

**EXPLORING THE ENVIRONMENTAL
AND ECONOMIC OPPORTUNITY
OF ESG**



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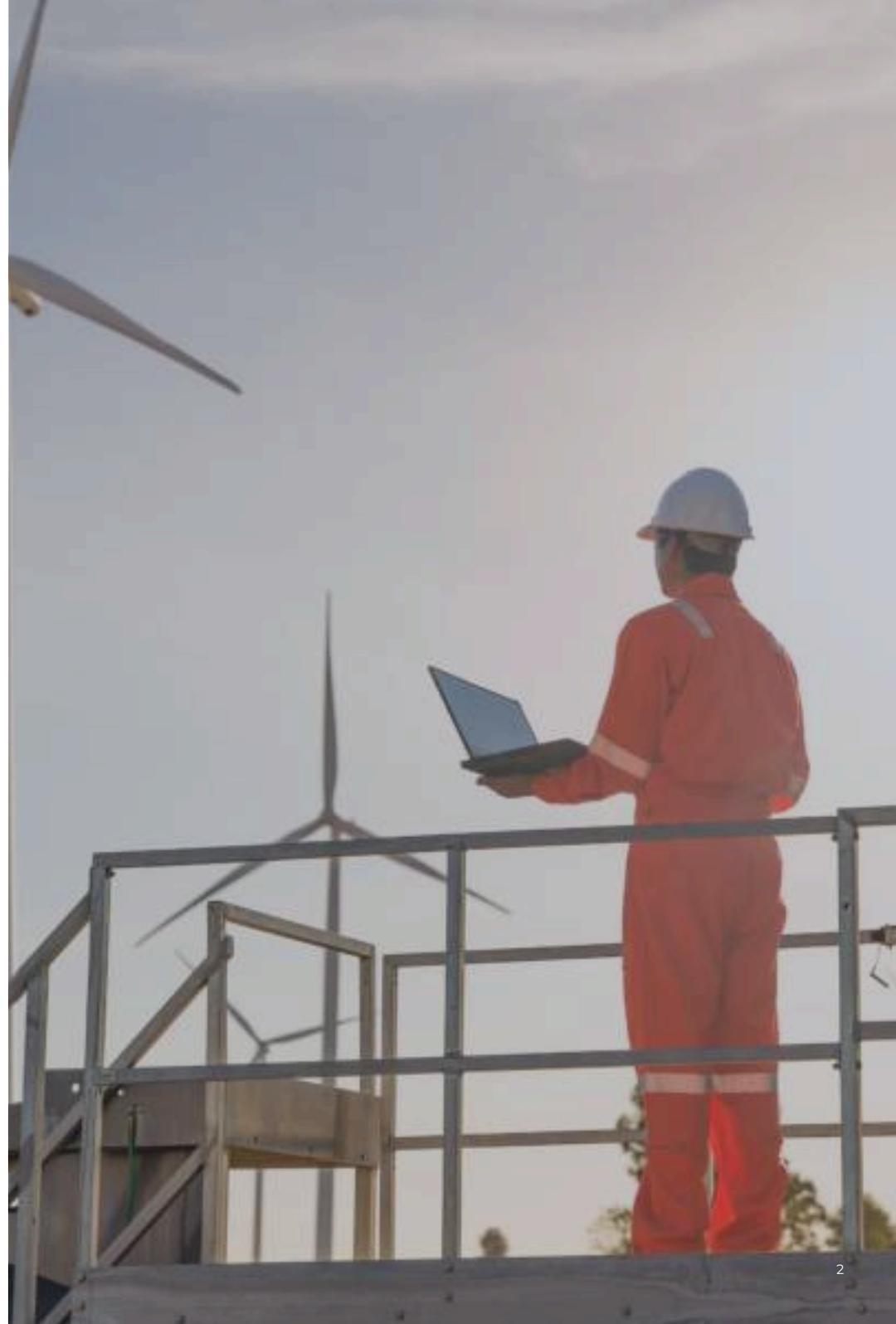
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INTRODUCTION



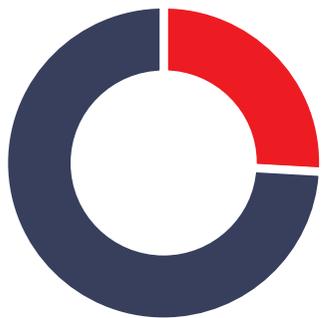
Sustainability is more important to businesses than ever before. From global warming to landfill, the environment matters to employees, investors and customers more than ever.

While few would disagree that everyone has to do their bit for the planet, it's clear that good intentions aren't enough anymore. Government policy and consumer scepticism around greenwashing mean that more and more businesses are setting ambitious targets for tangible, committed change.

As a result, more companies are publicly committing to Environmental, Social and Governance (ESG) goals, or qualifying for B Corp certification.

But is this change happening quickly enough?

To better understand the challenge, we commissioned Censuswide to gauge how senior environmental decision-makers in UK companies, or manufacturers with over 200 employees feel they are performing against their sustainability targets, and to understand if their environmental ambition is being matched by pragmatic, measurable action.



Only

26%

of the companies we surveyed had an ESG plan in place.

There is much work to be done. Achieving net zero emissions will be a significant challenge for most businesses, particularly given the uncertain economic climate. In order to reduce consumption and create a more circular economy, we have to radically rethink the way we've always done things in the past – from reducing what we produce, what our customers consume and to redefining what we think of as waste.

So, it's time to turn aspirations into action, and pledges into practical steps. At a time when the global climate has never been so urgent, nor the world so unpredictable, organisations will need to make good on their public commitments and develop tangible and measurable sustainable solutions. We can't continue to do things the same way we've always done them.

The good thing is these solutions do not have to - if you forgive the phrase - cost the earth. Having the correct processes and solutions in place can save costs in the long-term, whether that's through more efficient use of energy or by reducing, reusing and recycling materials more effectively. **55% of the companies we spoke to said the cost of implementing sustainable initiatives had been minor, while 27% said they had actually saved them money.**

What's more, investing in doing the right thing ultimately supports business growth, as consumers and businesses are more likely to do business with ESG focused organisations.

Change will not happen overnight. But by demonstrating effective ESG leadership, companies can get on the front foot and play an important role in shaping a more sustainable future.

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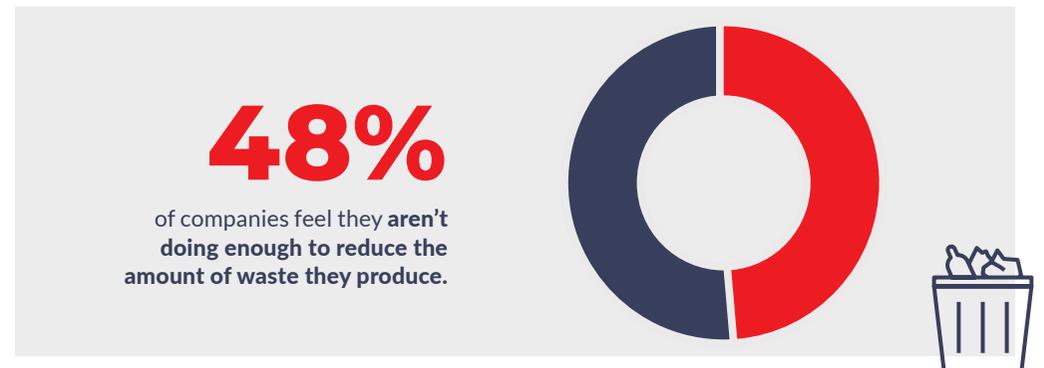
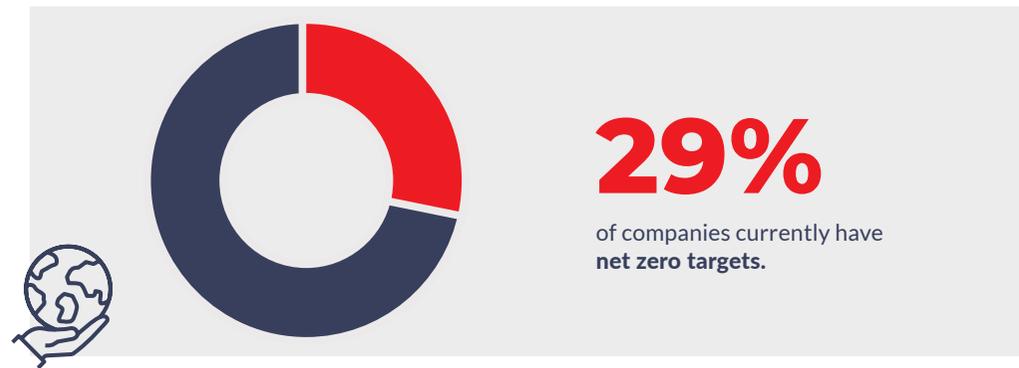
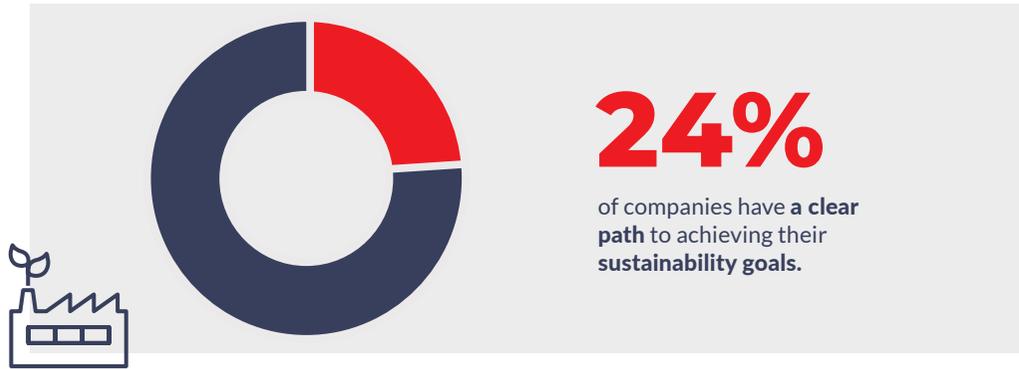
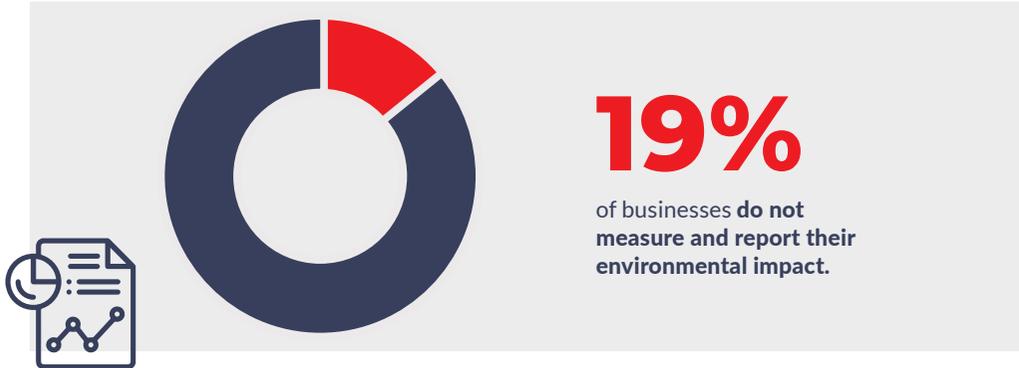
“
While most businesses clearly want to do the right thing, our research shows that many are struggling to put the right processes in place. The challenge is moving from knowing what to do, to knowing how to do it.
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EDWARD PIGG,
Managing Director,
Axil Integrated Services



OUR RESEARCH'S KEY FINDINGS, AT A GLANCE



THE E IN ESG

03

THE STATE OF PLAY

Sustainability is increasingly important to businesses, the Government, and the general public. Following COP26 in Glasgow in November 2021, there is growing global consensus around environmental issues, from cuts to emissions to a promise to stop deforestation by 2030.

As such, the UK Government has put in place a wide range of environmental targets. For example, as part of the journey to net zero, the UK has set in law a target to cut emissions by 78% by 2035 compared to 1990 levels.

Most businesses already have targets in place to reduce their greenhouse emissions. And despite uncertainties over Covid and Brexit,

60% of companies have spent more money on reducing their environmental impact over the last year.

However, whilst the growing commitment to environmental issues in the business community is encouraging, we need to support a shift in thinking around how to meet these targets.



98%

of the businesses we surveyed said they are **actively looking at ways to reduce their scope one, two, and three emissions.**



PUTTING THE RIGHT STEPS IN PLACE

19% of businesses say they do not measure and report their environmental impact,

with 51% stating that they are still on a journey. In addition, **22% of businesses go as far to admit that they don't know how they are going to meet their environmental commitments.**

Meanwhile, despite the UK Government's ambition for the UK economy to reach net zero by 2050, our research found that **only 29% of companies currently have a net zero target in place.**

There are also issues around the visibility of sustainability data.

This lack of clarity may be partly due to the lack of specialist knowledge at an organisational or supplier level. Businesses cited these two factors as the biggest barriers to achieving their sustainability goals (see table).

The UK Government has announced they plan to quadruple the number of 'green' jobs by 2030. However, a report by the Environmental Audit Committee has highlighted a green job skills gap, predicting that the UK won't hit long-term goals on the environment and climate without further investment in training programmes.



1 IN 4 (24%)
BUSINESSES

say they have a clear path to achieving their sustainability goals.

TOP BARRIERS TO ACHIEVING SUSTAINABILITY GOALS

%

- | | |
|---|-----------|
| 1. Lack of education across the organisation | 40 |
| 2. Lack of specialist knowledge at supplier level | 37 |
| 3. Conflicting commercial priorities | 35 |
| 4. Lack of budget | 32 |
| 5. Lack of Government incentives or support | 30 |
| 6. Support at an executive or board level | 30 |
| 7. Access to innovation | 29 |



CONSUMER AND EMPLOYEE ATTITUDES TO SUSTAINABILITY

Businesses are facing increased scrutiny around their environmental credentials. Our survey found that growing customer expectations around sustainability was the biggest driver for making sustainability improvements to their organisation.

Nearly three in ten (28%) consumers claim to have stopped purchasing certain brands or products because they had an ethical or sustainable concern about them, according to a report by Deloitte.

According to our research, another top sustainability driver for businesses is its importance to employees. A study by recruiter Robert Half found that nearly two in five (38%) employees would look for a new role if they thought their organisation was not doing enough on ESG (environmental, social and governance) issues.

2 IN 5 (38%)
EMPLOYEES



would look for a new role if they thought their organisation was not doing enough on ESG (environmental, social and governance) issues.

THE BIGGEST DRIVERS FOR COMPANIES LOOKING TO MAKE SUSTAINABLE IMPROVEMENTS

	%
1. Growing customer expectations around sustainability	40
2. Importance to employees	37
3. To get ahead of any new Government regulations	37
4. To offset rising production costs	36
5. Important to overall brand	33
6. It's the right thing to do	32
7. Demand from stakeholders and/or investors	26

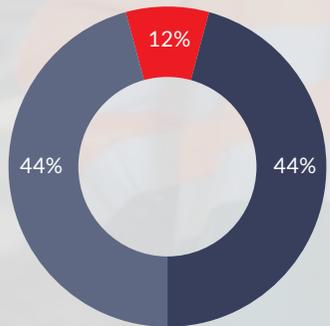
RETHINKING UK BUSINESSES' APPROACH TO WASTE

While reducing greenhouse emissions is vital, we must also work to reduce what we send to landfill.

Businesses recognise that they need to take responsibility for their waste. 88% of companies believe that waste is a consideration in reducing their carbon footprint, with 44% saying it was a major consideration.

Meanwhile, almost all respondents (98%) say they are actively looking at ways to reduce their scope three targets – which cover third-party suppliers and waste management carbon emissions.

While such attitudes are encouraging, many businesses believe they could do more. Only 32% of companies say they have a clear path to achieving their sustainability goals.



% of companies who think waste plays a role in reducing their carbon footprint:

- 44% A consideration
- 44% A major consideration
- 12% There are other priorities

48%

of businesses say they aren't doing enough to reduce the amount of waste they produce.

77%

of companies say waste plays an important factor in their sustainability planning.

Meanwhile, even though third-party scope three emissions can account for more than 70% of a business' footprint, our survey found that **only 37% of businesses ran environmental checks on their suppliers.**

CREATING A MORE CIRCULAR ECONOMY

Needlessly producing and disposing of huge amounts of waste is not sustainable in the UK or globally (see infographic).

In order to do this, we must shift to a more circular economy. Instead of seeing products, parts and materials as inherently disposable, we need to use fewer resources, consume less energy and find ways to eliminate waste.

According to the Chartered Institution of Wastes Management (CIWM), creating a circular economy and a world beyond waste could reduce emissions by 39%.

In addition to being better for the environment, research by REBus suggests that economy-wide increases in circular **economy activities could deliver a potential net Gross Value Added (GVA) gain of £77 billion to the UK economy by 2030.**

At a more local level, companies can look to reduce the cost of their waste streams via recycling rebates. However, less than half of UK companies (48%) say they receive them. Of those that do, 25% think they aren't getting the best value from these materials.



As a business, we have focused entirely on producing innovative, zero emissions capable electric vehicles since 2017. LEVC is leading the charge to provide green mobility solutions that accelerate cleaner cities around the world.

James Drake-Lee,
Marketing & Communications Director, LEVC



222.2
million tonnes:
UK waste produced in
2018 (DEFRA)



2.01
billion tonnes:
Municipal solid waste
generated annually around
the world (World Bank)



33%
A conservative estimate
of the amount of waste
not managed in an
environmentally safe
manner (World Bank)



5
million tonnes:
The amount of plastic Britain gets
through every year, roughly half
of which is used for packaging
(UK Government figures)



53%
The amount of UK plastic
packaging waste that isn't
recycled or recovered
(WRAP)



37.2
million tonnes:
UK Commercial and Industrial
waste generated in 2019
(UK Government figures)

THE IMPACT OF LEGISLATIVE CHANGE

Businesses are set to face growing regulatory pressure to tackle waste over the next few years.

Over a third (37%) of the businesses we surveyed stated that the need to get ahead of Government regulations was one of the biggest factors driving sustainable change within their organisation.

The introduction of such legislation is already happening. The UK Government has a target of eliminating avoidable plastic waste by the end of 2042, and has begun to pass a number of new laws.

April 2022 saw the introduction of the **Plastic Tax**. Companies that manufacture or import more than 10 tonnes of plastic packaging must now use at least 30% recycled plastic or face a levy.

Next year will see the introduction of **Extended Producer Responsibility (EPR) legislation** which will place the financial burden of managing products that have reached the end of their life on producers - shifting the cost of collection, sorting, recycling, and disposal away from the taxpayer.

The UK Government is also expected to roll out a **Deposit Return Scheme (DRS)** on drink bottles in England, Wales and NI in 2024 - following its introduction in Scotland next year.

But the biggest regulatory changes are still to come. The Government introduced the **Environment Act** at the end of 2021. It includes several key provisions which could result in new regulations around waste reduction and resource efficiency. In the future, organisations will be required to demonstrate they aren't contributing to illegal practice through their supply chains.

The Government also has plans to establish an electronic waste tracking system along with "product passports" to improve access to data and enable more efficient use of resources.

Meanwhile waste management and resource efficiency issues will be scrutinised in Parliament, as well as by investors, local communities and employees.

A TIMELINE OF LEGISLATIVE CHANGE AIMED AT TACKLING WASTE

- **OCTOBER 2020:**
Plastic straws, stirrers, and cotton buds banned
- **NOVEMBER 2021:**
The Environment Act
- **APRIL 2022:**
The Plastic Tax
- **2023:**
Extended Producer Responsibility (EPR)
- **2023:**
Deposit Return Scheme (DRS) – Scotland
- **2024:**
Deposit Return Scheme (DRS) – England, Wales and NI



Products can only truly be sustainable if they consider sustainability from conception, all the way to the sourcing of raw materials and energy, the process of manufacturing, packaging, transportation, ease of repair during use, consumer safety and, of course, recyclability at the end of life.

David Sherrington, UK & Ireland Energy, Environmental, Health & Safety Manager, Whirlpool



HOW SHOULD BUSINESSES RESPOND?

Given the pace of change, there is much work to do. Some businesses are struggling to adapt. An FPA (Foodservice Packaging Association) poll found that 80% of its members were not prepared for the Plastic Tax prior to its introduction in April of this year.

Meanwhile, not all businesses have access to the information they need to make measurable change.

Whereas such information may have been considered as “nice to have” in the past, changes to the law means that businesses will be increasingly subject to considerable costs for non-compliance. Companies that do not comply with Plastic Tax, for example, will have to pay a levy of £200 per tonne of plastic material.

Of course, “waste” extends beyond plastic, and other materials need to be treated with equal care and attention if we have any hope of reducing what ends up in landfill. Businesses will need to put processes in place now to ensure they have visibility of all the materials they use.



27%

of the companies we surveyed said they had full visibility of their sustainability data.

Sustainability and protecting the environment has been a cornerstone of LEVC's growth strategy over the last five years. From our roof to our roots, our factory and all its processes have been designed to be green, meaning that our vehicles are both sustainable and sustainably built. We are continually looking for ways to reduce LEVC's environmental footprint, as we continue to work towards achieving our zero-to-landfill ambition.

James Drake-Lee,
Marketing & Communications Director, LEVC



CONCLUSION



TIME TO TAKE ACTION

Our research shows that while businesses are taking measurable strides in tackling both their waste and broader sustainability targets, some are unsure quite how they are going to get there.

Greater transparency is critical, and keeping more accurate records will be essential: we can only make improvements by establishing accurate environmental baselines. In addition, more regulation means suppliers will face more scrutiny, particularly from companies with their own ambitious targets and complex supply chains.

And while not every company can commit to becoming net zero or make zero waste to landfill pledges straight away, such targets will increasingly become the bellwethers against which companies will be measured. Many businesses are already on this journey, while others need to start planning now if they don't want to be left behind.

“

We are starting to see a greater focus on financing sustainable organisations, the adoption of trusted, independent auditing to avoid greenwashing, and the push not for just being Net Zero but Negative Zero: returning the planet to better health by increasing biodiversity and better-integrating humankind into the web of life. And all this will need to be powered by a renewable energy revolution.”

David Sherrington, UK & Ireland Energy, Environmental, Health & Safety Manager, Whirlpool

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ESSENTIAL NEXT STEPS FOR BUSINESSES

Given current economic uncertainties, committing to sustainable practice is no mean feat. However, there are several ways businesses large and small can champion change – and even reduce their costs in the process.

1. TREAT WASTE AS A VALUABLE MATERIAL

The UK Government has committed to an ambitious 65% municipal recycling rate by 2035. To work towards this, businesses should employ a waste hierarchy to reduce, reuse, recycle and recover resources where possible.

And there's no time like the present. The Government has already indicated that it intends to work with regulators and local authorities to explore improvements to regulatory policy to encourage more action further up the waste hierarchy to prevent waste from ending up on landfill.

Businesses should make sure that they are working with a supplier who offers them a fair price for their materials - via recycling rebates - as part of a structured approach to waste management.

2. IMPROVE THE SEGREGATION OF MATERIALS

The other essential component of waste management is efficient segregation to ensure materials are appropriately categorised and reused or recycled where possible.

This means thinking differently about so-called “waste” materials: plastics, metals, cardboard and even cooking oil are often potential resources that just need to be separated or extracted correctly.

3. COLLABORATE WITH SUPPLY CHAINS

Businesses should look for opportunities to work strategically with supply partners to both measure and monitor carbon emissions in their operations. A great starting point is to identify places where efficiency can be improved. This could be as simple as reducing demand for materials and cutting down waste streams, using renewable materials, or minimising transport and fuel use – all of which are good for business and the environment.

4. PUT AN ESG OR SUSTAINABILITY PLAN IN PLACE

While small and medium-sized enterprises (SMEs) play a vital role in reducing the UK's carbon emissions, many will have less access to the resources needed to achieve this. Our survey found that only 33% of businesses had either an ESG or sustainability plan in place.

Help is at hand, however. The UK Government runs a UK SME Climate Hub – which offers free tools aimed at helping SMEs work towards net zero. The Federation for Small Business and the Carbon Trust also provide resources and guides. Meanwhile, Carbon Neutral Britain can support businesses looking to offset their emissions.

5. EMBED SUSTAINABILITY INTO COMPANY CULTURE & PUBLICISE SUCCESS

Finally, as businesses make progress towards their environmental goals, they should publicise their success so that their stakeholders are aware of their impact. A 2020 study by Circular revealed that 80% of consumers are ‘planning to purchase goods and services from businesses they know have made a concerted effort to be environmentally friendly’.

This extends to other important audiences, too, such as employees, investors and supply partners who are increasingly looking for evidence of commitment towards sustainability and good ESG practice from businesses.

ABOUT AXIL INTEGRATED SERVICES

Axil Integrated Services is an expert total waste management business, providing solutions from recycling to recovery, treatment, and disposal. Axil Integrated Services provides waste compliance advice and helps companies looking to drive out costs from their business and achieve a 'zero to landfill' status.

Working with some of the UK's best-known brands, including Whirpool, LEVC and Birds Eye, Axil Integrated Services offers waste management services to a range of industry sectors including Aerospace, Automotive, Food, Manufacturing and Pharmaceuticals.

For more information, visit www.axil-is.com

ABOUT THE RESEARCH

The research was conducted by Censuswide through a survey of 200 UK business decision-makers - from c-suite to managers - that have an influence over sustainability, waste and environmental decisions in companies with more than 200 employees. The research was conducted between 09.03.22 and 15.03.22.

