

SUSTAINABLE LEADERSHIP IN THE NEW GEOPOLITICAL CONTEXT

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THREE INTERCONNECTED MEGA-CRISES

Global economy in turmoil –
inflation, increasing food and energy
prices for all

Run-away climate change – now
impacting every country on the
planet

Pandemics – COVID still a challenge
with new zoonotic diseases such as
monkeypox spreading



“Cascading crises put the SDGs at risk”
The Sustainable Development Goals Report 2022



A TIPPING POINT FOR A RENEWED SOCIAL CONTRACT

Growing resentment towards oil and gas companies profiteering in the midst of climate and energy crises

- A new 2022 analysis verified by leading academic institutions calculated that the oil and gas sector had seen **\$2.8bn** in pure profit over the last 50 years
- Major oil and gas companies announced **11-figure profits** in the second quarter 2022. At the same time, global inflation hit **40-year highs** with recessions on the horizon
- UN Secretary-General Guterres calls it “immoral” and proposes a renewal of the social contract, urging all governments to **“tax these profits”**



“We will make sure that everyone knows Exxon profits
– Exxon made more money than God this year”

President Biden speaking on inflation at an event at the Port of Los Angeles 14 June 2022



LEADING TO A TIPPING POINT FOR THE GREEN ENERGY TRANSITION

Putin's war in Ukraine has foisted the equivalent of a global carbon tax

- IEA recommended a carbon tax of **200-250 USD pr tonne** for the world to reach net zero emissions by 2030
- Present gas price is equivalent to a massive carbon tax of around **600-950 USD** according to Adair Turner, chair of the Energy Transitions Commission
- We are at a new tipping point where policy makers, citizens and companies rapidly make changes to renewable energy sources
- The same kind of “collective action” happened during COVID

INFLATION REDUCTION ACT

CLIMATE & CLEAN ENERGY

- METHANE REDUCTION PROGRAM
- ENVIRONMENTAL JUSTICE BLOCK GRANTS
- CLIMATE BANK PROVISIONS
- EXTENSION OF THE ELECTRIC VEHICLE TAX CREDIT
- GUARANTEED WAGE RATES FOR CLEAN ENERGY JOBS
- **\$4B** FOR DROUGHT FUNDING

GINA MCCARTHY WHITE HOUSE NATIONAL CLIMATE ADVISOR

MSNBC
AMERICAN VOICES

Whitehouse:

“The Inflation Reduction Act could cut the social costs of climate change by up to \$1.9 trillion by 2050”

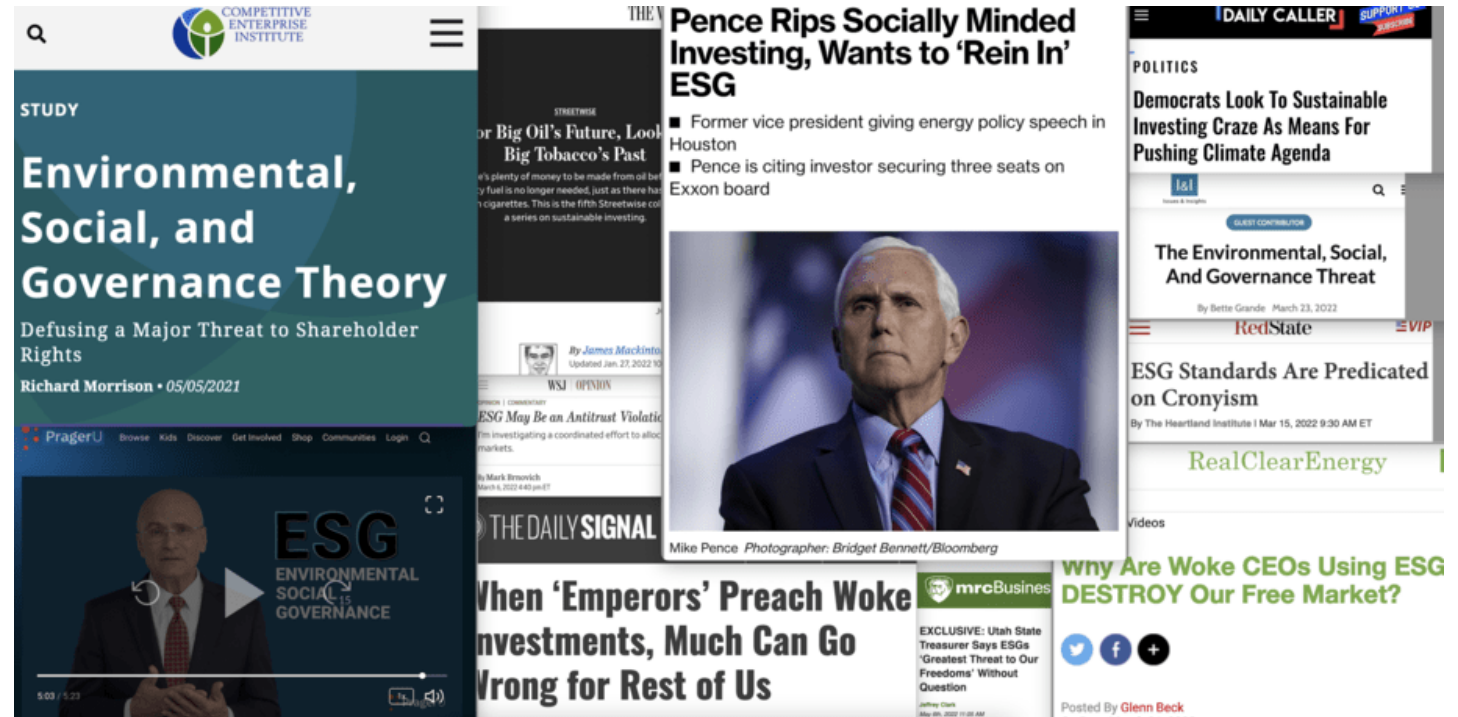
On 16 August 2022, the United States Senate passed the **Inflation Reduction Act** aimed at reducing energy costs and fighting the climate crisis.



LEADING TO AN ANTI-ESG POLITICAL MOVEMENT

A political backlash against 'ESG-discrimination', 'woke capitalism', 'ESG political bias' 'leaning towards a 'left-wing cancel culture', 'destroying the free market'

- In the US, 17 conservative-leaning states have introduced at least 44 bills to penalize companies with ESG policies this year
- Momentum is building, as 19 state attorneys general have asked the US Securities and Exchange Commission whether companies have put their ESG policies before fiduciary responsibilities
- States are protecting local market interests in oil, gas, weapons, forestry and extraction industries (a.o.) from 'discrimination' and 'exclusion'



“In 2022 the woke left is poised to conquer corporate America and has set in motion a strategy to enforce their radical environmental and social agenda on publicly traded corporations. The shift is entirely manufactured by a handful of very large and powerful Wall Street financiers promoting left-wing environmental, social and governance goals (ESG) and ignoring the interest of businesses and their employees.”

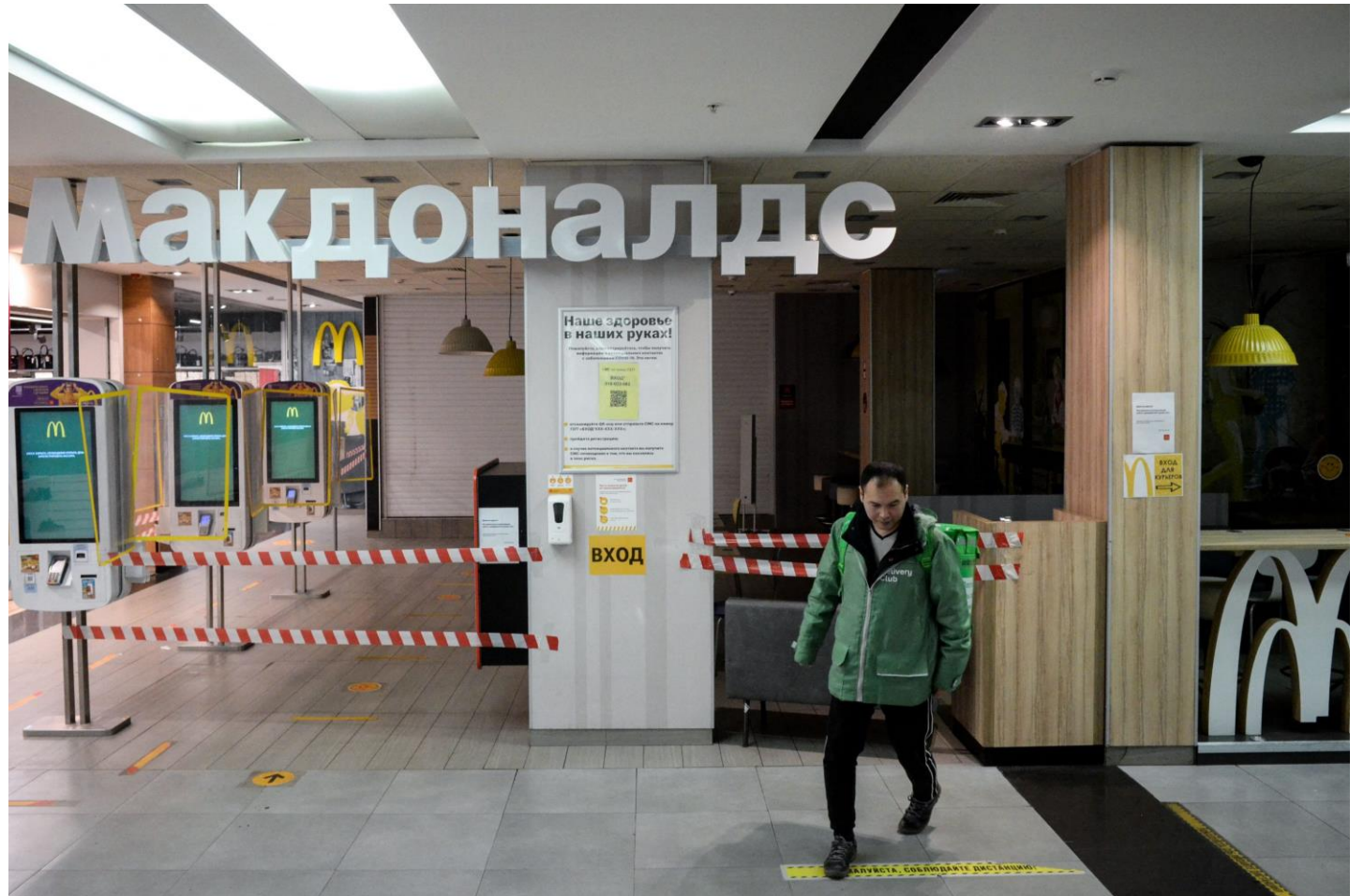
Mike Pence Opinion, Wall Street Journal, May 2022



BUSINESS CAN NO LONGER STAND AT THE SIDELINES OF GEOPOLITICS

“Business leaders are going to have to wake up fast and figure out how are they going to play in an **increasingly complex world** where sitting on the sidelines and saying, ‘I don’t have a moral position. I don’t have a political position. I don’t even have a geopolitical position.’ — Not going to work anymore,”

Ranjay Gulati, Harvard Business School Professor and author of the book - Deep Purpose: The Heart and Soul of High-Performing Companies



Fortune published “hall of shame” companies staying in Russia saw their stocks drop with 15-30% on a day where key market indexes only fell 2-5%



THE GLOBAL GOALS: IMPACT OF PANDEMIC AND CONFLICTS

“The 2030 Agenda for Sustainable Development is in grave danger, along with humanity’s very own survival”

– The Sustainable Development Goals Report 2022

- **The pandemic** wiped out more than **4 years of progress** of eradicating poverty with more than **24 million learners** at risk of never returning to school
- **One quarter** of the global population are living in conflict – not seen since 1946. A record 100 million people are forcibly displaced worldwide
- **War in Ukraine** is causing food, fuel and fertilizer prices to skyrocket and threatening a global food crisis
- The window to avert the **global climate crisis** it is rapidly closing. Greenhouse gas emissions need to peak by 2025, and then decline by 43% by 2030, falling to net-zero by 2050. Current national commitments point to a **14% increase** by 2030 instead of the sharp decline required
- **Women, children and vulnerable populations** are bearing the brunt of these crises



ECONOMIC THEORY IS CHANGING

Between 1992 and 2014, produced capital per person doubled, but the stock of natural capital per person declined by nearly 40%.

We must adopt different metrics for economic success. This requires moving towards an **“Inclusive” measure of wealth**, one that injects natural capital into national accounting.

Dasgupta Review on the Economics of Biodiversity, 2021



“Prosperity has come at a devastating cost to the natural world”

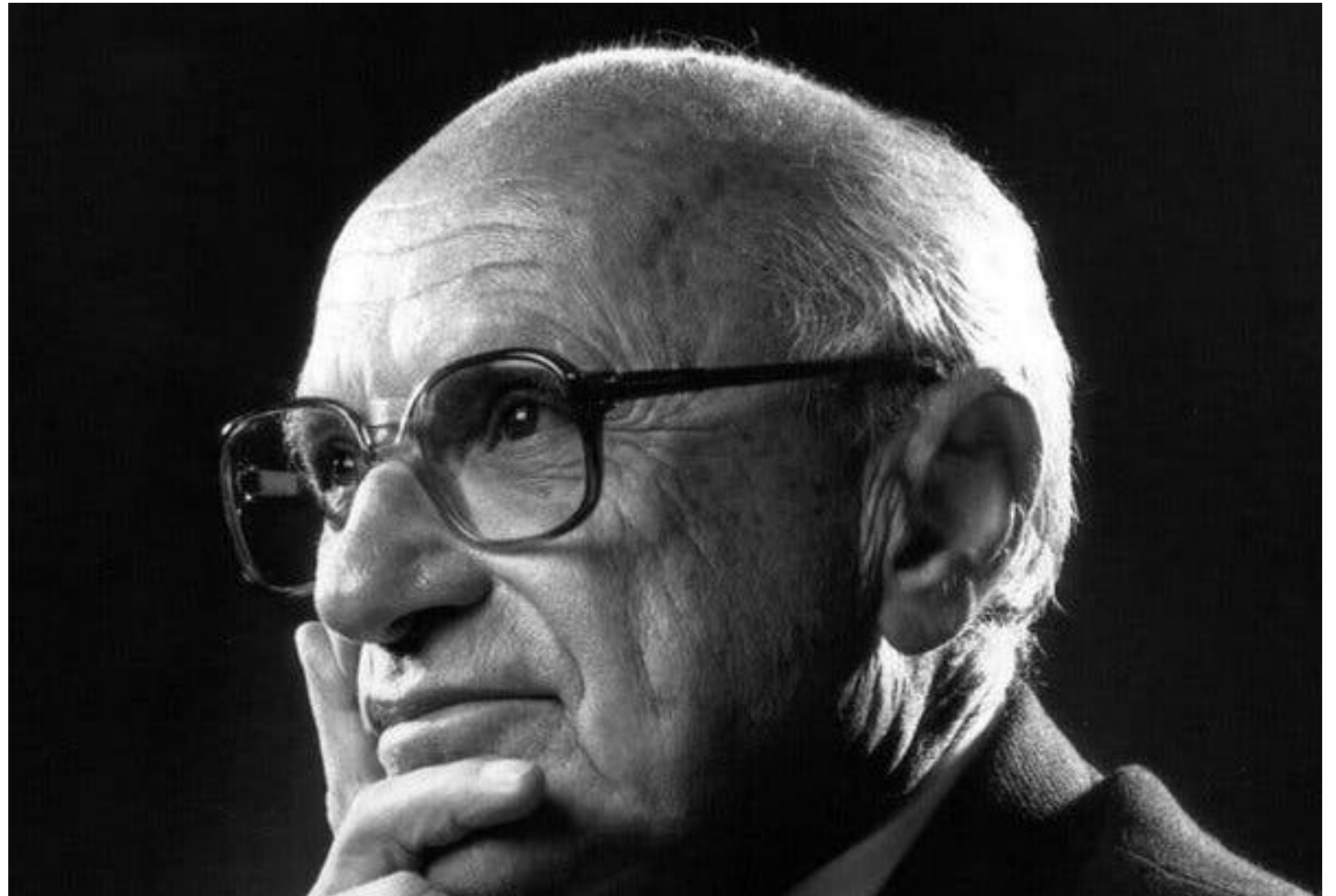
Prof Sir Partha Dasgupta, University of Cambridge,
Dasgupta Review on the Economics of Biodiversity, 2021



DUTY OF CARE IS CHANGING

As of the writing of the report, **shareholders earned five majority votes**--two at **Apple** ([AAPL](#)) on racial justice and concealment clause risks, one at **Costco Wholesale** ([COST](#)) on greenhouse gas reduction targets, one at **Jack in the Box** ([JACK](#)) on plastic packaging, which earned 95.4% of the vote, and one at Walt Disney ([DIS](#)) on gender and minority pay disparity.

Sustainable Investment Institute 2022



“There is only one social responsibility of business, and that is to increase its profits”
The Milton Friedman Doctrine September 1960



BOARD OVERSIGHT MUST INCLUDE ESG

A top strategic priority

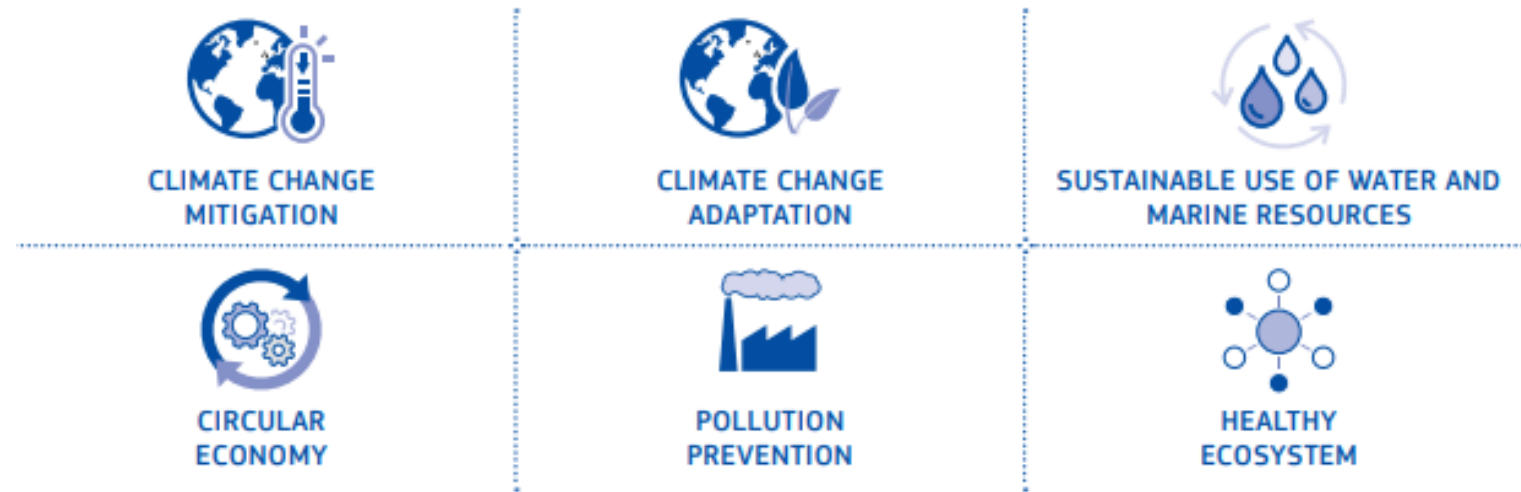
Boards must ensure full integration, target setting and monitoring of ESG across strategy, operations and stakeholder engagement of the company.

Failing to consider ESG is seen as a breach of **fiduciary duty** in the EU, and thus AGM elected board members are required to ensure a high level of ESG performance and oversight.

Responsible tax planning and full transparency is the way forward. Providing country by country information accompanied by an explanatory text as part of the Annual Report is best practice.



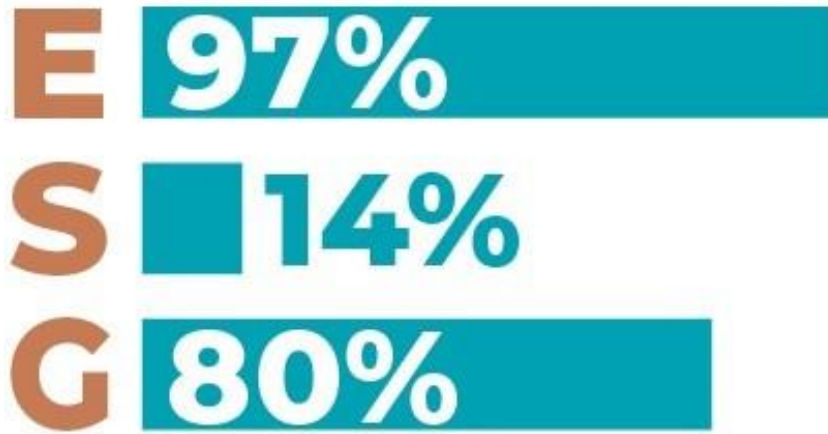
EU TAXONOMY IS ONLY THE BEGINNING



- Banks, insurance companies, and public listed companies with more than 500 employees and similar balance sheet totals and net turnover are required to use the EU Taxonomy to report on alignment with EU Taxonomy in their non-financial reporting by Q1 2022 over the financial year of 2021
- Currently focused on environmental factors but likely to broaden to social issues in future iterations
- The EU Commission proposes that all large EU companies with **over 250 employees and/or with a balance sheet total of EUR 20 million and/or a net turnover of EUR 40 million and listed-small and medium enterprises (SMEs)** will have to divulge which of their economic activities are environmentally sustainable under the EU Taxonomy



WHAT'S AROUND THE NEXT SUSTAINABILITY CORNER? EQUITABLE, FAIR, JUST, INCLUSIVE



'Of the 580 ratings products aggregated by the Global Initiative for Sustainability Reporting, 97% of environmental efforts and 80% of governance efforts target investors as the primary audience. When it comes to social efforts, only 14% similarly targeted investors.'

NYU Stern



"We see increasing signs of countries and governments reviewing the gig economy status. We take our role as a responsible steward of our clients' capital very seriously and engage with a number of companies in this sector on ESG concerns, like the rights of employees"

Legal & General on why they would not participate in Deliveroo IPO





November 25, 1783
Evacuation Day
PLAZA

LOCAL

