

Climate change:

A planet or a business imperative ?

Presentation by Valerie Arnold,
Sustainability Leader PwC Luxembourg
3 September, 2020



pwc



Table of content

.....
Understanding the New Normal

.....
Growing concern around sustainability issue

.....
Climate issue : why business needs to be serious about it?

.....
How business can thrive in the new normal?
.....

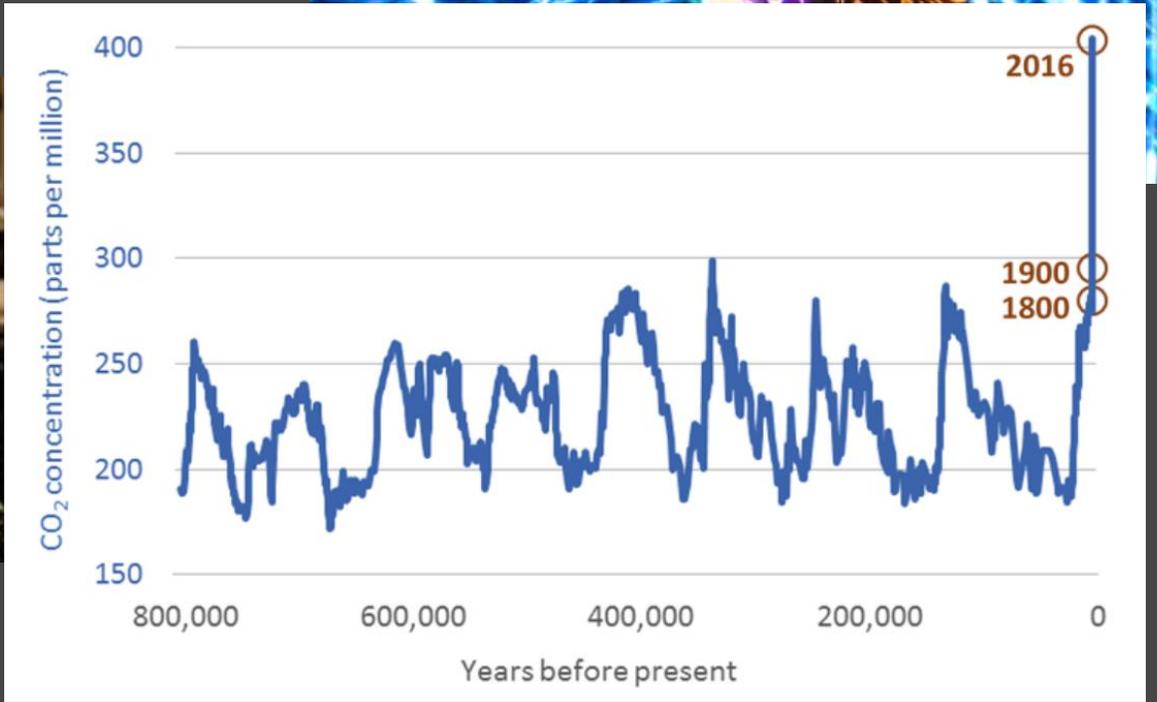
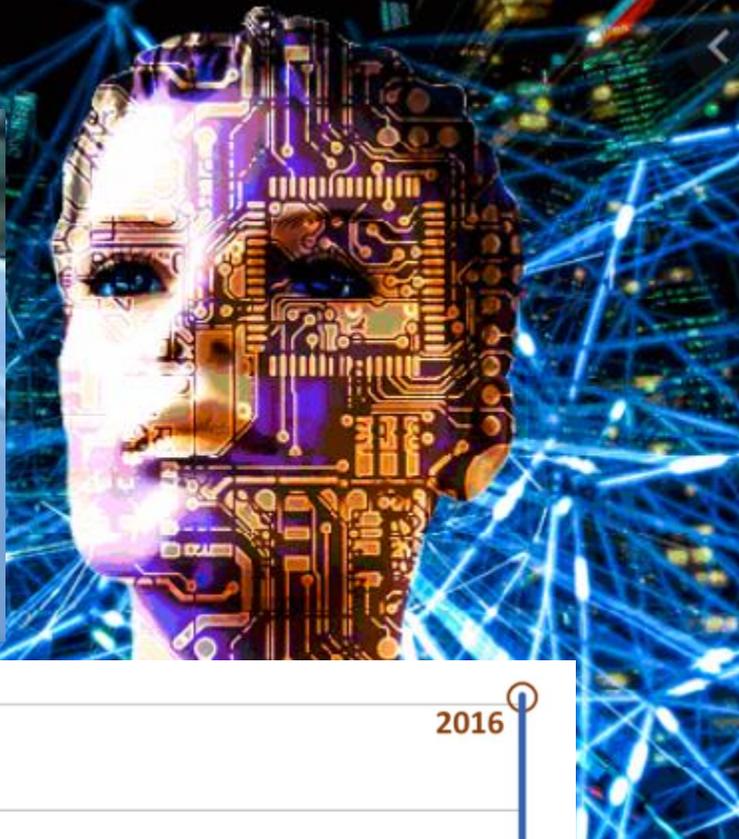
1

*Understanding the
new normal*

Big trends: Before 1890 and now

	 <i>World Population</i>	 <i>Life Expectancy</i>	 <i>GDP per Capita</i>	 <i>% total workforce in agriculture</i>	 <i>% energy used</i>
Before 1890	<i>1.2 billion</i>	<i>40.6 years (UK)</i>	<i>GBP 5k (UK)</i>	<i>88%</i>	<i>Mostly renewable mainly wind and water</i>
Now	<i>7.8 billion</i>	<i>81.3 years (UK)</i>	<i>GBP 41k (UK)</i>	<i>Less than 1%</i>	<i>Mostly fossil fuels (coal, oil, gas)</i>

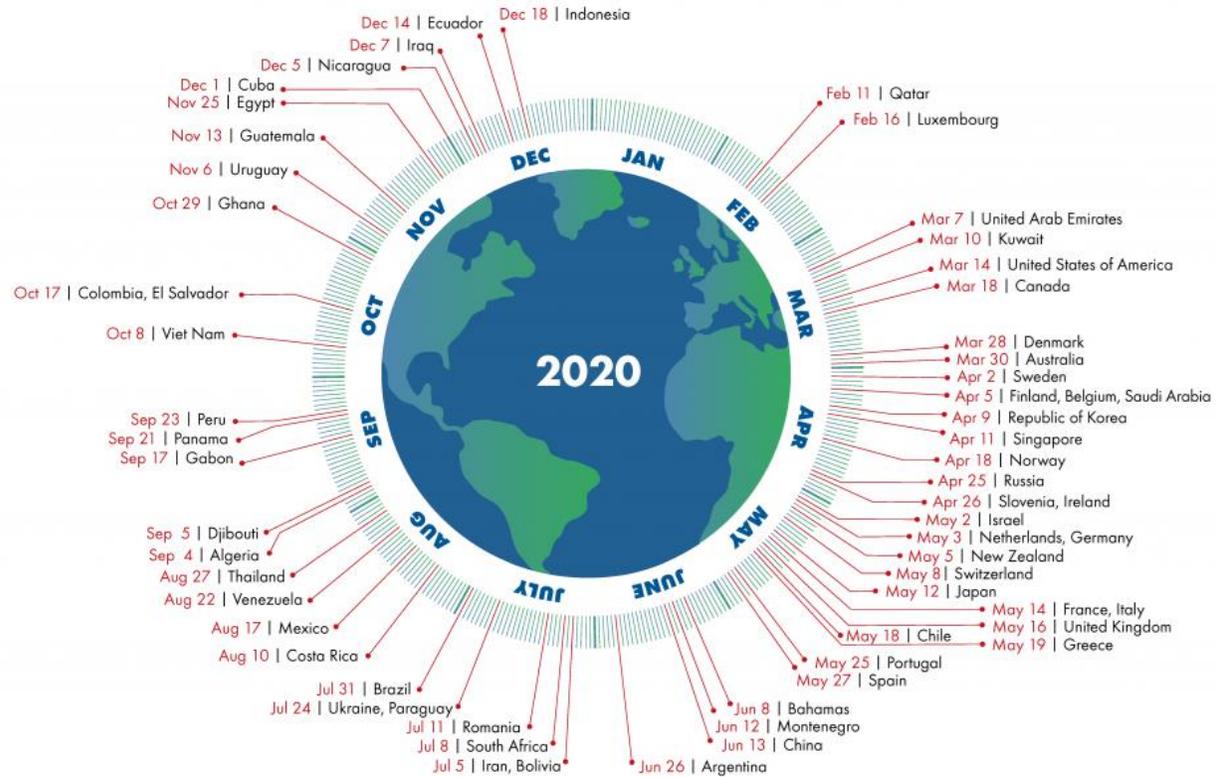
GLOBAL MEAN SURFACE TEMPERATURE



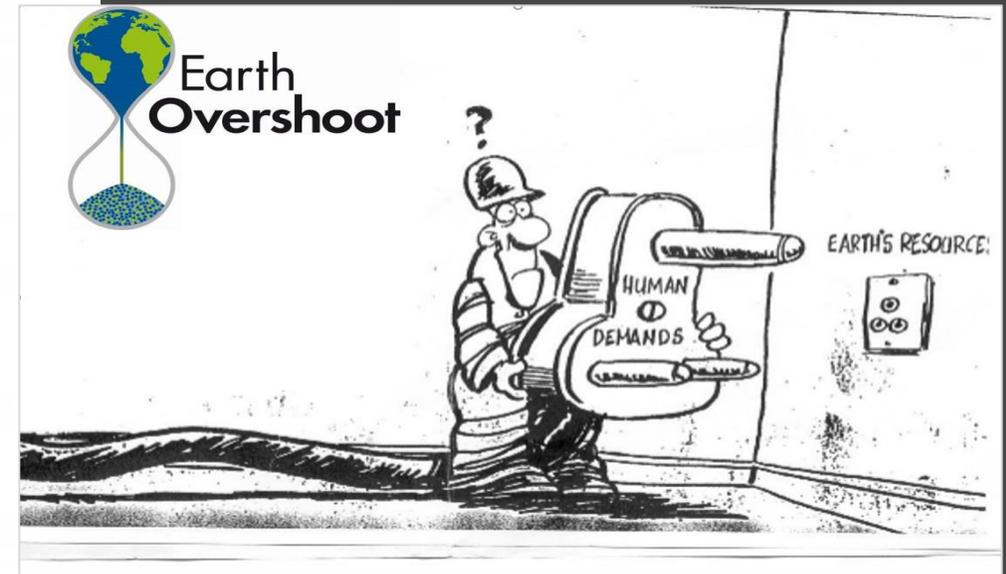
It is more than Climate Change

Country Overshoot Days 2020

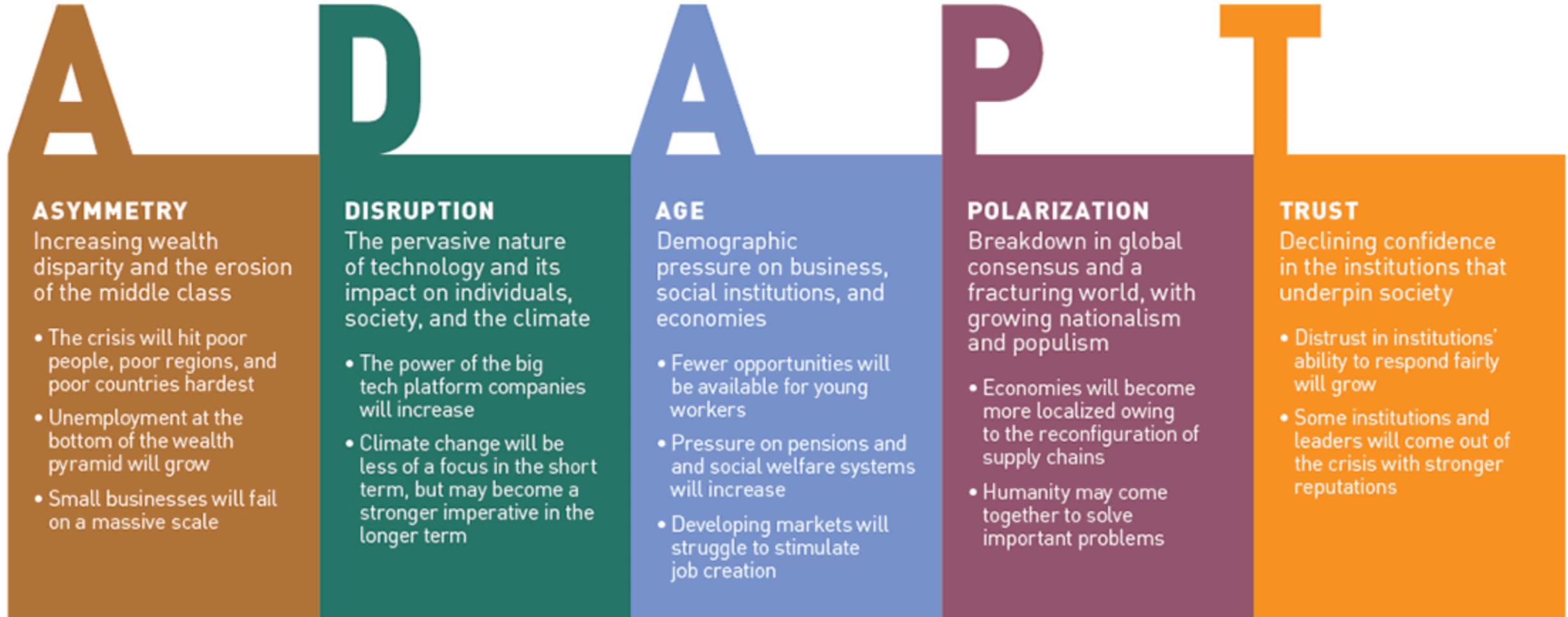
When would Earth Overshoot Day land if the world's population lived like...



Source: Global Footprint Network National Footprint and Biocapacity Accounts 2019



COVID-19 accelerates the trends transforming our world

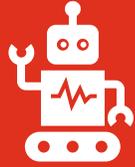


We face four crisis :



Asymmetry

*crisis of
prosperity*



Disruption

*crisis of
technology*



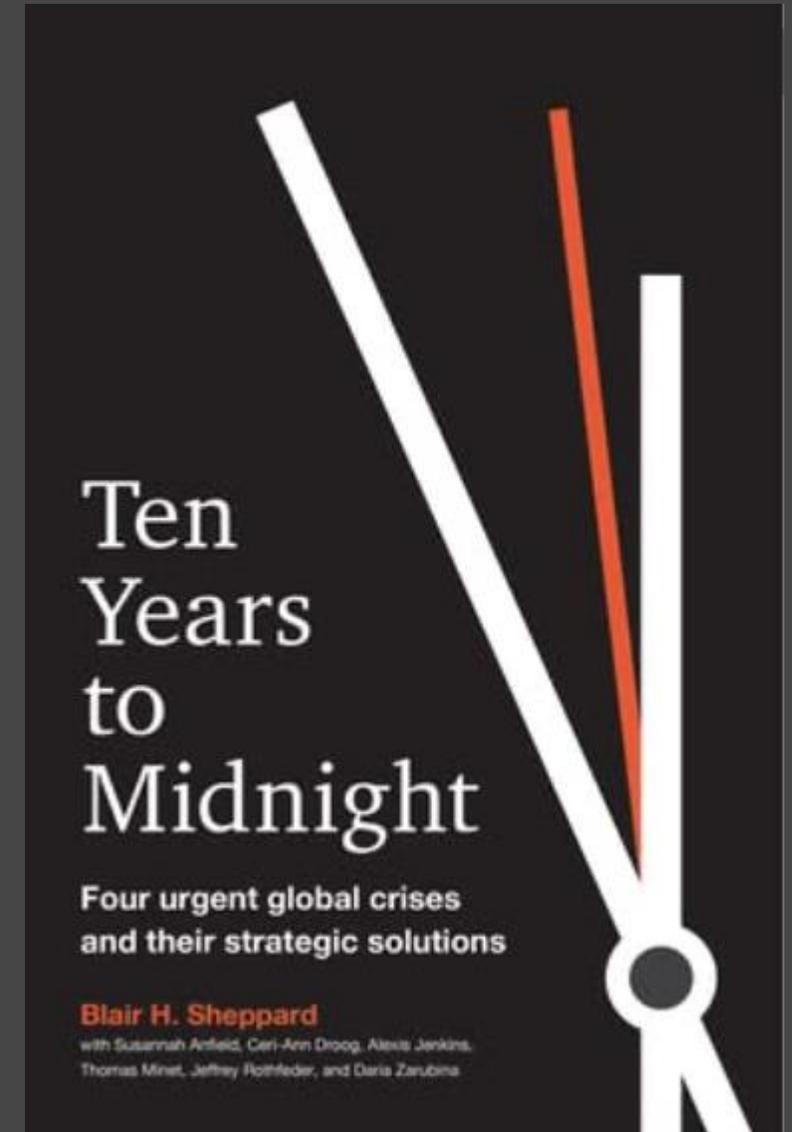
Trust

*crisis of
institutional
legitimacy*



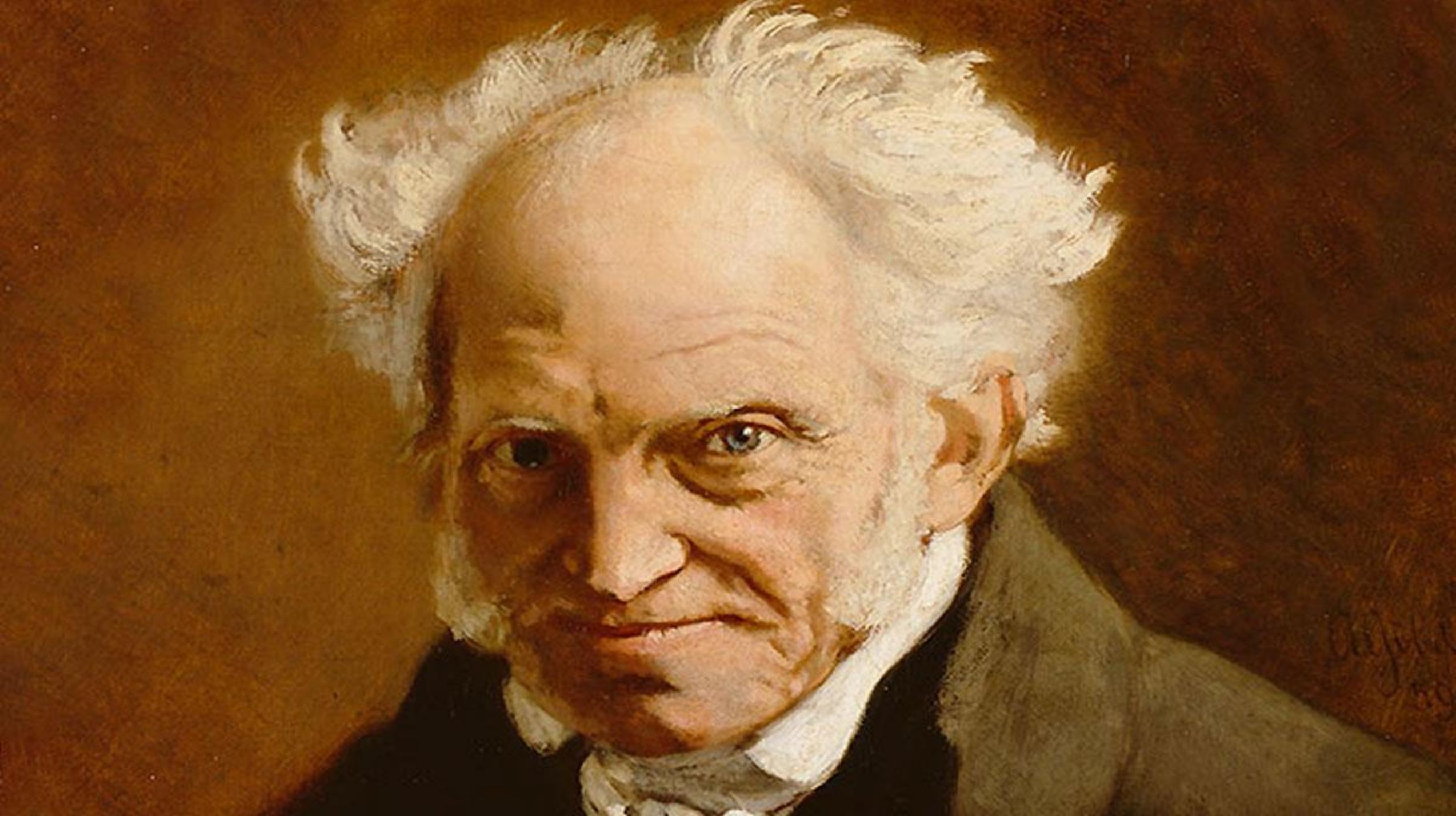
Polarization

*crisis of
leadership*



2

*Sustainability issues
moving center stage*



All revolutions follow the same 3 steps:

- 1 It's ridiculous
- 2 It's dangerous
- 3 **It is based on evidence**



3

*Sustainability: nations
are serious about it*

Changing world...

Climate change awareness on the rise (2015):

SDGs and COP21, which sets new frameworks for the public sector, finance and business world

From 2°C to 1.5°C

Climate change awareness on the rise (2018/19):

IPCC Global Warming of 1.5°C argues that limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society. With clear benefits to people and natural ecosystems, limiting global warming to 1.5°C compared to 2°C could go hand in hand with ensuring a more sustainable and equitable society.



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

Review Paris Agreement

During COP24 countries agreed on the guidelines that govern the Paris Agreement and to create a set of rules to help countries implement their national contributions and meet their targets.



Since 2015, the United Nations' SDGs have been serving as common language for what "good growth" means



THE GLOBAL GOALS

For Sustainable Development



- **MDGs** were ambitious and broadly successful. However there were some key **gaps in coverage**: the main focus were social issues
- All **193 UN member states** will now set about implementing the SDGs following their ratification on 25 September 2015
- Negotiated through **multi-stakeholder process** involving private sector/business
- 17 SDGs focusing on **economic** and **environmental** factors as well as **social** dimensions (**169 targets** and **230 indicators**)
- Viewed as a **roadmap** for good growth

Changing world...

Increasing regulatory requirements:

- *EC recommendations on sustainable finance supported by the High Level Expert Group (HLEG) and action plan*
- *EU directive on non-financial reporting (NFR)*
- *CSR Principle introduced by the Luxembourg Stock Exchange*
- *Climate-related Financial Disclosures (TCFD)*
- *The Green Bond Principles*
- *Principles for Responsible Investments (PRI)*



Increasing stakeholder's expectations:

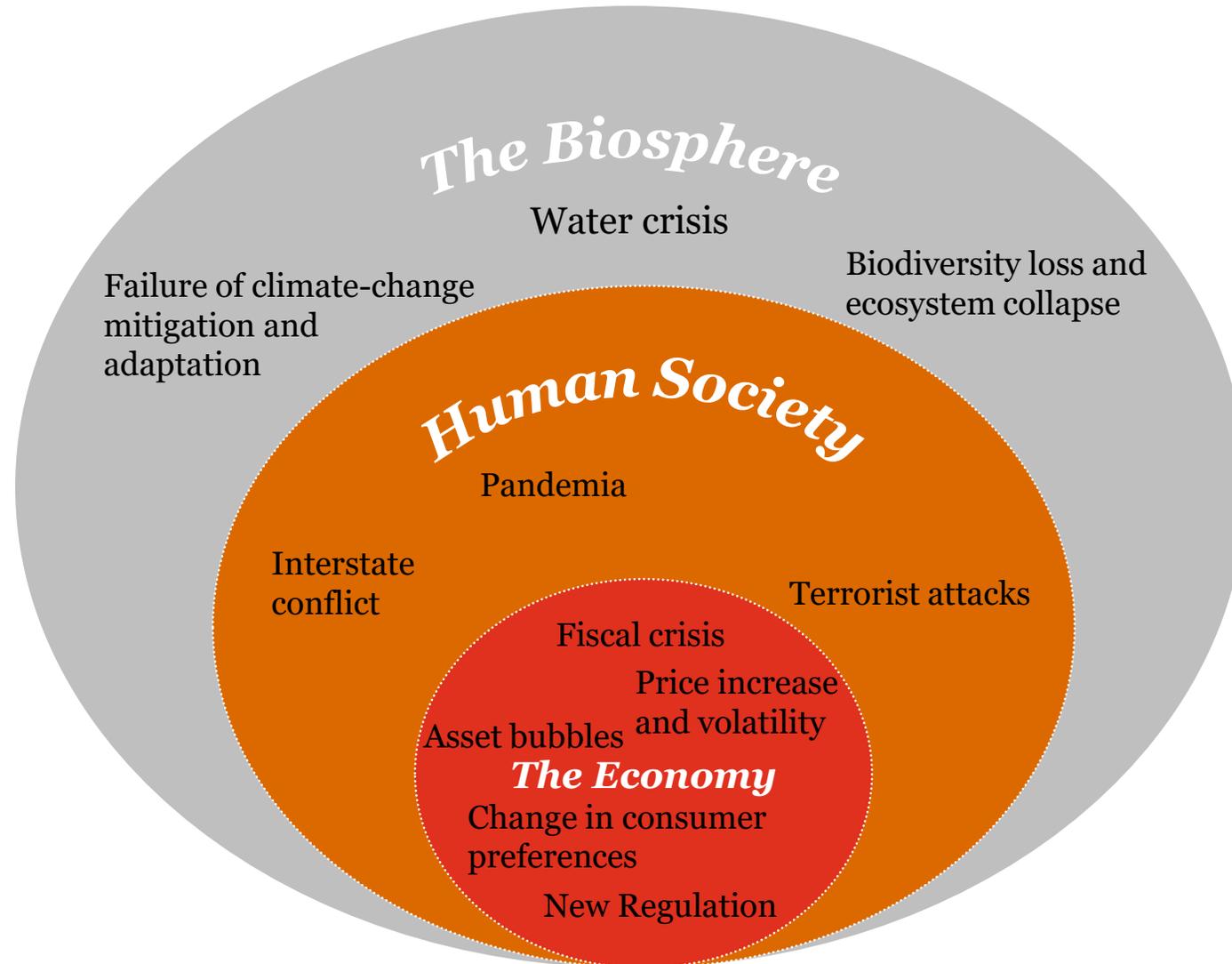
Changing demands for tailored sustainability service offerings



4

*Sustainability: why
business need to be
serious about it*

Sustainability is important because... it is a «threat» or an «opportunity» for every business



Business, no incentive to act?

Climate change is the tragedy of the horizon. We don't need an army of actuaries to tell us the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors—imposing a cost on future generations that the current generation has no direct incentive to fix ...

Mark Carney, the Bank of England governor

Business has great incentive to act

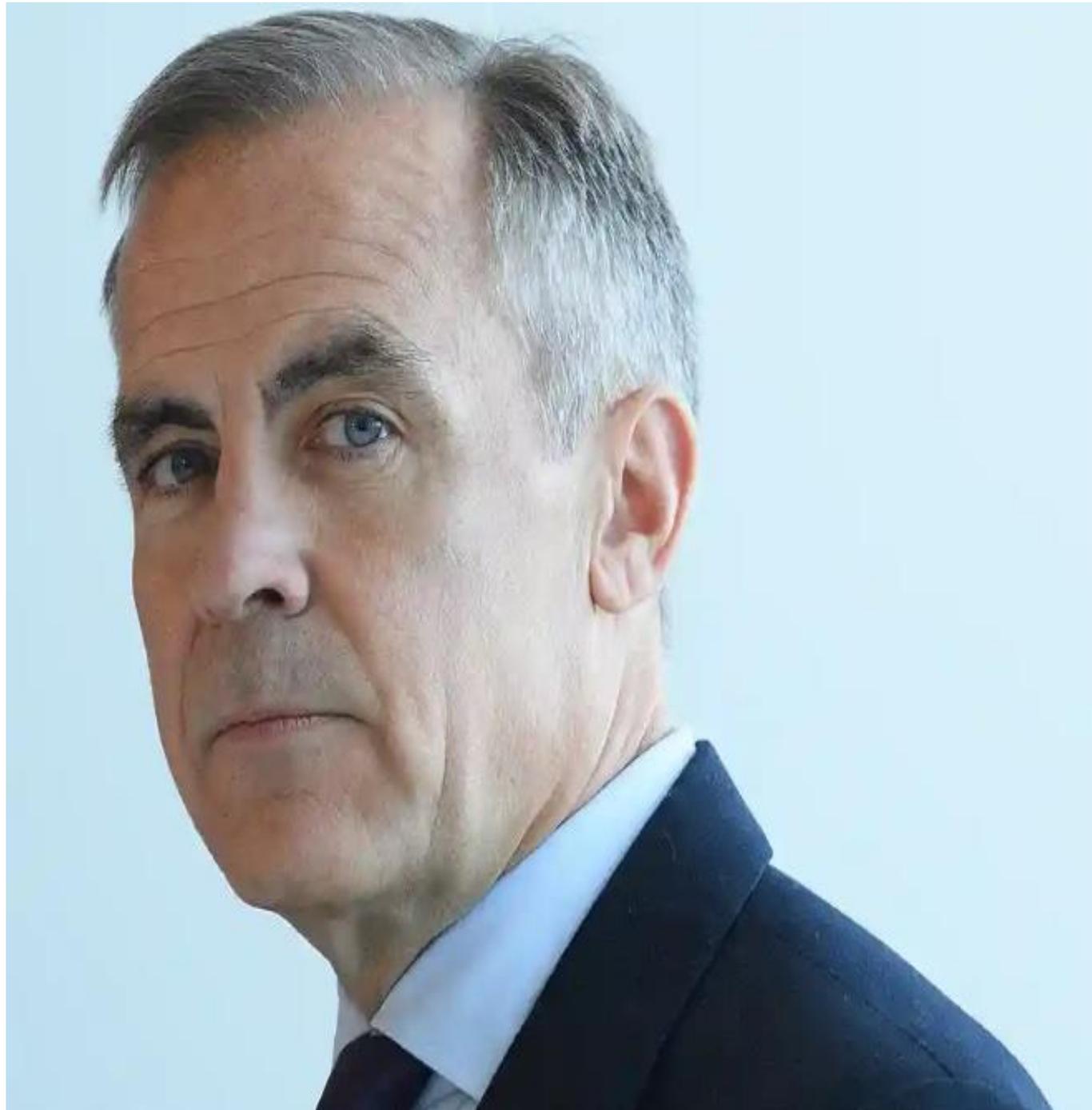
“

**Firms ignoring climate crisis
will go bankrupt.**

Mark Carney

Journée de l'Economie, 2020

PwC



4

*How Business can
thrive in this new
normal ?*

We know today one part of the problem :

JB SAY Traite d economie politique (1803)

: «Natural resources are inexhaustible, otherwise we will not get them for free, being unable to exhausted or multiplied ,they are not subject of economics»

IMPACT TODAY :

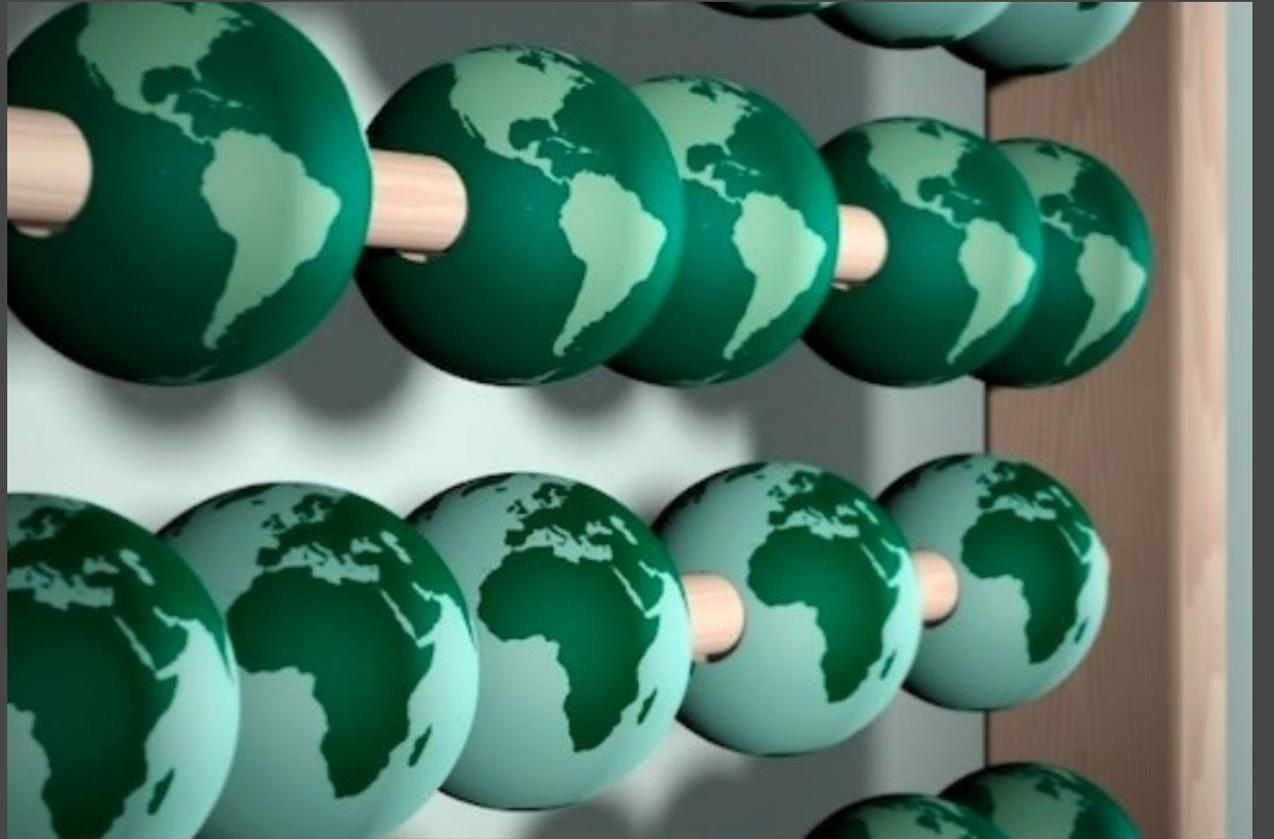
what we price is Economic output, Financial assets, Physical assets ...

what we DO not price : ecosystem impact, societal assets...

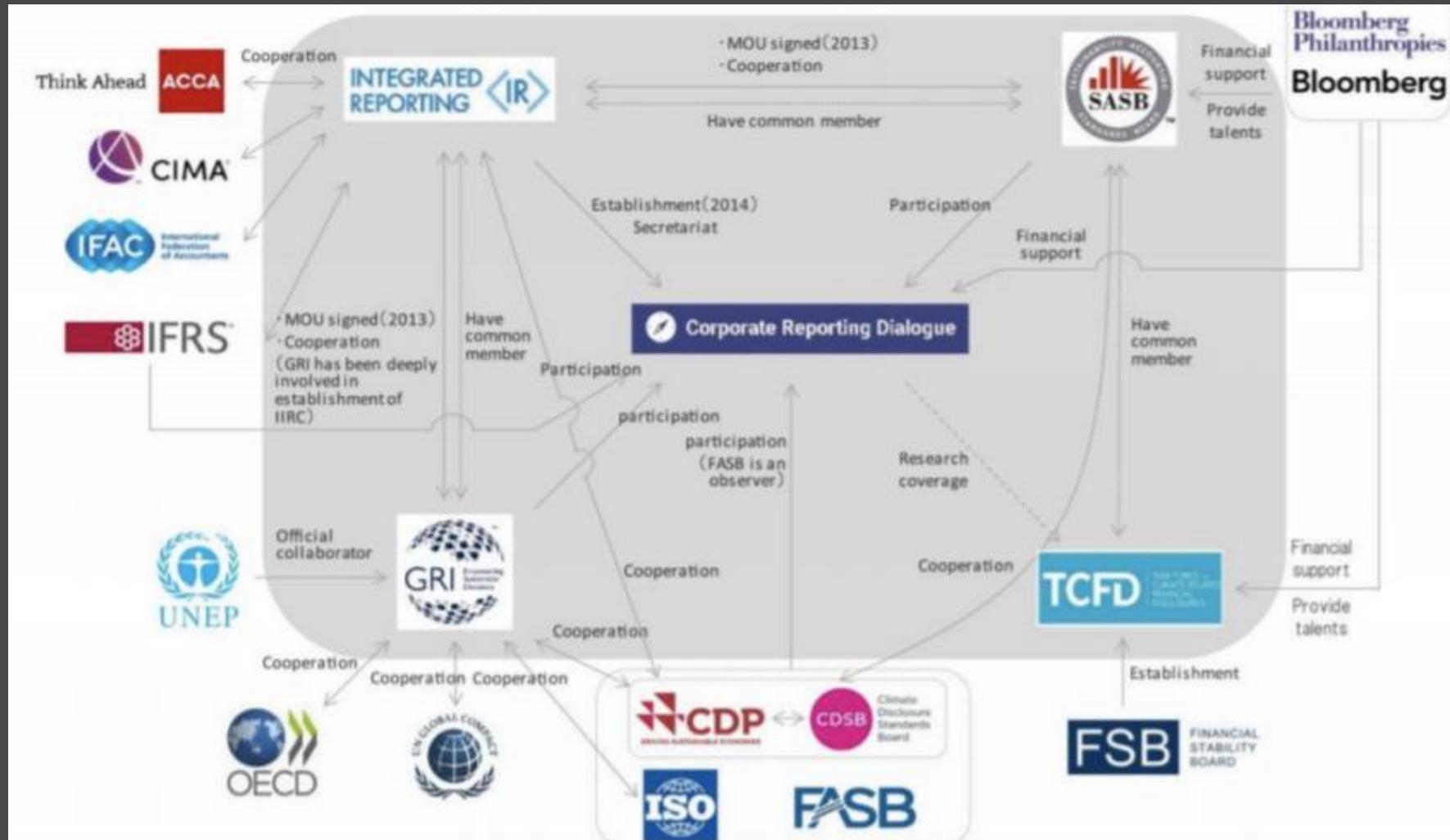
WHAT we do not price is critical to us ,,,,how long we last , without air, wateressential basis to any economic activity

One very good news

*Accountants
can save the
world*



The standards and frameworks are “noisy”: Corporate Reporting is changing day-to-day



Davos 2020: Common Metrics and Consistent Reporting of Sustainable Value Creation

As CEOs, we want to create long-term value to shareholders by delivering solid returns for shareholders AND by operating a sustainable business model that addresses the long-term goals of (the) society, as provided for in the SDG roadmap. At the same time, **data on responsible business and sustainability is proliferating, enabling companies to better understand their impact and implement responsible strategies.**

What we seek is a general framework for companies to demonstrate their long-term sustainability; a framework that integrates financial metrics along with relevant non-financial criteria such as ESG considerations, gender equality, compensation practices, supply chain management, and other activities..

—Brian Moynihan, Chairman and CEO Bank of America



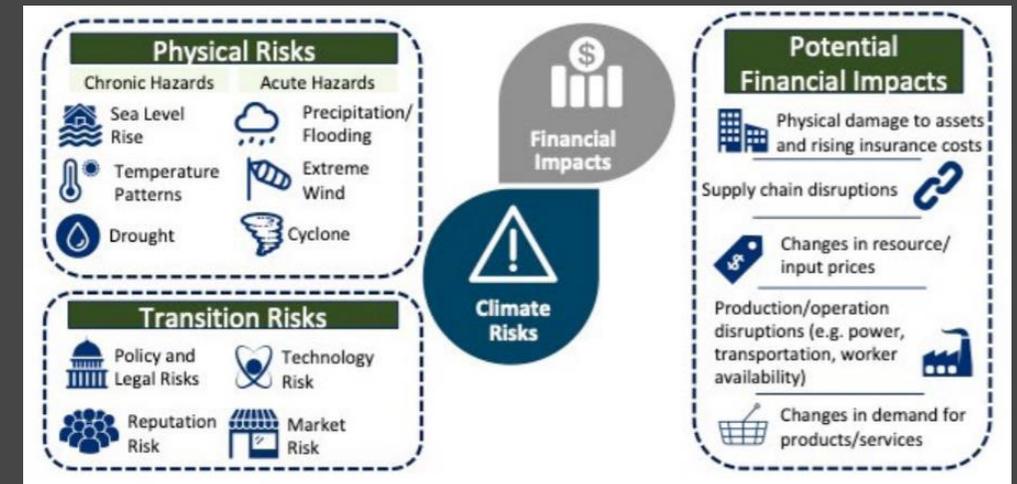
The Four Pillars

 Principles of Governance	 Planet	 People	 Prosperity
The definition of governance is evolving as organizations are increasingly expected to define and embed their purpose at the centre of their business. But the principles of agency, accountability and stewardship continue to be vital for truly "good governance".	An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.	An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.	An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.

Source: World Economic Forum and Big Four Analysis. Definitions for Planet, People and Prosperity taken from the UN's 2030 Agenda for Sustainable Development of Governance⁹

Next to Environmental (E), Social (S) and Governance (G) topic to report on PROSPERITY is key in the long-term value creation

TCFD : taskforce on climate related financial disclosure ...



Governance

The organization's governance and climate-related risks and opportunities

How?

- ✓ Disclose gaps and risk
- ✓ Governance review

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

How?

- ✓ Climate change strategy

Risk Management

The processes used by the organization to identify, assess and manage climate-related risks.

How?

- ✓ Climate risk assessment
- ✓ Scenario analysis

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

How?

- ✓ Science-based targets
- ✓ Metrics, KPIs & targets



Thank you!

*Valerie Arnold, Partner PwC Luxembourg
Sustainability Leader
Valerie.Arnold@pwc.com*