

# What does Sustainability Mean?

by Yvonne Holmes

**Sustainability is one of the most prominent issues to emerge in recent years. Public concern about society and the environment has risen, as people have become more aware of problems such as climate change, pollution waste and depletion of natural resources.**

A commonly used definition is that sustainability focuses on meeting the needs of the present without compromising the ability of future generations in meeting their needs. It also infers societal progress and an increase in the quality of life. Sustainability is often associated with climate change – however, sustainability isn't just about the environment. It is made up of three components: Economic, Society & Environment (also referred to as Profit, People & Planet).

These three components are integrated and are considered as the triple bottom line, as the impacts on all three need to be understood when making business decisions that are responsible and sustainable.

## The importance of sustainability

Corporate transparency on environmental, social, and governance (ESG) risks being the three key pillars of sustainability is on the rise.

- Empowered consumers and employees are forcing corporate behaviour change.
- Suppliers and investors are cutting ties with organisations or companies most at risk.
- Investors are also demanding more transparency and adaptation plans.
- Government mandates are increasingly requiring adaption to enable them to meet their commitments to the Paris Agreement.

Consumer pressure to address climate change in particular is increasing.

Single use materials, and plastic wrapping are becoming unacceptable. The carbon emission costs of the manufacture of products and production of foodstuffs are being documented and reported. Every new product will soon be measured not just by how much of it can be recycled at the end of its life, but also at its start of life in terms of what proportion of it is made from recycled materials. There will also be measurement throughout the manufacture process in terms of how much waste is produced versus reusing, refurbishing and remanufacturing to create a closed loop system.

We know consumers care about this issue. In our latest AIB Sustainability Index Research, 76% of people AIB surveyed told us that sustainability is important for them in their daily lives. 54% say sustainability has become more important to them personally since Covid-19. We also know that 60% of people are influenced by a business's positive sustainability credentials in their purchasing decisions. There is huge business opportunity for those that establish themselves in this space with compelling propositions.

The other benefits for business include the opportunity for cost reduction, resource efficiency, brand and reputation differentiation, new market opportunity, employee satisfaction and pride and investment attractiveness. In addition, one of the most fundamental benefits is creating business resilience which includes a dependable and backup supply chain, structures that enable agility in response to changing market conditions and digital systems and processes that are robust and secure.

## Healthy society equals a healthy economy

The Covid-19 pandemic has cost lives and impacted many businesses as well as individual livelihoods. The importance of sustainability has come more into focus as the impact of a small change in our ecosystem and how it can have such a detrimental and wide-reaching effect on the health and economies of countries across the globe has become more understood.

As we begin to examine how the post-Covid recovery is shaped, it is clear that building resilience will be vital to ensure businesses, communities and people can survive future existential threats, one of the most pressing being climate change.

We know that pandemic viruses and greenhouse gases do not adhere to borders or geography. Both put the poor and vulnerable at greater risk and require government action on a massive scale to stabilise and prevent continued and escalating disasters.

The virus has reinforced the criticality of a healthy society to a healthy economy. Covid-19 has demonstrated that the foundations of prosperity are precarious. It has shown that large scale catastrophe can come with little warning, and devastating impacts.

The pandemic both reveals the size of the challenge ahead and also creates a unique chance to enact government policies that steer the economy away from carbon at a lower financial, social and political cost than might otherwise have been the case.

The European Green Deal is being used as a framework for tackling

short-term economic needs with long-term sustainability goals. It provides a roadmap with actions to boost the efficient use of resources by moving to a clean, circular economy and restore biodiversity and cut pollution. It outlines investments needed and financing tools available and explains how to ensure a just and inclusive transition.

The proposals include incentives to boost electric vehicle sales and a doubling of investment in charging networks, grants and guarantees for sealing up less energy efficient buildings - including plans to offer home buyers green mortgages, leverage finance for new renewable energy projects over the next 2 years, and funding for the development of green hydrogen that can curb emissions in some of the hardest to tackle industries, like steel and cement making.

### The decade for action

The Paris Agreement was signed in 2015 when 187 signatory countries pledged to take significant action to reduce greenhouse gas emissions in order to limit global warming to well below 2 degrees above pre-industrial times – ideally limiting it to 1.5 degrees.

Three years after the Paris Agreement, the IPCC published a landmark report on the impacts of the 1.5 degrees of global warming. The authors – the world’s leading climate scientists – warned of “rapid, far-reaching and unprecedented changes in all aspects of society” if we do not cut emissions to ‘net zero’ by 2050, with a target of a 45% reduction by 2030.

The report ultimately sets out that we have 12 years to solve climate change meaning this decade, from 2020-2030, is being called the “Decade of Action”.

### Questions for businesses to consider

So, what does this mean for business? Here are some of the areas that need to be considered and addressed in devising business strategy, operations planning and transition.

- What is the risk of stranded assets?
- How to mitigate against the likelihood of additional costs for carbon pricing?
- Has an assessment of the resilience of the business model for climate risk been undertaken?
- How to go from a 2-degree strategy to a net-zero emissions one?
- Is there a requirement for low-carbon clauses in supplier contracts, along with business continuity plan requirements to help mitigate climate-related risks?
- How to help other companies in our value chain improve their resilience?
- What are the possible environmental and social government regulations that could affect the company in the future?
- What are the sustainable development goals that the company can most impact and is there alignment around these in terms of our corporate giving, community and customer supports?
- What sustainability criteria can be leveraged to get better pricing for loans and partnerships?
- How to communicate and demonstrate sustainability credentials to customers, employees and potential and existing investors?
- Are we attracting and retaining new talent who want to work for a company that is socially responsible?

### What are we doing in AIB?

At AIB, we are concentrating our efforts on supporting our customers and the economy through this exceptionally challenging period while ensuring the well-being of our staff, suppliers and other stakeholders.

We are working on how we support our customers and play a leading role in rebooting the economy. This is fundamental to our sustainability ambition and commitments.



The importance that we ascribe to the environmental agenda, and also our commitment to be embedded in the communities that we serve, was acknowledged with the addition of Sustainable Communities to our strategic pillars this year.

Our achievements to date in 2020 on this important area of focus include: 'A –' leadership status for our continued progress in corporate climate action and environment stewardship awarded by CDP; and inclusion in the FTSE4Good Index Series which identifies companies that demonstrate environmental, social and governance practices measured against globally recognised standards.

59% of respondents in our AIB Sustainability Index Research recognise the important role that banks have to play in the fight against climate change and we are committed to delivering supports to our customers in helping them transition to a lower carbon footprint in terms of products, finance and guidance.

Our AIB Sustainability strategy incorporates four key pillars – Climate action, Building better banking experiences, Economic & Social Inclusivity and Responsible & Resilient Technology.

#### **Climate Action -**

Leading Ireland's transition to become a low carbon economy. Our focus in AIB is threefold;

- Help finance the green agenda, showing leadership with new propositions and partnerships to help our customers transition in their personal and business lives
- Reduce the carbon footprint of our own business operations which includes the footprint of our customers and our suppliers
- Manage our own financial exposures against climate risk

#### **Building Better**

##### **Banking Experiences -**

Building better banking experiences and more resilient products with a focus on continuous improvement and learning from our mistakes.

This includes ensuring that we are supporting our vulnerable customers across their range of financial needs.

#### **Economic & Social Inclusivity -**

Enhancing the livelihoods of all our customers; actively investing to support economic progress and social issues including housing. This includes backing our customers to start-up and grow & improving financial access and financial literacy. It also covers our involvement in the community through sponsorship, partnerships, education, charity and volunteering

#### **Responsible &**

##### **Resilient Technology -**

Protecting the privacy, security and integrity of our data and systems to ensure responsible practices and resilient technology.

The work across these areas is underpinned by fostering the well-being of our employees in a diverse and inclusive workplace that is bound together by trusting and transparent culture and accountability.

#### **Our Commitments**

AIB has signed up to support the TCFD (Taskforce for Climate Related Financial Disclosures). In summary, this means that we must set ambitious and measurable targets specifically in relation to our Climate Action objectives and disclose our progress against these as part of our annual financial reporting.

We have also signed the Principles for Responsible Banking, which requires banks to align their business strategies to the 17 Sustainable Development Goals (SDGs) set out by the United Nations, and to make commitments to positively impact across at least two specific areas.

We have also signed the Low Carbon Pledge which commits us to reducing our carbon footprint by 50% by 2030.

Our focus on Sustainability isn't just because it is the right thing to do. It is because it is a business imperative for the survival of any company while also presenting significant business opportunity as new business models, innovation and investment is required across every sector.

With Covid-19, we have seen what can be done in the face of a critical emergency, with businesses reinventing themselves and pivoting their supply chains, products and services, employees changing their ways of working and governments responding and collaborating to tackle a common goal.

This is the decade for meaningful and accelerated action and AIB is committed to leading Ireland's transition to become a low-carbon economy and will continue to hold ourselves to account in our Pledge to Do More.

**'What happens now and in these next few years will profoundly affect the next few thousand years'**

**David Attenborough**

**"...ensuring that we are supporting our vulnerable customers across their range of financial needs"**



**Yvonne Holmes**

Yvonne Holmes is the Chief Sustainability Officer in AIB and has responsibility for the development and implementation of the Sustainability Strategy across AIB Group. Yvonne is a member of the Chambers Ireland's Sustainable Business Council and Chair of the Sustainable Finance Skillnet.