

Climate Change and Business

Responding to the pressing crisis

October 2020, Kuala Lumpur



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IMPACT THAT
MATTERS**
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With You today

Speakers from UNEP FI and Deloitte's United Nations and Sustainability Team



Yuki Yasui

Asia Pacific Region Co-ordination Manager, UNEP Finance Initiative

UN Environment Programme (UNEP)

- Yuki has been working on sustainable finance for the last 18 years. She moved to the UN Environment Programme's (UNEP) Asia Pacific Office in 2018 to expand UNEP Finance Initiative (UNEP FI) activities in the region. She is passionate about supporting financial institutions to integrate sustainability within their business model and alignment to societal goals. Yuki is also a qualified chartered accountant (ACA).



Lorraine Jiang

Deloitte Malaysia Senior Consultant

Deloitte United Nations and Sustainability Team

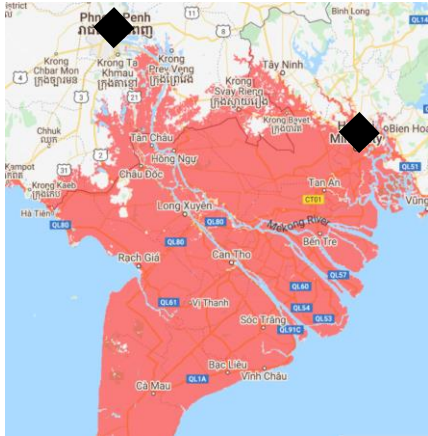
- Engaged in KL city council's climate action planning and sustainability reporting projects across multiple industries
- Partnership-related experience include facilitation of skill-based volunteering projects for Fortune 500 companies, partnership advisory projects between NGOs and companies, and co-creation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

Business as usual will lead to severe flooding in Southeast Asia

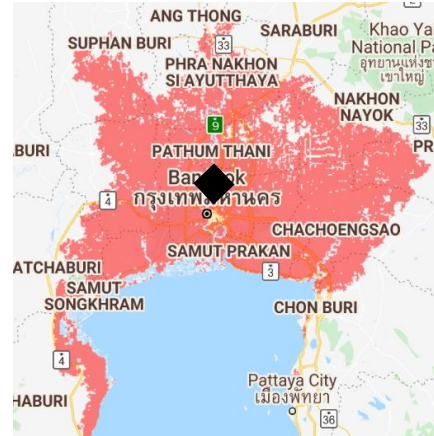
The repercussions of climate change and biodiversity loss will impact cities and businesses



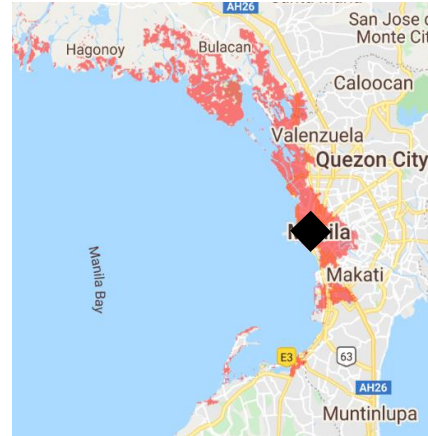
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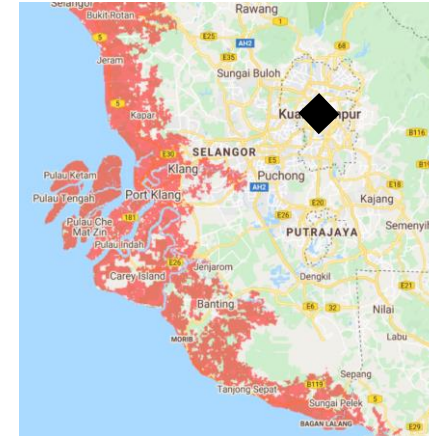
Phnom Penh, Cambodia & HCMC, Vietnam



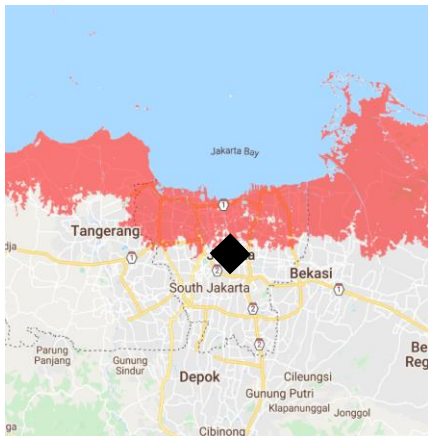
Bangkok, Thailand



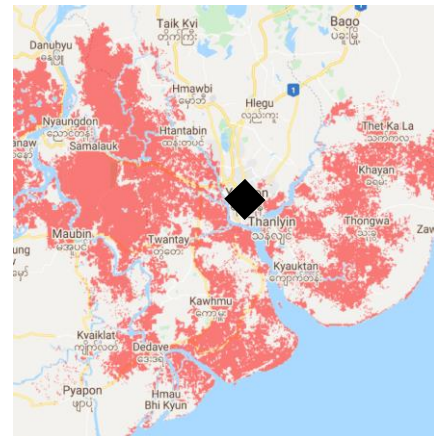
Manila, Philippines



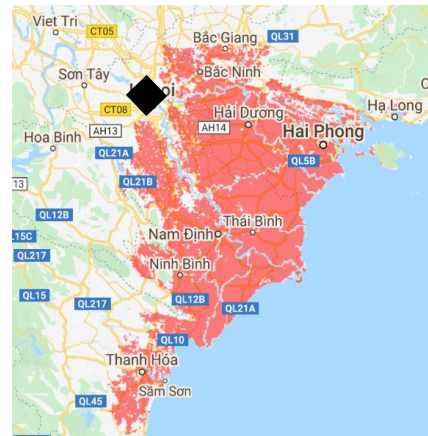
Kuala Lumpur, Malaysia



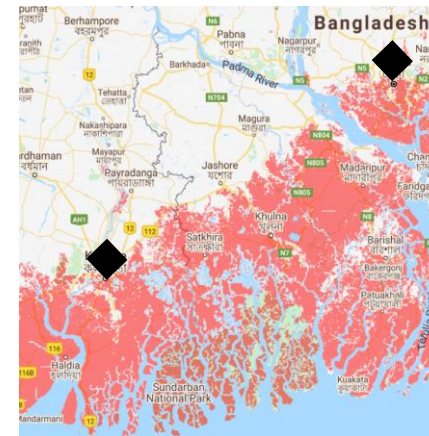
Jakarta, Indonesia



Yangon, Myanmar



Hanoi, Vietnam

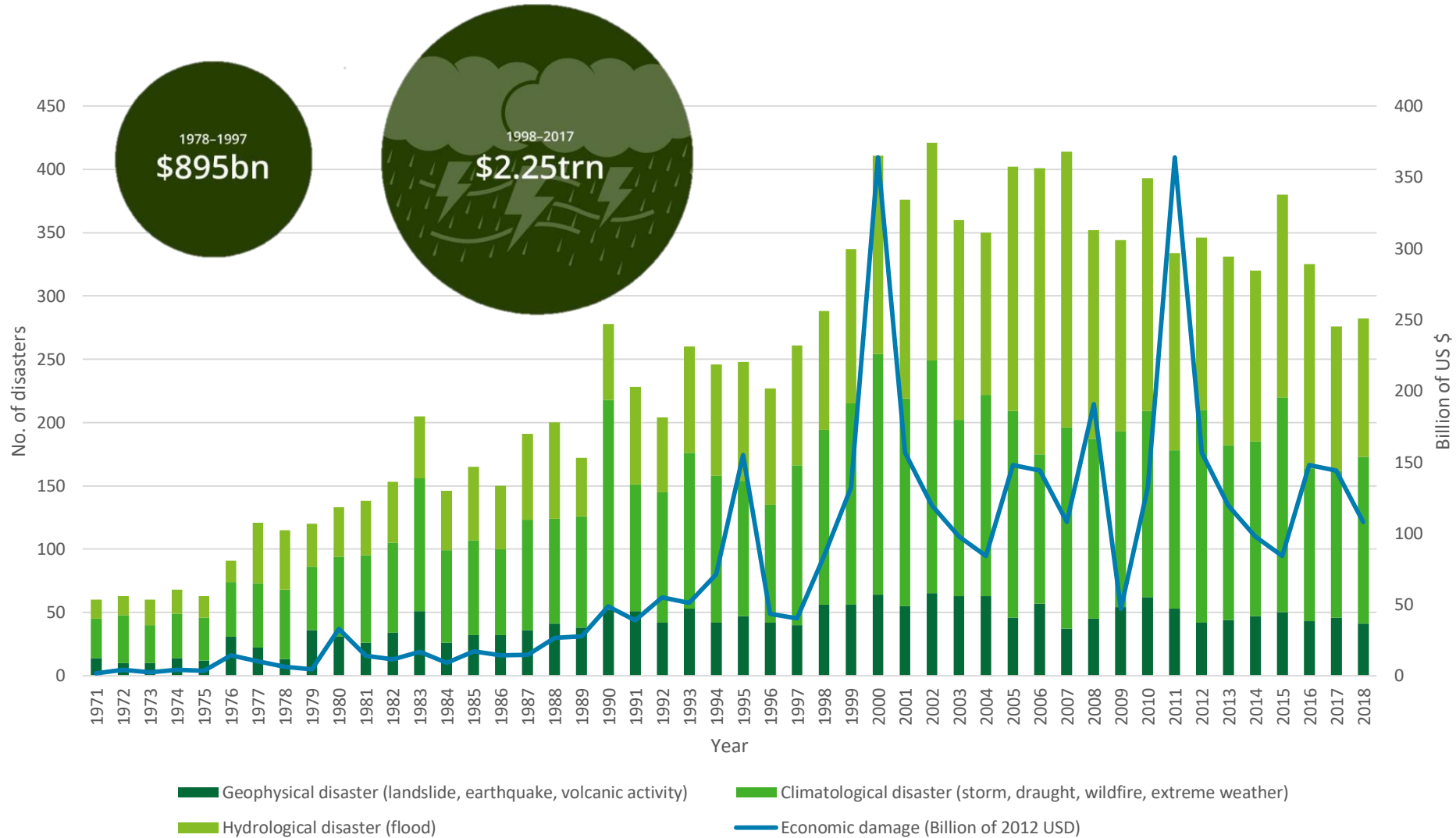


Kolkata, India & Dhaka, Bangladesh

Source: Climate Central (2019, used with permission), from: <https://coastal.climatecentral.org>
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The impact of the changing climate is evident

Increasing occurrence and scale of extreme weather events



Source: OFDA/CRED International Disaster Database
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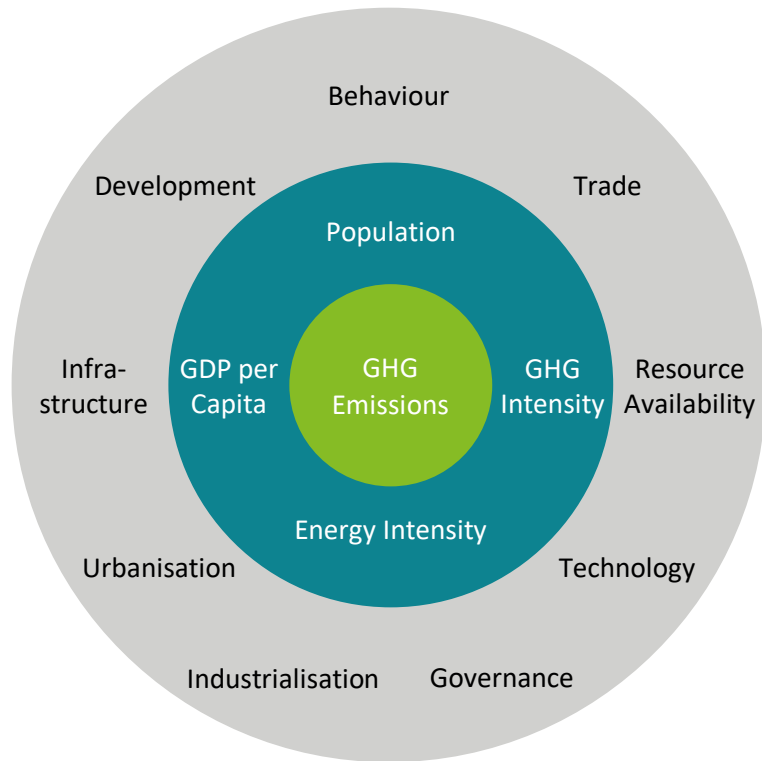


What caused the Climate Emergency

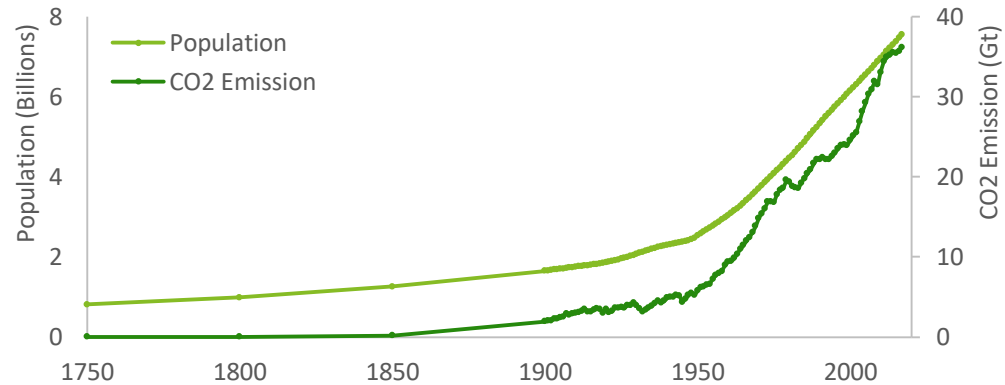
Human activities exacerbate the changes

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.

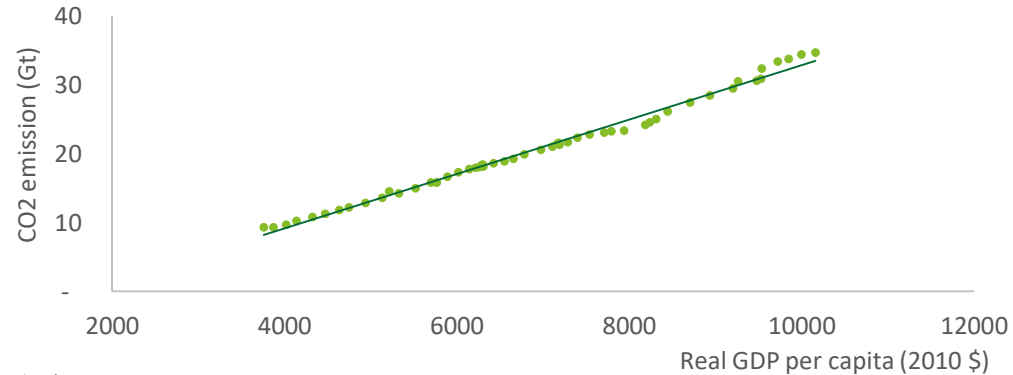
Drivers of Greenhouse Gas (GHG) emissions



Global population and CO2 emission (1750-2020)



CO2 locked to GDP since 1960



Why 1.5 / 2 degrees?

Foreseeable implications if the global temperatures continue to rise

If we achieve the Paris goals

Warming by 2100		<2 °C	
Physical impacts		1.5 °C	2 °C
	Sea-Level Rise (cm)	0.3-0.6 m	0.4-0.8 m
	Coastal assets to defend (\$tn)	\$10.2tn	\$11.7tn
	Chance of ice-free Arctic summer	1 in 30	1 in 6
	Tropical cyclones: Fewer (#cat 1-5)	-1%	-6%
	Stronger (# cat 4-5)	+24%*	+16%
	Wetter (total rain)	+6%	+12%
	Frequency of extreme rainfall	+17%	+36%
	Increase in wildfire extent	x1.4	x1.6
	People facing extreme heatwaves	x22	x27
	Land area hospitable to malaria	+12%	+18%

Evidence is emerging that extreme weather patterns may become more prolonged. Climate drag on global economy may mean less resources are available in due course to mitigate and adapt.

If we FAIL to achieve the Paris goals

Environmental	Potential Impacts	Human
<i>Indicative findings from selected research</i>		
	6°C	End of civilisation? www.cser.ac.uk
Mass extinction of >95% of species	5°	General social breakdown: survival
Global food productivity collapses		Large areas are uninhabitable
Majority of agricultural land lost	4°	Conflict / war: resource competition
Coasts eroded, flooded, aquifers saline		Many deaths from weather disasters
Widespread drought US, Africa, Med, India	3°	Global GDP materially reduced
Biosphere switches to net emitter of CO ₂		Repeated famines, mass migration
Loss of majority of Amazon rainforest	2°	Infectious diseases spread
c.20% loss of crop productivity		Widespread hunger and water stress
Ocean acid kills off base of marine food-webs	1°	Rising tensions over resources
Committed to full ice-cap melt (sea-level eventually up +100ft/31m @2m/century)		Impacts already felt by those in poverty
Glacier loss: S.Asia summer river flow -70%	0°	
Worse flood/wind/wildfire/droughts/heat		
Average 60% drop in animals & insects		



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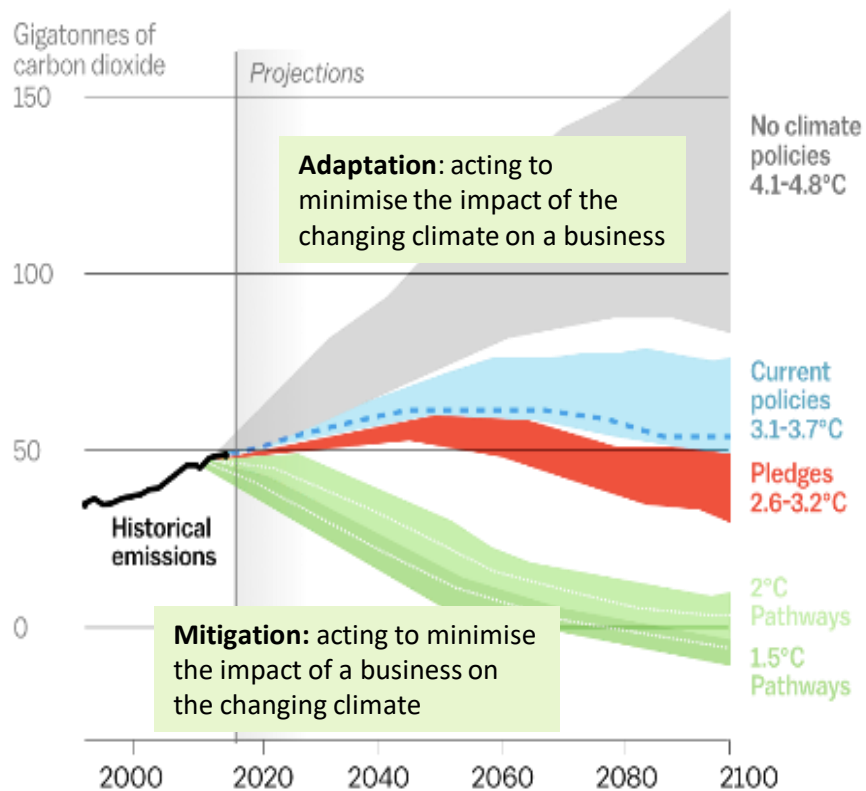


What is needed to address this material risk

Drastic, systematic changes are necessary to avoid catastrophic impacts

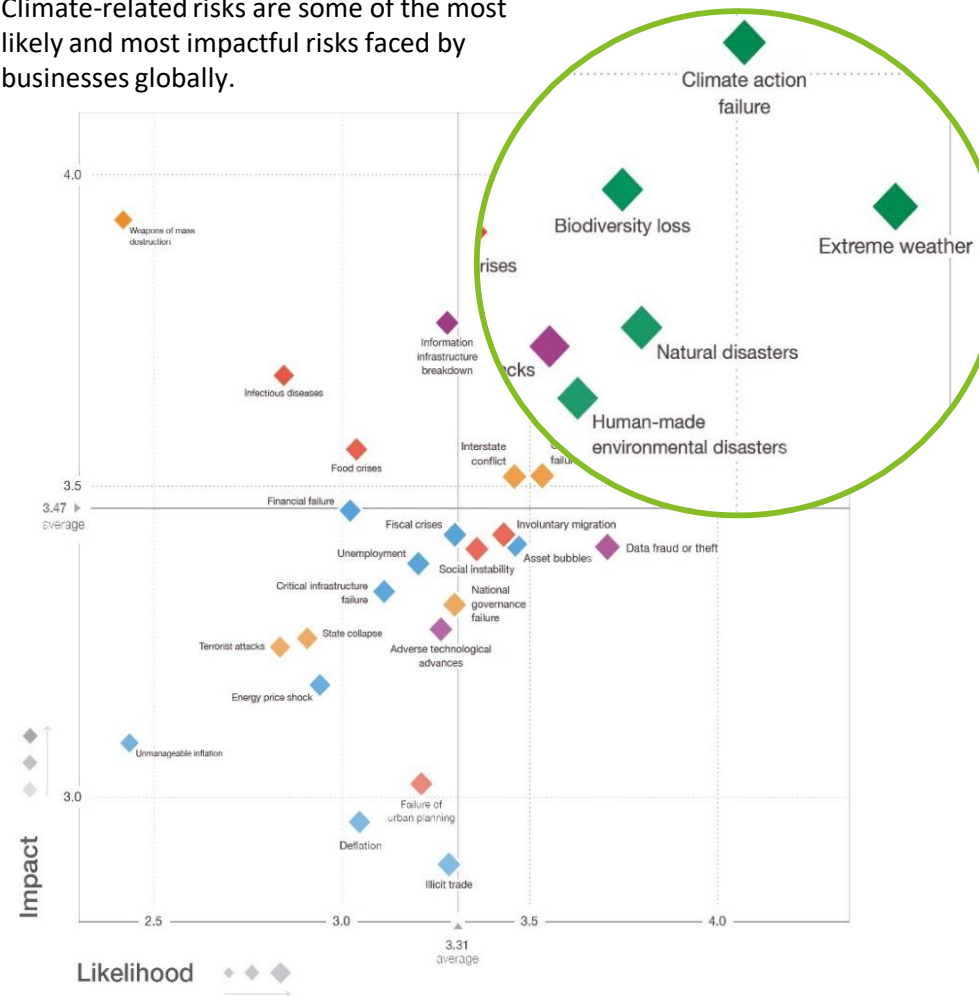
Pathways under current pledges and policies

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.



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.

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.

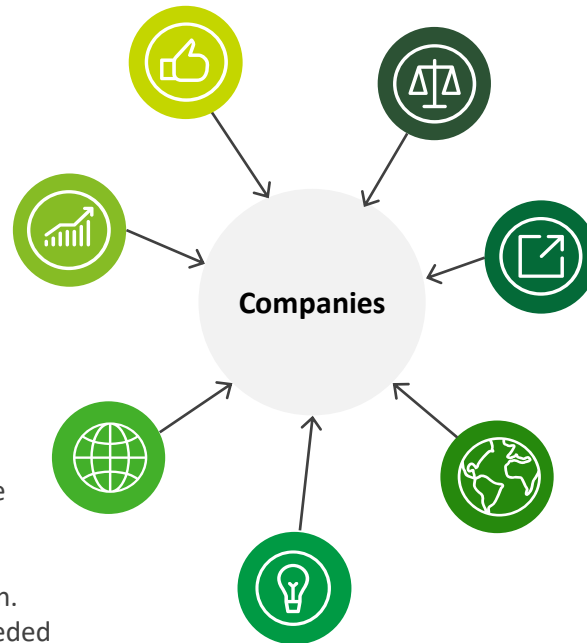
International organisations

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.

NGOs

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



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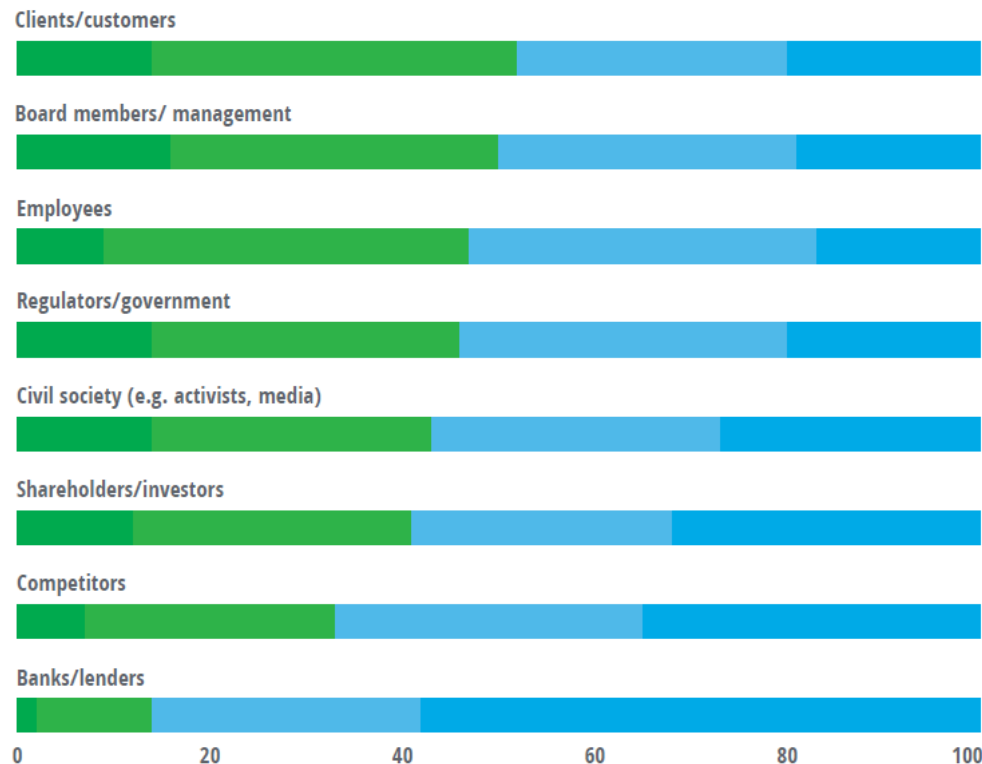
In Europe, a mixed picture calls for action

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

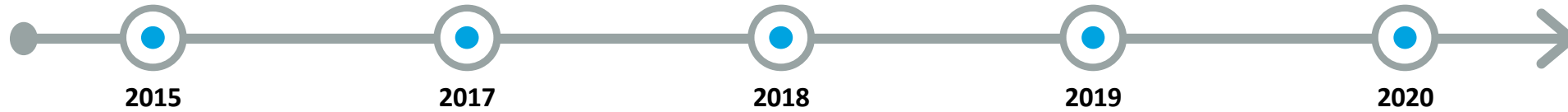


To what extent does your company feel pressure to act on climate change from the following stakeholders? (% to a moderate/large extent)



Momentum is building

Diverse stakeholders have joined climate activism



World leaders adopt **2030 Agenda for Sustainable Development** to address the UN's 17 SDGs.

Paris Agreement commits to limiting global temperature rise to below 2°C and striving for 1.5°C.

~900 companies and financial institutions responsible for assets of more than US\$25 tn commit support for the Task Force on Climate-Related Financial Disclosures (**TCFD**).

Launch of The Network of Central Banks and Supervisors for Greening the Financial System (**NGFS**), with the aim of mobilising mainstream finance to support the sustainability transition.

Greta Thunberg starts a school strike sparking a global movement in youth climate activism.

200 CEOs of the **Business Roundtable** agree to eliminate its principle that shareholder interests must be placed above all else.

European Banking Authority launches its Sustainable Finance Action Plan, which sets out its approach to integrate ESG considerations into its risk management policies.

United Nations-convened **Net-Zero Asset Owner Alliance** representing US\$2.4 trillion in AUM commit to transition their portfolios to become carbon-neutral by 2050.

Goldman Sachs pledges US\$750 billion by 2030 to accelerate climate transition and advance inclusive growth.

Principles for Responsible Investment (PRI) hits 500th signatory milestone. Now representing over US\$90 trillion commit to mainstream sustainable finance.

BlackRock CEO Larry Fink publishes letter to CEOs signaling the fundamental reshaping of finance.

Amazon CEO Jeff Bezos commits US\$10 billion to address climate change.

Google announces that it intends to run on carbon-free energy everywhere, at all times by 2030.



“Attracting and retaining the best talent increasingly requires a clear expression of purpose... In a recent survey by Deloitte, millennial workers were asked what the primary purpose of businesses should be – 63 percent more of them said ‘improving society’ than said ‘generating profit.’”

Blackrock Chairman and CEO, Larry Fink, Letter to CEOs



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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



	TCFD	PRI	Climate Action 100+	RE 100
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



Strategic transformation

Current trends among market leaders

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



Q&A

We welcome your questions



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Contact Information



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priorities

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