

Ireland: Towards a Model of Sustainable Substance

An Ibec Campaign



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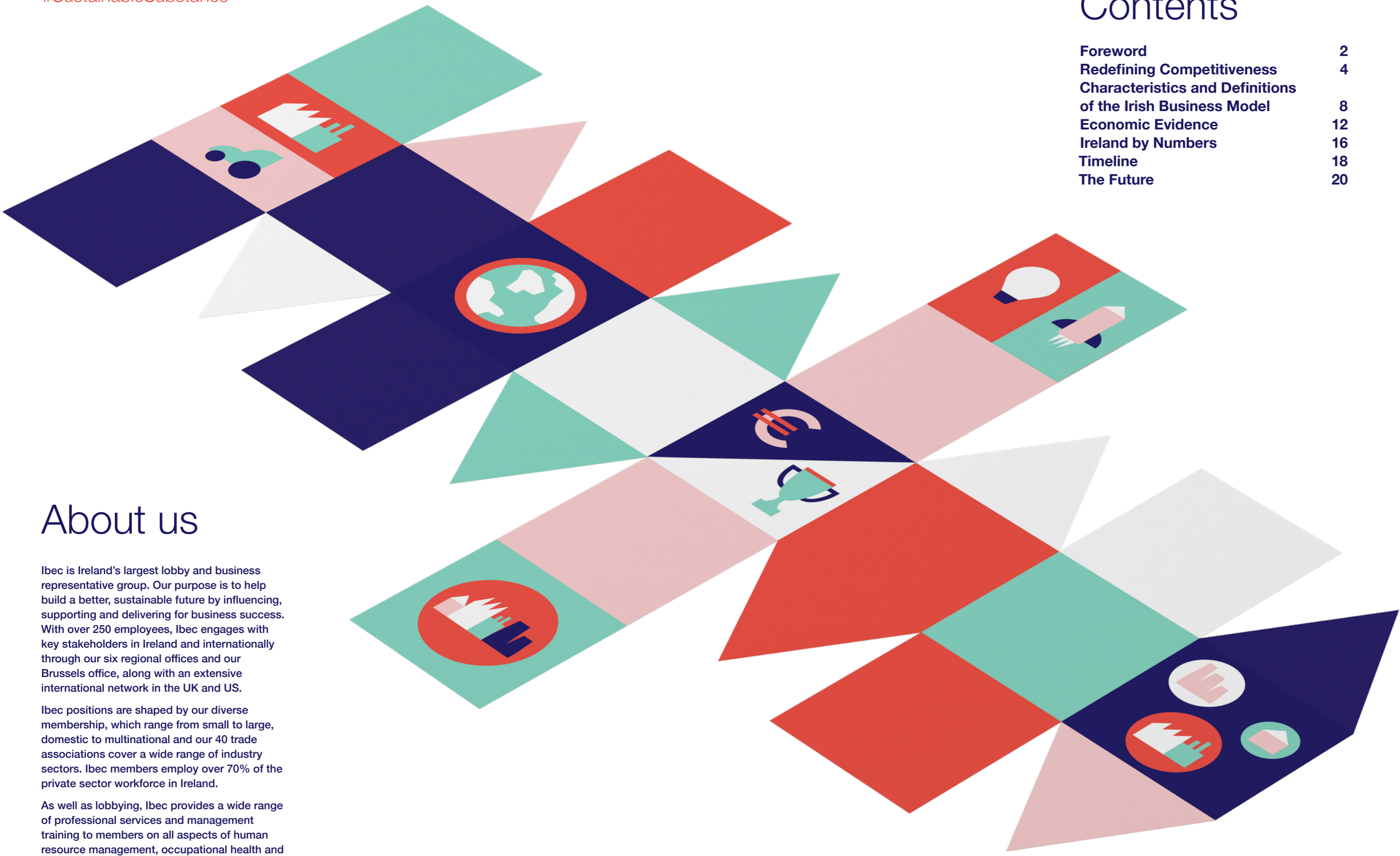
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About us

Ibec is Ireland's largest lobby and business representative group. Our purpose is to help build a better, sustainable future by influencing, supporting and delivering for business success. With over 250 employees, Ibec engages with key stakeholders in Ireland and internationally through our six regional offices and our Brussels office, along with an extensive international network in the UK and US.

Ibec positions are shaped by our diverse membership, which range from small to large, domestic to multinational and our 40 trade associations cover a wide range of industry sectors. Ibec members employ over 70% of the private sector workforce in Ireland.

As well as lobbying, Ibec provides a wide range of professional services and management training to members on all aspects of human resource management, occupational health and safety, employee relations and employment law.



Foreword

Danny McCoy, Ibec CEO
January 2022

Ireland's green fields were once the main engine of its economy and food and drink were the country's biggest export. In the late 20th century the economy began to diversify and expand. Slowly at first, then with increasing speed a new economy has emerged.

This strong and successful Irish business model has evolved over many decades. Led by inspirational policy makers who have implemented deep structural change, Ireland has transformed itself from an economic backwater into one of the world's richest and most globalised economies.

The Irish economy has depth and diversity, from R&D to high value manufacturing operating in an environment and enterprise culture that generates indigenous firms of international scale. Set against a backdrop of favourable demographics, Ireland's business model is one of considerable substance and diversity.

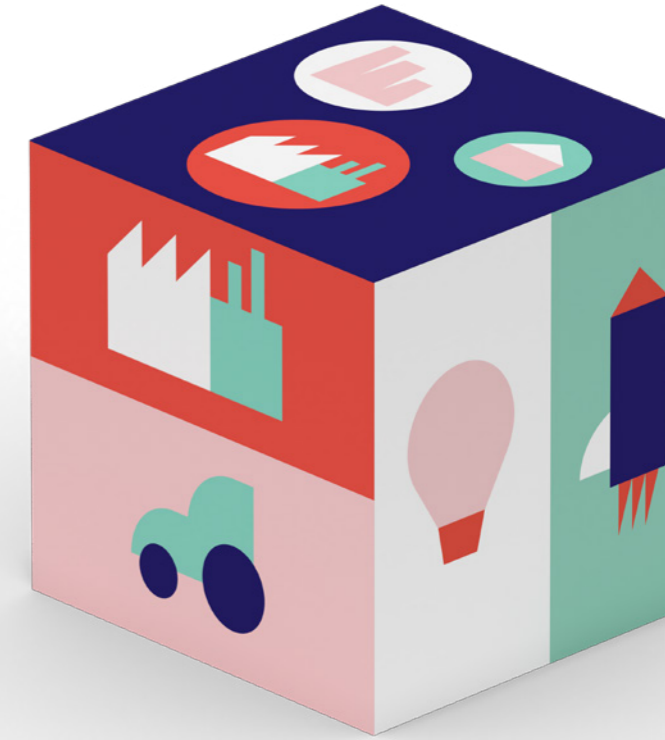
Despite recent challenges, Ireland's model of a business-friendly open economy within Europe has proved resilient, attracting high levels of inward investment from overseas. Over the last ten years, in part because of the OECD Base Erosion Profit Shifting (BEPS) process, Ireland has moved to being a model of substance with exceptional levels of investment and prosperity by any benchmark.

Ireland has arrived at a new level; the challenge is now one of retention of our place as a prosperous nation as opposed to aspiration as it was for previous generations.

However, in the past decade Irish businesses and households have experienced three 'once in a lifetime' events - one of the largest financial and

fiscal crises in the history of the developed world, the exit of our nearest neighbour and traditionally significant economic partner from the EU, and the worst global pandemic in a century.

Because of these phenomena and other changes at home and abroad, our business model is now at a crossroads. In previous decades our State and business community worked to help us catch the wave of globalisation, the defining trend of the last seventy years. We will need to show the same ambition and forethought to retain our status as a rich country in the face of coming trends – climate change, digitalisation, population ageing, social and political polarisation, a new world of work, re-aligning to deal with the fallout from Brexit and re-inventing our business model in the face of global corporate tax change – to name but a few.



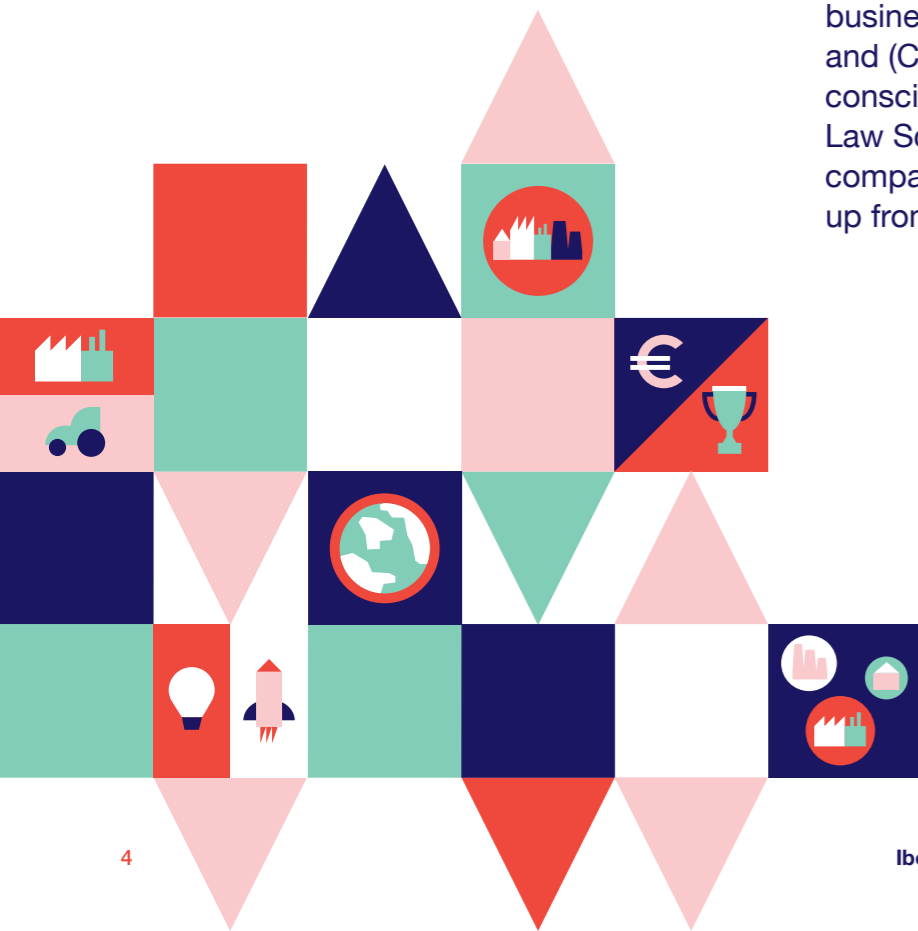
The resilience the country and economy has shown in the last ten years, is nothing short of remarkable. Over the next decade we are entering a time of great promise and ambition and the resilience of our business model provides us with a unique platform. Our most significant challenge will be to ensure future growth is sustained and sustainable.



Redefining Competitiveness

Globally the way business thinks about competitiveness is being re-defined.

Over the last number of years there has been a growing movement within Ibec members and business globally to consider the impact of their operations, not just in terms of maximising returns but in generating returns in a way which balances economic, environmental, social and governance goals. Some of this change has been driven by the demands of citizens and consumers, others by political or regulatory change, but through it all is a growing sense of responsibility within companies themselves, from employees to management teams. Being connected to broader goals when defining our competitiveness mission is becoming central to the operation of business in this new 'Environmental, Social, and (Corporate) Governance' (ESG)-conscious environment. To this end, Harvard Law School estimates that 90% of S&P 500 companies published an ESG report in 2020, up from 86% in 2019 and 20% in 2010.



Competitiveness thinking is moving:

From shareholder value **to stakeholder value**

This means ensuring that broader non-financial and societal goals are considered when setting key performance indicators for business.

From maximising output **to maximising sustainable output**

This means planning business investments in ways which align with ambitious national and international climate and environmental standards.

From the lowest tax outcome **to competitive and reputable outcomes**

This means ensuring that business operations and tax planning align with agreed OECD BEPS standards.

From being apart from social change **to being a part of social change**

This means taking a leadership role by ensuring that business practices from the boardroom to the supply chain are founded on ethical standards.

From individualism first **to collective approaches to new challenges**

This means not only being a voice for an open global economy for trade, people and investment but also engaging with other stakeholders to ensure the political support exists for openness.

These shifts are driven not just by high-mindedness but also make good business sense. Increasingly ESG trends are becoming central to investment decisions. The Global Sustainable Investment Alliance estimates total ESG investment assets globally have increased from \$22 trillion to \$35 trillion in 2020. Globally there are several trends which are making new definitions of competitiveness a prerogative in boardrooms. For example:

- The growth of digital technology has brought a new generation of more conscious consumers and greater scrutiny.
- Global risks of climate change have increased risk for companies at home and in their international supply chains.
- Employees are demanding greater meaning in their work and by association greater purpose in the places they are employed.
- Trends in political authoritarianism and growing scepticism of openness to people, trade and investment have forced companies to re-think their responsibilities.
- Finally, investors are demanding greater accountability when it comes to companies' relationships with broader society.

At a governmental level, Ireland has sought to be ahead of these trends. This has been mirrored in business - a survey from the Department of Enterprise, Trade and Employment showing 31% of Irish firms viewed corporate social responsibility as

'Very Important' and another 52% as 'Moderately Important'.

As a country we are aware that openness, globalisation, and certainty have been core to our move from one of the poorest countries in the developed world to one of the richest, in a generation. As such policy action has been keenly focused not just on being a leading voice for openness and growth globally but also taking steps to ensure a more sustainable future here at home.

To this end Ireland has been taking steps to deal with the trends identified above.

Recently the Government has launched a new National Development Plan targeted at dealing with the key global challenges of climate change and housing. The plan, investing over 5% of national income in public capital over the next decade, will make Ireland the leading country in Europe in terms of investing in infrastructure to meet social and climate needs.

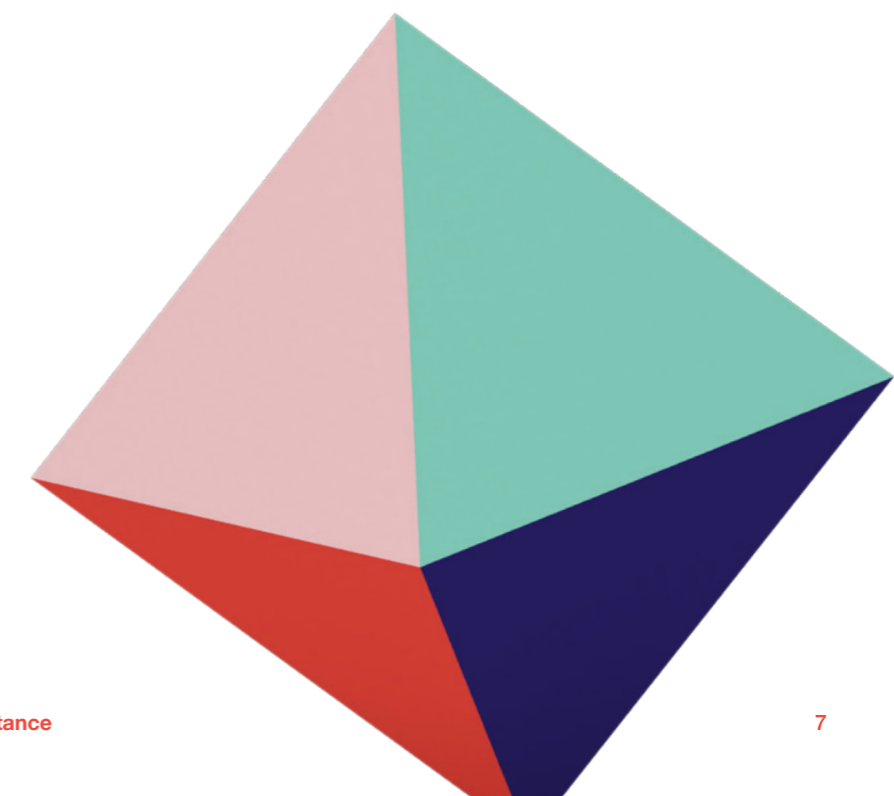
Ireland has also set one of the world's most stringent climate targets. The target is also one of the first globally to be legally binding, embedded in legislation. Our recent Climate Act sets out a target to reach a 51% reduction in greenhouse gas emissions by 2030 and Net Zero emissions by 2050.

In 2021, Ireland signed up to the OECD global agreement on BEPS which will see more of our corporate tax base go to other market jurisdictions and a minimum effective corporate tax rate of 15%

introduced globally. As part of that process Ireland was a leading voice in ensuring that the agreement was not just sustainable and reputable but also provided certainty for business around key questions like future tax rates. This approach reflected both the needs of business and society whilst underlining Ireland's commitment to a competitive, stable and certain tax regime.

Over recent years, Ireland has built on a long record of strong collective approaches to new and emerging challenges. From social, economic and environmental change to the Covid-19 crisis, Ireland has been amongst the most successful at delivering broad social agreement on the approach to key challenges. This involves bringing stakeholders together with business and Government through structures such as the Labour Employer Economic Forum (LEFF) and other mechanisms of social dialogue. This in turn has helped deliver strong social and political stability and cohesion for society and business through difficult times.

In a world of sustainable competitiveness, Ireland is driving forward from an already strong position.



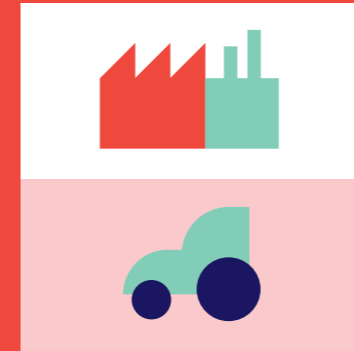
Characteristics and Definitions of the Irish Business Model

Substance

Ireland's business model has always had substance. From adding value to agricultural output to the manufacture of the world's leading medicines and developing cutting edge digital technology; Ireland continues to layer substance on substance as market trends evolve.

Sustainability

Sustainability requires both our business model to evolve and succeed over time and for our economy to be a global leader in embracing the opportunities provided by the environmental sustainability revolution. Developing a model of sustainable substance will be the acid test of Ireland's success over the next decade.



Evolution

An evolving business model is one which is continuously adapting to change and seeking new opportunities and success in the face of ongoing disruption.

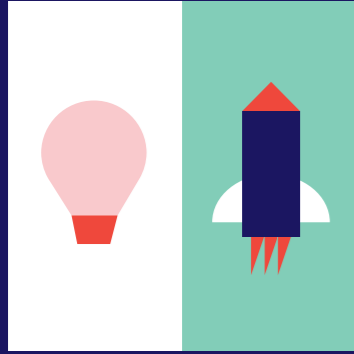
To ensure its sustainability, the Irish business model has successfully evolved at key junctures over recent decades. This was particularly evident in the evolution from labour intensive primary manufacturing to the world class, R&D driven, high tech manufacturing sector of today. As global business models face a further period of flux, past performance indicates that Ireland's business model will successfully evolve and continue to win on a global level.



Global Footprint

Ireland clearly has an outsized footprint. From a population base of just 5 million people, Irish firms are market segment leaders across the globe with many having production, customer engagement and innovation functions in multiple jurisdictions.

Ireland has enshrined in law emissions reductions targets which are amongst the most ambitious globally. The coming decade will therefore see a transformation in the operating models of Irish firms, the benefits of which will be experienced right across their global supply chains and international production bases.



Full Business Lifecycle

A full business lifecycle involves successfully delivering high quality value creation in all elements of modern business activity. In Ireland this includes excellence in manufacturing, logistics, shared service provision, R&D, finance and marketing and sales functions.

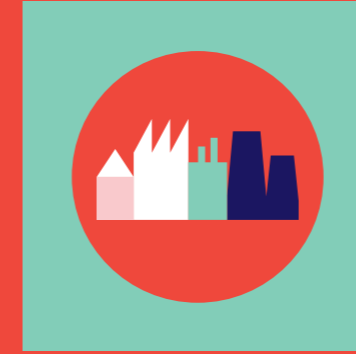
Irish business continues to grow its level of innovation intensity, with an ever greater number of firms locating their global or European R&D and innovation centres to Ireland. This has been instrumental in supporting the full business lifecycle approach in Irish-based firms. It also means that businesses located in Ireland are very well placed to benefit from the innovation opportunities associated with carbon reduction and wider aspects of environmental sustainability. Ireland's full business lifecycle approach will be particularly well suited to benefiting from opportunities provided through the circular economy.



World Class Economy

A broad range of cutting edge and world class functions are undertaken in Ireland, as demonstrated by the renowned excellence in manufacturing, superb quality metrics and the presence of global leaders in R&D and innovation functions.

A high quality, educated workforce, operating in a dynamic innovation ecosystem will be central to the capacity of firms to deliver more sustainable products and services. Ireland delivers on all of these requirements.



Global Hub

Ireland is a Global Hub where top international companies have converged to locate their headquarters. Ireland is now home to all of the top ten global technology companies, 18 of the top 20 pharmaceutical companies and 18 of the top 25 medical technology companies.

As firms globally advance their strategies for sustainability, they will increasingly look to have a global footprint which matches their demand geography. Ireland, located in the world's most prosperous market, with a population of 450 million, and strategically positioned geographically can become even more central to companies' global supply strategies.



Clusters

Ireland's business model is characterised by a dynamic ecosystem of clusters involving multinationals in different sectors, generating local SMEs and partnering with the indigenous sector along with higher education, health and research institutions.

Future business success will be determined by the best talent, collaborating and innovating successfully in geographical proximity underpinned by world class infrastructure. Ireland is building an ecosystem which will continue to support the next generation of successful clusters, including those focused on the opportunities of the low carbon economy.

Economic Evidence

To benchmark Ireland's level of standing relative to other EU countries, we use the 2020 European Social Progress Index.

The index is published by the European Commission and aims to measure social progress for each EU region, as a complement to traditional measures of economic progress. This is done using a mix of indicators of social development and environmental health. The index also has the advantage of being standardised, EU wide and allows comparison at both a national and regional level.

The index:

“.. measures social progress using twelve components described by a total number of fifty-five comparable social and environmental indicators.... Its components are further aggregated into three broader dimensions describing respectively basic, intermediate and more sophisticated aspects of social progress.”

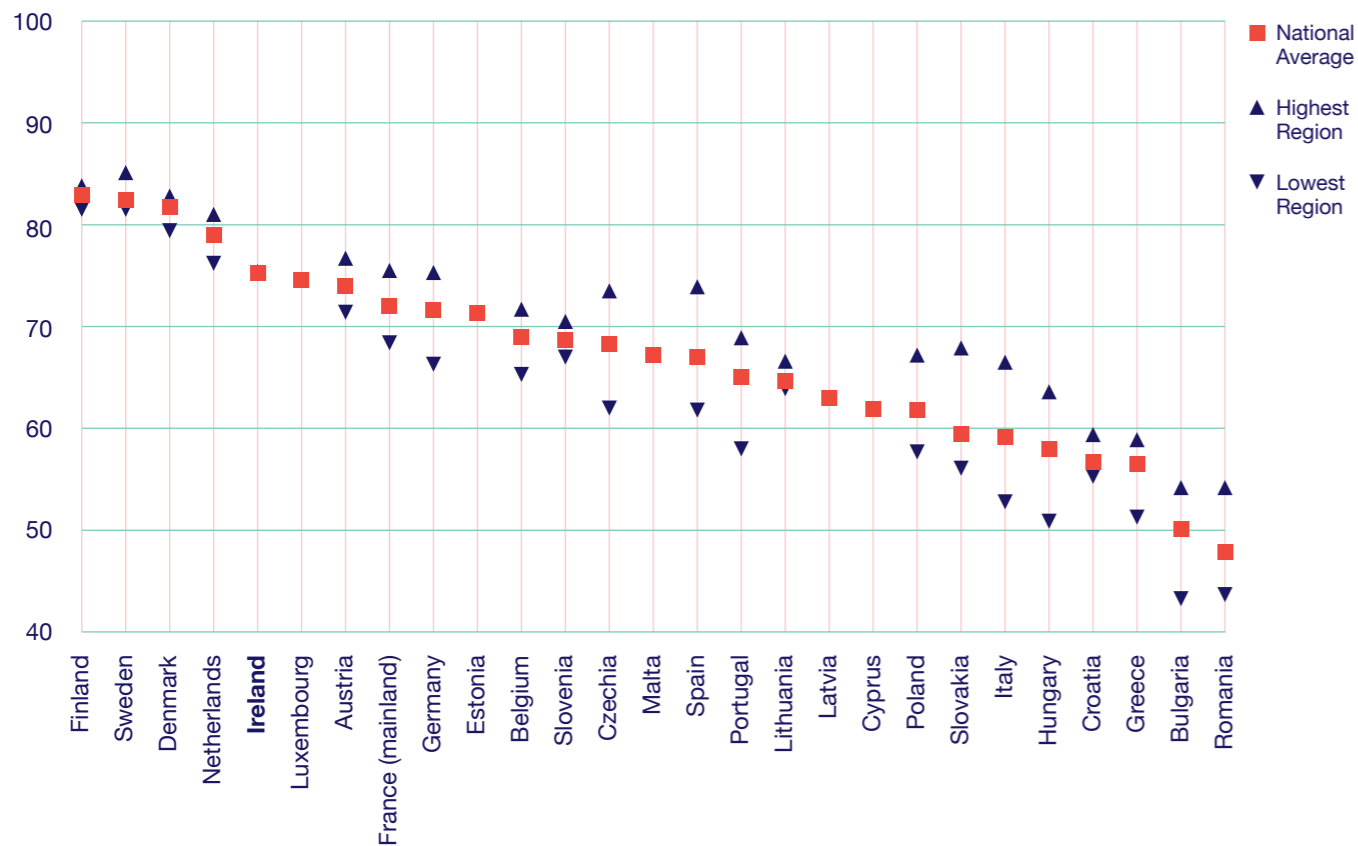
The components are divided into three overarching themes:

Theme	Component
Basic	Nutrition and Basic Care
	Water and Sanitation
	Shelter
	Personal Security
Foundations	Access to basic knowledge
	Access to ICT
	Health and Wellness
	Environmental Quality
Opportunity	Personal Rights
	Personal Freedom and Choice
	Tolerance and Inclusion
	Access to Advanced Education

Note: These do not include GDP or measure wealth directly but do capture a lot of the wealth story from another angle – access to things which wealth delivers.

The first two themes represent enablers of basic human needs such as personal security, housing, nutrition and sanitation, measures of the foundations of wellbeing such as access to health, education, technology and environmental quality. The final theme looks at higher order measures of opportunity such as advanced education, lifelong learning, personal freedom, trust in institutions, active citizenship and tolerance. The total index is normalised on a scale 1 to 100 (with 100 being a perfect score).

Figure 1: 2020 EU SPI Scores



Note: In Ireland, Luxembourg, Estonia, Malta, Latvia, and Cyprus Highest and Lowest Region figures overlap with the National Average.

Figure 1 displays the overall SPI scores for each EU country in 2020 – with the scores for the national average and the highest and lowest regions. Ireland comes 5th in Europe but is in a ‘leading’ group where the SPI score is above 75 – along with Finland, Denmark, Sweden, and the Netherlands. It is also notable how there is little regional variation amongst those leading countries.

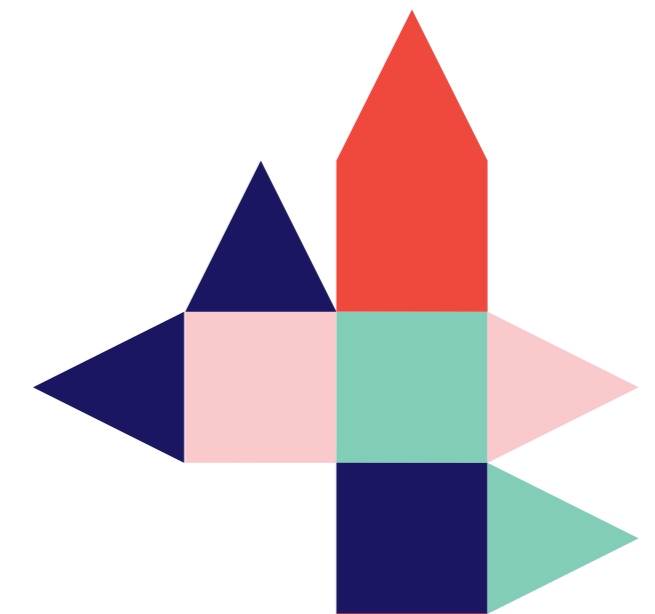
Ireland comes 5th in Europe but is in a ‘leading’ group where the SPI score is above 75 – along with Finland, Denmark, Sweden, and the Netherlands.

The gap between the ‘leading’ and ‘lagging’ regions in these leading countries is at most 4.8 points in the Netherlands and as little as 0.2 points in Ireland. This, however, rose as far as 13.7 points in lagging countries such as Italy with low overall scores and a significant regional gap.

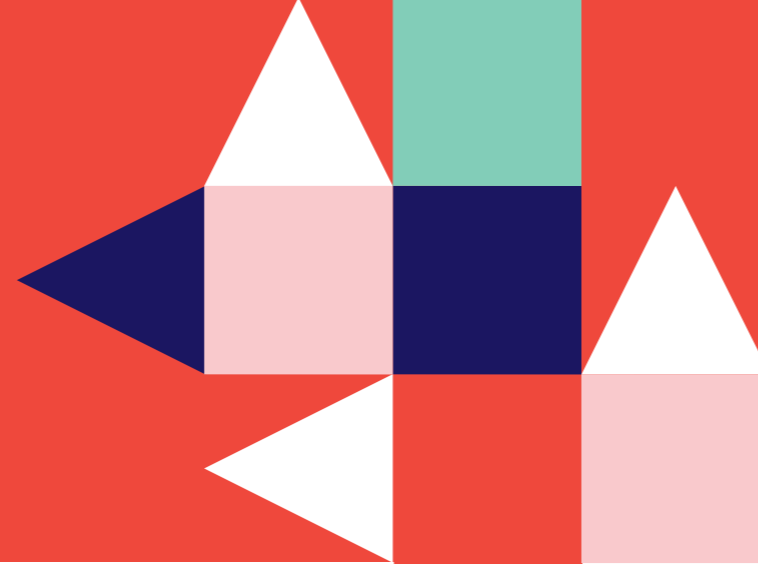
When compared to the EU average there is little variation in Western Europe on ‘basic’ scores. Ireland scores well on foundational areas relative to other EU countries – areas such as upper-secondary enrollment, school completion, subjective health, road safety and lower levels of air pollution. The record of Ireland in areas of opportunity is more mixed. Ireland leads Europe in areas such as tolerance toward minorities and immigrants, in tertiary education attainment and is a strong performer on institutional quality, active citizenship and volunteering. However, Ireland falls below European norms in areas such as gender equality, levels of young people not in education or training and overall levels of lifelong learning.

Taking a longer-term lens to these results shows Ireland amongst Europe’s leading countries for quality of life and social progress. Albeit there are areas where Ireland fails to match countries with a longer record of sustained prosperity. Having rapidly improved its economic standing over the last 40 years Ireland is now a rich country. Continuing to deliver growing prosperity off the back of rapid increases in substantial investment was the most recent leg of this journey for Ireland. Delivering continued improvements in Ireland’s standing as a place to live, work and invest in a way which is sustained and sustainable will be the next.

Taking a longer-term lens to these results shows Ireland amongst Europe’s leading countries for quality of life and social progress.



Ireland by Numbers



2nd

We are the second largest exporter of medical devices in Europe – including leading Europe in the export of contact lenses, test kits and diagnostics, pacemakers and coming second in the export of orthopaedic products.

51%

Ireland's 2030 emissions reduction target of 51% (from 2018 levels) is higher than that of the EU (42%), UK (43%) or the US (44%).

Renewables to account for 80% of Ireland's electricity by 2030

5th

Ireland is also the 5th largest exporter of data processing machines in the EU and manages half of the world's leased aircraft fleet.

We are the second biggest exporter of complex pharmaceutical goods and medicines in the EU after Germany – including leading Europe in the export of antisera and immunological products and being Europe's second largest exporter of vaccines.

Ireland scores 5th highest of EU countries in the Social Progress Index.

5%

Ireland has committed to spending 5% of national income over the coming decade on investment to address climate and societal infrastructure challenges, compared to an EU average investment level of 3% of GDP.

1st

Ireland is the number 1 exporter of beef and butter in the EU.

80%

The story of manufacturing in Ireland is not just one of inward investment. Irish owned manufacturing exporters grew their sales globally by over 80% between 2010 and 2019 while value-added per person employed grew by one-quarter. FDI manufacturers grew their exports by 44% over the period. Irish manufacturers are also outward looking and employ over 150,000 people abroad, including more than 60,000 in the US.

3rd

The third largest exporter of spirits and liquor.

3rd

The third largest exporter of cheese.

5th

12%

Overall, there are 260,000 people employed in the Irish manufacturing sector, accounting for over 12% of total employment in the economy.

10/10

Today Ireland has all the top 10 global technology companies

18/25

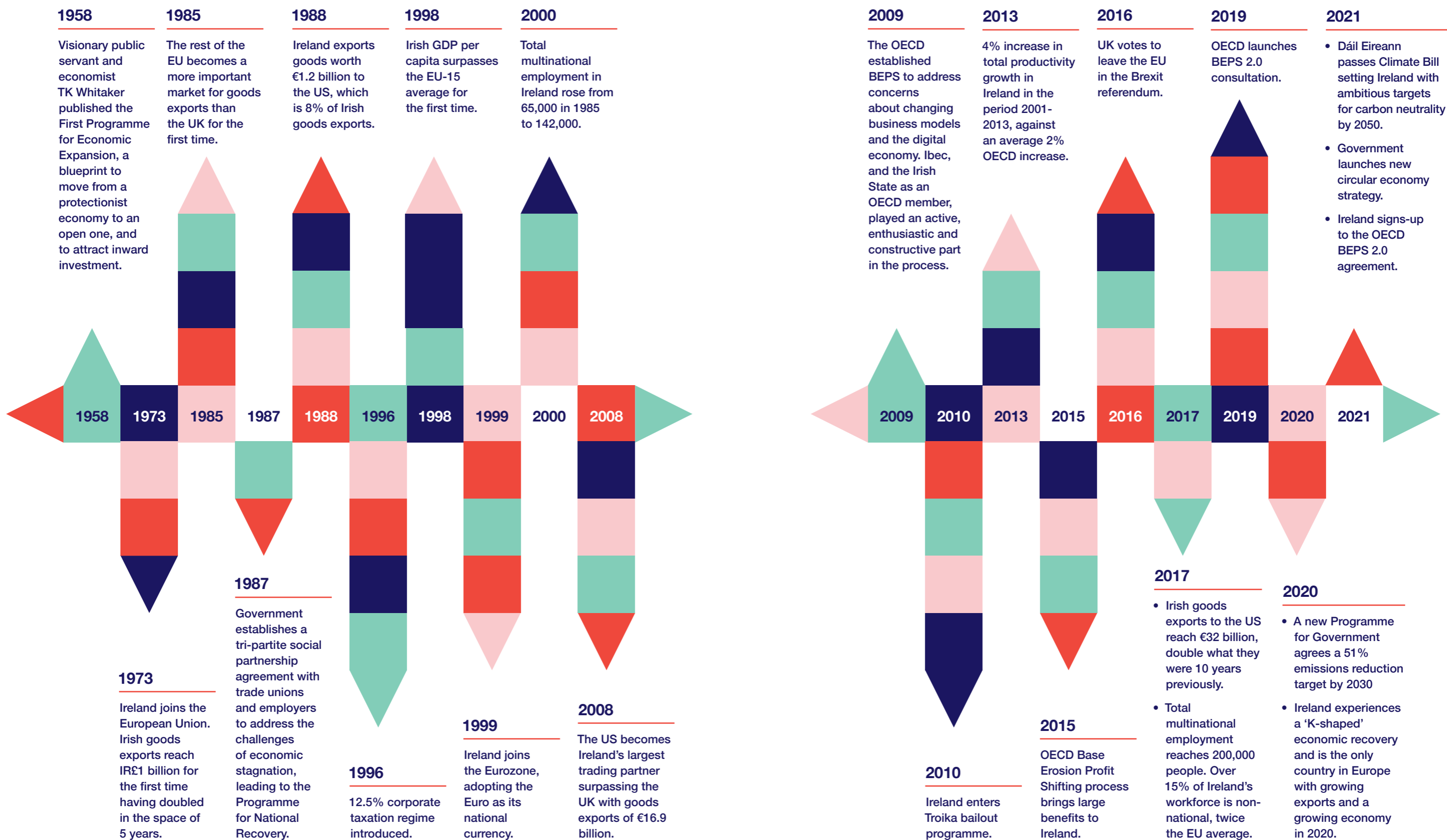
18 of the world's top 25 MedTech companies

18/20

and 18 of the world's top 20 Biopharma companies

The highest proportion of high-tech exports in Europe.

Timeline



The Future

Ireland has strong credentials in agility and redefining itself in changing global circumstances. It has fine-tuned its growth model in the past, tapping into demand trends and evolving from basic manufacturing into sophisticated innovation – it now needs to use these attributes for reinvention for this exciting next phase.

The objective of this campaign is to translate the impact which global trends will have on the Irish business model as an opportunity for Ireland's economy to evolve. It is an important part of Ibec's broader commitment to shape a better and sustainable future for Ireland.

The updated campaign provides tangible messaging and collateral for Ibec's members and stakeholders to provide a consistent narrative for business to use in its communications across their networks domestically and internationally.



It's a powerful story.
Let's tell everyone.

📍 **Ibec Head Offices**

84/86 Lower Baggot Street,
Dublin 2.
T: + 353 1 605 1500
E: membership@ibec.ie
www.ibec.ie/membership

📍 **Galway Offices**

Ross House,
Victoria Place,
Galway.
T: + 353 91 561109
E: galway@ibec.ie
www.ibec.ie/west

📍 **Cork Offices**

Second Floor,
Penrose One,
Penrose Dock,
Cork.
T: + 353 21 4295511
E: cork@ibec.ie
www.ibec.ie/cork

📍 **Limerick Offices**

Gardner House,
Bank Place,
Charlotte Quay,
Limerick.
T: + 353 61 410411
E: midwest@ibec.ie
www.ibec.ie/midwest

📍 **Donegal Offices**

3rd Floor,
Pier One,
Quay Street,
Donegal Town,
Donegal.
T: + 353 74 9722474
E: northwest@ibec.ie
www.ibec.ie/northwest

📍 **Waterford Offices**

Waterford Business Park
Cork Road
Waterford
T: + 353 51 331260
E: southeast@ibec.ie
www.ibec.ie/southeast

📍 **Brussels Offices**

Avenue de Cortenbergh, 89,
Box 2,
B-1000 Brussels,
Belgium.
T: +32 (0)2 740 14 30
E: europe@ibec.ie
www.ibec.ie/europe

www.ibec.ie/SustainableSubstance
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