

## **Keynote Address at the ICSAN 2021 COMPANY SECRETARIES AND REGISTRAR'S FORUM**

**Theme: Sustainability and the Future of Green Economy: A Governance Perspective**

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**Venue: Civic Centre, Plot GA 1, Ozumba Mbadiwe Ave., Victoria Island, Lagos.**

**Time: 10:00 am**

Ladies and gentlemen. It gives me great pleasure to be with you this morning at the ICSAN 2022 Company Secretaries and Registrar's Forum. May I extend a very warm welcome to all participants in the forum.

My name is Rukaiya el-Rufai. I am a Partner at PwC and lead the Sustainability and Climate Change Practice. I am here with you today to deliver a keynote address on sustainability and the future of green economy: A governance perspective.

Let me start by saying, the era of what scientists call the Holocene created a stable planet that enabled mankind build civilizations and achieve accelerated economic growth and development. In achieving the rapid growth, economies passed through various revolutions, including the agricultural revolution, mechanical revolution, digital revolution and now the ongoing revolution that is being referred to as Industry 4.0.

We built economies based on linear unsustainable models that was backed by shareholder capitalism which has created negative externalities economically, socially, and environmentally. A linear economy is often founded on 'take-make-dispose' mode such that the process of transforming raw materials into finished goods for consumption is fraught with waste accumulation. This model does not consider the impact of economic activities on people, our societies, the planet and generally the needs of a diverse set of stakeholders. With this model, we can certainly claim that the world progressed but with unwanted outcomes and consequences of a polarized, unequal world that is in crisis with nature because of our one-sided focus on economic gains by governments and profits by corporates.

To emphasize on the dangers of linear economic models and focus on economic gains, I would draw on a famous quote by Dr Guy McPherson as follows:

"If you really think that the environment is less important than the economy, try holding your breath while you count your money."

This quote, profound as it is, highlights that we cannot continue on an unsustainable path for long to survive on our planet. The quote cannot overstate the value of breaking down our siloed economical thinking to create shared prosperity that leaves no one behind while at the same time enabling mankind to maintain harmony with nature and live on a stable planet.

Ladies and gentlemen, we are indeed in challenging times with many issues that leave world and business leaders with multi-faceted dilemmas to address.

The challenges were compounded by the COVID-19 pandemic that exasperated some economic, societal, and structural vulnerabilities. One can say that the pandemic presented a moment of truth which tested the preparedness and resilience of governments, businesses, and individuals in dealing with crisis.

As a result of the socio-economic deterioration experienced, the world mobilized scientists and ignited the race towards vaccine discovery with many efforts and resources poured into this cause. These concerted efforts led to the groundbreaking success of the vaccine and economies sought to recover by taking advantage of a green reset that ensures a stable transition to green economies that addresses the climate crisis and achieve more inclusive and sustainable models. The reset made the green economic revolution more prominent with many countries and corporates pledging to transition and embark on sustainable pathways to growth and recovery.

What really does sustainability mean, as it is a discipline that is often misunderstood and assumed to be a minor part of what it really is. Simply put, sustainability is about creating long term value that is shared among a diverse set of stakeholders. Sustainability is neither about running CSR projects, recycling nor climate change only. Sustainability is much more encompassing and is about the following:

- building resilience and future proofing businesses and our economies
- achieving inclusion through active stakeholder engagement and integration
- creating balance through ensuring optimal performance, impact, and value creation across the triple bottom line areas of people, planet, and prosperity and very importantly the cross-cutting area of governance.
- But more importantly, it is about integrating EESG factors into everything we do, from strategy, through to execution and reporting to stakeholders.

Indeed, if sustainability is adopted correctly, then organizations can achieve competitive advantage, strategic differentiation and create value, including building new products and services, access to new markets and generally being more enduring.

On a more macro level, sustainability can enable economies that are built to accommodate the needs of our environment, ensure inclusion, and build resilience in a manner that addresses and sustains all our vulnerabilities including climate change, societal tensions, poor governance, unemployment, to mention a few.

How then should sustainability be correctly practiced such that organizations are able to achieve the mentioned benefits? Nine (9) imperatives should be considered when integrating sustainability in an organization, as follows:

1. Have a clear purpose that defines the ambition, personality, character, and values of the organisation
2. Develop a strategic blueprint that addresses the relevant and material EESG topics of the organisation
3. Create value and optimise impact (shared and long term) across the EESG areas
4. Deploy a harmonised and integrated performance management systems
5. Embed sustainability in the organisation's governance systems from the Board level to Units and Departments that own the performance management systems
6. Integrate ESG risk management in the organisations ERM
7. Invests in innovation and R&D
8. Engage and manage stakeholders
9. Communicate priorities and performance to stakeholders

Now let me move on to specifically talk about the front-burning sustainability topic of our time - climate change. Climate change is one of the greatest challenges faced by the world as it poses an existential threat that scientists have warned that could have irreversible damages if not tackled within this decade. The warning signals emphasizes the need to move from code red to code green where climate pledges are turned into action to successfully limit global warming to 1.5 degrees against preindustrial levels. Before and after The Conference of Parties 26 (COP26) held last year, the world witnessed many governments and corporates making climate pledges to be net zero at a set timeline.

These pledges created a 'green movement' that is causing disruptions and creating emergent issues to many sectors of the global economy, including energy on clean energy and energy transition, finance on green and sustainable finance. Further, the movement is enabling and boosting the development of some new areas, such as climate tech and renewable energy.

For Africa in particular, the dilemma faced on climate change is on the just transition with the hope that we can create Africa-led solutions that address our peculiar challenges, so we are able to grow our fragile and nascent economies and develop our vulnerable societies with low carbon intensity.

In sustainability, the importance of governance and culture cannot be oversized as you know what the saying goes, "culture eats strategy for breakfast" by the world-renowned strategist, Peter Drucker. To achieve true sustainability and the gains of the future of green growth, we must build robust governance systems and grow a culture of sustainable practices in where we live, work, and do business.

But what does the future of green growth look like? It is one with the following:

- Non-financial areas of ESG will become as important as the financial area which will be harmonised in accounting and performance systems of economies and corporates. ESG data will be as important as other areas.

- Climate innovations and tech will revolutionise the world. It will disrupt travel/mobility, how we work, how we live, what we eat, finance, production systems, energy, etc.
- Incentives to keep global warming within the 1.5 degrees against pre-industrial levels will become more prominent. A cost will be placed on carbon which will boost carbon tax, carbon credit, circular models, eco-friendly products and services, etc.
- ESG will be a key driver in cost and access to finance - green/sustainable finance, cost of capital, insurance premiums

Ladies and gentlemen, the future is now, we must be change agents as there are immense benefits in the establishment of green economy economies and benefits.

A green economy can help reduce poverty by availing opportunities amongst poor people by increasing their access to clean and safe environment; promote human security by preventing and addressing conflicts over access to land, water, food, and other natural resources.

We can also promote increased power and voice amongst the poor through strengthening their rights to a safe and clean environment, functioning ecosystems, food and health; and we can also enhance the quality and quantity of natural resources by reducing pollution and other environment-related risks and vulnerabilities.

At the macroeconomic level, a green economy complements sustainable development by creating a new focus on the economy, capital and infrastructure, investments, employment and skills, etc., all for positive social and environmental outcomes.

In the area of job creation, green jobs around the world have proven to be of tremendous positive effect on the global economy. The International Labor Organisation (ILO) has warned that if nothing changes, the growth in future employment will be insufficient in meeting growth in the workforce especially in emerging and developing economies such as Nigeria. On the other hand, the ILO noted that with changes in production and use of energy to achieve the 2 degrees Centigrade target may lead to the creation of around 18 million jobs globally.

A notable side of these changes is that it complies with the Paris Agreement that underpins the need for a more extensive use of energy from renewable sources, growth of electric vehicles, and conducting construction works to achieve energy efficiency in buildings.

Overall, green jobs are decent jobs that contribute to restore and preserve the environment, whether in traditional sectors such as manufacturing and construction or in new and emerging green sectors such as renewable energy and energy efficiency.

As much as we discuss the green economy being a promising path to the future that we desire, it behooves on us to always keep the future of the green economy in mind. We can keep going green by taking measures to continue being environmentally conscious across individual, organizational, and national decisions. Governments should not hesitate to measure the degree

to which their economies are turning toward a lower carbon future as the society invests in renewables, innovation, and green finance.

Thank you very much for your attention. It is a pleasure to be here.