

Climate Change and Business

Responding to the pressing crisis

August 2020, Kuala Lumpur



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Speakers from Deloitte United Nations and Sustainability Team (DUNAS)



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Deloitte Malaysia
Director

Deloitte United Nations and
Sustainability Team

- Leading the development of Sustainability Risk Management (SRM) methodologies taking into account SDG and ESG dimensions, as well as partnerships between United Nations and Private sector
- Deloitte United Nations Team Leader in Asia Pacific
- 10+ years of experience working with the United Nations in various areas such as capacity-building, training, audit, and monitoring & evaluation
- Joined Deloitte in Southeast Asia from Switzerland, having specialised in Strategic Governance and Risk Management



Lorraine Jiang

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- Engaged in KL city council's climate action planning and sustainability reporting projects across multiple industries
- Partnership-related experience include facilitation of skill-based volunteering projects for Fortune 500 companies, partnership advisory projects between NGOs and companies, and co-creation of methodology for stakeholder mapping
- Holds an MPA from Columbia University and a BBA from Peking University



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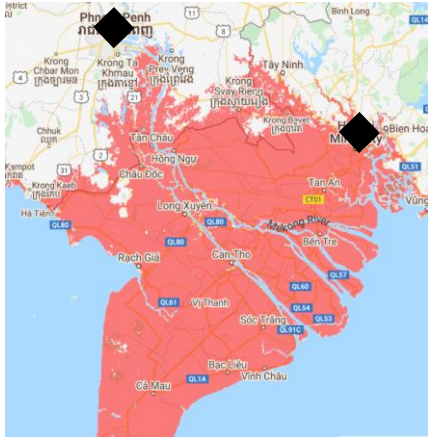


Business as usual will lead to severe flooding in Southeast Asia

The repercussions of climate change and biodiversity loss will impact cities and businesses



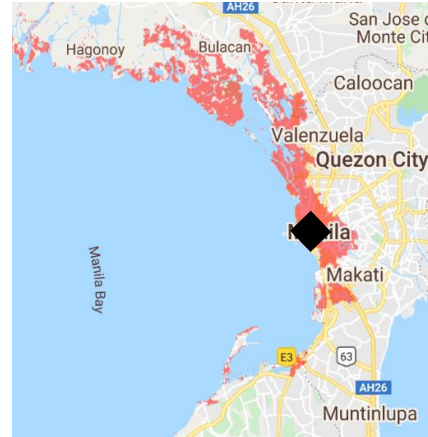
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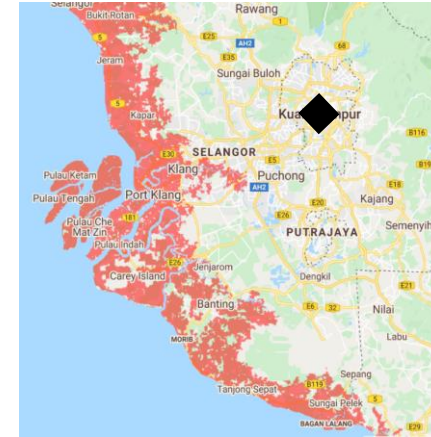
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Bangkok, Thailand



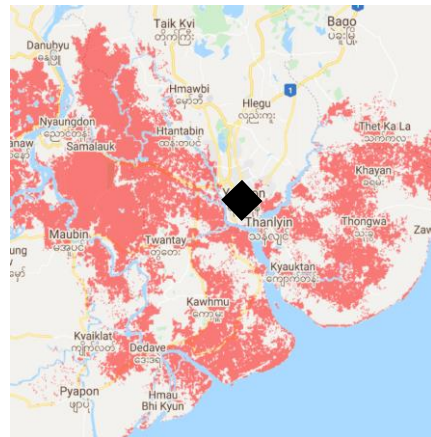
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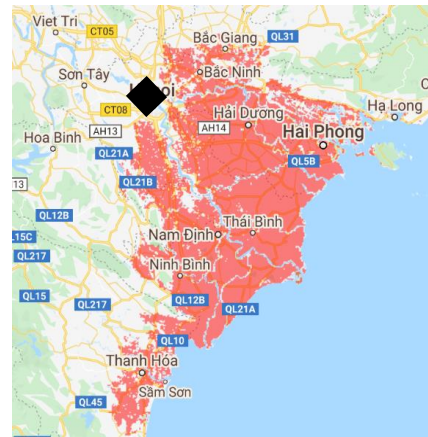
Kuala Lumpur, Malaysia



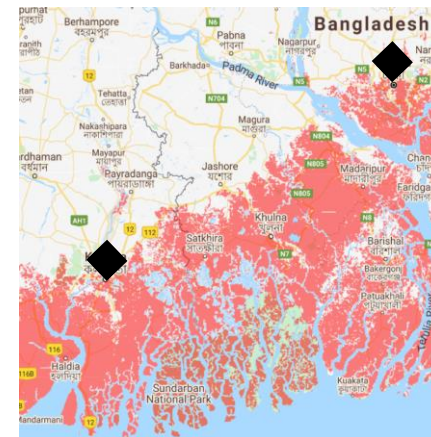
Jakarta, Indonesia



Yangon, Myanmar



Hanoi, Vietnam



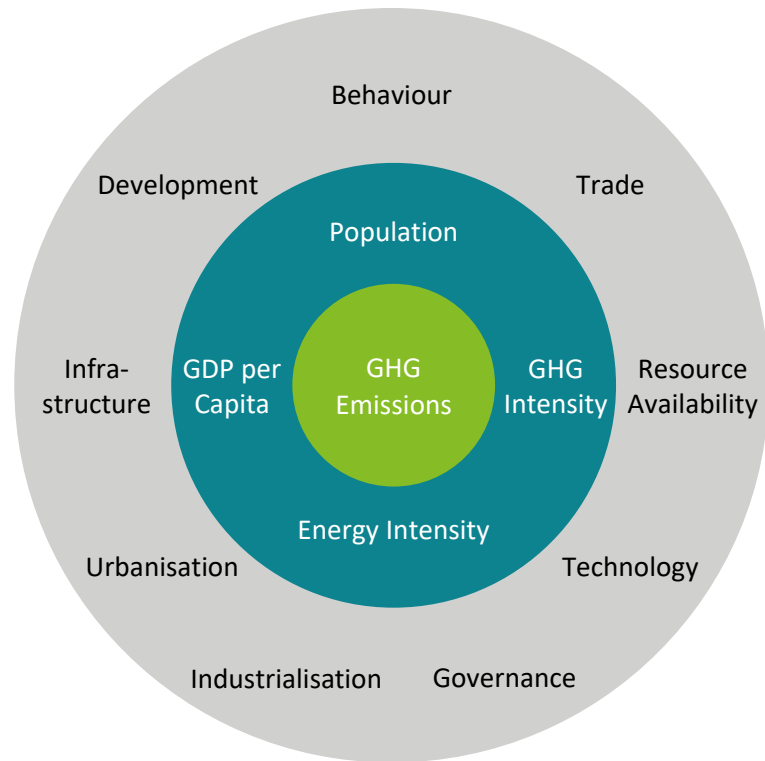
Kolkata, India & Dhaka, Bangladesh

What caused the Climate Emergency

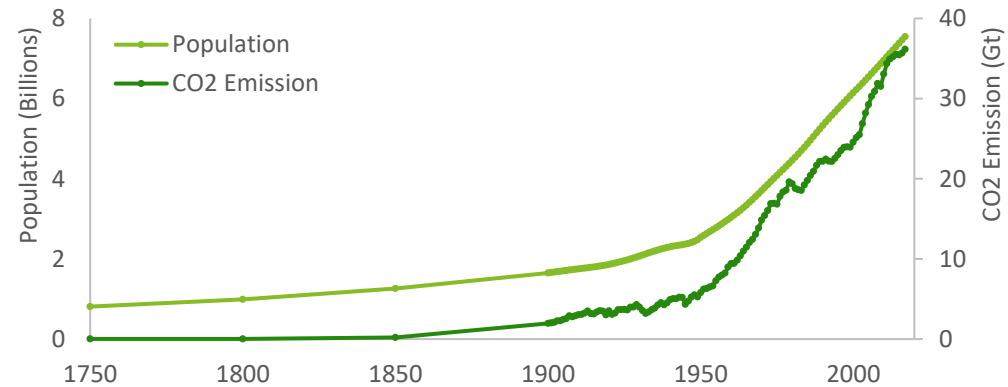
Human activities exacerbate the changes

Climate change refers to **significant changes in global temperature, precipitation, wind patterns and other measures of climate** which are attributed directly or indirectly to **human activity** that alters the composition of the global atmosphere.

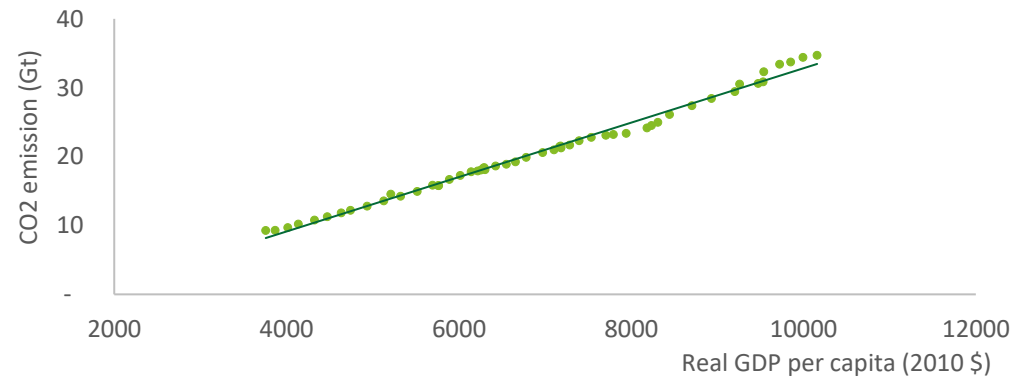
Drivers of Greenhouse Gas (GHG) emissions



Global population and CO2 emission (1750-2020)



CO2 locked to GDP since 1960



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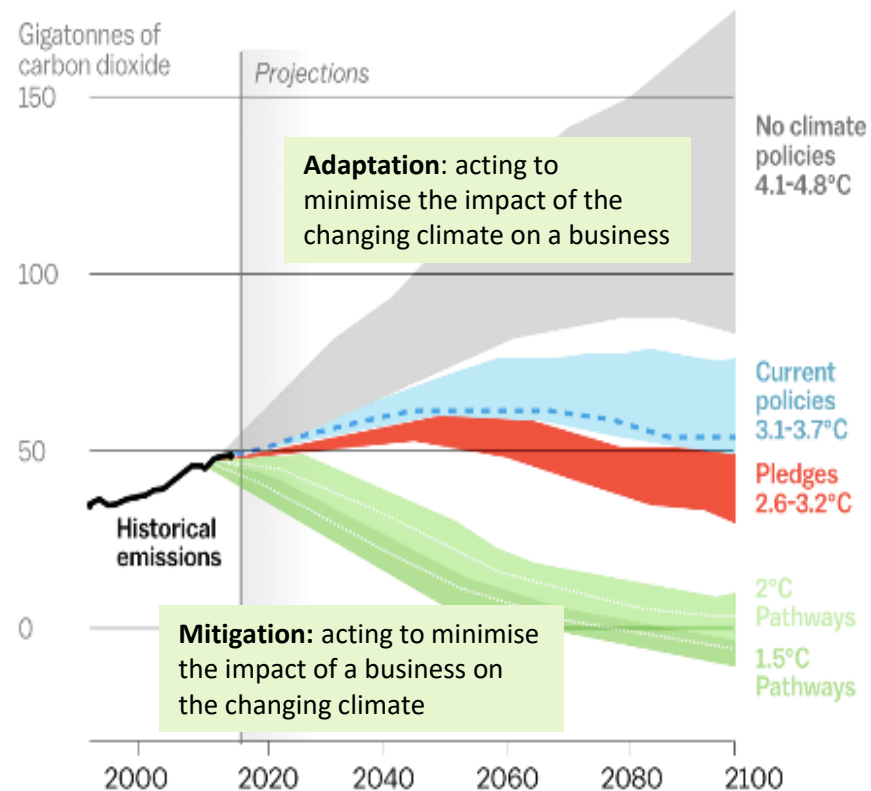


What is needed to address this material risk to businesses

Drastic, systematic changes are necessary to avoid catastrophic impacts

Pathways under current pledges and policies

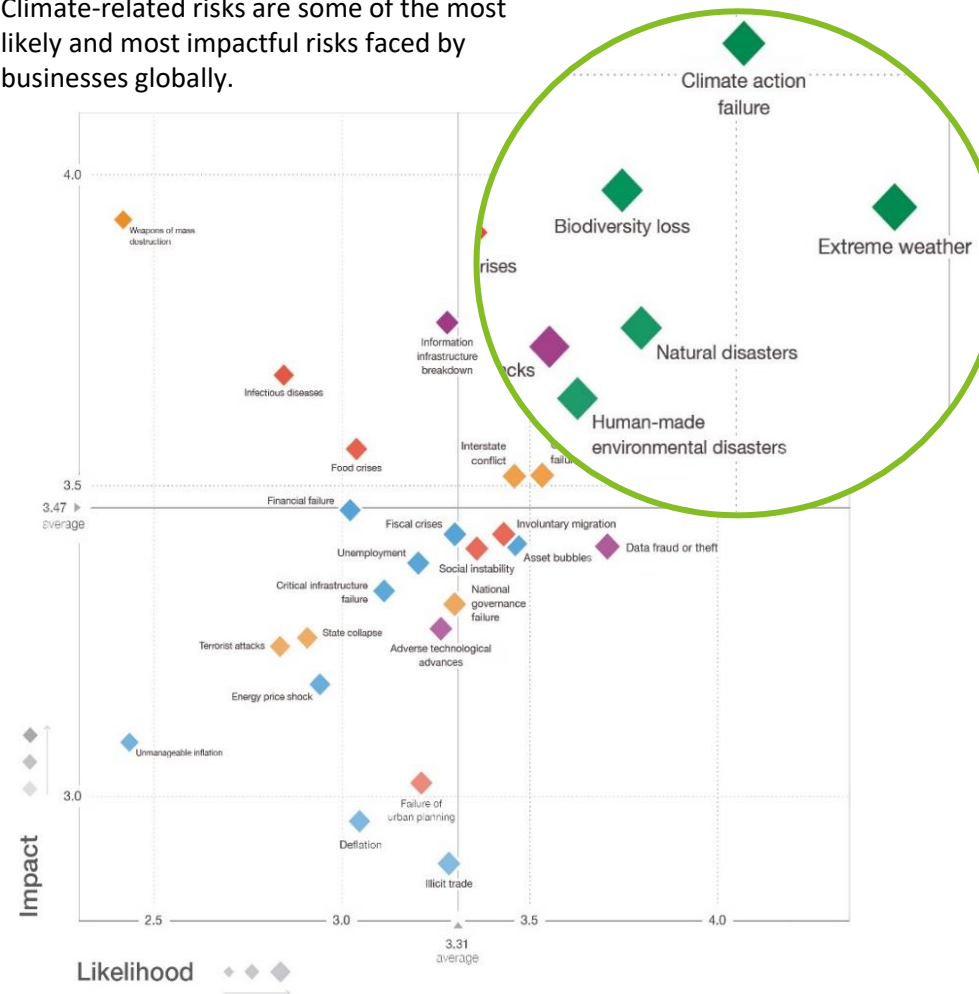
Even though the current policies are continuously enforced, there is still a gap between the projection and countries' pledges to the Paris Agreement, which is still behind in the goal of containing the temperature rise by 2 degree Celsius above pre-industrial level.



Source: World Economic Forum, Climate Action Tracker
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Global Risks Landscape (2020)

Climate-related risks are some of the most likely and most impactful risks faced by businesses globally.



Drivers for corporate action

Changing costs, shifts in public opinion, market, financial, and regulatory forces are increasingly shining a spotlight on businesses

Consumers

38% of global consumers are willing to pay higher-than-average prices for products made with sustainable materials, and emerging market consumers' demand for sustainable products is expected to grow exponentially.

Financial regulators

Regulators are calling for greater climate risks/environmental disclosure.

Seven stock exchanges in Southeast Asia have mandated ESG reporting.

General public

More people are taking an interest in the environmental and health risks they are exposed to.

International organisations

Organisations are calling on businesses to strengthen their commitment to climate change action.

SDG Goal 13 sets out 5 targets for climate action. The UN has estimated that US\$300 billion is needed to halt climate change.

Government

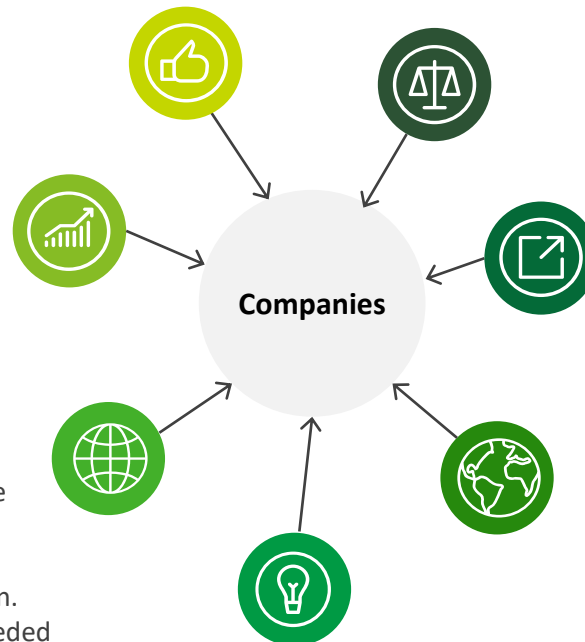
National and local government are increasing targets for renewable energy and reducing carbon intensity. The EU has proposed a European Climate Law, which would become legally binding for EU countries to achieve net-zero by 2050.

Investors

Global sustainable investments have surged by 34% between 2016 and 2018, to a total of over US\$30 trillion. The MSCI ACWI Climate Change index outperforms the parent index of responsible businesses.

NGOs

NGOs are demanding businesses respond to the risk of climate change and reduce their carbon emissions.



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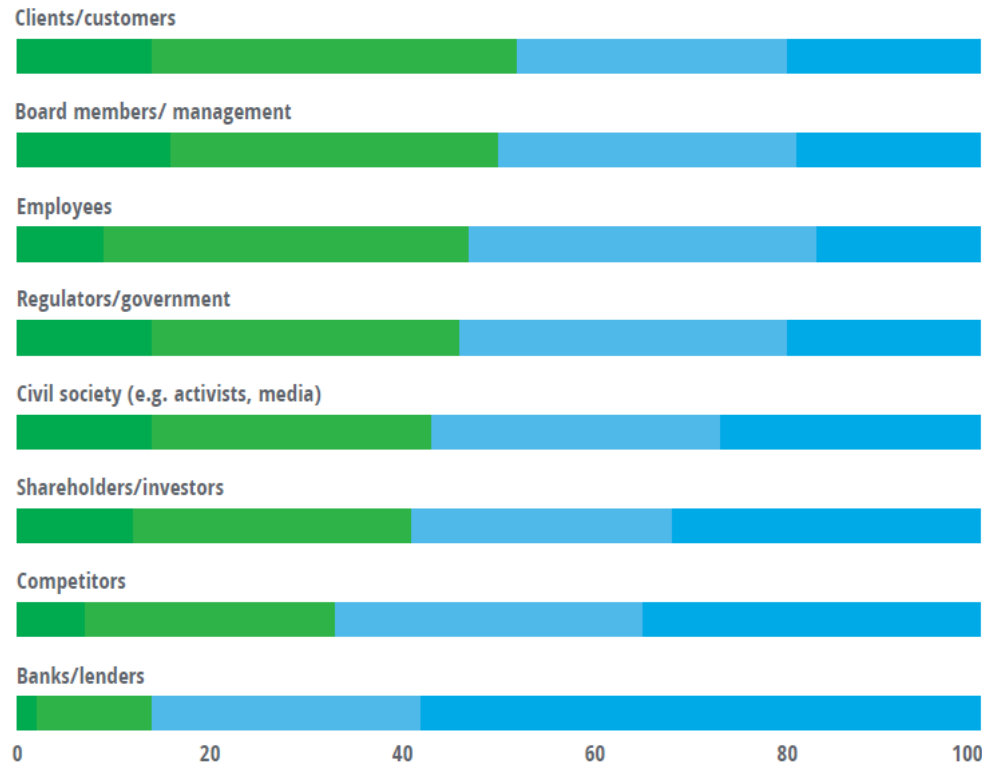
In Europe, a mixed picture calls for action

In 2019, Deloitte surveyed 1,200 companies' executives across 18 European countries

- There is a consistent increasing pressure to act from a broad range of stakeholders
- Companies' climate responses focus primarily on measures that have a short-term cost-saving effect
- Few companies have a governance and steering mechanism in place to develop and implement comprehensive climate strategies

To what extent does your company feel pressure to act on climate change from the following stakeholders?

■ To a large extent ■ To a moderate extent ■ To a small extent ■ Not at all



To what extent does your company feel pressure to act on climate change from the following stakeholders? (% 'to a moderate/large extent')



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Climate related risks and opportunities

Material risks and opportunities that can have direct impacts on your financial performance

Physical Risks

Acute (event-driven) and **Chronic** (shifts in climate patterns)

- Damage to assets
- Supply chain and operational disruptions
- Availability and quality of water
- Valuation/impairment

Transitional Risks

Market and technology

- Shifts in customer perceptions and preferences
- Stigmatisation of certain industries
- Increased shareholder concern
- New technologies that disrupt markets

Policy and legal

- Increased costs in a variety of areas, including GHG emissions
- Restrictions on licenses to operate
- Increased regulation and litigation

Reputation

- Potential damage to reputation and brand value
- Risk of loss of trust and confidence in management

Opportunities

Energy Source:

- Renewable energy
- Stable energy supply
- Carbon trading

Resource Efficiency:

- Efficient building
- Efficient production and distribution
- Water and waste management

Products / Services:

- Circular design
- Material & packaging
- R&D and innovation

Market Niches:

- Material science
- End-of-life treatment
- Community needs and initiatives

Resilience:

- Supplier standard (land use, etc.)
- Transparency / traceability
- Resource diversification

Investment and Asset Management:

- ESG investing
- Technology investment
- Management of real estate, among other assets



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Multi-stakeholder platforms for climate action

Several initiatives are driving forward progress on climate action



Description	Task Force on Climate-Related Financial Disclosures (TCFD) is a voluntary disclosure framework that enables stakeholders to better understand the financial system's exposures to climate-related risks.	An international network of investors working together to understand the implications of sustainability for investors and incorporate these issues into investment decision-making and ownership practices.	An investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	A global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.
Scale	<ul style="list-style-type: none">• ~900 participating organisations• Over \$100 trillion AUM	<ul style="list-style-type: none">• >3,000 signatories• >\$100 trillion AUM	<ul style="list-style-type: none">• 450 investors with over USD\$40 trillion AUM• Focus list companies account for two-thirds of global industrial emissions	<ul style="list-style-type: none">• Over 200 companies• Aggregate demand for more than 228 TWh of renewable electricity
Audience	Investors, lenders, insurers, and industry players	Asset Owners, Investment Managers, and Financial Service Providers	Investors	Broad range of sectors and geography



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Strategic transformation

Current trends among market leaders

1	Risk focused → Opportunity focused	
	Companies see climate change through the lens of disruption and risk, focusing on how it could damage the company's bottom line.	Companies see climate change through the lens of growth and opportunity, focusing on how it could increase the company's bottom line.
2	Opaque → Transparent	
	Companies do not reveal information about their climate change performance.	Companies adopt technology advances to enable radical transparency, and openly discuss performance and improvement areas.
3	Profit-driven → Purpose driven	
	Profit-driven companies draw on the commitment to profit to drive strategy and decision-making.	Purpose-driven companies seek to create long-term value for all stakeholders, not just shareholders. Their purpose guides strategy and decision-making.
4	Enterprise driven → Ecosystem driven	
	Interactions with external stakeholders, such as customers, suppliers, or communities, are transactional rather than reciprocal.	Ecosystem approaches aim to transcend a company's traditional boundaries to involve the wider ecosystem, recognising the company's interdependencies with external stakeholders.
5	Consultative → Collaborative	
	Consultative approaches aim to raise awareness, exchange information, build support, and secure buy-in from stakeholders.	Collaborative approaches aim to engage in co-innovation and partnerships with stakeholders to build mutual interest in sustainable outcomes.
6	Preservative → Regenerative	
	A preservative model aims to sustain the present state. This model adopts a "do no harm" approach to climate change.	A regenerative model aims to go beyond the current state to restore and reconstruct. This model aims to "do more good than harm."
7	Linear → Circular	
	Companies take a linear, "take-make-consume-waste" approach to using resources.	Companies strive to adopt a circular model with the aim of preventing waste.



Q&A

We welcome your questions



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We are looking forward to having a
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priorities

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