

Integrating SDGs and Climate Change into business management and reporting

The IIRC's Global Conference
May 2019



Workshop: Integrating SDGs and climate change into business management and reporting

What we'll be discussing today

1

Why we should consider SDGs and climate change as critical for business management and reporting

2

Where to embed SDGs and climate change into existing business processes

3

How integrated thinking works in practice and lessons learned

Introducing our panel



Louise Scott

Global Sustainable
Development Goals Leader

PwC



Rachel McEwen

Director of Sustainability
**Scottish and Southern
Electricity Networks (SSE)**



Manjula Chummun

Head of Finance,
Sustainability

Tesco PLC



Marie Morice

Senior Advisor on
Sustainable Finance

UN Global Compact

The greatest challenges of our time

Sustainable development and climate change



The greatest challenges of our time

Sustainable development and climate change



The SDGs: a globally agreed framework for sustainable development

193

governments agreed to deliver 17 global goals tackling major world issues by 2030

SUSTAINABLE DEVELOPMENT GOALS



Why is it important for the SDGs to become an integral part of business management & reporting?

Purpose

A world strategy

Business has a responsibility to act, not just act responsibly

Why is it important for climate change to become an integral part of business management & reporting?

Climate change creates a unique risk for businesses to manage

**The risk is
systemic**

**The likelihood
of impact is
certain**

**Our ability to
manage the risk
is timebound**

Taskforce on Climate Related Financial Disclosures

TCFD recognises the materiality of this risk. Its recommendations provide a framework for action that is driving response across all industries.

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

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

Strategy

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

Risk Management

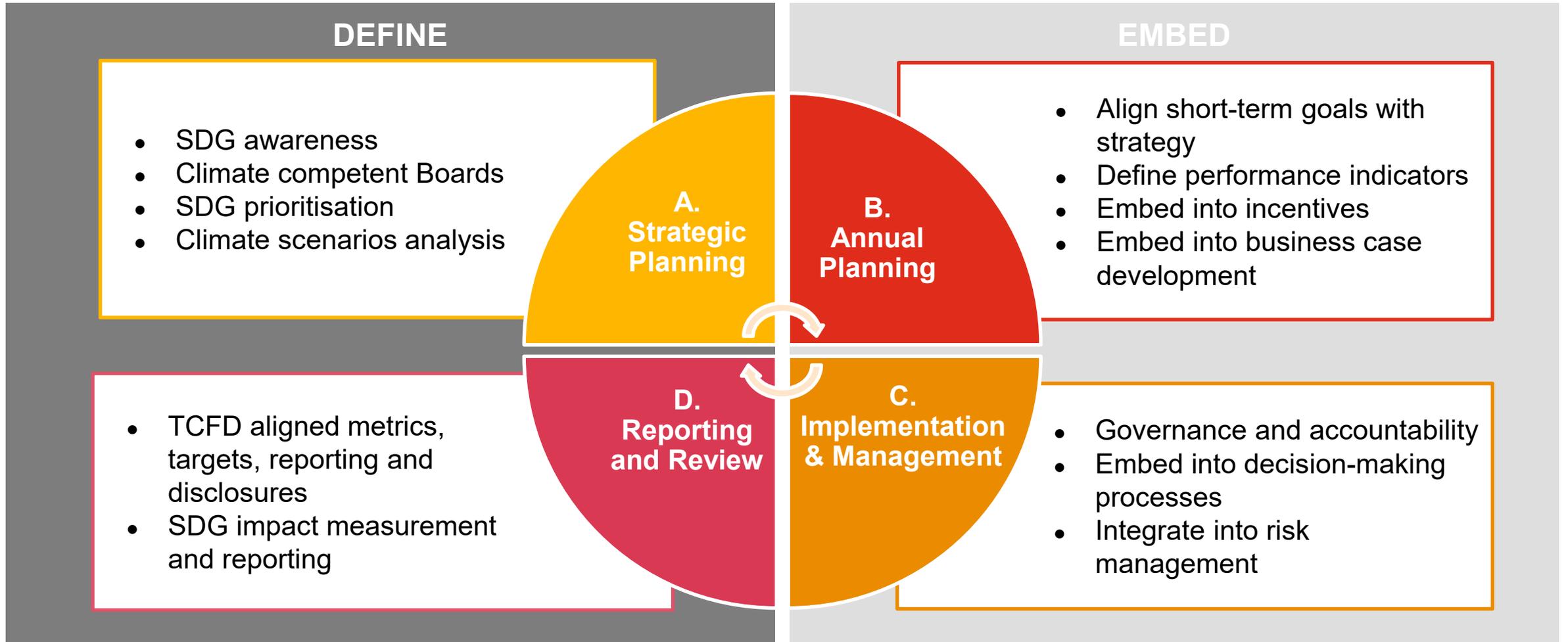
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

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

Embed SDGs and climate risk into business management

Where and how to embed SDGs and climate risk into business processes





Marie Morice

Senior Advisor on Sustainable Finance

UN Global Compact

Inspiring global alignment through value creation
The IIRC's Global Conference 2019



SDG and Climate Change Integration

Marie Morice
Head of Sustainable Finance
United Nations Global Compact

The world in 1999

A HUMAN FACE TO THE GLOBAL MARKET

I propose that you, the business leaders... and we, the United Nations, initiate a global compact of shared values and principles, which will give a human face to the global market.

Kofi Annan, UN Secretary-General (1997–2006)



United Nations
Global Compact

DRIVING IMPACT

through UNGC Local Networks

1,500+

awareness raising and capacity building workshops and events aimed at engaging at least

14,000

companies and close to

4,000

companies in public-private partnerships

205

policy dialogue initiatives involving over

6,000

companies in policy discussions with local government

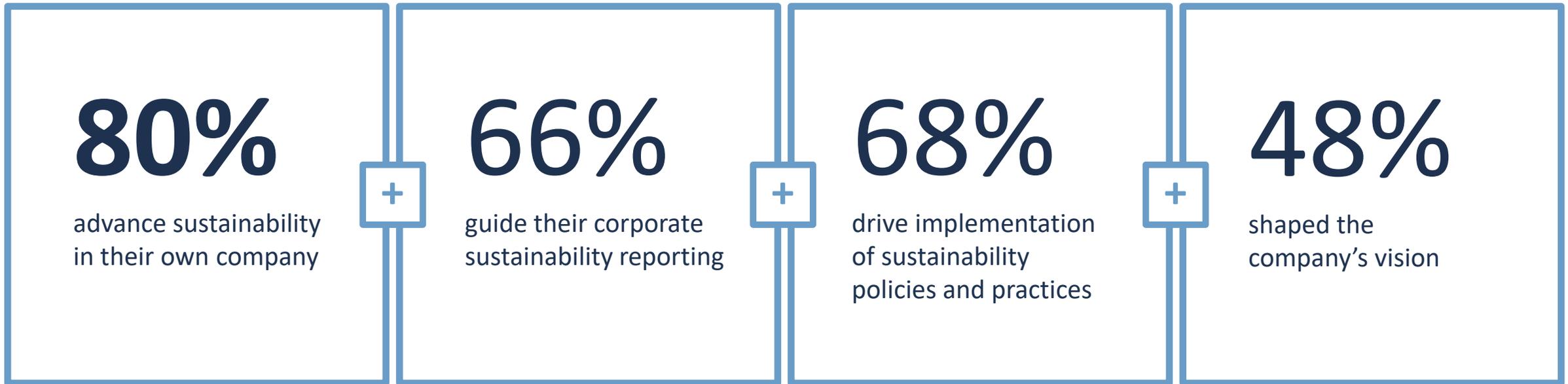
70

LOCAL NETWORKS

Global Compact Local Networks:
Accelerating National SDG Implementation
2018 Edition



PARTICIPATING COMPANIES SAY the UN Global Compact has helped:



HIGHER MARGINS, MARKET VALUATION, CREDITWORTHINESS

Companies participating in the UN Global Compact have Higher ESG Scores than non-participating companies. **Higher ESG scores lead to:**

Up to
12.4%
higher margin
premiums

Up to
19%
higher market
valuation
premiums

**Positively
impact**
creditworthiness
in the long term

Source: Boston Consulting Group (2017) and JP Morgan Chase

UN GLOBAL COMPACT COMPANIES OUTPERFORM THEIR PEERS

Higher ESG
scores

Stronger
financial
performance

Improved
corporate
governance

ARABESQUE & UNIVERSITY OF OXFORD META-ANALYSIS OF 200 ACADEMIC STUDIES

- Lower cost of capital (90%)
- Better operational performance (88%)
- Better stock price performance (80%)

GC Score

(0–100): a normative assessment of each company based on the Ten Principles of the UN Global Compact

ESG Score

(0–100): a sector specific analysis of each company's performance on financially material environmental, social and governance (ESG) issues

31%

higher on
corporate
governance

29%

higher on emissions
management

22%

higher on human
and labour rights

A FRAMEWORK

for responsible business based on
UN declarations and conventions



HUMAN RIGHTS



LABOUR



ENVIRONMENT



ANTI-CORRUPTION



4 YEARS INTO THE 2030 AGENDA



1 billion people lifted out of extreme poverty in 25 years



PROGRESS

Access to electricity doubled



Maternal mortality declined

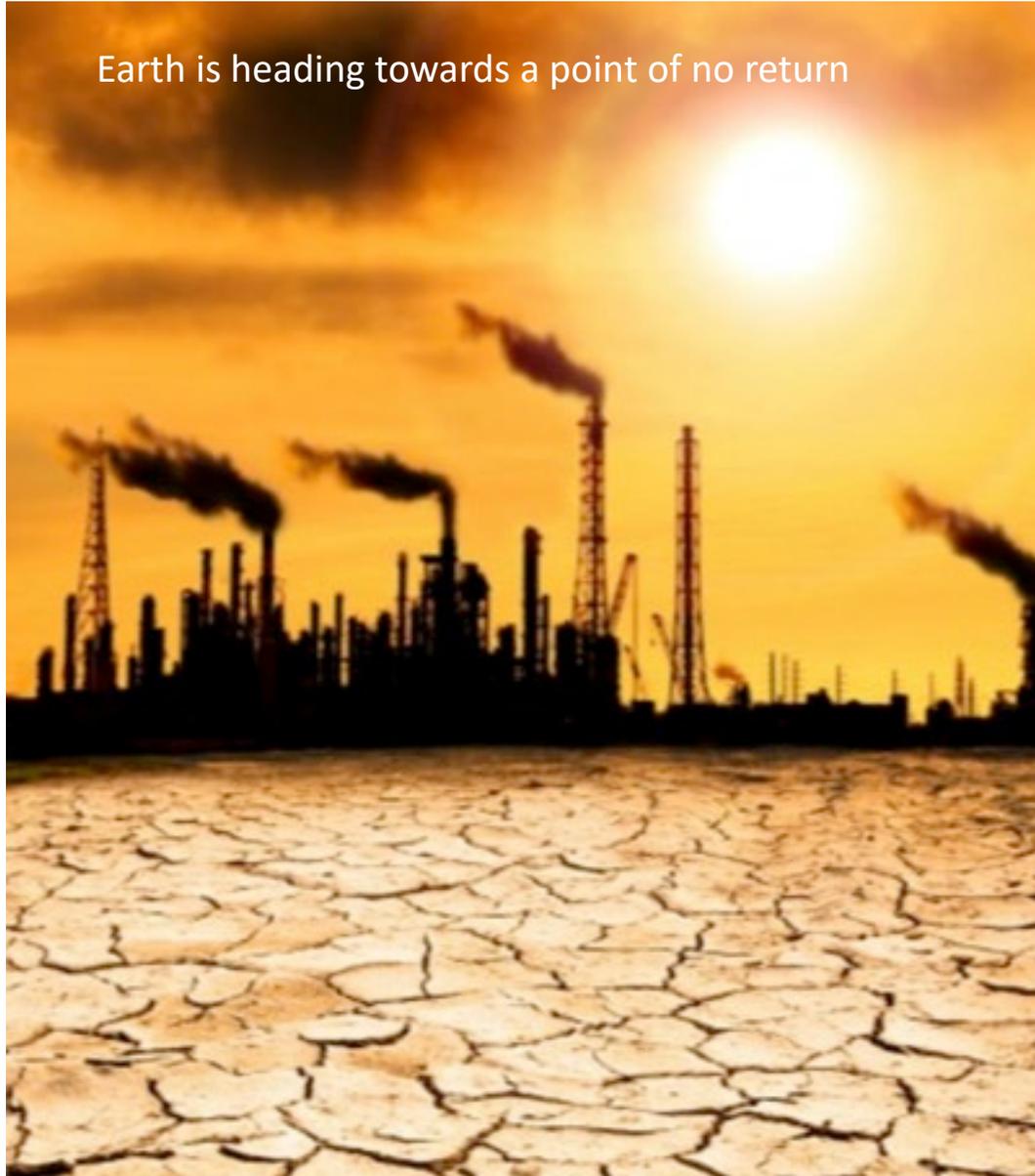


Under-five mortality halved



Labour productivity increased, unemployment decreased

Earth is heading towards a point of no return



RISKS

Gender parity gap widening



Global warming at a 4 degrees trajectory



22% of today's 1.8 billion young are not in employment, training or education



A future with more plastic than fish in the oceans

A NEW WAY OF MANAGING RISKS



"The state of New York has taken legal action against ExxonMobil, accusing the oil giant of misleading investors about the risks of climate change to its business. Exxon allegedly ignored the potential costs of new greenhouse gas regulations, despite assuring investors it had accounted for the risks." -BBC



1,400 multinational businesses have set an internal carbon price



Central banks have formally identified climate-related risk as one of the key risks facing the financial sector



Growing consensus around materiality of sustainability information

OPPORTUNITIES

Closing the gender gap alone could add US\$28 trillion to global GDP

Bold Climate action could yield a direct economic gain of US\$26 trillion

- prevent over 700,000 premature deaths from air pollution
- Generate over 65 million additional low-carbon jobs



80% OF COMPANIES TAKE SDG ACTION

69%	GOAL 8	DECENT WORK AND ECONOMIC GROWTH
64%	GOAL 5	GENDER EQUALITY
62%	GOAL 3	GOOD HEALTH AND WELL-BEING
53%	GOAL 9	INDUSTRY, INNOVATION AND INFRASTRUCTURE
53%	GOAL 12	RESPONSIBLE CONSUMPTION AND PRODUCTION
48%	GOAL 4	QUALITY EDUCATION
48%	GOAL 13	CLIMATE ACTION
43%	GOAL 7	AFFORDABLE AND CLEAN ENERGY
43%	GOAL 10	REDUCED INEQUALITIES
40%	GOAL 17	PARTNERSHIP FOR THE GOALS
37%	GOAL 11	SUSTAINABLE CITIES AND COMMUNITIES
36%	GOAL 6	CLEAN WATER AND SANITATION
28%	GOAL 1	NO POVERTY
28%	GOAL 16	PEACE, JUSTICE AND STRONG INSTITUTIONS
23%	GOAL 2	ZERO HUNGER
21%	GOAL 15	LIFE ON LAND
13%	GOAL 14	LIFE BELOW WATER

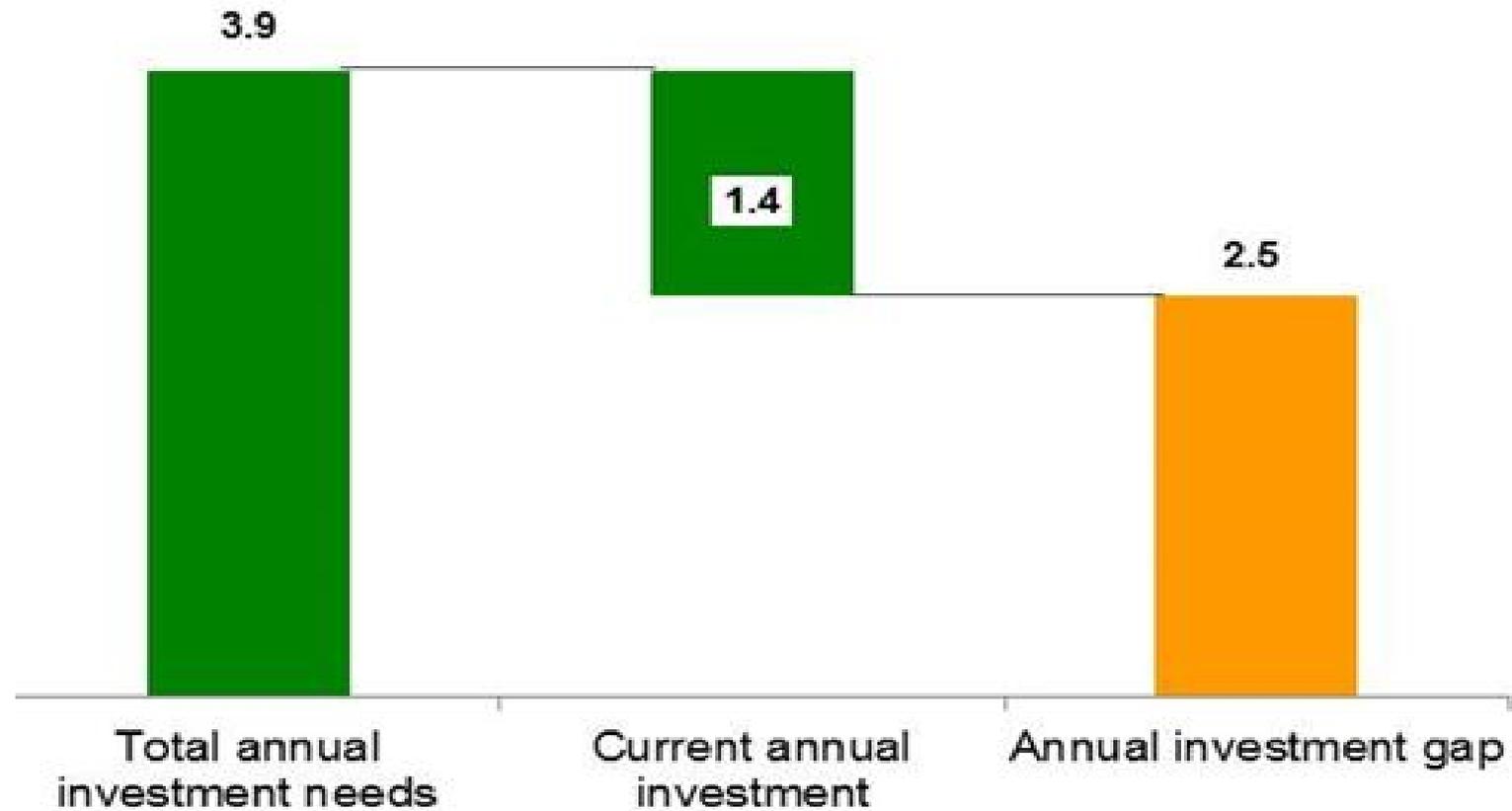


SDGs: FUNDING GAP: 2015-2030

Investment Opportunity

Trillions of dollars, annual average

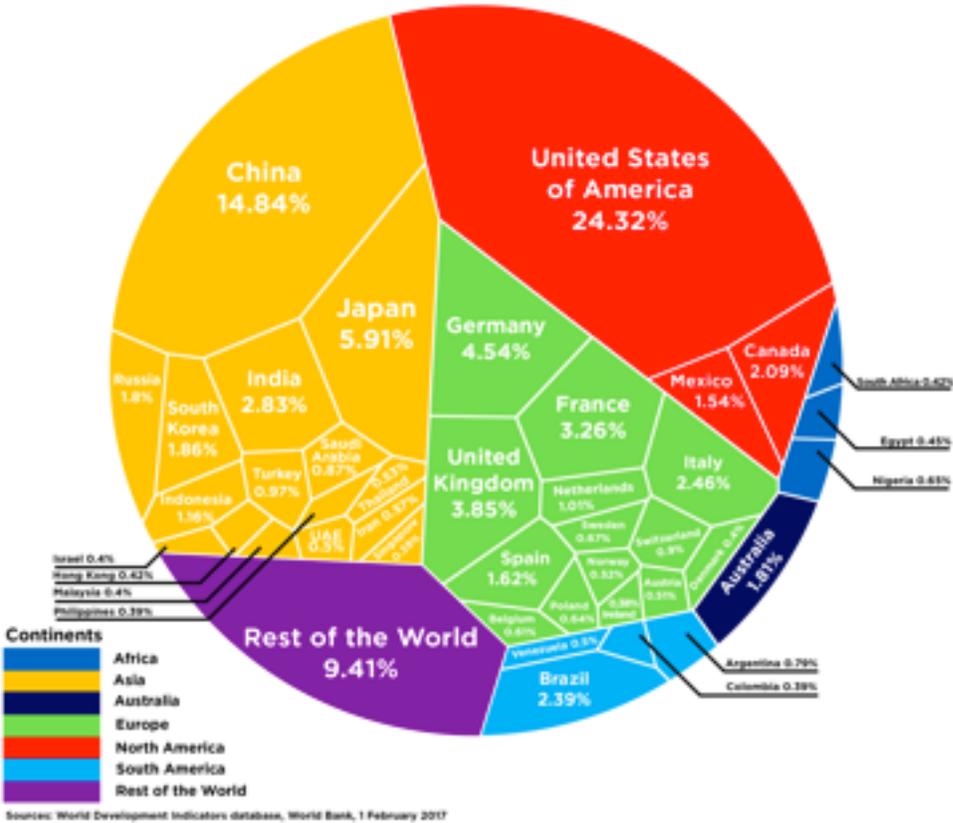
Source: UNCTAD



US\$ 147 BILLION ANNUALLY
comes from official development assistance



UNLOCKING ECONOMIC OPPORTUNITIES CAN CLOSE THE FINANCE GAP



3% of total global GDP



1% of total global wealth assets

CHANGE



DISRUPTING 'BUSINESS AS USUAL'



DELIVERING IMPACT THROUGH PARTNERSHIPS

2000+ signatories,
\$80 trillion assets under management



United Nations
Global Compact

RAPID GROWTH IN SUSTAINABLE INVESTING MARKET

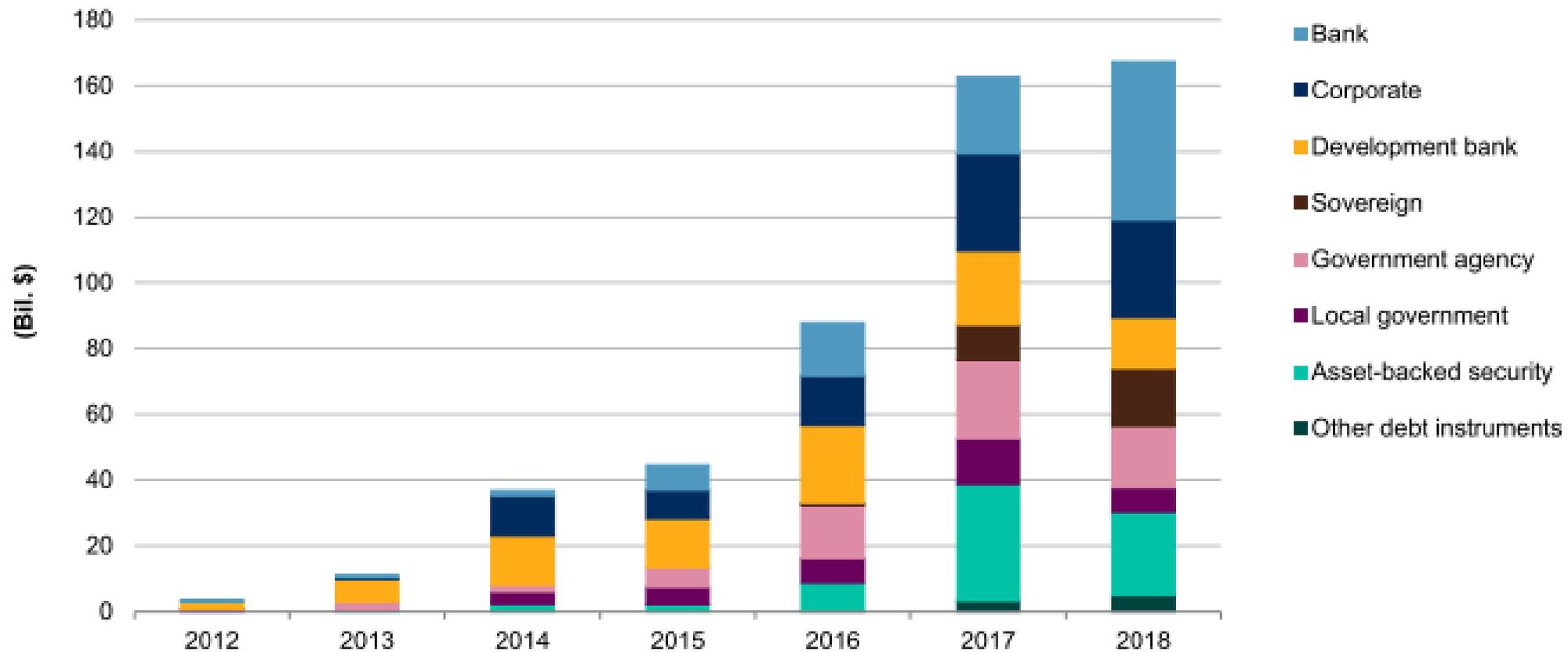
FIGURE 1: SNAPSHOT OF GLOBAL SUSTAINABLE INVESTING ASSETS, 2016–2018

Region	2016	2018
Europe	\$ 12,040	\$ 14,075
United States	\$ 8,723	\$ 11,995
Japan	\$ 474	\$ 2,180
Canada	\$ 1,086	\$ 1,699
Australia/New Zealand	\$ 516	\$ 734
TOTAL	\$ 22,890	\$ 30,683

Note: Asset values are expressed in billions of US dollars. All 2016 assets are converted to US dollars at the exchange rates as of year-end 2015. All 2018 assets are converted to US dollars at the exchange rates at the time of reporting.

RAPID GROWTH IN THE GREEN FIXED INCOME SPACE

Annual Green-Labeled Issuance By Issuer Type



INVESTORS ARE LISTENING



7%

higher Return on Equity (ROE)



25%

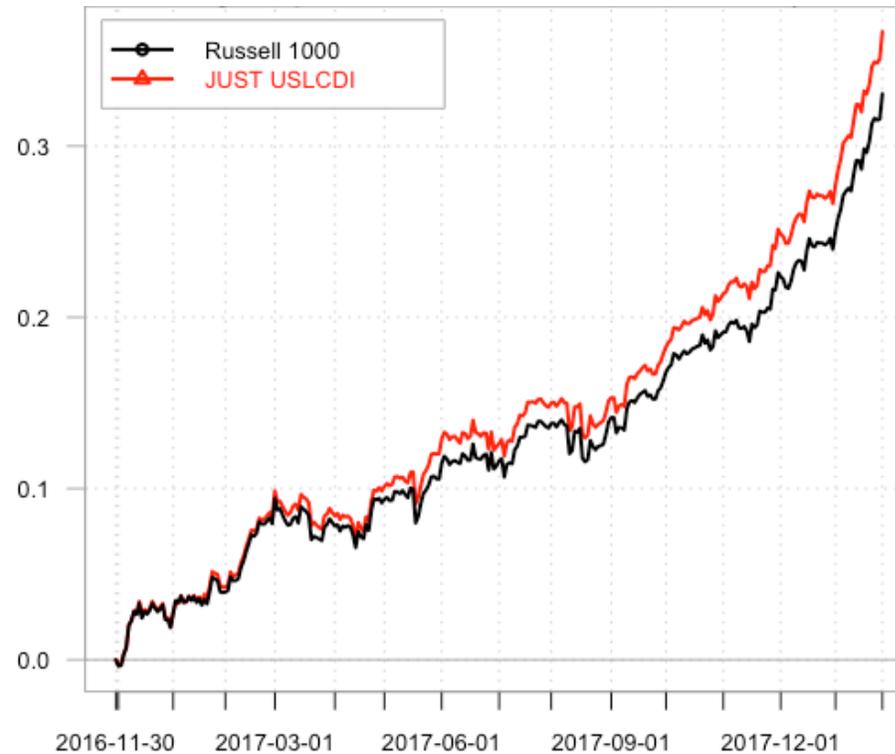
assets under management fall into the category of Sustainable Investments



20x

expected growth over next decade to \$250bn

Just US large Cap Diversified Index Vs Russell 1000 Tracking Total Return



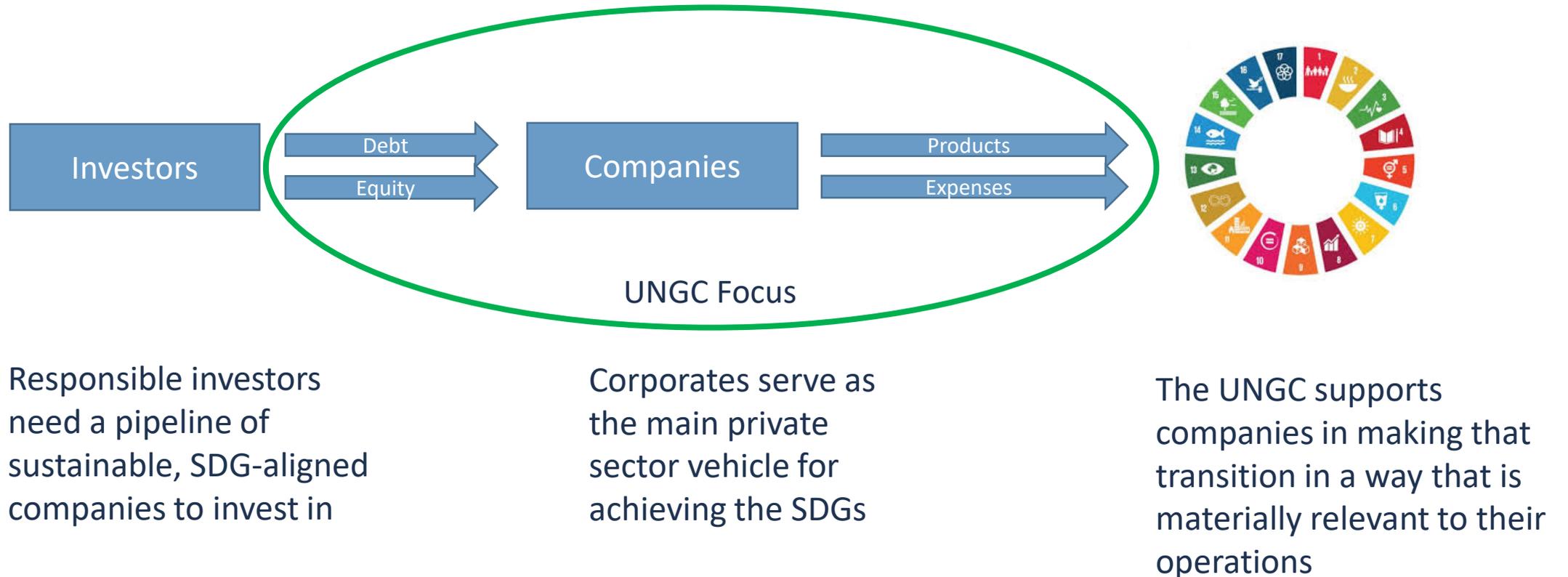
J.P.Morgan



BNY MELLON

ENGAGING CFOs TO ALIGN STRATEGIES WITH SDGs

- Our vision: all corporate finance and decision-making systematically incorporates the SDGs relevant to each company



MOBILISING ACTION

What we need YOU to do

1. Explore SDG Bonds when raising debt
2. Apply an SDG-lens to corporate pension fund investments
3. Take an SDG approach with Foreign Direct Investments



SETTING AN AGENDA FOR SUSTAINABLE FINANCE

SDG Bonds & Corporate Finance

A Roadmap to Mainstream Investments

A White Paper Prepared by
The UN Global Compact Action Platform
on Financial Innovation for the SDGs

2018



Foreign Direct Investments

A Roadmap to Mainstream Investments

2019



Corporate Pension Funds

A Roadmap to Mainstream Investments

2019



Blended Finance

A Roadmap to Mainstream Investments

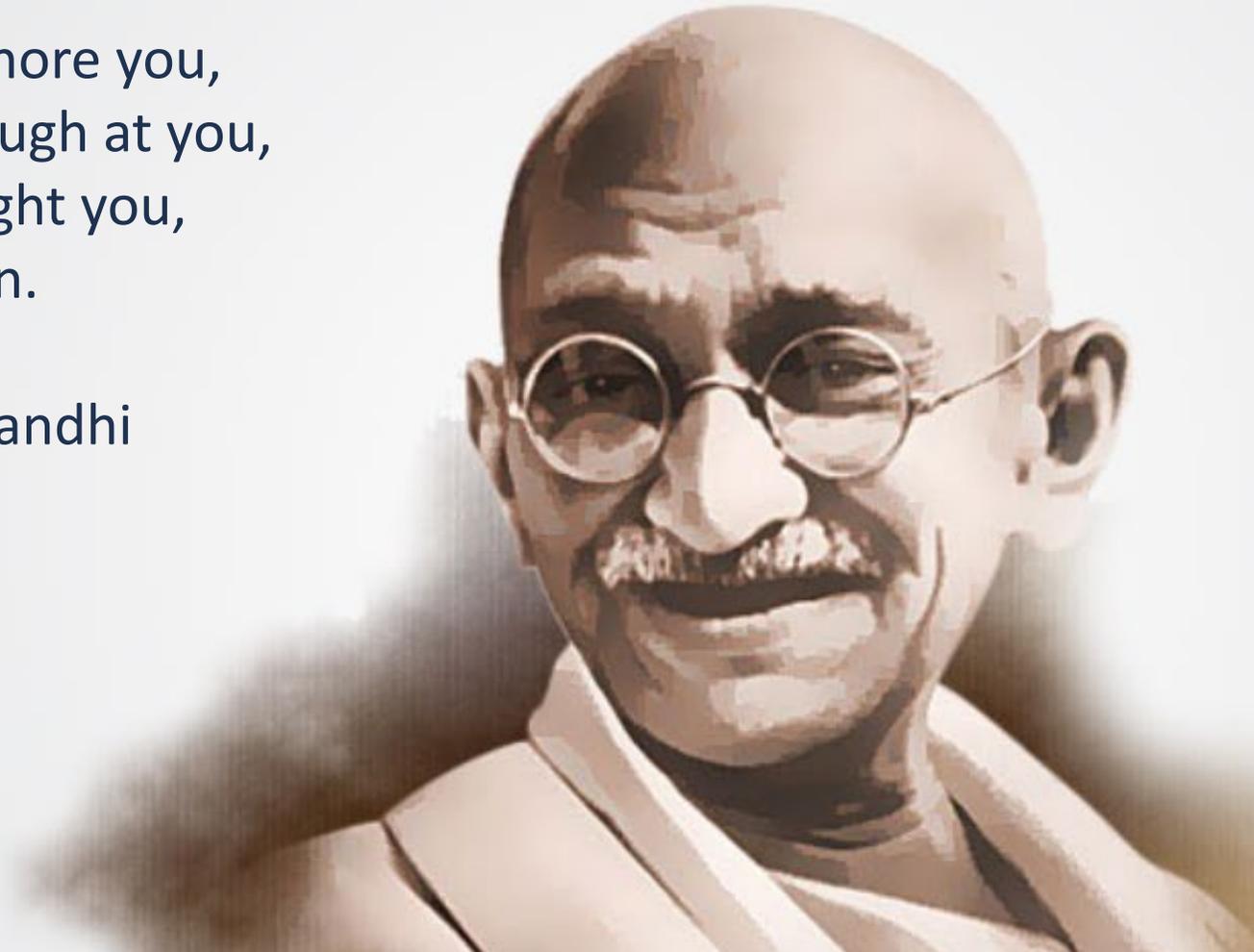
2019



BE THE CHANGE

First they ignore you,
then they laugh at you,
then they fight you,
then you win.

Mahatma Gandhi





Rachel McEwen

Director of Sustainability

Scottish and Southern Electricity Networks (SSE)

Integrating the SDGs

Rachel McEwen, Chief Sustainability Officer, SSE

SSE plc is one of the UK and Ireland's leading energy companies, involved in the generation, transportation and supply of electricity and in the extraction, storage, transportation and supply of gas.

SSE plc

Our vision

To be a leading energy provider in a **low-carbon** world.

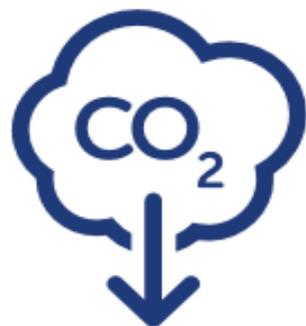
Our purpose

Provide energy needed today and strive for a **better world of energy** for tomorrow.

Our strategy

To create value for **shareholders and society** from developing, owning and operating energy and related infrastructure and services in a sustainable way.

SSE's 2030 Goals



Cut our carbon intensity by 50%

Reduce the carbon intensity of electricity generated by 50% by 2030, compared to 2018 levels, to around 150gCO₂/kWh.



Help accommodate 10m electric vehicles

Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.



Treble renewable energy output

Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.



Champion Fair Tax and a real Living Wage

Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.



SSE's business strategy addresses the challenge of climate change at its core. That's why our four fundamental business goals for 2030 are aligned with the UN's global goals for sustainable development.

Signals of intent

Chief Executive Alistair Phillips Davies:

“The UN has created a blueprint for a sustainable world and it’s one we are putting front and centre of our business.

These goals are at the heart of our business strategy and our senior team will be held to account for the progress we make against them.”

Dame Sue Bruce, independent chair of SSE’s Remuneration Committee:

“Very clear and ambitious environmental, social and economic goals have now been cemented into the business strategy.

Aligning directly those aims to how executive directors and other senior managers are rewarded, over time, sets a precedent for how we feel sustainability should be regarded by the business.”



Not everything that counts can be counted. But not everything that can be counted counts.

Goal	Method	Numbers or words?	Scrutiny
Cut carbon intensity by 50% by 2030	Criteria document agreed and assured	Quantitative	Annual assurance from 2018/19
Treble renewable energy output by 2030	Criteria document to be agreed and assured by 2019/20	Quantitative	Three yearly assurance from 2019/20
Help accommodate 10m electric vehicles by 2030	4 interim milestones outlined in 2018/19 Sustainability Report	Qualitative moving to quantitative over time	Stakeholder feedback
Champion Fair Tax and a real Living Wage	Clear demonstration of 'leadership'	Qualitative	Stakeholder feedback

Why this matters

- **30GW** The size of the UK off-shore wind industry in 2030 (8GW now)
- **£2.3bn** The value of SSE's green/sustainability financing
- **13/27** SSE's shareholders who are signatories to the International Investors Group on Climate Change
- **63%** The proportion of SSE's major shareholders who have signed up to the Principles for Responsible Investment
- **100,000** The number of jobs supported by SSE in the UK and Ireland
- **26/97** The scale of SSE's UK tax contribution in comparison to our peers

The purpose of business is to provide profitable solutions to the problems of people and planet.

Never to profit from creating the problems in the first place.

Professor Colin Mayer, British Academy 'Future of the Corporation'

Thank you

For further information, please visit sse.com/sustainability or email sustainability@sse.com.



Manjula Chummun

Head of Finance, Sustainability

Tesco PLC

Tesco TCFD Roadmap

- CFO commitment for TCFD disclosure in 2018/19 Annual Report
- Project team set up
- Peer guidance
- Project plan- Objectives, Timeline, Key focus areas defined
- Internal buy-in from Business Leaders
- Assessment of data sets
- Bring in the experts- Scenario Analysis & Disclosure Gap Analysis
- Multi disciplinary team collaboration
- TCFD disclosure finalised for Annual Report
- Start of another journey- Deep dive into Scenario Analysis results & agreeing steps for next year

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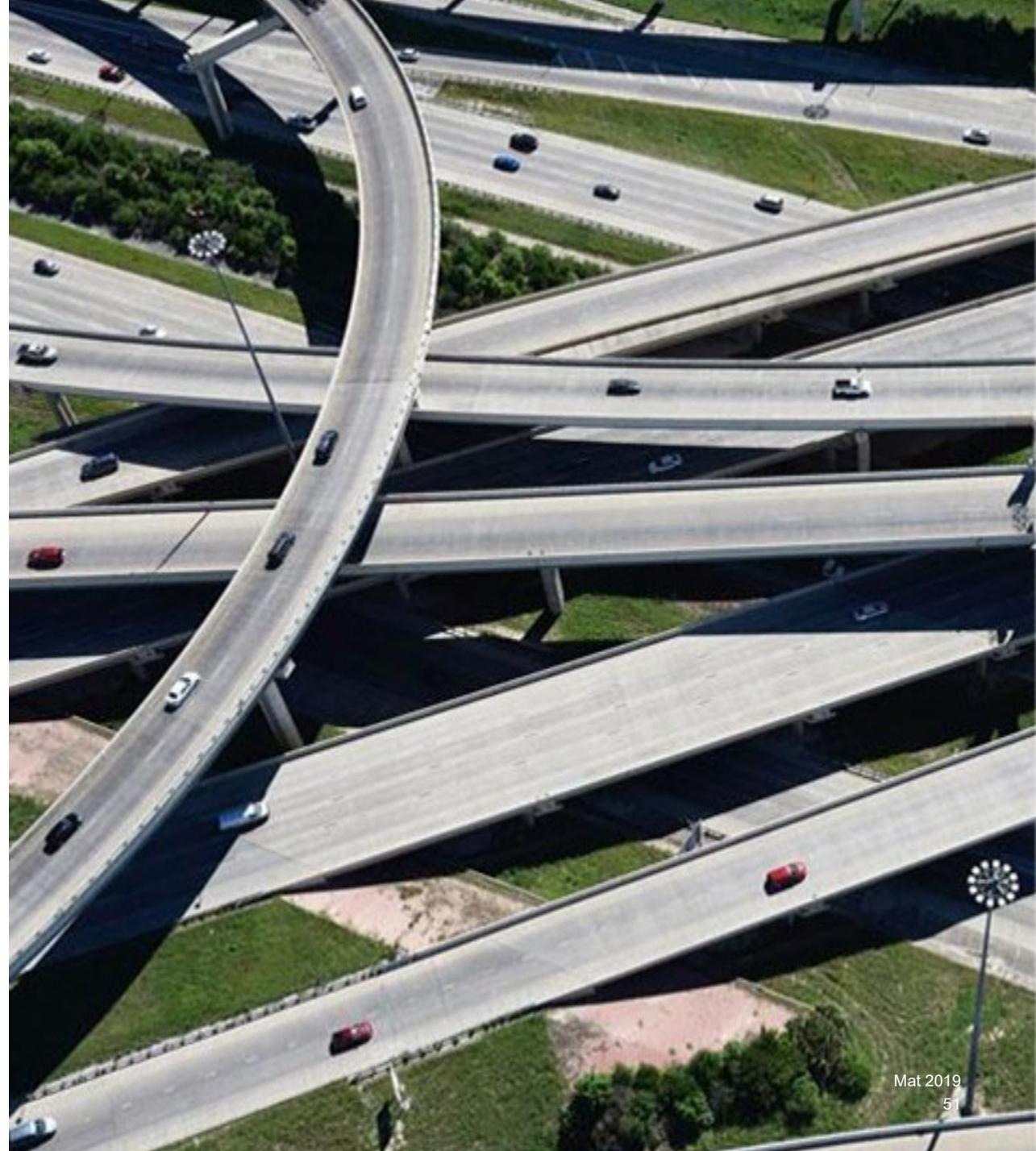
Marie Morice

Senior Advisor on
Sustainable Finance

UN Global Compact

Summary and closing thoughts

- Sustainable development and climate change are the greatest challenges of our time
- Business plays an essential role in addressing these challenges
- The SDGs and TCFD provide internationally-recognised frameworks that businesses can use
- SDGs and TCFD can be explicitly called out to help shape and define business strategy and reporting...
- ...but should also be embedded alongside other financial, pre-financial, commercial and technical considerations as part of existing business processes



Thank you

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