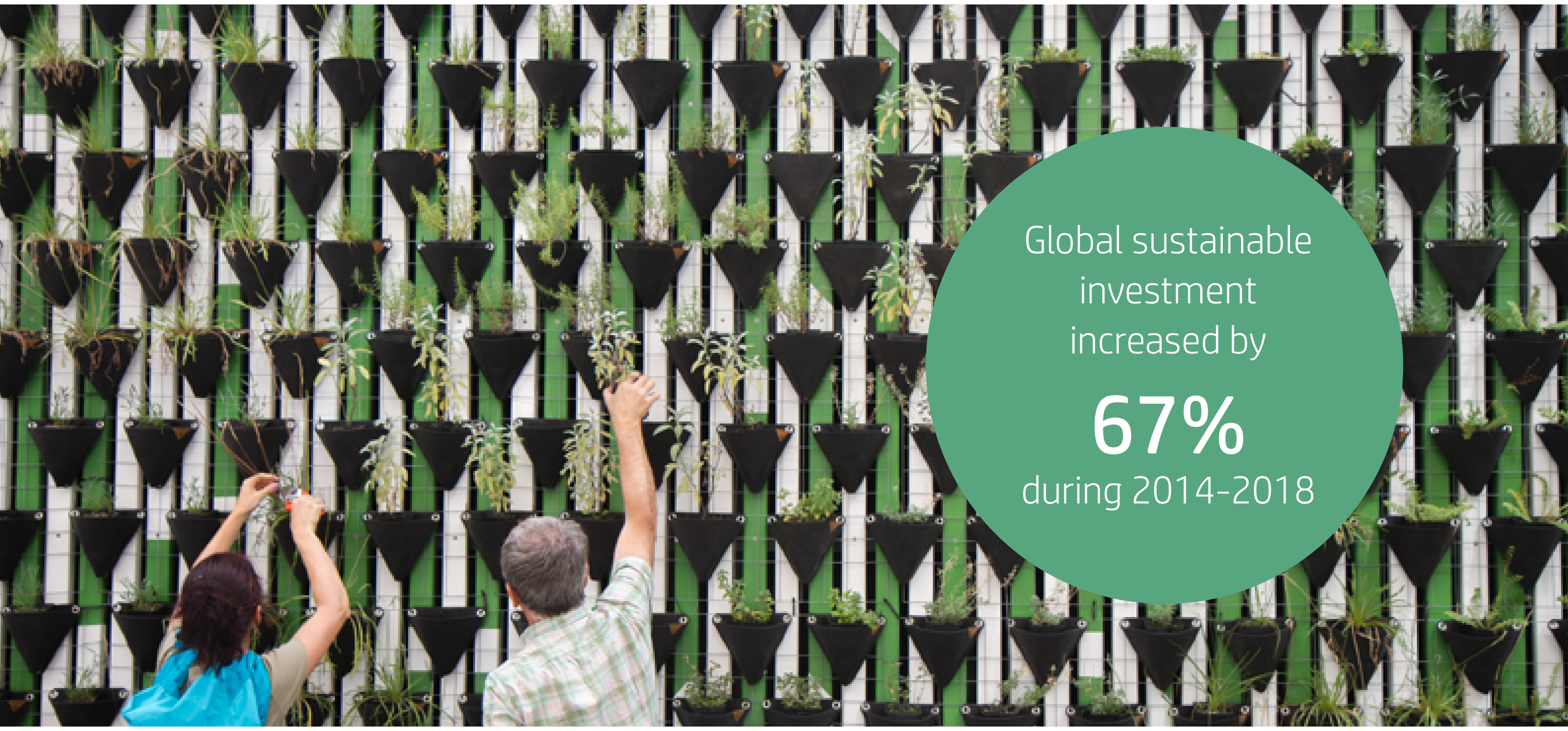
Sustainability and business - understanding the broader value

By not investing in sustainable practices, businesses are sacrificing profits, in part due to a misconception that sustainability comes at a cost rather than as an investment that brings cost savings. All good strategies are underpinned by a business case and, in the case of sustainability, the business benefits are clear. Research shows more than half of consumers said they would pay more for sustainable products designed to be reused or recycled. Employees also indicate they are more attracted to organizations with a commitment to sustainability, with 61% believing sustainability is mandatory for modern businesses.[1] Add reputational risks and investor interest and the case becomes even stronger.

Implementing sustainability initiatives, such as reducing energy use, paper and consumables waste can require little more than changing the culture of a workplace and educating staff. These changes, in combination with an investment in technology that is designed and manufactured to use less energy, may result in business cost and resource savings. The value of investing in sustainability will outweigh costs even more significantly in the future, and should be viewed as a long-term investment in not only the business, but also on the planet.

Investing in sustainability delivers long-term benefits for your business and the planet

The hidden and added value of sustainability in business



Sustainability initiatives not only unlock many cost-saving areas, they also bring an added value to a businesses' reputation. Knowing an organization is actively employing actions to reduce waste, carbon emissions and energy consumption attracts investors, staff and customers alike.

Companies seeking to optimize their intangible value - or brand equity value - are doing so through a commitment to sustainability. Investor interest has risen significantly as one of the most important drivers of a companies' sustainability efforts, with 40% of companies citing it as a key factor, a 15 percentage point increase from 2018. Adding value in this way is tangible - investors indicate that they would be willing to pay about a 10% median premium to acquire a company with a positive record for environmental, social and governance (ESG) issues over one with a negative record.[2]

There is a solid reason for this increase - among investment professionals it is generally agreed that ESG programs affect performance and 83% say they expect these will contribute more shareholder value in five years than today. Global sustainable investment increased by 67% between 2014-18, from $18,276 billion to $30,683 billion in 2018.[3]

Investor interest joins reputation risk (61%) and consumer/customer demand (40%) in the top three drivers of sustainability efforts.[4] Year on year, more people are making a concerted effort to buy products and engage the services of organizations that are committed to ESG programs. More than half of consumers in 60 countries said they'd pay more for products/services from companies committed to creating positive social and environmental impacts.[5]

Risks to reputation in the context of sustainability is not a new concern for businesses, but those risks are now increasingly associated with insufficient action in curbing greenhouse gas emissions. Those that can't show their efforts to increase their sustainability efforts and reduce their carbon footprint face a risk to their reputation that will be difficult to recover from.

For the greater good - value beyond the business

Beyond the tangible financial benefits of employing sustainable business practices sits the opportunity to be part of the bigger sustainability picture. Understanding the numbers makes it hard to resist being part of a collective effort to combat some of the biggest threats to the environment: inaction on climate change, pollution, deforestation, ocean plastic, and the loss of biodiversity. For example, more than 8 million tons of plastic are dumped into our oceans every year.[6] Right now, we produce more than 300 million tonnes of plastic every year, 50% of which is for single-use purposes, and only 14% of global plastic packaging is collected for recycling and only 2% is reused as packaging. In total, $80-$120 billion of value is lost annually.

Climate change is one of the most significant and urgent issues facing business and society today. The science is clear, the impacts are serious, and action is essential. With these issues top of mind, businesses are increasingly looking for ways to engage in meaningful climate action. Companies citing climate change as a ‘very significant’ sustainability focus jumped dramatically in 2019, increasing 14 percentage points to 52%.[7]

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Companies who understand the impact their operations have on the environment can develop programs that have a real impact without compromising their business objectives. Developing processes to recycle and reuse plastics is an example. HP is an industry leader in efforts to source and incorporate post-consumer plastic, sourcing more than 1 million pounds of ocean-bound plastic for use in products, and are on track to increase recycled content in products to 30% by 2025.[8] This use of the circular economy crosses all industries and the opportunities are endless.

Another area companies can make an impact on is deforestation. Forests are crucial for the long-term health and stability of our planet. They absorb around 30% of man-made carbon emissions – and are vital to the global water cycle.[9] Making a choice to use paper from certified and recycled sources is a simple one that goes a long way to reduce deforestation and protect wildlife - while at the same time bringing down global greenhouse gas emissions and creating a healthier planet.

If businesses do not invest in tools to measure and understand their energy and consumables consumption, there is a risk of increased waste generation, as well as negative financial implications. A good example is a major brewer that identified around 150 possible improvements including energy efficiency measures, process redesigns, and fuel changes to reduce greenhouse gas emissions by 50%, which resulted in a saving of $200 million over five years.[10]

The real cost of inaction on sustainability

Any discussion about sustainable business cannot ignore the cost of inaction. It's no longer enough to simply tick some boxes and sign up for future targets. Resource scarcity driven by climate change means there are business challenges occurring now. A 2016 study showed 43% of companies who experienced a scarcity of natural resources needed for their business were faced with significant operational and financial challenges.[11]

The economic costs of inaction on our climate and ecological crises is also a major issue and has been calculated at a loss of $9.87 trillion in GDP by 2050, unless urgent action is taken.[12] Looking at six crucial ecosystem services that nature provides, including the supply of water for agriculture; supply of timber; marine fisheries; pollination of crops; protection from flooding and erosion; and carbon storage, the report analyses the future costs to world economies of failing to act on the destruction of the environment and biodiversity loss. In contrast, if a more sustainable development pathway is adopted the annual global GDP would be 0.02% higher ($ 11 billion) by 2050.

Without a clear vision for a more sustainable workplace, attracting and retaining staff can also become an issue. We know employees want to work with purpose. It makes sense then, that organizations with a clear commitment to sustainability have a competitive edge - they are well placed to attract the best talent and can leverage the benefits of a team committed to a sustainable future. Additionally, 60% of millennials want employers to contribute to social or ethical causes.[13]

Doing nothing means missing out on the workforce of the future: one that is committed to ESG outcomes and demands action from their employer. Of course, there is a financial cost to this, however, the long-term value definitely outweighs the minimal cost. The productivity and talent retention that comes with purposeful work can also lead to earnings that amount to 2% of stock price each year.[14]

Inaction is simply the most expensive tactic to employ when it comes to sustainable business.

Speak to a HP representative or visit www.hp.com/go/MPSCarbonNeutral

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