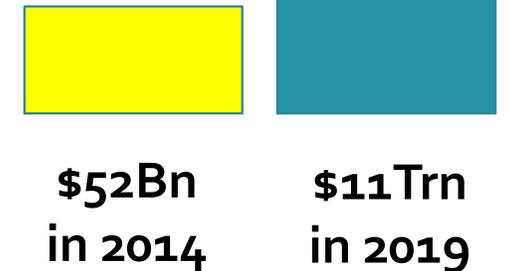


Sustainability & the Future of the Green Economy A Governance Perspective

Omawumi Kola-Lawal, PhD.

“Investors with significant money in environmentally degrading activities are facing a massive risk. The logic is this: as the world migrates away from carbon-based fuels, the assets sitting on the books of energy companies — will become “stranded” or worthless.”

Sources (Harvard Business Review, International Energy Agency, Banks like HSBC International)



Group of US investors who agreed to divest from fossil fuel investments from 2014

What is the
World saying?

“Climate change is an issue that many of our 40 million customers care deeply about, particularly in our retail and private banking businesses”

HSBC CEO, Noel Quinn

“Climate is the top issue on the political agenda of our time”

EIB President, Werner Hoyer

“It’s not the firm pushing something top-down, sustainability is now percolating within the businesses.”

CitiBank CEO, Mike Corbat

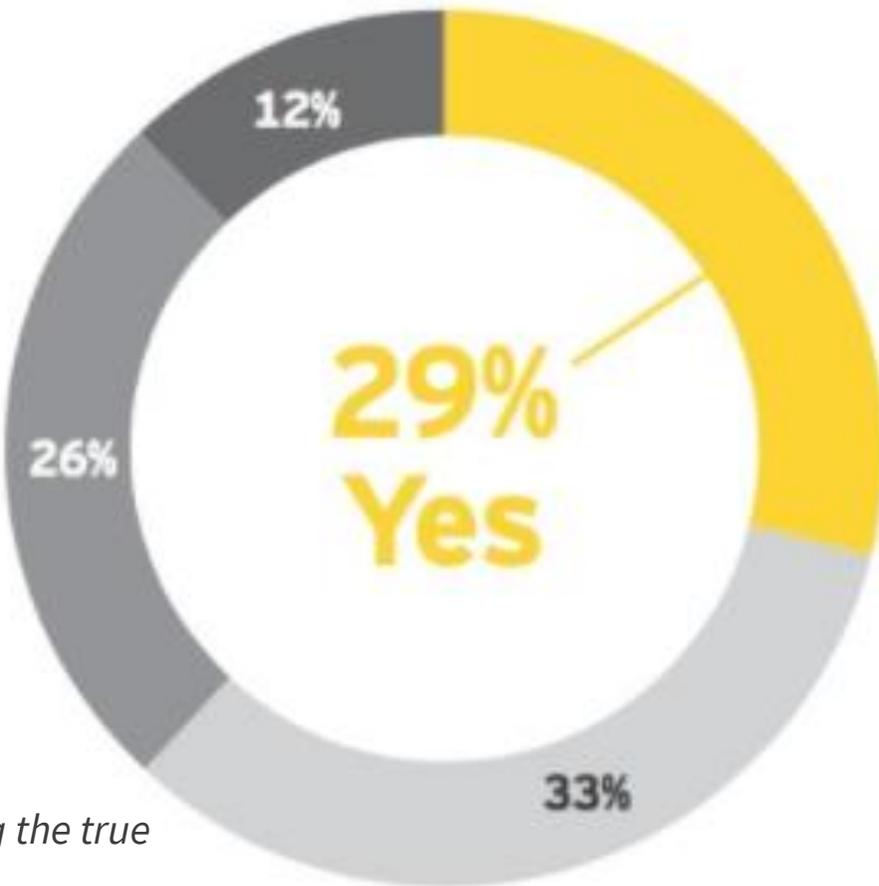
“A company's ability to manage ESG demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process”

Blackrock CEO, Larry Fink

Stranded assets remain a concern for a majority of investors

In the last 12 months, has your fund decreased its holdings of a company's shares due to the risk of stranded assets (e.g., due to changes in regulation, social expectations, disruptive technology or environmental conditions)?

- Yes
- No, but we are likely to monitor this closely in the future
- No
- Don't know



- Ernst & Young 2020 Survey for its 'Is your nonfinancial performance revealing the true value of your business to investors?' Report
- Respondents were part of the global investment community and included 320 participants, of which one-third have over \$10 billion under management.

Why is all this happening?

Simple answer...

SUSTAINABILITY.

A Brief History and Context of Sustainability

- How did the word Sustainability emerge?
- The 1987 Brundtland Report of the World Commission on Environment and Development, investigated numerous concerns raised in previous decades; that human activity was having severe and negative impacts on the planet, and that patterns of growth and development would be unsustainable if continued unchecked.
- The Report included the 'classic' definition of sustainable development: *"development which meets the needs of the present without compromising the ability of future generations to meet their own needs"*.

United Nations



Report of the World Commission on Environment and Development

Our Common Future



United Nations
1987

A Brief History and Context of Sustainability (cont.)

- The concept of sustainable development formed the basis of the United Nations Conference on Environment and Development in Rio de Janeiro in 1992 (the Earth Summit).
- First international attempt to draw up action plans for moving towards more sustainable pattern of development.
- Attended by over 100 Heads of State and representatives from 178 national governments



Sustainability

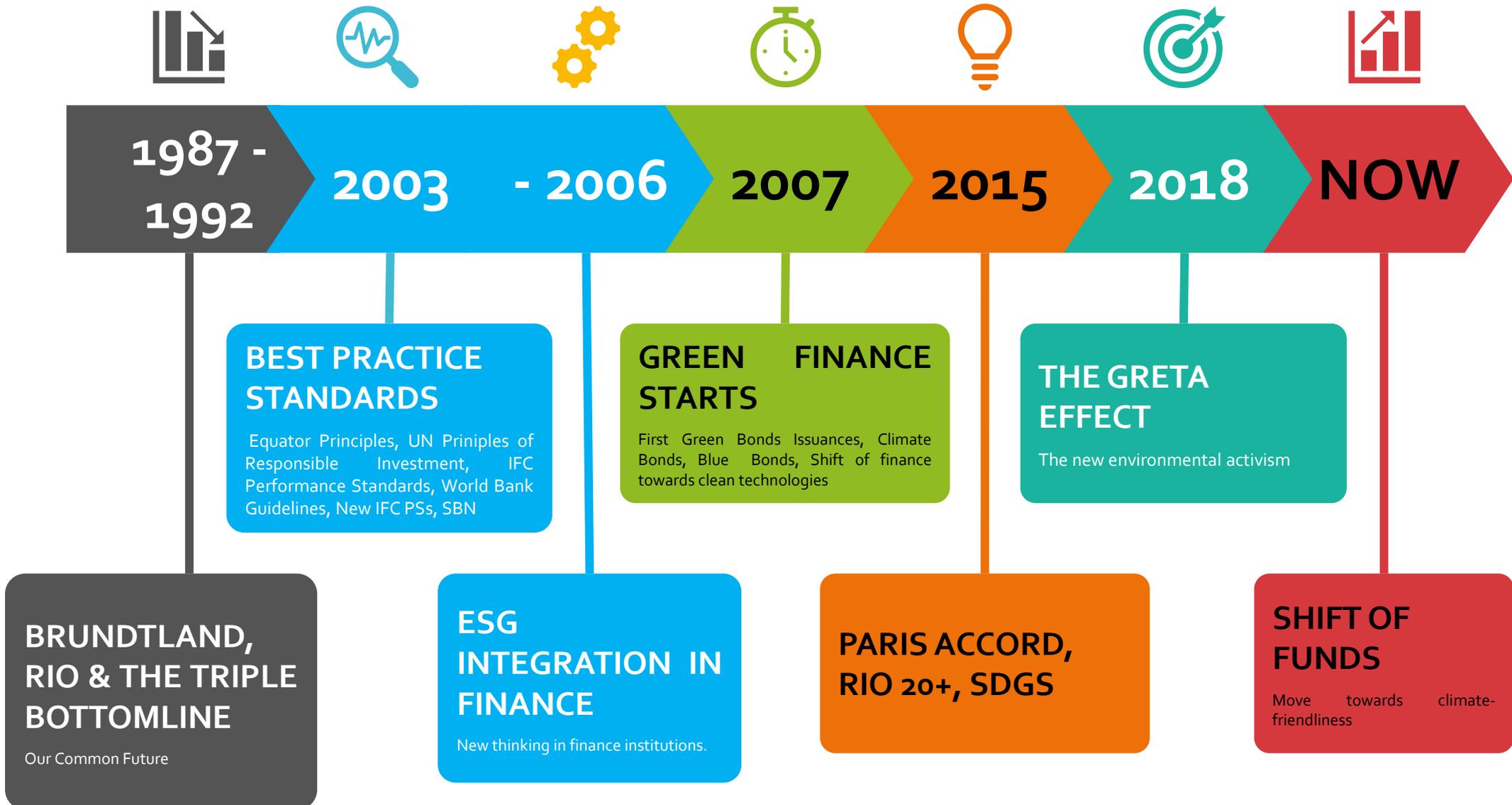


The Triple Bottom Line



- A sustainability framework, coined in 1994, which expands on the traditional accounting framework;
- Propagates the incorporation of social and environmental considerations (and not just economic/financial) in organizational management;

Global Progress in Sustainability



Sustainability and the term 'ESG'



- Environmental, Social and Governance. Often used interchangeably with 'Sustainability', especially in Finance
- Synonymous with integrating TBL thinking into finance
- 'Social' relates to responsibility to employees, communities and society
- 'Governance' relates to bribery and corruption control, board control, tax, executive remuneration, shareholders' voting possibilities and internal control.

Key Elements of Sustainable Development

1



CLIMATE
CHANGE
MITIGATION
AND
ADAPTATION

2



NATURAL
RESOURCE USE
(REDUCTION,
REUSE AND
RECYCLING)

3



POWER
GENERATION
& CONSERVATION

4



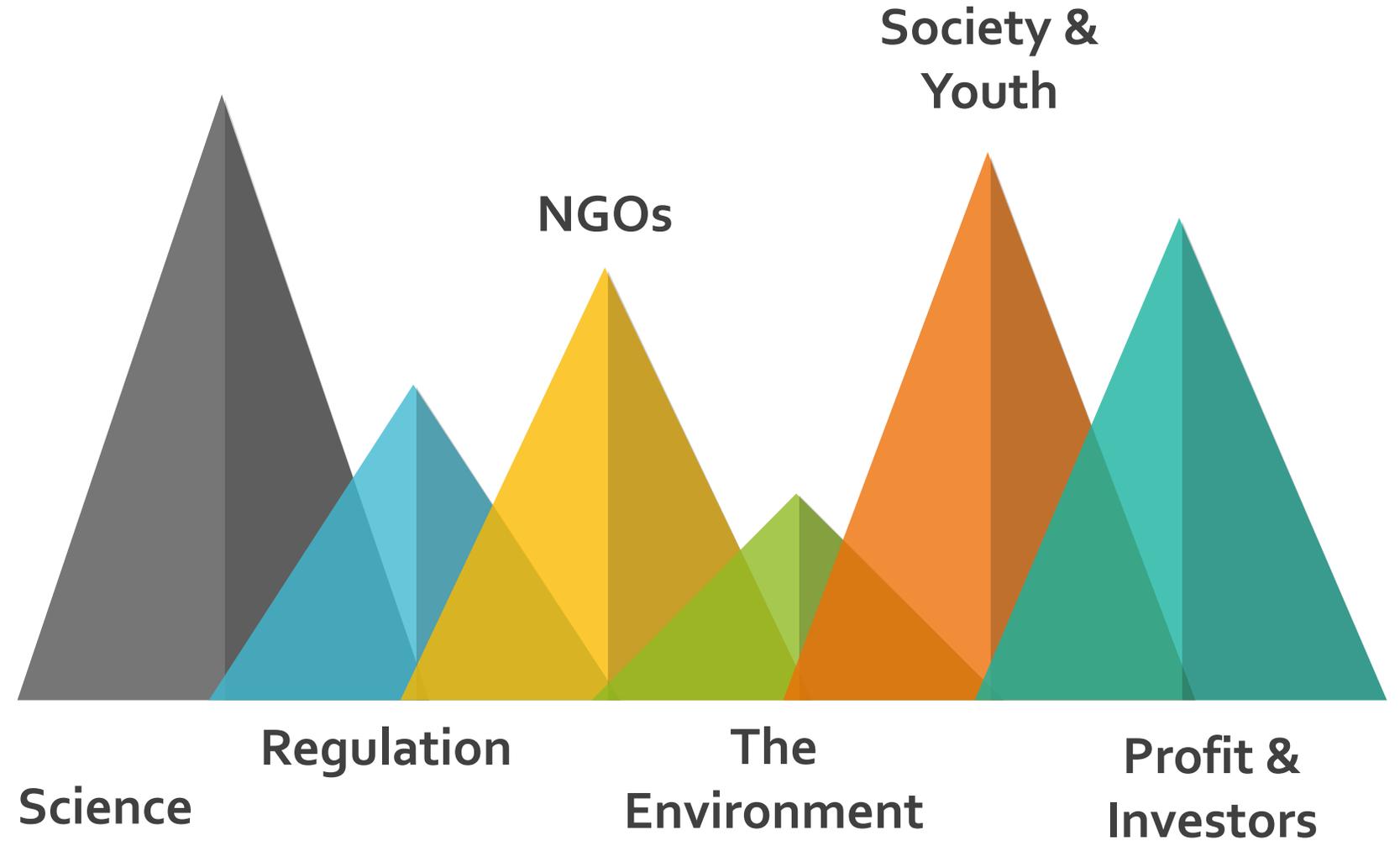
ENVIRONMENTAL
CONSERVATION

5



ENERGY SHIFT
TOWARDS
RENEWABLE
SOURCES

What are the
Global Drivers
for
Sustainability?



The Sustainability Shift of Funds

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This article is more than 11 months old

European Investment Bank to phase out fossil fuel financing

EU's lending arm to become first 'climate bank' by ending financing of oil, gas and coal projects after 2021



Why should Business Embed Sustainability?

Unlocking Competitive Value

Proactive and integrated ESG policies can widen the competitive moat relative to other industry players. Starbucks experiences exponential China growth through ESG strategy.

Profit & Efficiencies

Entire successful business models are centred around the principle of sustainability. L'oreal acquires Body Shop.

Brand Improvement



Increasing Stock Liquidity

Total US-domiciled investments using sustainable, responsible and impact strategies showed a 14-fold increase between 1995 and 2014.

Staff & Talent Attraction and Retention

Millennials are on the look-out and are becoming increasingly important

Activism-immunity

How is sustainability being incorporated into business?

Non-Finance

- Apple massive U.S. data centers now LEED certified. Over 93% of its energy is from renewables;
- Tech giants (Facebook, Google) now using more renewable energy sources to power facilities;
- Swedish furniture giant IKEA profits by recycling waste into best-selling products. Company on way to “zero waste to landfill” worldwide;

How is sustainability being incorporated into business?

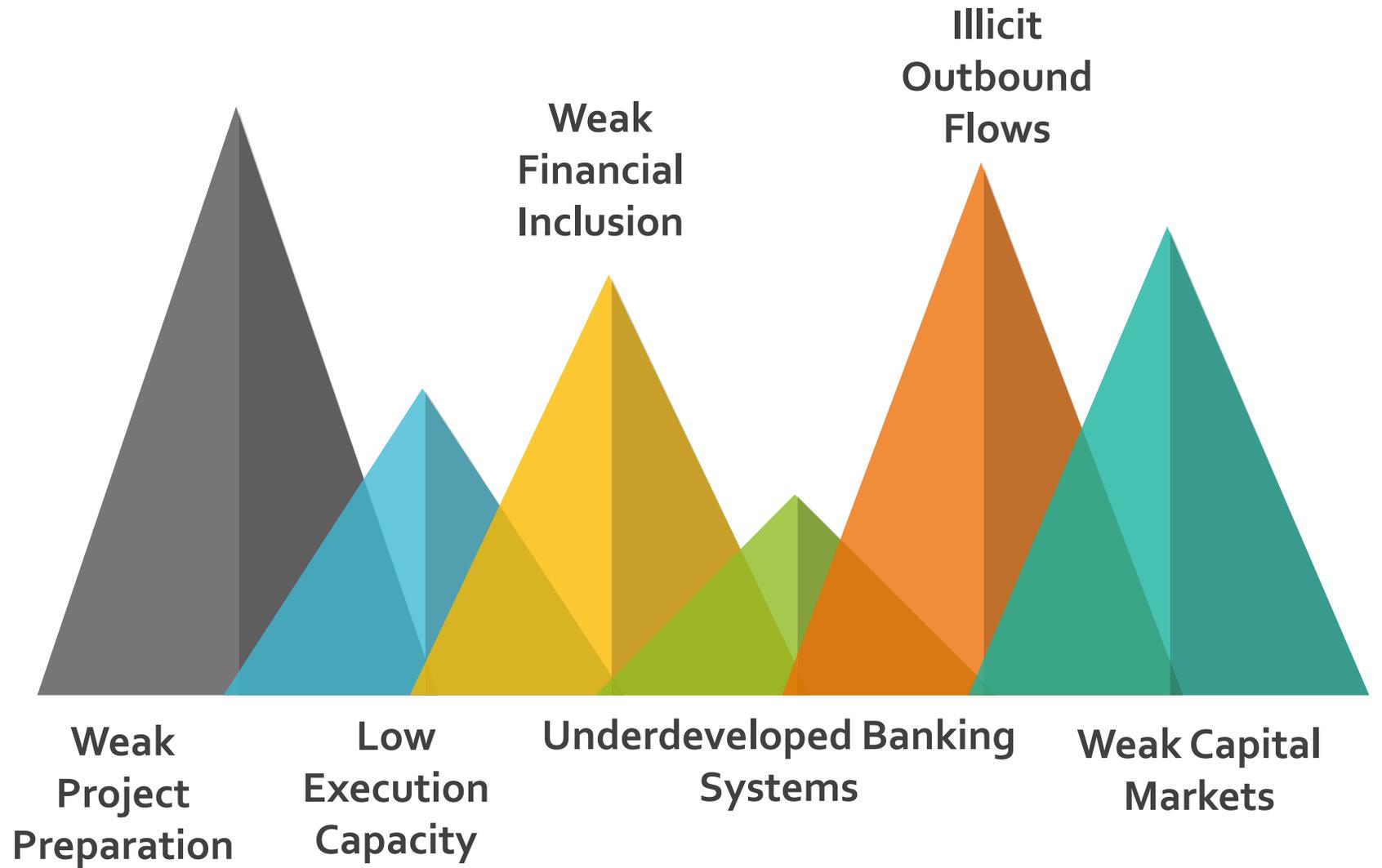
Finance Sector

- **Pensions** - Pensions funds perceiving climate change risks to their investments increased from 14 - 54% bw 2019 and 2020. Most pensions schemes now report awareness of risks related to broader ESG practices
- **Asset Management** - amount of professionally managed portfolios integrating key elements of ESG exceeds USD 17.5 trillion globally (source: GSIA)
- **European Investment Bank** has agreed to phase out its multibillion-euro financing for fossil fuels within the next two years to become the world's first "climate bank"
- **Financial Conduct Authority** - new legal requirements for pension scheme trustees (with > 100 members) to update investment principles to set out policy on how financially material factors, including ESG considerations, are taken into account in investment decision making

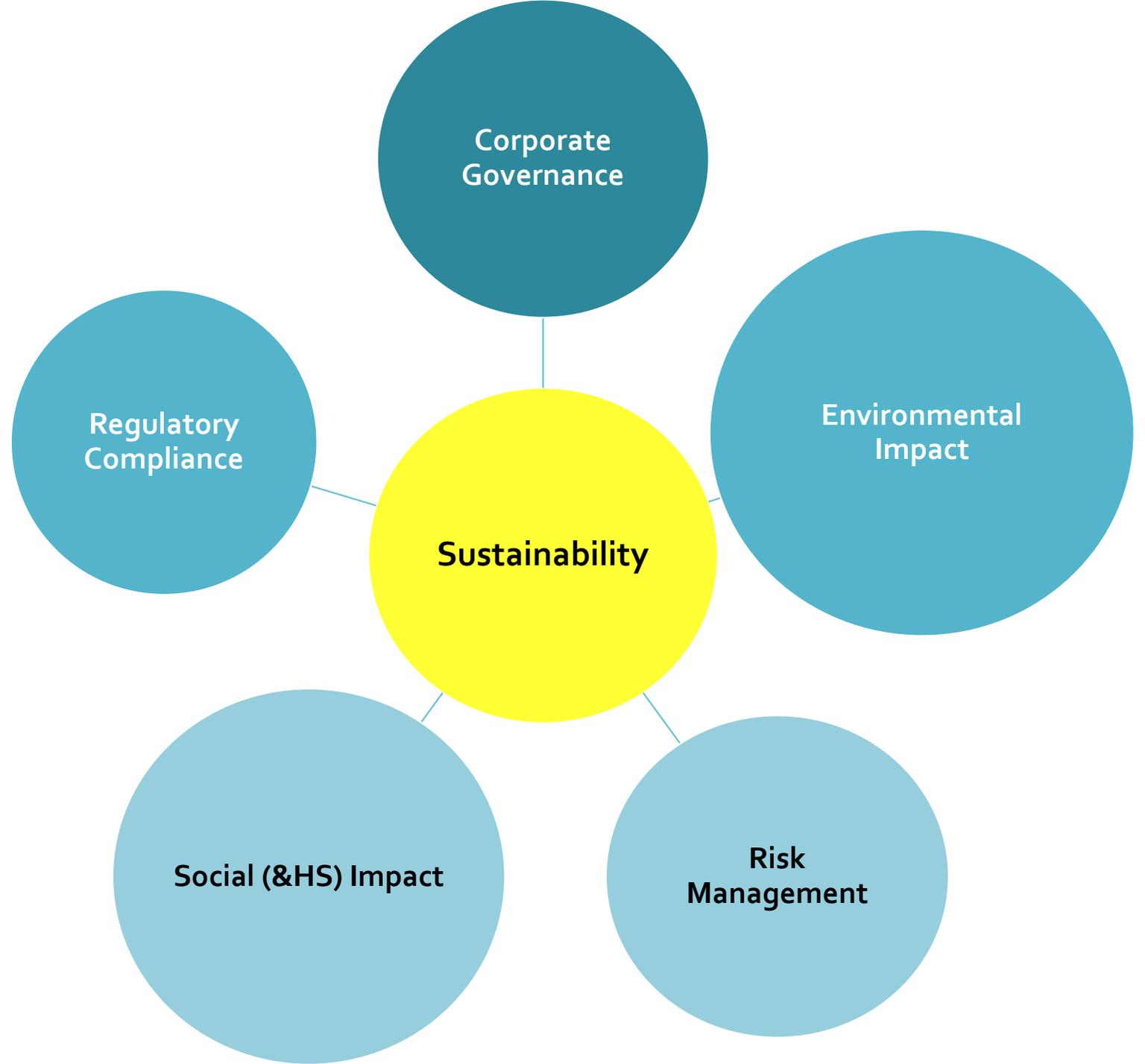
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Blackrock CEO, Larry Fink

What is the relationship between Governance and Sustainability?



Sustainability: Key Considerations for Business



What should Companies be doing?

Improve governance/
management
commitment to
sustainability

Develop an overarching
philosophy and identity
using key
considerations

Identify appropriate
ESG criteria and
metrics relevant to
industry sector

Determine resource
needs

Build systems

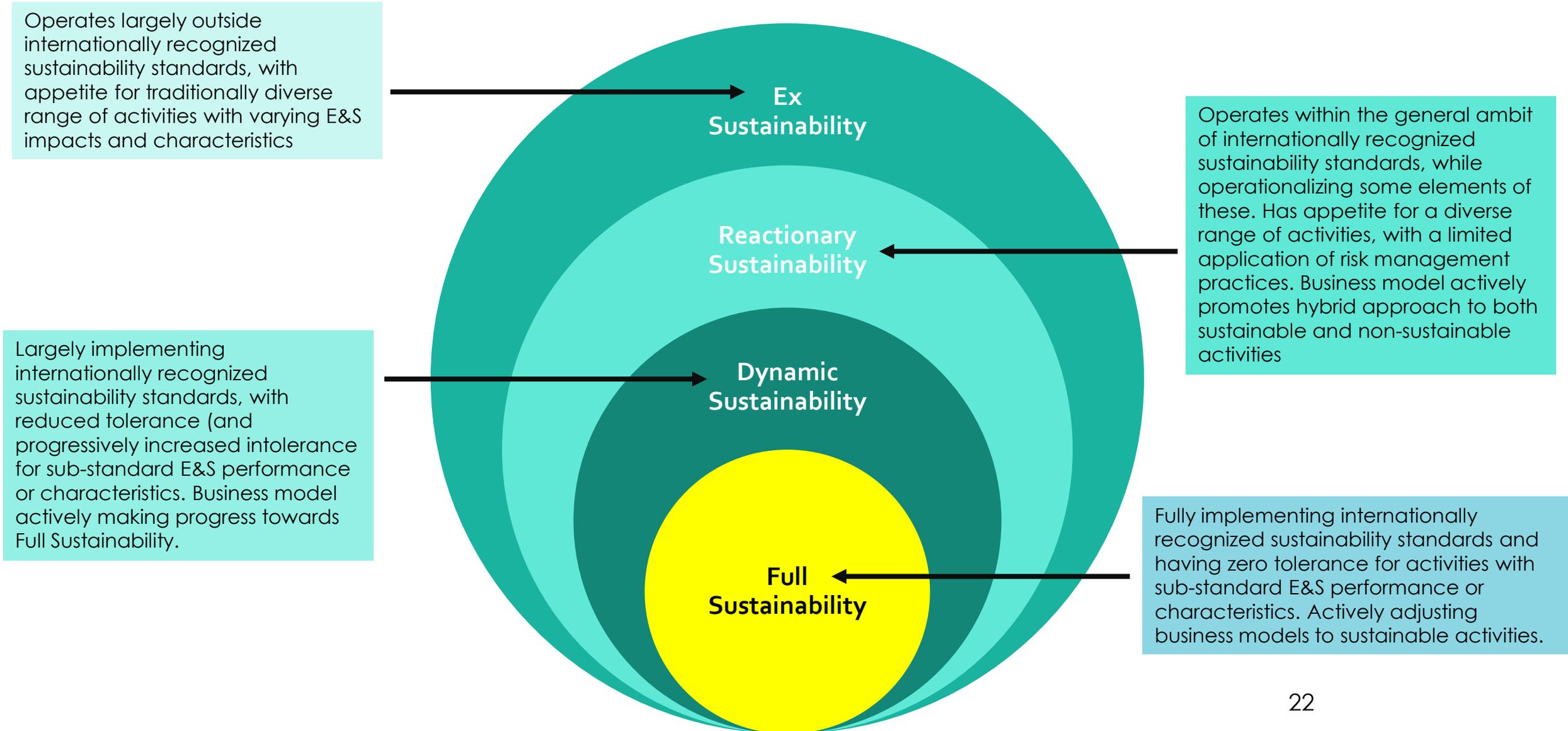
Benchmark

Pursue inclusion

Influence company's
sphere – Regulators,
Partners, Competition,
Customers, Employees

Tell the company story
through external
reporting

Annex 1 - The Sustainability Spectrum



Annex 2:

Global Sustainability Shift in Power Generation

CHINA
By far the largest amount of Solar PV and Wind capacity worldwide. Committed to generating 35% of electricity from renewables by 2030

MOROCCO
World's largest concentrated solar plant earth nearing completion. To generate 50% of country's electricity.

USA
5th place in installed solar PV capacity global rankings. 2nd highest installed wind energy capacity globally China.

KENYA
50% of all energy from Geothermal sources

GERMANY
In 2018, produced enough electricity to power every household for 1 year. Targets 65% of electricity from renewables by 2030.

COSTA RICA
95% of electricity from hydro, geothermal, solar and wind over the past four years

SCOTLAND
98% of electricity needs generated from wind

SWEDEN
To eliminate fossil fuels from electricity generation by 2040

DENMARK
Over 43% of electricity consumption from wind, highest percentage of wind power ever achieved worldwide. Aims to be 100% fossil-free by 2050

URUGUAY
Now almost 100% powered by renewables after less than 10 years of concerted effort

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Boris Johnson: Wind farms could power every home by 2030

6 October



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Thank you for listening