

Foresight: The CPA Podcast

Season 4 Episode 4: Is sustainability a priority in times of economic uncertainty?

Neil Morrison: Welcome to Foresight: The CPA podcast. I'm Neil Morrison.

Last season, we looked at how CPAs are helping to drive the shift towards sustainability. We met Janice Tran, who leads a company that transforms excess heat from industrial processes into electricity. And we also met Bettina Pierre-Gilles, who helps traditional energy producers add renewables to their operations. They both described the challenges of pitching these new ideas to businesses, but they also hinted at a shift in mindset over the past few years.

Companies are opening up to the idea of sustainability, even seeking out expertise in the field, but that was before inflation hit record highs and before people started wringing their hands about a recession. All of a sudden, the economic environment does not feel favorable to risk-taking or trying something new. On our last episode, the CEO of Cirque du Soleil, Stéphane Lefebvre, told us he favors a conservative approach to navigating extreme uncertainty.

But what if your whole job revolves around trying to get businesses to shift in a new direction, try new processes, reimagine how they've always done things? That's exactly what Priyanka Lloyd is trying to do. Priyanka Lloyd is the Executive Director of Green Economy Canada. It's a national nonprofit that helps businesses achieve sustainability targets. And what's keeping her up at night is the importance of hitting those targets even when the economy is unusually unpredictable.

Priyanka Lloyd: What keeps me up at night is how we can get the 1.2 million businesses in Canada really starting to engage in this work, and taking meaningful steps to reduce their emissions and become stronger and more resilient for the future.

Neil Morrison: Okay. I run a small business. It's not particularly CO2 intensive, but it is a small business. Give me your pitch. Give me the Green Economy pitch.

Priyanka Lloyd: What used to be something that was a nice-to-have, a feel-good piece to do something for the environment, really has become a major focus area that businesses need to pay attention to. The world is changing. As I said before, we're transitioning now to a net-zero future, and companies can either choose to be a part of that transition or get left behind. There's some real cost in action right now for businesses that are not paying attention. We've got things like a



carbon price that's set to hit \$170 per ton by 2030, and this is going to have some real bottom-line impacts for businesses if we don't take steps now to reduce our emissions.

On the opportunity side, we know that cutting carbon can also help save operating costs, which in this economic context, with high inflation, every dollar that a business can save is going to be a dollar that they can invest elsewhere. The next generation, Millennials and Gen Z, they're looking to work for values-aligned companies. They want to work for purpose beyond a paycheck, and so businesses that adopt sustainable practices can attract and retain this top talent. And then from a customer perspective, we're starting to see whether it's investors or government, they want to be purchasing from companies that understand their climate risks and are making sure that they have good practices in place.

Really, the short of it is that sustainability is just a better way of doing business. And the sooner that businesses get on board with realizing that and making the changes that are needed, the more they can actually benefit from it.

Neil Morrison: Prior to the pandemic, how receptive were people to your pitch?

Priyanka Lloyd: I would say that there are two camps of businesses, some that really do see the writing on the wall and know that this is where things need to go. Before, I think it used to be a lot more about people being concerned about climate change and feeling like it's the right thing to do. And I think through the pandemic, the need to act on climate change has only increased. While we've been dealing with a pandemic, we've also seen increased weather events. We've seen the annual conference of the parties that happen each year where global leaders get together to talk about the progress on climate change. We've seen heightened focus on the lack of progress in those places, and even more media coverage, I think, around the need to act.

I think the urgency to address this has grown, and I think prior to the pandemic, some forward-looking businesses could really see that writing on the wall and were starting to make changes. But I would say that even now, the vast majority of the 1.2 million businesses in Canada are just starting to understand that this is something that they might need to start paying attention to. It's a very new area. It still feels really abstract for people. Climate change, greenhouse gas emissions, what are we actually talking about here, and how does this relate to my everyday business activities? There's a huge education gap that I think that we need to fill, and businesses are starting to feel pressure on that.

I think just even in this last year, the number of businesses we've talked to that have come to us because they're larger business customers, like say a Walmart or Canada Post, is pushing sustainability goals through their supply chain, and they don't understand what do I need to do to



meet the goals that are being set, the requirements that are being asked of me? How do I make sense of this? We support them through that, and more and more businesses are going to start to feel that pressure, which I think is a good thing for them to start taking this more seriously.

Neil Morrison: I wonder if the uncertainty that we're facing makes businesses feel it's an environment where you're not feeling particularly brave and willing to take risks and to try something new. You are trying to get people to do something new, to change the way they approach their business. I wonder, has there been a sense where people are pulling back a little bit in the face of this uncertainty?

Priyanka Lloyd: Oh, absolutely. It's a really tough economic climate right now. Costs are really high. Coming out of the pandemic, there's a lot of debt, especially for small businesses. Worker shortages means capacity is really tight for many businesses. So yes, frankly, in terms of the mind share that people have right now, there's just been a lot that we've gone through. So yes, I think for some businesses, it definitely does feel like it is - there is some of that pullback that maybe now is not the time, that there's other fires to be putting out.

But truthfully, for others, like I said, it's actually been a bit more of a doubling down where in light of some of these other things that are happening, it's an opportune time to make changes. Just one very real example of this is, through the pandemic, we all got more comfortable working from home and we recognize that maybe we didn't need to commute into the office every single day. Transportation makes up 25% of Canada's greenhouse gas emissions.

If companies...we could adjust to that and we could get used to reducing the amount of employee commuting or business travel that's expected, that not only has some real wellness benefits for employees that are not spending their time commuting, it has bottom line impacts for the business. They're spending less on travel costs than they would normally be putting money to, and it has a GHG reduction impact as well.

I think when you put it in terms like that, it doesn't have to be about addressing climate change. It doesn't have to be about being a good corporate citizen. Viewing your business through a sustainability lens can just help you see opportunities to cut costs or strengthen your workforce. It can actually be a solution to some of these other problems that businesses are facing. They just may not know it yet because this is new in terms of how they would think about their business.

Neil Morrison: It sounds like there's been a slight tweaking of the pitch that you make to businesses there, that the pandemic has taught us something new, certainly about remote working. How have you adjusted your pitch now in the face of all the uncertainty that we're facing?



Priyanka Lloyd: Yeah. I think that the other piece around this is that businesses don't need to worry about doing it all, that you can start small and get some wins under your belt and see where that takes you. I think prior to the pandemic, for us, it was really about we need businesses setting targets and working towards reducing emissions and publicly reporting on their progress.

I think now we're seeing, based on where businesses are at and the time commitment that they have, and just even the awareness level that exists right now, how do we turn this into simple, bite-sized steps and pieces that feel manageable with the capacity that people have, to show them what's possible so that they'd be interested in doing more? One of the businesses in our network, if I can just share a success story there...

Neil Morrison: Please. Yeah.

Priyanka Lloyd: ... there's a great example of a small manufacturer called VeriForm out of Cambridge, Ontario. They started their sustainability journey back in 2006. The founder, Paul Rak, he had just finished watching An Inconvenient Truth, Al Gore's Inconvenient Truth, and his daughter was born that same year. He was personally very concerned about climate change and wanted to think about how he could contribute to a better future for his daughter. His wife is an accountant, and so they were thinking about how to make some changes to their business that could be values-aligned, help address emissions, but also made good financial sense.

They started just testing the waters and they implemented a suite of 37 projects. It sounds like quite a lot. Other businesses don't need to implement 37 projects, but they found 37 projects that they could do that paid themselves back in six months. These weren't rocket science projects. These were things like installing a disconnect on the bay door of his plant. What he observed was that four hours out of every day, the bay doors would be left open, so trucks would be backing in and heat would be pouring out because the doors would just be left open.

He put a switch on the bay door that just turned off the heating when the doors were open, and encouraged the staff to be thinking about how to shut the doors and not leave them open for so long. He saved \$5,500 off his utility bill in the first month after installing the disconnect.

Neil Morrison: In the first month?

Priyanka Lloyd: In the first month. All right. That's crazy.

Neil Morrison: Yeah.

Priyanka Lloyd: That's the kind of thing that people don't believe, until you have a chance to try some of these projects and see what the benefits are for your business. That kind of savings



spurred them to figure out what they could do further. Fast forward in 2015, they had implemented over 100 projects. They've saved over \$2 million while growing their workforce, while doubling their workforce and growing their facility size twice, doubling their facility size. Their maintenance costs have reduced by 43% and their staff are more engaged.

In the last decade when you talk to Paul, he says, "We've seen virtually zero turnover. Our staff are more engaged. We get people coming to us asking us about our sustainability work." VeriForm is a fantastic case study because they've taken the time to forensically document all of their projects and the cost savings they've had. Paul's wife, the accountant there on board, looking at the bottom line impacts.

VeriForm is an example of the kind of success that lots of different manufacturers can have if they just start to look at this more deeply for their business. It doesn't have to be about climate change. This is just a better way of doing business.

Neil Morrison: We've talked a lot about businesses facing the uncertainty, but as a not-for-profit, you're also facing that uncertainty. There's the potential of a recession looming. I'm wondering, what's your approach to navigating this uncertain environment that we're in?

Priyanka Lloyd: Yeah. Thanks for asking that. It's a really tough time I think for the nonprofit and charitable sector. We're not a charity per se, but in terms of general giving and donations and all of those kinds of things, it's been harder. I think for us, figuring out how to strengthen relationships with key partners that can help scale our impact has been a really big focus.

Neil Morrison: What does that mean?

Priyanka Lloyd: Yeah. What it means is that, let's just take big corporations right now. A lot of bigger companies are aligning with net-zero goals. And as part of them becoming net-zero, it's not just about them reducing their own operational footprint, it's also about them engaging the stakeholders in their supply chain and their value chain. It's really tough to do that. They have some sway, but at the end of the day, they don't have the capacity to be working with all of the businesses in their supply chain to help them figure out how to reduce their carbon footprint, for example. But those businesses need to do that for those larger organizations to meet their net-zero goals.

There's a way for us, as Green Economy Canada, to form strategic alliances with those kinds of organizations where there's a mutual interest there. We have the capacity to be able to support the businesses in the value chain, to be able to make sustainability a priority, and that helps those bigger organizations reach the goals that they need to meet.



Looking for opportunities like that where we can form these kinds of strategic partnerships and help other organizations reach their goals or use their platform to reach a network of other businesses, for us, that's allowed us to stay resilient and find new opportunities to really reach people. And maybe access some funding sources that traditionally as nonprofits, we wouldn't necessarily go after. I think this ability to be nimble that way and look at ways to collaborate, and find new ways to bring the work that you're doing to new audiences, I think that's the way that organizations like ours stay resilient. And frankly, it can have greater impact overall.

Neil Morrison: It's interesting. You're almost saying what you've been pitching to other businesses, which is that, faced with uncertainty, the impulse could be towards retrenchment, batten down the hatches, try to be safe. But you're doing something else, which is to go out there and reimagine how you approach things, and reimagine your partnerships and to embrace the change that comes with uncertainty. Maybe I'm putting words into your mouth there.

Priyanka Lloyd: No, those are good words to put in my mouth. Yeah. Absolutely. I think that's the only way that we all need to figure out how we can stay relevant, and how we can weather the uncertainty. And collaboration and partnerships are a key part of that. We don't exist in a vacuum, and we can't just be on our own. Really understanding who are our allies, who are our partners, how can we reimagine the space, how can we reimagine our value proposition, what does the market need, how do we need to adapt, all of those things that whether you're a non-profit or a for-profit business, we all need to be doing that.

I will say that on the government side, it has been nice to see greater investment at the federal level, at least in climate action programs. That allows organizations like ours to go vie for contracts. For example, the federal government just recently announced there that we are going to be a policy where, by 2035, vehicles sold in Canada, light-duty vehicles will be 100% zero-emission vehicles. As part of that, there's funding that the government is providing to help get EV chargers installed across the country.

We vied for a contract with the government, Natural Resources Canada, and have become a delivery agent for that funding. Right now, if businesses are interested, they can get 50% back off the cost of installing EV charging stations, up to \$100,000. This funding is available and you can apply through Green Economy Canada's website. That's one way that we can continue to accelerate the impact that we want to have in getting more action on the ground, while also accessing new revenue streams that might be coming from government as they're trying to advance the net-zero agenda.

Neil Morrison: Is that a new avenue for you? Again, is that another way that you're managing the uncertainty that we face, or changing your approach in the face of things like a potential recession?



Priyanka Lloyd: Absolutely. Yeah. Looking at where are the opportunities, and what are the skills and capabilities that we have to be able to meet that need? The one gap that I would say still exists, and this is true across the non-profit, charitable sector, is that there isn't enough funding right now for capacity-building work. So much of our sector is about supporting people and trying to fill a need that the market doesn't fill, but so much of the funding is still focused on specific projects or shiny, new initiatives.

I think we need to really rethink what we're funding and what transition needs, whether that's supporting transition of businesses to a low-carbon economy or tackling homelessness, affordable housing. There's just a lot of different kinds of issues. How we fund this and how we look at long-term impacts and how we can value the interim steps and the work that it takes to get to those quantitative metrics that we all really love, I think that's something that we all need to revisit. And more money I think does need to go in that space to value that work.

Neil Morrison: Are you optimistic about it? I guess I'm coming back to the question we started with. Or is the uncertain waters that we're facing and what that means for you and for Green Economy Canada, is that keeping you up at night?

Priyanka Lloyd: I feel more positive about the work that we're trying to do than ever before. I think there's so much possibility here for us, as an organization, I think to contribute meaningfully in engaging those 1.2 million businesses across Canada. But I think what I'm really encouraged by is the level of conversations that we've been having over the past year with different partners, be it government, be it the financial sector, other nonprofits. There's a lot of energy and interest in tackling climate change and figuring out how we can mobilize.

At the same time, I think there's a huge knowledge awareness action gap right now that we need to cross as a society. The point of, am I optimistic, I think we're going to get there. The question is just how painful the process is going to be, and I want it to be less painful. There's a lot at stake here. This is not just about any individual person or business. To put it bluntly, it's the health of our planet, and it's the ability for us to continue to live in a safe, peaceful, prosperous world.

With all the challenges that we have, climate change is going to exacerbate issues around food and water security, energy, energy crisis, all of those kinds of things. It's all interconnected. And so yeah, I do worry about that a little bit. But at the same time, I think the work that we do day in and day out, it gives me a lot of hope to see different businesses and the work that they're doing when they are engaged, and the stakeholders that really want to make this happen.

There's a lot of great people working in this space. I don't know, for any of your listeners there, I think the best way that you can contribute is to ask yourself, what is my organization doing, and



what's the small step that I can take to get started? We would love to support them on their journey.

Neil Morrison: Priyanka, thank you so much for speaking with us.

Priyanka Lloyd: Thanks so much, Neil.

Neil Morrison: Priyanka Lloyd is the Executive Director of Green Economy Canada. And that's it for this episode of Foresight: The CPA Podcast. On our next episode we will speak with Chris Dulny. He is Chief Digital, Data and Innovation Officer at PwC Canada. Chris describes a recent survey of CEOs that had some very surprising findings.

Chris Dulny: Every year around this time, PwC globally comes out with a survey of the CEOs that we work with, and the results from that are pretty striking. Some of those results tell us that about three-quarters of the world's CEOs are predicting an economic slowdown over the next 12 months. But what I found even more surprising is 40% of them don't believe their businesses will be viable over the next decade.

Neil Morrison: That was Chris Dulny, Chief Digital, Data and Innovation Officer at PwC Canada. He's our guest on the next episode of the podcast. I'm still shocked by that number. 40% of CEOs don't think their business will be viable in the next ten years. It's remarkable. Chris has lots of insights into the role of innovation in times of uncertainty. We had a great conversation.

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I'm Neil Morrison. Thanks so much for listening.

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