



How to achieve sustainability and profitability

Is your business ready for the new EU Taxonomy corporate mandates?

Corporate transparency regarding sustainability levels and activities is a cornerstone of the European Green Deal, which provides policy measures intended to help make Europe the first climate-neutral continent by 2050.

What's more, the EU's sustainable finance initiative supports the Green Deal by helping to channel private investment towards a transition to a climate-neutral economy. (The UK's Green Finance Strategy operates on a similar model.)

EU sustainability reporting

The EU Taxonomy for sustainable activities is supporting this transition by providing transparency regarding the economic (business) activities which contribute most to meeting the EU's environmental objectives. By classifying environmentally sustainable actions, the EU Taxonomy is designed to improve sustainable investment, create security for investors and motivate companies to be more sustainable.

Companies based in Europe, or those operating a European legal entity with more than 500 employees, are now required to disclose sustainability risks and opportunities.

The Taxonomy also supports the upcoming Corporate Sustainability Reporting Directive (CSRD), which is the first common reporting framework from the European Commission focused on non-financial ESG data. More than 50,000 companies must submit their report aligning with the CSRD on 1 January 2024, for the 2023 financial year.

Business support for environmental objectives

More broadly, reporting demonstrates how a company's actions are contributing towards the EU's six environmental objectives. Companies should be aiming to contribute to at least one of these, while not harming any other objectives and also meeting minimum social safeguards. Many manufacturers are well positioned to contribute substantially to advancing the following two objectives: climate change mitigation and the transition to a circular economy.

Product design and manufacturing are the linchpins of successful sustainability efforts, as companies determine more than 80% of a product's environmental impact and cost during the design phase.

Measuring manufacturing emissions

On emissions, you can't manage what you can't measure, so many manufacturers are adopting the Greenhouse Gas Protocol's Corporate Value Chain Standard (Scope 3) to measure their carbon emissions throughout the supply chain.

Once there is a baseline for a product's current carbon footprint, one other option is for manufacturers to work to reduce CO2 emissions and meet their other product requirements simultaneously. Teams can make decisions by evaluating trade-offs among

cost, sustainability, and manufacturability. Some product brands are already using aPriori's Manufacturing Insights Platform to:

- Identify alternative materials to reduce CO2 emissions and weight, etc.
- Select alternative manufacturing processes to save electricity and reduce scrap, etc.
- Update product designs to cut manufacturing times and incorporate alternative materials, etc.

The key to sustainable product development

Companies are increasingly using digital transformation (DX) capabilities to incorporate sustainability insights into their strategic planning and manufacturing operations. With a unified view of the product development and manufacturing process, businesses can understand a product's CO2 impact during the early design phases, and then evaluate opportunities to reduce a product's carbon footprint. Product design and production teams can simulate design alternatives using different materials and manufacturing processes to meet key targets on CO2 emissions, cost and performance.

Manufacturers with the insights to evaluate cost, sustainability and manufacturability are well positioned to capitalise on the market demand for "green" products at an attractive price point.

Companies can use the EU Taxonomy to differentiate themselves as sustainable manufacturers – and clearly communicate this advantage to customers, investors and other stakeholders.



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