - invoices and receipts can be electronic;
  - name cards can be compostable, paper can be recycled and recyclable; and
  - plastic tape can be swapped for an eco-friendly equivalent.
- Review your catering options at events: these can be meat-free and locally sourced.
- Cut out your single-use plastics and disposables and encourage your team to bring in their own cups and cutlery or supply them with personalised branded items.
- Change to electric vehicles. EVs cost less to buy and maintain, and are more reliable to run, as well as providing a visible commitment to your sustainability strategy.
- If you use batteries, switch to rechargeable varieties.
- Where you are unable to use sustainable options, be transparent about it. It shows you are actively seeking an alternative when one becomes available.



## REVIEW YOUR SUPPLY CHAIN

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Robust supply chain awareness and management ensures that you minimise unknown threats downstream or upstream. Ensure that you have good visibility up and down your supply chain and ask if there are operational processes or steps across it that could be more efficient and reduce resource usage.

## REMEMBER IT'S NOT ALL CLIMATE

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Sustainability is about wellness and community as much as the environment.

- Does your organisation support local literacy or numeracy projects?
- Does your team participate in local charities or volunteer in local sports clubs?
- Is a colleague interested in wellness and willing to provide information to the wider team?
- Do you have a remote working policy? Not only will this mean less carbon emitted through transport, but the benefits of work-life balance for your team may be a significant factor in their happiness, wellness, and productivity.

## INVOLVE EVERYONE

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Involving your team will make sure that everyone in the business makes energy saving a priority. And you might be surprised by how much people already do.

- Ask your team for suggestions and tips.
- Encourage all staff to turn off all lights and equipment when they leave the building, including at lunchtime and for meetings. On average a laptop will still consume 30% of its energy when put in idle mode.
- Only boil the amount of water needed when using a kettle in a staff kitchen
- Do not place furniture or files against radiators
- Avoid leaving mobile phones on charge overnight.
- Share details of eco-friendly commute options, such as the bike-to-work scheme.
- Share with your team about positive impacts your organisation is having on the environment and society.

## INNOVATE

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Don't be afraid to go outside your comfort zone. Find out if you have clients which focus on sustainability and learn about what matters to them. Investigate options such as living walls, team tree-planting and supporting local community projects. Other than the obvious sustainable benefits this will bring, these actions reinforce your business image as an environmentally minded and community-conscious company.





## GET HELP

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Consider hiring a consultant. Consultants, including some Chartered Accountants, are practising in this area and consulting for companies on their sustainability practices.


Connect with other Chartered Accountants or professionals who are working in sustainability roles; for example, the Irish Finbiz Taskforce, which is a network of finance professionals and accountants dedicated to achieving the UN Sustainable Development Goals by 2030.

You could also make use of opportunities to be mentored by a colleague or member of your network with expertise in this area.

Visit SEAI and Enterprise Ireland for information on business grants and supports and tips, as well as Local Enterprise Offices and Chambers of Commerce for affordable training courses.

Keep learning. Educate yourself and your team and keep up to date and get ahead of the regulation.

Chartered Accountants Ireland has prepared a short [glossary](#) at the end of this document to help understand the terms used more frequently in the area of sustainability. You can find a longer glossary of sustainability terminology on our [website](#).

You can get to grips quickly with climate jargon with our 10-minute course "[Climate Essentials for Accountants](#)" 

## COMMUNICATE

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If you plan it and do it, let people know. Tell your team about your initiatives. Describe your activities on your website and in social media. Check out the [Chartered Accountants Ireland site](#) for ideas. Include sustainability in your annual report.

## GO FOR GOLD

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Once you are more established you could consider entering your business for an award, such as Business in the Community Ireland's '[Business Working Responsibly Mark](#)' and Business in the Community Northern Ireland's '[Responsible Business Awards](#)'. Not only will a short-listing or a win add to your organisations' reputation, gathering the information is a great way of tracking your progress against your targets, and involves the whole team.

## KEEP GOING

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Once sustainability is embedded into your business's long-term strategy, remember to monitor your performance regularly.

Keep up to date by visiting the [Chartered Accountants Ireland sustainability hub](#) for resources, such as guides, webinars, toolkits and news about latest sustainability developments for business. Sign up to newsletters of relevance to your particular sector which will give sustainability information of use to your clients and customers.

Keep staff informed with updates about your organisation's progress towards achieving targets. Not only will this keep everyone motivated, but it will also bring new ideas for how you can keep changing.

- stop using ALL single use plastics . . .
- take back and reuse packaging
- create compost from our green waste
- recycle paper waste into insulation
- use Irish grown wine
- increase our delivery to bike
- start a community
- continue



*“Each step leads to something else, by doing it step by step, it’s a much more enjoyable process. If you, do it in a small way that’s sustainable for a small business and makes it easier to move onto the next step and to actually have an impact.”*

Justine Looney, Cork Flower Studio

# SUPPORTS FOR BUSINESS

“You don’t have to be an expert in sustainability to start making it core to your business. There is a vast amount of expertise for SMEs to tap into.”

*Martina Goss, Chartered Accountant and Start-Up Coach*



## SUSTAINABILITY AND START-UPS



Martina Goss is a Chartered Accountant and certified start-up coach. With over 20 years' experience in practice and industry, Martina was the Programme Manager of Enterprise Ireland's New Frontiers Programme in the Dundalk Institute of Technology and DCU Invent. This gave her expertise in assisting both early-stage innovative start-ups and existing enterprises to build sustainable businesses. Now in her own start-up training, coaching and consulting business, Martina finds that sustainability is already core to most enterprises:

"All start-ups aim to innovate, and all businesses have a core objective", Martina says. "That objective is to solve a problem for customers in a way that is financially viable for the business. Business owners know they have to be aware of rapidly changing trends in consumer preferences, as well as the impact of advances in technology, like robotics and AI. What they often don't think about is that they should also be thinking of potential sustainability issues too."

It can be overwhelming, but Martina advises companies using the UN's Sustainable Development Goals (SDGs) as a good place to start:

"You don't have to be an expert in sustainability to start making it core to your business. Your start-up is a blank canvas. You can start by considering the UN SDGs at the outset when you are developing your business model. The SDGs and associated targets and indicators are a simple guide that can help you identify how your business will meet sustainability goals. Start by looking at your core business through a sustainability lens and identifying which of the goals your business aligns with."

Martina sees start-ups that have sustainability as a core business objective. These start-ups are actively trying to meet a sustainability need and can use the SDGs to describe how their business is delivering against the UN's Sustainable Development agenda. For example, they may be creating a product designed to promote mental health and wellbeing of children or delivering a service to decarbonise a heavy-emitting process.

Businesses without such an obvious sustainability core will still impact on – and be impacted upon by – the environment and society. For example, a business developing new AI software might be conscious of the potential energy consumption of their processes. This consumption will have financial as well as environmental

implications. If they have outsourced development work to third parties they may wish to establish if the labour rights, working conditions and environment of their contractors are to a high standard. A manufacturing company can check to see if the raw materials it uses can be sustainably sourced and if biodegradable packaging can be used and may seek to understand the size of its supply chain's carbon footprint.

"You may not realise that your business is already meeting several of the SDGs already. This will not only give you confidence that you are making progress towards the SDGs but could also help you in developing your value proposition, designing your marketing collateral and assist in communicating your sustainability progress to employees, lenders, and investors."

Martina also points out that once sustainability is embedded in the core of a business it branches throughout it, with positive results.

"Once people start looking at a business through the SDGs lens, they can start identifying sustainability opportunities in their product offering, supply chain and in their team's diversity and inclusion policies. This can make the business attractive to customers and investors but can also help attract and recruit young, talented, planet and socially conscious graduates as employees - who may be eager to join an organisation that embraces values similar to theirs".

Viewing a business through the SDGs lens also allows business owners to avail of supports they might not have thought applied to them.

*"Lots of business get by without knowing that there are government supports available for both innovation and sustainability. Local Enterprise Offices (LEOs), Enterprise Ireland, universities and Institutes of Technology can assist start-ups and SMEs who are innovating and planning for a more sustainable future. There is a vast amount of expertise for SMEs to tap into there".*

Accountants are a vital link between sources of funding and businesses seeking revenue. There is a wide range of business grants in Ireland and Northern Ireland, as well as support schemes and tax incentives available to enhance sustainability.

Here are examples from **Ireland**, and more are currently available on the Chartered Accountants Ireland sustainability hub's resource page 'Financial Sustainability':

- Enterprise Ireland has a Green programme to help companies incorporate sustainable practices into the day-to-day running of their business.
- Funding is also available for the Environmental Protection Agency (EPA) for research funding.
- Sector-specific programs available include the "Green, Low-Carbon, Agri-Environment Scheme", the "Organic Farming Scheme" and the "Woodland Support Fund".
- Sustainability training and mentoring supports such as "Green for Micro", "SEAI Energy Academy" and Skillnet's "Climate Ready" are also available.
- Companies can apply for grant support from Enterprise Ireland towards the cost of hiring a green consultant for assignments.
- SEAI has dedicated web pages on business grants and supports.
- Organisations like Rethink Ireland provide cash grants and business support to social innovations.

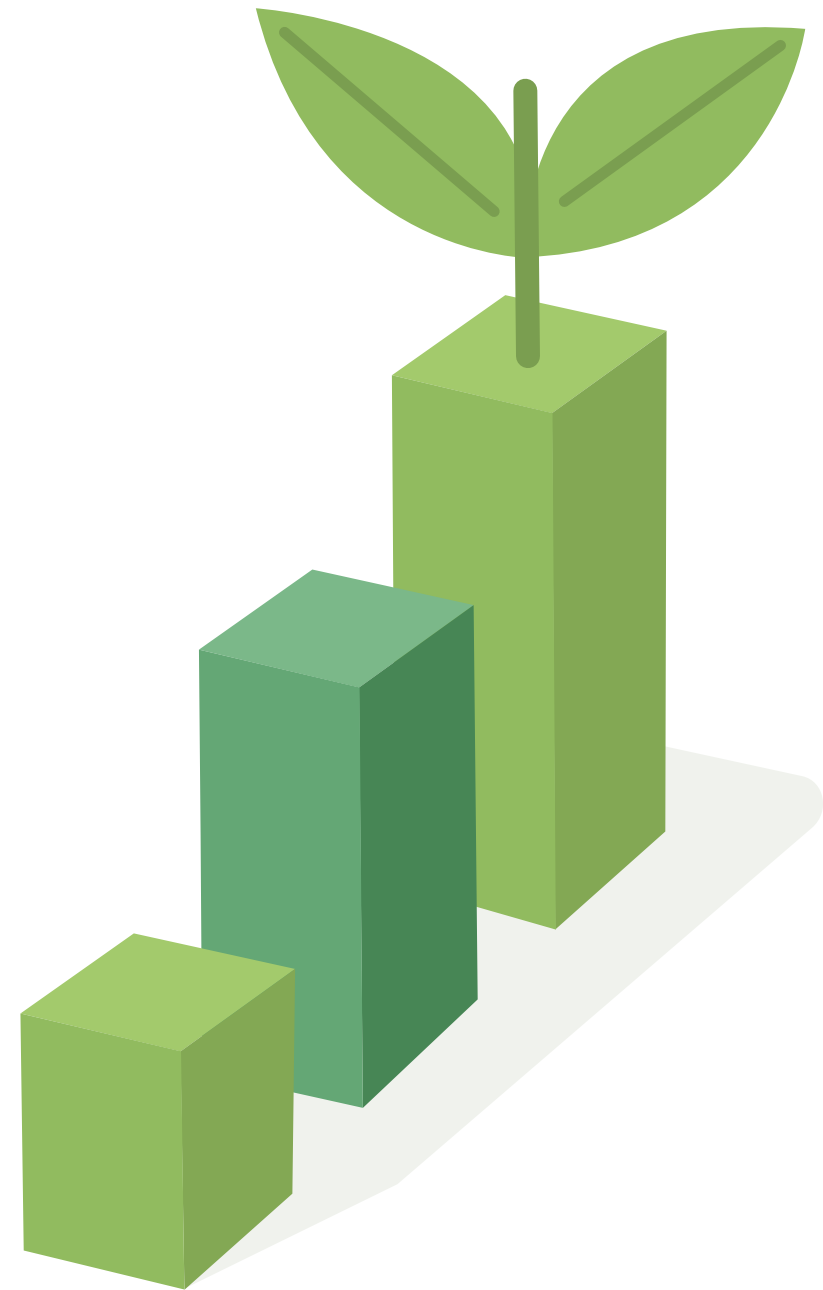
In **Northern Ireland**, there is a range of supports for businesses looking to operate more sustainably:

### InvestNI

InvestNI, the regional business development agency for Northern Ireland, offers support across a wide variety of areas to help compete successfully and function efficiently. Expert advice on developing business specific waste management strategies includes:

- **Sustainability Reports:** all Northern Ireland businesses with an annual energy and resource spend of more than £30k can avail of this support which helps you to measure, monitor and report on your environmental impacts, demonstrating transparency and accountability.
- **Technical Consultancy:** available to all businesses with an annual energy and resource spend in excess of £30k, this support will allow you to make informed decisions on potential investments in energy efficiency – and ultimately save on business energy and reduce business costs.
- **Resource Matching:** this service offers opportunities to convert redundant materials of one business into a resource for another – both adding value and reducing business costs for all parties. It allows businesses to prolong the life of resources while reducing their carbon footprint.
- **Resource Efficiency Capital Grant:** open to Invest NI customers only, this is investment support of up to £50k to help you invest in energy saving equipment that will drive productivity in your business. This applies to any project that will reduce the consumption of water, raw materials, or waste production. The rate of support is based on company size - a maximum of 10% of total eligible project costs for large businesses, 20% for medium and 30% for small and micro. Competitive grant calls are operated at least once a year.
- There is also a range of **best practice resource efficiency guides** on topics including biomass, lighting, packing, waste minimisation and water.

- InvestNI has a **Supply Chain Resilience and Development Framework** (SCRDF) available to certain eligible manufactures of products or providers of internationally traded services to help companies improve their supply chain resilience and competitiveness. Businesses can register their interest in the programme by emailing [supplychainquery@investni.com](mailto:supplychainquery@investni.com).
- A guide from [nibusinessinfo.co.uk](http://nibusinessinfo.co.uk) **Adapt your business to climate change** explains why businesses need to adapt to climate change, what the risks can be, how to change business priorities in response to climate change, and what other businesses are doing to reduce their carbon footprint in Northern Ireland. The site [nibusinessinfo.co.uk](http://nibusinessinfo.co.uk) is a free service offered by InvestNI and is the official online channel for business advice and guidance in Northern Ireland.



## Community Finance Ireland

Community Finance Ireland is the fastest-growing dedicated social finance provider across Ireland and the UK. A charity and a social enterprise operating across the entire island of Ireland, it aims to “create a world-class community finance system that works tirelessly towards ensuring that positive social impact is felt – not just dreamt”. Since it began trading, it has loaned over £58m (€72m) across the island of Ireland. Supporting loans ranging from £/€ 10k to £/€ 500k. All clients are ‘matched’ with a local client executive, so clients always have a personal contact nearby – right throughout all stages of the loan requirements from the first yes to the final payment. All profits are reinvested for the benefit of the sector. For more, visit its [website](#).

## Green loans

Banks are offering loans to help business. Ulster Bank is offering ‘[green loans](#)’ to help eligible UK businesses finance business assets to support eligible sustainability projects. These can include solar panels, electric vehicles, or heat pumps on commercial buildings. There are no arrangement fees for eligible UK businesses, and a range of borrowing options are available from £50,001, with fixed and variable interest rate loans.

## NISEP

The Northern Ireland Sustainable Energy Programme (NISEP) makes funding available for energy efficiency schemes. Eligible schemes are listed each year. The current scheme ran from April 2021 to March 2022. Funding under NISEP is made available through PowerNI for businesses, who can avail of c.20% if looking to install [energy efficiency products](#), such as LED lighting and intelligent heating controls.

## Other sources of support around Northern Ireland include:

- **Green Innovation Challenge Fund:** Research and development funding to support the decarbonisation of the energy system, through development of the disruptive technologies and innovative projects to help meet the goals of the Economic Recovery Action Plan, Energy Strategy and 10x Economic Strategy.
- **Mind Body Business:** A series of initiatives that encourage employers to put health at the centre of their business agenda. Aims to raise awareness of the benefits of workplace health, engage and motivate your workplace to maximise performance, reduce absence rates and retain the best employees, and support you on your journey to make your business a better place to work
- **Age at work:** A programme that provides access to toolkits, networks, and support to unlock benefits for businesses and employees. Age at Work aims to support businesses to be more age-inclusive in their approach to retaining, retraining, and recruiting older workers, raise awareness of the need for an age-inclusive agenda in government, business and wider society and support mature workers to remain in or return to work.

# GLOSSARY

## **Biodiversity**

Biodiversity is the variety of life on earth. It includes all the different types of living things and habitats. It is often referred to as the ‘web of life’. Our societies and economies depend on it. It is rapidly rising up the corporate agenda as more and more companies understand the need to protect it.

## **Carbon**

Energy is needed to power our lifestyles. In many cases, fossil fuels are burned to create this energy. Fossil fuels emit greenhouse gases, which contribute to global warming.

Carbon dioxide (carbon or ‘CO<sub>2</sub>’) is the most common of these greenhouse gases emitted in terms of the quantity released and total impact on global warming by human activities. When you drive to work, take a flight, or switch on your office air conditioning system, you are likely to be generating greenhouse gas emissions.

## **Carbon dioxide equivalents**

There are a number of greenhouse gases with global-warming potential. In order to use only one metric to refer to them collectively, they are often converted into carbon dioxide equivalents (“CO<sub>2</sub>e”). Other greenhouse gases such as methane, nitrous oxides and F-gases also contribute significantly to climate change.

## **Carbon footprint**

A carbon footprint measures (in CO<sub>2</sub>e) the total amount of greenhouse gas released into the atmosphere by the everyday activities of an organisation, a household, an event, a service, or a product.

## **Carbon calculator**

A carbon calculator is software that calculates your carbon footprint. The

software calculates the amount of CO<sub>2</sub>e produced by the activities of businesses, organisations, individuals, and households over a specified period of time, usually one year. It includes direct energy used by a house or business and, indirectly, electricity use, and emissions in the value chain of a business, such as in travel, use of products, waste, procurement, and distribution.

## **Carbon budget**

Climate scientists define a ‘carbon budget’ as the cumulative amount of greenhouse gas emissions allowed over a set period of time to stop global temperature rising more than 1.5°C above pre-industrial levels. Countries and companies are using carbon budgets to establish how much carbon can be emitted into the atmosphere without compromising the future climate. They then use these ‘budgets’ to create strategies to reduce their emissions.

## **Circular Economy**

In a circular economy, products are kept in use for as long as possible, through design, repair and reuse and waste is minimised. When a product has reached the end of its life, its parts are used again and again – to create further useful products. Ireland’s [Whole of Government Circular Economy Strategy 2022 – 2023](#) ‘Living More, Using Less’ was launched in December 2021. It sets out a vision for Ireland’s transition to circularity; explaining the concept of the circular economy, describing what initiatives are already happening, what opportunities are available and how Government will drive the changes required.

## **Decarbonisation**

Decarbonisation means the reduction or elimination of greenhouse gases from energy sources. The term is most often used to describe the efforts by governments and businesses to reduce carbon emissions in their economies.



### Scope 1, 2, 3 carbon emissions

There are three categories of carbon emissions that a company creates in its own operations and its wider value chain.



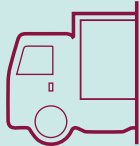
#### SCOPE 1

Scope 1 are carbon emissions directly result from the activities of a business. For example, the use of gas boilers, company vehicles and air conditioning units.



#### SCOPE 2

Scope 2 are emissions that arise indirectly when the business consumes purchased energy, i.e. electricity.



#### SCOPE 3

Scope 3 are the emissions that are linked to the business's operations from sources that they do not own or control. These are usually the greatest share of the carbon footprint because they cover emissions associated with buying goods and services, commuting, business travel, waste, water, and procurement.

### Carbon neutrality or Net Zero Carbon?

'Carbon neutral' and 'net zero' are terms often used interchangeably by organisations to describe how they would like their businesses to be. At heart they mean the same thing: having a balance between carbon emitted into the atmosphere and carbon taken out of the atmosphere. But there are differences: Carbon neutrality refers to emitting carbon but considers any carbon offsets purchased as 'cancelling out' this pollution. It is regularly criticised as a claim made by companies who rely too much on offsets as a means of disguising their pollution.

Under 'net zero' companies need to eliminate their emissions by first reducing all emissions, then adapting their operations to reduce any emissions that still persist, and only then compensate for any emissions that are still there by purchasing offsets, up to a limit.

Although it's easy to get caught up in the terminology, only one thing matters: **companies must start reducing carbon emissions.** For accountants forecasting or assessing new product lines or areas of the business this can mean assessing how they impact the company's carbon footprint on the business's net zero goal.

### Carbon offsetting

A carbon offset is an action intended to compensate for, or neutralise, the emission of carbon dioxide into the atmosphere. Often, they are investments in accredited and verified emission-reduction projects. These can take the form of investments in renewable energy or low-energy technologies or nature-based solutions that directly remove carbon from the atmosphere.

The use of carbon offsetting should be a last resort and only used after reducing your carbon footprint as much as possible. Unfortunately, there are not enough offsets in the world to effectively combat climate change, meaning that dramatically reducing carbon emissions is essential.

### **Climate change**

This is a large-scale, long-term shift in the planet’s weather patterns and average temperatures. Scientific consensus holds that our climate is changing with wide-ranging risks and consequences for our society, economy, and environment.

### **COP**

COP (or ‘Conference of the Parties’) is a summit attended by the 197 countries which have signed the United Nations Framework Convention on Climate Change (UNFCCC). COP aim to accelerate these countries’ actions towards the goals of the UNFCCC and the Paris Agreement. COP takes place every year, although it did not happen in 2020 due to COVID-19. COP26 was held in Glasgow.

### **Greenwashing**

Greenwashing is a form of marketing spin in which green PR and green marketing are deceptively used to persuade the public that an organisation’s products, aims and policies are environmentally friendly in order to take advantage of the growing public concern and awareness for environmental issues, attract investors (especially those interested in socially responsible investing), create competitive advantage in the marketplace, convince critics that the company is well-intentioned, and access the fast-growing market for green products which present a huge potential for growth.

### **Single-use Plastics**

Single-use plastics are goods that are made primarily from fossil fuel-based chemicals (petrochemicals) and are meant to be disposed of right after use—often, in minutes.

### **Triple bottom line**

A phrase first coined in 1994, it describes the separate financial, social, and environmental ‘bottom lines’ of companies. In principle it is designed for companies to value their social and environmental profits and losses, as well as the financial ones.

### **UN Framework Convention on Climate Change (UNFCCC)**

The UNFCCC is a United Nations entity. It is tasked with supporting the global response to the threat of climate change.

When the UNFCCC entered force entered force on 21 March 1994, it bound member states to “act in the interests of human safety even in the face of scientific uncertainty”.

There are 197 parties to the Convention and it is the parent treaty of the 2015 Paris Agreement.

### **The Paris Agreement**

The Paris Agreement is a legally binding international treaty on climate change. It was adopted at COP21 in Paris and entered force on 4 November 2016. Its goal is to limit global warming to well below 2°C, preferably 1.5°C compared to pre-industrial levels.

Parties to the Agreement are legally bound to combat climate change by reducing their greenhouse gas emissions and adapting to its effects. The Agreement works on a 5-year cycle of climate action. The first cycle begun in 2015, with countries having to submit their climate action plans by 2020/2021.

# ABOUT CHARTERED ACCOUNTANTS IRELAND

Chartered Accountants Ireland is Ireland's leading professional accountancy body, representing 30,000+ influential members around the world and educating 7,000 students. The Institute aims to create opportunities for members and students, and ethical, sustainable prosperity for society. An all-island body, Chartered Accountants Ireland was established by Royal Charter in 1888 and now has members in more than 90 countries. It is a founding member of Chartered Accountants Worldwide, the international network of over one million Chartered Accountants. It also plays key roles in the Global Accounting Alliance, Accountancy Europe and the International Federation of Accountants. Chartered Accountants Ireland members provide leadership in business, the public sector and professional practice, bringing experience, expertise and strict standards to their work for, and with, businesses in every sector.

Chartered Accountants Ireland engages with governments, policy makers and regulators on key issues affecting the profession and the wider economy.



# FURTHER RESOURCES

## **Sustainability Resources from Chartered Accountants Ireland**

[Sustainability for Accountants - A Guide](#)

[Sustainability Reporting - A Guide](#)

[Climate Essentials for Accountants](#)

[Financing Sustainability \(ROI\)](#)

[Financing Sustainability \(NI\)](#)

[Glossary of Terms](#)

## **Chapter Zero Ireland**

Chapter Zero is a global network of non-executive directors that aim to drive crucial climate action decisions in boardrooms. Its goal is to help members ensure their organisations are fit for the future, and that global net zero ambitions are transformed into robust plans and measurable action.

[\*\*Visit Chapter Zero Ireland's Website\*\*](#)

## **IFAC**

The vision of the International Federation of Accountants (IFAC) is that the accountancy profession is essential to strong, sustainable organizations, financial markets, and economies.

[\*\*Visit IFAC website\*\*](#)

## **ICAEW**

The Institute of Chartered Accountants England and Wales (ICAEW) has an enormous repository of articles, reports, case studies, tools and other sources of information about sustainability. It makes this content freely available to the public, and continually adds to it, and to the ongoing conversation around accounting and sustainability.

[\*\*Visit ICAEW website\*\*](#)

## **ICAS**

The Institute of Chartered Accountants Scotland (ICAS) has news, practical tools and links, information about the sustainable development goals and other professional resources for members looking for information on sustainability.

[\*\*Visit ICAS website\*\*](#)

## **Accountancy Europe**

Accountancy Europe provides news, events, publications and consultation responses on sustainability.

[\*\*Visit Accountancy Europe website\*\*](#)

## **Accounting 4 Sustainability (A4S)**

The A4S is Prince Charles' Accounting for Sustainability Project. Its aim is to transform finance to make sustainable business, business as usual.

[\*\*Visit A4S website\*\*](#)

## **TCFD Knowledge Hub**

This hub provides resources you need to understand and implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities.

[\*\*Visit TCFD website\*\*](#)

## **UN Global Compact**

The world's largest corporate sustainability initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN SDGs, and to report on their implementation.

[\*\*Visit UN Global Compact website\*\*](#)

## **World Business Council for Sustainable Development**

The World Business Council for Sustainable Development (WBCSD) is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. Its Resources section has publications, tools and case studies from across these working group.

[\*\*Visit WBCSD website\*\*](#)

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