



Ethical
CORPORATION
MAGAZINE

HIGH TIME TO FACE UP TO CLIMATE RISK

Firms feel heat from investors

**ZERO TO HERO:
WHY JAPAN IS NOW
LEADING ON TCFDs**

**WINDS OF CHANGE
FOR ØRSTED, UNILEVER
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WELCOME TO THE DECEMBER 2019 ISSUE

With COP25 under way in Madrid this month amid dire warnings from the UNFCCC that the world is close to the “point of no return” on disastrous climate change, the December issue of Ethical Corporation investigates the extent to which companies are facing up to climate risk.

Activist hedge fund TCI’s timely warning to investee companies that it will vote against directors if they do not implement the Task Force on Climate-related Financial Disclosures has turned the heat up on companies to act.

UK based TCI, which manages assets worth \$28bn, sent letters to all its investee companies last week saying, “We expect all our portfolio

companies to make full annual public disclosure to CDP” which it said was the best way for companies to implement the TCFDs, which remain voluntary.

In an interview with the Financial Times early this month, TCI’s chairman Sir Christopher Hohn, said: “Investing in a company that doesn’t disclose its pollution is like investing in a company that doesn’t disclose its balance sheet. If governments won’t force disclosure, then investors can force it themselves,” and would indeed be “asleep at the switch” if they fail to do so.

As Mike Scott reports, as of last month support for the TCFDs had grown to 909 companies, up from 513 in September 2018. He asks whether the TCFDs are prompting companies to adopt more sustainable business models, as they were designed to do, or are seen as simply another box-ticking exercise.

Scott looks at the property sector, which has been slow to adopt TCFDs despite extreme vulnerability to the physical impacts of climate >

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change, highlighting Landsec and Salesforce as companies pushing for change in the sector.

He also reports on how leaders like Ørsted, Equinor and Unilever are using climate-risk reporting to help transform their business models.

Japan is now the leading country in adopting the TCFDs, with more than 200 companies signed up. Our Asia specialist Jill Baker reports on how TCFD adoption is only one example of the country's emerging climate leadership, both at a corporate and government level. Elsewhere in East Asia, she also highlights adoption of TCFDs by Taiwan Semiconductor and Hongkong and Shanghai Hotels.

Finally, I speak to a TCFD enthusiast, ABN Amro's Tjeerd Krumpelman, about how the recommendations go to the heart of the Dutch bank's core responsibilities, and a UNEP FI pilot project to implement TCFDs in the banking sector.

We round off our last issue of the year by highlighting some of the Disruptors who were featured on [EthicalCorp.com](https://ethicalcorp.com) in 2019. Every month for the website, Oliver Balch conducts an in-depth interview with some of the people who are doing the most to push the envelope for

sustainable business, many of whom speak at our conferences.

Our class of 2019 disruptors includes [Marilyn Ceci](#) of JP Morgan; Schneider Electric's [Xavier Houot](#); WWF's [Pavan Sukhdev](#); Siemens' [Jürgen Maier](#); [Gerbrand Haverkamp](#) of the World Benchmarking Alliance; ShareAction's [Catherine Howarth](#); ING's [Leon Wijnands](#); and the B Corp's founders [Jay Coen Gilbert](#), [Bart Houlihan](#) and [Andrew Kassoy](#) (though technically they were in December 2018).

We've decided to publish the interviews with Balch's latest disruptor, Gabrielle Ginér of BT, and three other change-makers from 2019: Edward Mason of the Anglican Church Commissioners, Lucas Joppa of Microsoft and Mindy Lubber of the US environmental NGO Ceres.

This year was a big departure for Ethical Corporation as we made our magazine free to download, allowing our independent journalism to have greater reach and impact. We've just published our [editorial calendar](#) for 2020, with deforestation, climate activism, sustainable seafood, resilient cities, the circular economy and water risk key topics we will be covering over the next year. Like last year, our January issue will kick things off with thought-provoking contributions from leading change-makers, with their calls for action in the critical decade ahead.

As UN climate chief António Guterres warns: "If we don't urgently change our way of life we jeopardise life itself." It is a clarion call that lays responsibility at the door of every business.

Have a restful Christmas and New Year before we all roll our sleeves up for the hard work required in the year ahead. ■



Terry Slavin
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INSIGHTS AND ANALYSIS IN 2020 TO INFORM A DECADE OF ACTION

JANUARY

Calls to action

Thought-leaders and the investment community, including John Elkington, Paul Druckman, Mindy Lubber, Lise Kingo, Sally Uren and Sunny Verghese, will give their marching orders for business in the coming decade of action on climate change and the SDGs

FEBRUARY / MARCH

Deforestation Risk

In a two-part assessment of deforestation risk in supply chains we will do deep dives into palm oil and forest and timber products in February and at soy and beef in March

APRIL

Smart and resilient cities and energy efficiency

How cities are adapting to climate change through the use of nature-based solutions, and cooling technologies. Our second briefing will focus on the global drive to double energy efficiency

MAY

Climate and good governance activism

We look at the impact of employee and student activism; also Climate Action 100+ and the divestment movement. A second briefing will examine the agenda for transparency on tax, lobbying activity and procurement

JUNE

Accelerating the circular economy

Full issue focus on circular economy, featuring new developments on plastic, including involvement of investors and rise of social plastic. We also delve into e-waste

JULY / AUGUST

Sustainable marketing and communications

For our combined summer issue we look at sustainable communications and marketing, the impact on consumers and how companies are simplifying the purpose message

SEPTEMBER

Sustainable seafood and healthy oceans

Ocean-based solutions, from offshore wind and tidal power to sustainable seafood and cleaner shipping, could provide 21% of the solutions to climate change. This briefing will explore the new front in the climate battle

OCTOBER

Are science-based targets up to scratch?

A critical look at SBT, including calls for human rights to be included, and the fashion industry's sectoral approach to SBTs. Our second briefing will look at moves to standardise ESG reporting

NOVEMBER

Water risk and biodiversity

We look at growing water risk as a result of climate change. Our second briefing will be on the business-led initiatives to protect biodiversity through more sustainable land use

DECEMBER

The transformation of energy

Technology-focused issue on the energy transition, particularly looking at energy storage technologies and hydrogen, electrification. Also, the rise of geothermal energy

VIEW THE FULL CALENDAR HERE!

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Contents

CLIMATE RISK BRIEFING

- 8 SLOW BURN**
Patchy progress on TCFDs

- 13 SUNK COSTS**
Property sector feels heat

- 15 LEADING THE PUSH**
Ørsted, Equinor, Unilever and Gold Fields

- 18 FROM ZERO TO HERO**
How Japan came from behind to lead on TCFDs

- 24 BANKING ON TCFDs**
Interview with ABN Amro's Tjeerd Krumpelman



27 MEET ETHICAL CORPORATION'S DISRUPTORS

THE DISRUPTORS

- 28 GABRIELLE GINÉR**
Making a big noise at BT

- 33 EDWARD MASON**
'Climate is the biggest ethical issue we face'

- 39 LUCAS JOPPA**
Using Microsoft's power for good

- 44 MINDY LUBBER**
Leading the green fight against Trump

- 51 WHAT'S ON THE WEB**

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Corporations feel investor heat over slow response to

CLIMATE RISK



DAVID MCNEW/REUTERS

Amid ever-graver revelations about the severity of climate change, **Mike Scott** reports on patchy progress in adopting the Task Force on Climate-related Financial Disclosures' recommendations on reporting climate risk

 [VIEW ONLINE](#)





BUDIMIR JEVTIC/SHUTTERSTOCK

W

ith the increasingly dire news that global CO2 emissions are continuing to spiral upwards, and scientists warning last month that Earth may already have passed climate change “tipping points”, the risks companies face if they continue business as usual have never been more stark.

Both as contributors to climate change through their CO2 emissions, and with their operations liable to be affected by the physical impacts as the planet warms, no company will escape unscathed.

These risks are already starting to manifest themselves in forms ranging from deadly wildfires in Australia and California to climate-related lawsuits against oil and gas companies and the growing number of net-zero emission targets being introduced or considered by nations around the world.

More than two years after the Taskforce on Climate-related Financial Disclosures (TCFD) made its recommendations that companies should address climate risk in their corporate reporting, have they had the desired effect of prompting companies to adopt more sustainable business

models, or are they simply another box-ticking exercise to get investors off their backs?

The task force was launched with considerable fanfare in December 2015 by Michael Bloomberg and Bank of England governor Mark Carney at the behest of the G20, which asked the central bankers’ group the Financial Stability Board to consider climate change risk.

When the task force issued its recommendations two years later, it outlined the risks that companies needed to account for. These include physical risks such as increased severity of extreme weather events, longer-term shifts in precipitation and temperature and increased variability in weather patterns, and the risks associated with the transition to a lower-carbon global economy, such as policy and legal actions, technology changes, market responses and reputational considerations.

The TCFD developed four recommendations on climate-related financial disclosures, structured around four thematic areas:

- ▶ Governance on climate-related risks and opportunities
- ▶ The actual and potential impacts on the organisation’s businesses, strategy and financial planning
- ▶ Processes used to identify, assess and manage climate-related risks
- ▶ Metrics and targets >

The risks businesses face from the physical impacts of climate change are stark.

In the 2019 TCFD status report, Bloomberg urges companies to accelerate their progress on adopting the task force's recommendations. While noting that TCFD's annual survey of more than 1,100 annual reports found that the percentage of companies disclosing information on climate risk has increased to nearly 15%, he said: "Today's disclosures remain far from the scale the markets need to channel investment to sustainable and resilient solutions, opportunities and business models."

Support for the TCFD had grown to 909 in November 2019, up from 513 in September 2018. Following a summit on the TCFDs in Japan in October, the number of Japanese supporters surged to 207, taking it above the UK's 129, the 123 supporters from the US and the 74 from Australia. (See [From zero to hero: How Japan Inc came from behind to lead the world on climate risk reporting](#))

Daniel Turner, head of corporate engagement and reporter services at CDP, confirms the unevenness of reporting on climate risk. "Less than half of companies in the US, Brazil, Mexico, Argentina, Chile and Thailand reported substantive risks to CDP," he says. "At least 75% reported [climate] risks in Turkey, Korea, Indonesia, New Zealand and South Africa."

The financial services sector dominates adoption of the TCFDs, with banking services, asset management, insurance and pension funds the top four sectors. Each individually dwarfs the next biggest sectors: energy and materials. Other sectors with significant commitment to TCFD include government, consumer goods, professional services, construction, telecoms and transport, while real estate, one of the most at-risk sectors, lags far behind in TCFD adoption. (See [Real estate sector slow to wake up to climate risk](#))

PROGRESS, BUT NOT ENOUGH

"Some companies are excelling and taking big steps in providing the right amount of detail and quantitative information, which is really challenging," says Gemma Clements, head of corporate engagement at the Corporate Disclosure Standards Board (CDSB). "But as a whole we have a huge number of laggards – many of them don't really know what TCFD is or what climate-related financial disclosure is – while in the middle many companies have stalled in their disclosure."

There are a number of different levels of implementation, adds Tjeerd Krumpelman, head of reporting and stakeholder engagement at Dutch bank ABN Amro. "There are those



FOTOKINAVSHUTTERSTOCK

that acknowledge the fact that it's there, which is where we were about a year ago. Then there are organisations trying to figure out what it really means, what they can learn from it and where they should start. Then there are companies working out how to embed it into their organisations and how to use it, in risk, in finance and in reporting." (See [The TCFDs go to the heart of your responsibilities as a bank](#))

It is no surprise that financial services companies are leading the way, given that these are financial disclosures, Clements points out. "Many other companies are stuck in more traditional GHG emissions reporting. For a lot of companies, the process is led by sustainability teams, who have huge experience on environmental issues and how they affect the company's operations but lack an understanding of the financial implications in the detail required by the TCFD."

She adds: "The changes required will have an impact on financial statements, so you have to have the risk and finance teams involved. If not, it doesn't work." However, it is often difficult to get buy-in from these departments. Risk departments often focus on shorter-term issues and struggle with the complexity of climate change and the lack of concrete information about what the consequences are.

One aspect of TCFD that aims to combat this is the recommendation that companies use scenario >

The TCFD outlines risks companies need to account for including increased severity of extreme weather events.

Along with consumer goods and telecoms, the construction sector has a significant commitment to TCFD.



BANNAFARSAU_STOCK/SHUTTERSTOCK

analysis, which is designed to test how resilient business strategies are against future climate change scenarios. The aim is to encourage business to be more forward looking, rather than just publish details of historic emissions.

But this is one of the areas disclosers struggle most with, Clements says. “Many companies’ disclosures are very qualitative – telling a story but not giving any financial analysis. It’s a question of how resilient your business is, not the amount of value at risk. People can tell you what the risks are but not what the financial impacts will be.

“If investors cannot get consistent information from the companies they invest in or lend to, they cannot make good investment decisions. Ultimately, we expect to see pressure from investors but we don’t have any evidence of it happening yet,” she adds.

The uptake of TCFD has been hampered by the absence of a standardised scenario analysis process. That leaves many businesses struggling to know where to start.

A growing number of tools have appeared in the last few years, including an [implementation guide](#) issued by the CDSB and SASB, the US-based Sustainability Accounting Standards Board.

2019 TCFD Status Report – Key Themes

-  Disclosure of climate-related financial information has increased since 2016, but is still insufficient for investors
-  More clarity is needed on the potential financial impact of climate-related issues on companies
-  Of companies using scenarios, the majority do not disclose information on the resilience of their strategies
-  Mainstreaming climate-related issues requires the involvement of multiples functions



The recently launched Principles for Responsible Banking requires signatories to have portfolios aligned with the Paris Agreement, which will lead to a convergence with TCFD requirements.

Lauren Compere, director of shareholder advocacy at Boston Common Asset Management, points out that from next year, the Principles for Responsible Investment will have mandatory climate change metrics in its requirements, creating “more of a level playing field around investors reporting on their own efforts.”

Richard Burrett, chief sustainability officer at private equity firm Earth Capital Partners cites the Transition Pathway Initiative as “another initiative that will help investors think about what transition might look like on a sector basis. It’s really difficult to do that with current disclosure levels, which is why companies are being put under pressure to say what their targets are.” >



WOLFGANG RATTAY/REUTERS

Meanwhile CDP has aligned its disclosure with the TCFDs. “The TCFD recommendations identify what investors should be evaluating,” says CDP’s Turner. “The CDP questionnaire breaks those recommendations down into actionable metrics. The biggest companies are reporting major financial implications, but they need to expand their analysis.”

RISK REPORTING

The most common transition risks reported to CDP were: increased pricing of greenhouse gas (GHG) emissions; mandates and regulation of existing products and services; enhanced obligations on emissions reporting; and changes in consumer behaviour.

The most common physical risks were increased severity of extreme weather events; changes to precipitation; and rising temperatures, while financial risks include increased operating costs; reduced revenue as a result of decreased production capacity; and lower demand as a result of changing consumer preferences.

Despite this, almost a third of respondents reported there were neither climate change risks nor opportunities for their companies. “Companies and investors need to learn lessons from the power sector,” Turner points out. German utilities, which misjudged the changing landscape for renewable energy in the early 2000s, ended up taking massive write-downs and ultimately spinning out their fossil-fuel assets to focus on clean energy assets and grids.

“We are definitely seeing an increasing number of companies across sectors looking at this, but there is still a long way to go,” says Compere. “We don’t

see any progress in banks’ appetite for engaging clients, especially on fossil fuels and the low-carbon transition. We think it’s important that the TCFDs become mandatory.”

There are growing signs this will happen in a number of markets. Carney has called for mandatory reporting in the UK within two years if disclosure rates do not increase, while Japan, France and the Netherlands are also seeing strong pressure to do more.

“We are seeing a shifting alignment of all ESG frameworks to include the TCFD requirements,” adds Lucy Hamnett, a consultant at Carbon Credentials. “We just need the rubber seal to make the reporting mandatory and we will see a huge uptake in disclosure and better investment decision making.”

The mandate needs to apply to all sectors of the economy, adds Compere. “We have seen a lot of change, just not enough.” ■

Greenpeace protesters demonstrating against SUVs at the Frankfurt motor show in September.



Mike Scott is a former Financial Times journalist who is now a freelance writer specializing in business and sustainability. He has written for The Guardian, the Daily Telegraph, The Times, Forbes, Fortune and Bloomberg.





LANDSEC

SUNK COSTS

PROPERTY SECTOR STARTS TO WAKE UP TO CLIMATE CHANGE

 [VIEW ONLINE](#)

Although real estate is one of the sectors most susceptible to the physical impacts of climate change, there have been few TCFD reports in the sector to date. But Rick Recourt, associate for climate risk and resilience at GRESB, the ESG benchmark for real assets, expects this to change in the next year, as companies come under increased pressure from investors and mortgage providers.

“There is a demand for better models to understand climate risks,” he says.

“For the past two years, TCFD has been cited as the biggest ESG issue over the next five to 10 years. It’s a very important part of the direction we have been moving in.”

He adds: “Real estate is by definition fixed in its

location, so if new regulations or energy efficiency requirements are introduced, you can’t move your assets away. The same holds true for physical risks. If sea levels rise or temperatures increase, it will affect the value of your assets.”

There are a number of different risks for the sector and it is important to know which ones to prioritise. However, that is not always easy because the risks differ from location to location. “In the Amsterdam residential property market, there is a problem with the poles on which many houses are built starting to rot, for example. That’s not an issue for other markets. Meanwhile, in Germany, research shows that the biggest insurance pay outs are for hailstorms. That’s not something that is captured in many climate change research models.” >

The insurance sector has been working on climate change risks for decades and understands them well, but it's a newer challenge for investors and mortgage providers. "Insurance contracts roll over annually, but mortgages and investments in properties have a much longer time horizon. Yet if insurers pull out of certain markets, asset valuations will fall significantly. There's a huge imbalance there."

GRESB has teamed up with risk consultancy Verisk Maplecroft to launch a new product, the Climate Risk & Resilience Scorecard to help real estate companies, and the funds that invest in them, to assess their readiness to deal with climate risks. "The scorecard provides you with a clear picture of your assets' location-specific ESG and climate risks exposures; insight into how well you are managing these risks; and where you have the greatest potential for improvement," GRESB says.

One company that has published a report is Landsec, which teamed up with Willis Towers Watson's strategic risk consulting team to help it fully understand how its climate risk would change over time and under two different climate change scenarios, of a 2C and 4C average global temperature increase.

Gathering all the necessary data from a range of properties was a challenge "with some data points difficult to access or deemed commercially sensitive", Landsec says. A significant amount of internal engagement was required to ensure relevant stakeholders understood why the information was important.



The new Salesforce Tower in San Francisco has been fitted out with the first blackwater recycling system in a commercial high-rise

The poles supporting houses in Amsterdam are rotting, a challenge unique to the city.



YASONYA/SHUTTERSTOCK

"It was also important to engage the investor relations and corporate communications teams to ensure the response to the TCFD guidance could be effectively integrated into annual corporate reporting," the company adds.

One company that is boosting demand for energy-efficient office space is San Francisco technology firm Salesforce. The company was cited in the 2019 TCFD progress report as an example of best practice on environmental metrics, particularly with its 2018 achievement of net-zero greenhouse gas emissions and delivering a carbon-neutral cloud to all its customers.

According to the company's Step Up sustainability commitment, all new major Salesforce office spaces from 2020 will align with LEED Platinum V4 standards, and the company will "pursue net-zero carbon building certification through a focus on energy efficiency, impactful renewable energy procurement and the embodied carbon of building materials."

Salesforce is lead tenant in the vaulting new Salesforce Tower in San Francisco, which has been fitted out with the first blackwater recycling system in a commercial high-rise, the result of an innovative partnership between Salesforce, Boston Properties and the City of San Francisco. ■

Mike Scott



ØRSTED

'If you want to be a climate leader, you can't ignore the TCFDs'

Mike Scott reports on how Ørsted, Equinor, Unilever and Gold Fields are using climate risk reporting to help strategic transformation

 [VIEW ONLINE](#)





UNILEVER

Energy company Ørsted, which has recently transformed its strategy from a focus on fossil fuels to becoming a renewable energy generator, set up a Taskforce on Climate-related Disclosures working group with representatives from its strategy, risk, sustainability and investor relations teams, along with those working on its annual report and its ESG accounting.

For Ørsted, TCFD reporting goes hand in hand with its strategic transformation. “If we are trying to be a climate leader, ignoring the TCFD would be a bad idea,” she adds. “The business case is partly centred around where we are as a company now. We’re already doing a lot of things and we need to talk about them in a way that the investment community understands.”

Like many companies, it is struggling most with

scenario analysis. “That’s the most ‘black box’ of the recommendations,” says Christine Sobieski, senior sustainability advisor. “We’re in the process of trying to find out what we’re already doing on scenario analysis and whether it is linked to 2C alignment or not.”

Norwegian energy group Equinor together with finance group Storebrand also highlight the challenges of scenario planning. “Forward-looking scenarios are highly uncertain,” they say in a TCFD case study. “The desire for quantification of risks is very challenging due to the wide range of uncertainty related to climate-related scenarios, and hence the difficulty of assessing the probability and scale of impact.” It is important for portfolio managers, sustainability analysts, corporate sustainability teams and executives to talk about the issues to increase understanding of the topic and align expectations.

Unilever, the consumer goods company, includes 2C and 4C scenarios in its TCFD report, calling scenario analysis “a complex but ultimately valuable exercise”. It had to address a number of issues in creating its scenarios. These include the need to >

Unilever is using 2C and 4C scenario planning in its TCFD report.



GOLD FIELDS

develop the business case for addressing climate risk, selecting the right model, and overcoming complexity and uncertainty by starting with a limited number of factors that have robust data, and then extending to include other factors if necessary.

Taking this approach reduced complexity but also “created a number of challenges – not least the fact that physical and transition risks are often interdependent yet separation breaks this link,” the company says.

Another problem is that many existing scenario models for transition risks have a narrow focus on the energy sector, while physical risk scenarios provide clear analysis of changes in greenhouse gas emissions and what they will mean, “but are limited in the financial quantification of these impacts and the fact that most of the short-term physical risks will materialise regardless of action”.

The TCFD recognises that many companies find scenario analysis challenging, and in response it has announced plans for an advisory group to develop “practical guidance on climate-related scenario analysis” in order “to provide some of the building blocks that support disclosure of companies’ strategy resilience”.

South African mining group Gold Fields is

Climate risk is both an immediate and a long-term issue, says Gold Fields CEO Nick Holland.

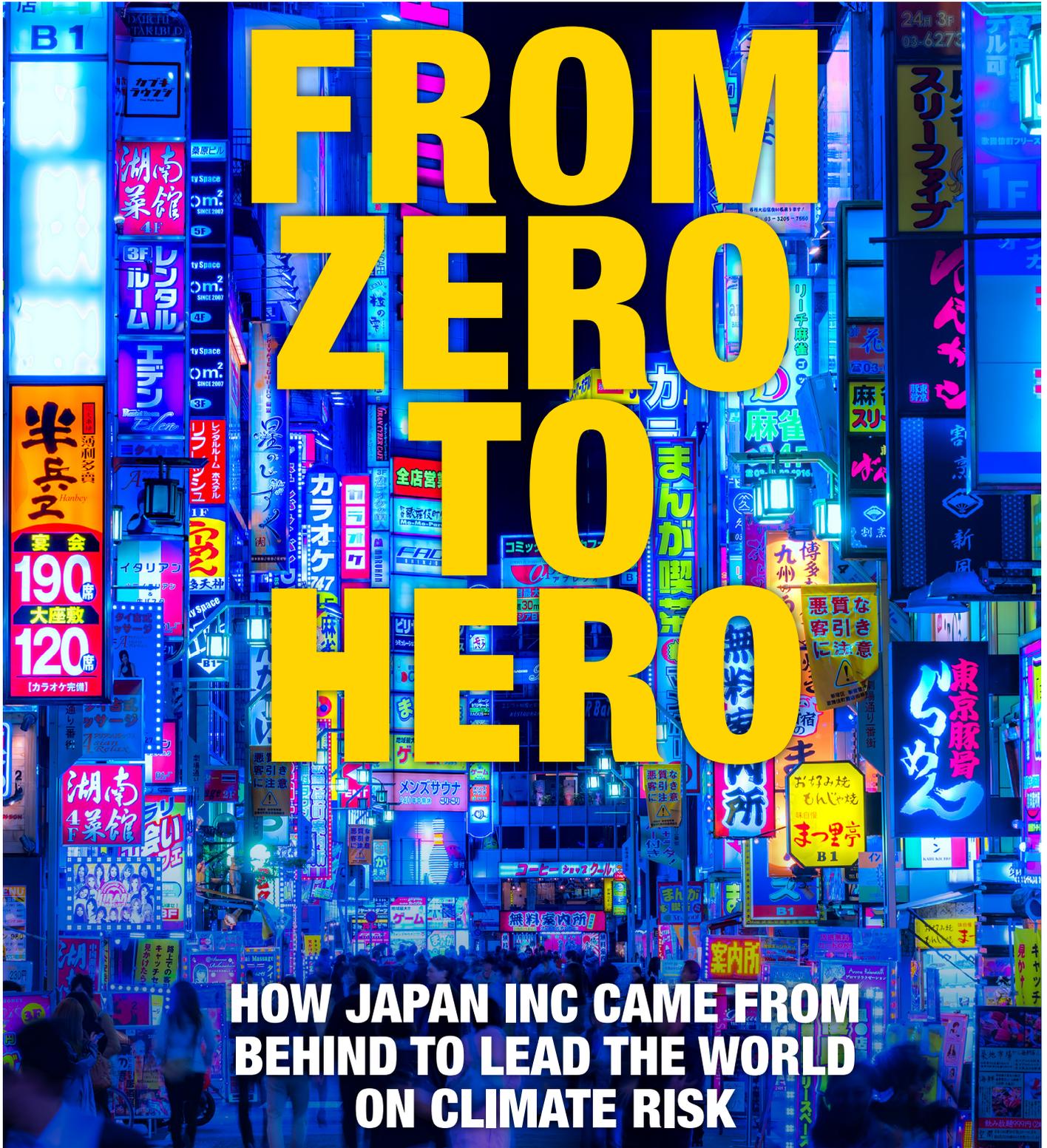
another company that has recently released its first TCFD report. “Climate-related risks are now a mainstream financial risk,” says CEO Nick Holland. “We are starting to understand the cost of inaction and importance of including climate scenarios in our long-term planning.”

Climate risks are both an immediate and a long-term issue, he adds, citing a number of risks that are already manifesting themselves at the company’s mines around the world. These include a reduced availability of water and increased cooling costs in Australia, droughts affecting the availability of power in Ghana, disruption to transport links in Peru due to extreme weather events and mudslides, and regulatory uncertainty in South Africa.

With energy accounting for 22% of the company’s 2018 operating costs, Holland points out that the company is vulnerable to rising energy demand and costs across all its operations. In response, it has embarked on a programme of fuel switching from diesel to gas power, renegotiated energy contracts, invested in energy efficiency initiatives and looked at renewable energy options at its mines and projects, including wind, solar and energy storage. ■



Mike Scott



FROM ZERO TO HERO

**HOW JAPAN INC CAME FROM
BEHIND TO LEAD THE WORLD
ON CLIMATE RISK**

Jill Baker reports on how influential figures like Hiromichi Mizuno of Global Pension Investment Fund and Hitachi's Hiroaki Nakanishi have helped swing the country's largest companies behind the TCFDs

 [VIEW ONLINE](#)



W

hen it comes to reporting exposure to climate risk, Japan has emerged as a surprise leader, with more than 200 companies supporting the Task Force on Climate-related Financial Disclosures at last count.

The list of adoptees forms a Who's Who of industry leaders, including Toyota, Mazda, NTT Docomo, Sony, Mitsubishi UFJ Financial Group, and Tokio Marine Insurance. By contrast, only 123 US companies and 129 UK firms have adopted the measures, while adoptees in China, the world's largest greenhouse gas emitter, number only six.

But TCFD adoption is only one example of Japan's emerging climate leadership, both at a corporate and government level.

As Paul Simpson, CEO of CDP, recently tweeted after meeting the country's new environment minister, Shinjiro Koizumi, 366 of Japan's 500 largest companies disclose their environmental impact through CDP, 81 have committed to Science Based Targets, while 28 Japanese companies are members of RE100, committed to sourcing 100% renewable energy.

In September, Koizumi, who travelled to New York for the UN General Assembly, said he wanted Japan to do more on climate, and invoked his country's role in forging the 1997 Kyoto Protocol.

"We haven't taken the strong action and powerful leadership since then, but from now on, from today, we want to do more," Koizumi was quoted as saying.

"We are committed to realising a decarbonised society, and we are ready to contribute as a more powerful country in the fight against climate change."

In an interview with Ethical Corporation, Michael Zimonyi, policy and external affairs director at the Climate Disclosure Standards Board, said: "Japan has gone from zero to hero."

He said the TCFD standards had enjoyed a warm welcome this year from Japan's powerful Ministry of Economy, Trade and Industry (METI), and the [TCFD Consortium of Japan](#), founded by five influential leaders of Japanese industry in the run >



Asia is seeing more intense and frequent typhoons and other extreme weather events.

ISSEI KATO/REUTERS



Paul Simpson CEO of CDP meeting with Japan's environment minister Shinjiro Koizumi.

TWITTER

up to an international TCFD summit, which was held in October in Tokyo.

The number of supporter companies began to rise from March, says Zimonyi, “after an event organised by JPX [the Japan Exchange Group] on the TCFD in February, where Japan vowed to get to the top of the TCFD supporters list.”

He also credited Hiromichi Mizuno, the charismatic executive managing director and chief investment officer of Japan’s Global Pension Investment Fund (GPIF).

GPIF is one of the world’s largest pension funds, with about \$3tn under management. It looks at investments with a 100-year time horizon, and is so big that it owns a small amount of most of the publicly traded companies in the market through its outside asset managers.

GPIF is pushing the adoption of ESG standards, including TCFD.

In a recent Harvard Business School case study entitled *Should a Pension Fund Try to Change the World?*, Mizuno was quoted as saying that the only way to meet his responsibilities to his beneficiaries was to improve corporate governance, increase inclusion and gender diversity, and reduce environmental damage from climate change.

He stressed the importance of non-financial disclosures, because traditional disclosures leave material climate issues out.

GPIF recently filed its own TCFD [disclosure](#), detailing its portfolio’s carbon footprint metrics, fossil fuel and stranded assets exposure, and the alignment of its power sector exposure with a 2C warming scenario.

Hitachi’s chairman, Hiroaki Nakanishi, has also long spoken out forcefully on climate issues. Hitachi



MIKE BLAKE/REUTERS

Hiromichi Mizuno, head of Japan’s GPIF, has pushed for the adoption of ESG standards, including TCFD.

was one of the five founding members of Japan’s TCFD consortium and Nakanishi is chairman of the Keidanren (Japan Business Federation), the country’s most powerful business group.

But even TCFD advocates admit to difficulties in implementing disclosure. Osamu Naito, general manager, government and external relations for Hitachi, said in a phone interview that one of the biggest challenges in putting the filing together was gathering data across a company so large. Hitachi’s fiscal 2018-19 sales totalled \$88bn, ranging from IT and telecom systems to automotive to financial services.

Hitachi added TCFD [disclosures](#) to its integrated report in 2018, and its 2019 sustainability report is based on TCFD reporting guidelines. In its filing, Hitachi measures the impact of climate change on its business under two scenarios of a 2C and 4C increase in global mean temperatures from pre-industrial levels, and details how those findings inform business strategy in robust detail in its CDP report.

Naito welcomes TCFD reporting as “an opportunity to promote a long-term perspective on business opportunities and risks.” Hitachi is aiming to expand its social innovation businesses, which include products that contribute to smart cities, like energy-efficient power infrastructure, its Lumada technology platform, and systems for water purification. >



Hitachi is aiming to further incorporate sustainability into its business model by developing social innovation products that contribute to smart cities



CHUYUSSI/SHUTTERSTOCK

TAIWAN SEMICONDUCTOR

Ethical Corporation also spoke to TCFD supporters elsewhere in Asia, including Taiwan Semiconductor Manufacturing Co (TSMC), the world's largest contract chip-maker. The company, which has sales of \$33.8bn and is a key player in 5G, signed up to TCFD this year.

Its climate change report to CDP and latest [CSR report](#) show TSMC's extreme vulnerability to climate risk.

Chip-making is a water- and energy-intensive business and TSMC's electricity needs alone have the potential to butt up against the limits of Taiwan's national electric capacity.

Although the company has a well-deserved record in using water- and energy-saving technologies, its electricity consumption rose 66% from 2014 to 2018, and analysts estimate that the rollout of new 5G chips could cause TSMC's electricity needs to rise further, to account for 7% of the country's total consumption.

Speaking to Commonwealth Magazine in 2017, the company's venerable founder, Morris Chang, voiced worries about power shortages in Taiwan.

And in its CDP climate change filing for 2018,

Many Chinese manufacturers are still heavily reliant on power from fossil-fuel plants.

TSMC called attention to the fact that due to Taiwan's tight reserve margins (the wiggle room they have to accommodate spikes in power use during heatwaves, for example) it was likely that a power supply interruption may occur at least annually, hitting its revenues.

TSMC's report to CDP said it will enlarge the capacity of emergency diesel power generation to minimise recovery time in a blackout, something that will presumably increase rather than decrease climate risk.

In an email to Ethical Corporation, Larry Sun, programme manager, corporate environment, safety and health, said the company was planning to revise its CDP submission, having been assured by the Taiwanese government that "even under very aggressive assumptions for power demand" there will be enough power to run TSMC.

He highlighted TSMC's strong work in the area of [manufacturing innovation](#), including using artificial intelligence to increase the energy efficiency of its chilled water systems, towards its target of increasing energy efficiency by an accumulated 2% by 2025, compared with 2018.

And the company has a target to increase its >



NATHAPON TRIRATANACHAT/SHUTTERSTOCK

renewable energy use by 20% by 2025, in line with Taiwan’s national plan. But this seems largely to be from buying green electricity credits rather than investing in new renewables projects.

HONGKONG AND SHANGHAI HOTELS

In Hong Kong, Ethical Corporation spoke by phone with Janice Lao, director of corporate responsibility and sustainability at Hongkong and Shanghai Hotels (HSH), and a member of Ethical Corporation’s [advisory board](#). The group owns ultra-luxury Peninsula Hotels and other properties in cities across Asia, Europe and the US.

Lao holds an MSc in environmental change and management from the University of Oxford. Because of her science background, she is in a better position than most to respond to TCFD’s call for the use of climate scenario analysis to help identify risks and opportunities for HSH.

Lao points out that peer-reviewed CO2 emissions trajectories and atmospheric concentrations up to 2100 – known as representative concentration pathways, or RCPs – are available free on the internet, so she used different city-level global warming scenarios to assess how the company’s properties will be affected by climate change as prescribed by the standards.

The biggest challenge, she said, was summarising and analysing the data. It took a few weeks to

The Bangkok Peninsula hotel’s proximity to the Chao Phraya river puts it at risk of flooding.

distil it before the findings could be presented to management.

Lao described how her work, which she emphasised as ongoing, fed into strategic planning to adjust for projected flooding in Bangkok, where the Peninsula Hotel’s location on the banks of the Chao Phraya river makes it vulnerable to flooding.

Each city is different, Lao said, but what they share are “certain outcomes that will worsen if we don’t decarbonise.”

For Asia, a region that is seeing more frequent and intense typhoons and flooding as a result of climate change, climate-risk reporting is no paper exercise, but increasingly a material issue. ■



Jill Baker is an adjunct fellow at the Hong Kong-based Asia Business Council, and is research adviser at Terra Alpha Investments. She was the principal researcher for *The Greening of Asia: The Business Case for Solving Asia’s Environmental Emergency*



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With the Netherlands lying below sea level, ABN Amro's biggest climate risk lies in its mortgage portfolio.



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‘THE TCFDs GO TO THE HEART OF OUR RESPONSIBILITIES AS A BANK’

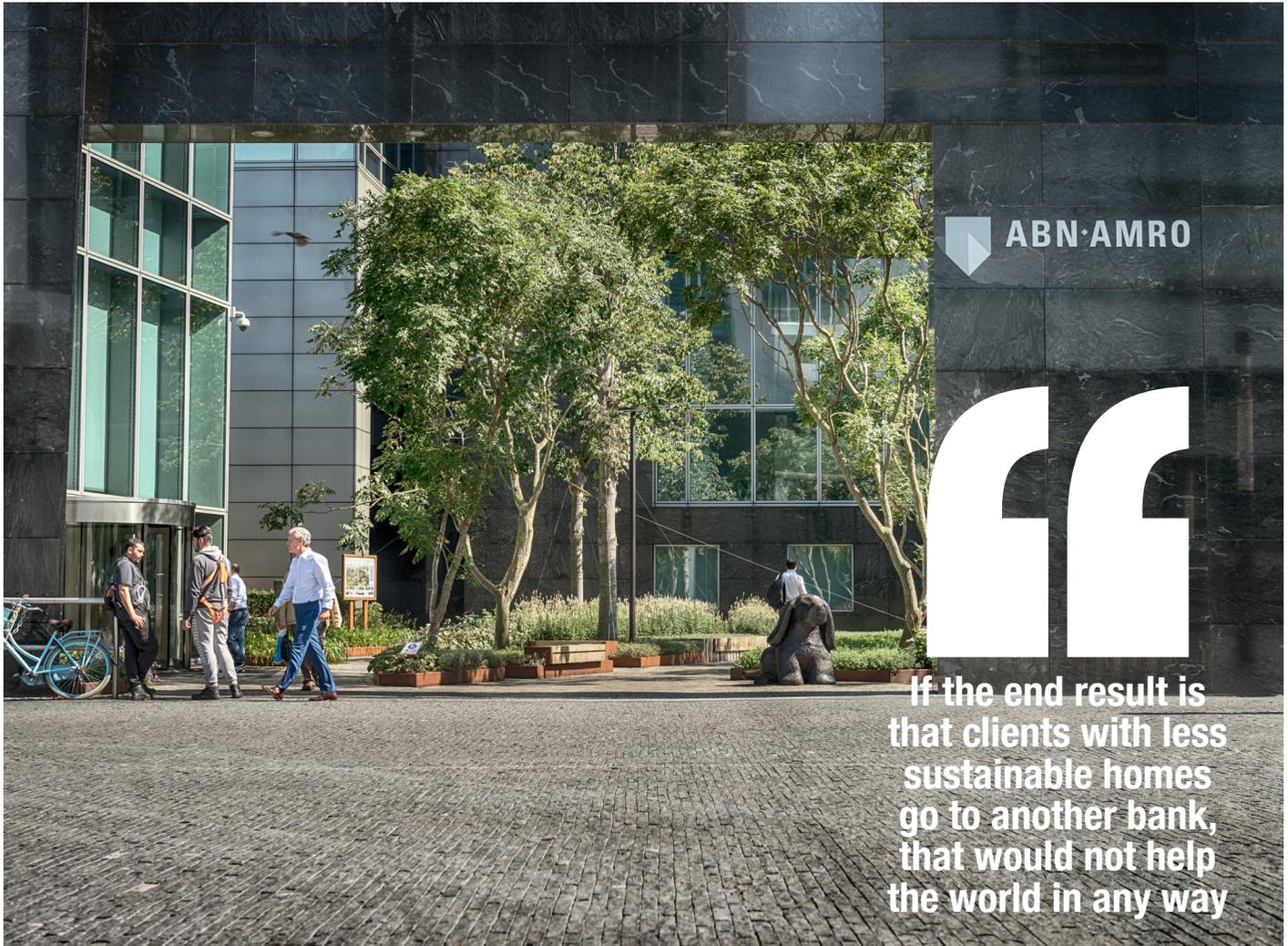
Terry Slavin talks to ABN Amro's Tjeerd Krumpelman about how the Dutch bank is using climate scenario planning to steer its lending

 [VIEW ONLINE](#)

Tjjeerd Krumpelman of ABN Amro is a big fan of the Task Force on Climate-related Financial Disclosures.

“What TCFD does is they give you a different lens on how to assess risk,” says Krumpelman, who is global head of business advisory, reporting and engagement at the Dutch bank. “And this is why I like it a lot. Because this is where you get into the core of banking. Our business is to assess risk and translate that risk into interest rates or decision-making.”

The Dutch bank is participating in a UNEP Finance Initiative pilot project on implementing the TCFD recommendations for banks. He said the company joined the pilot project “to learn from other financial institutions on how to use these guidelines and how to work on these different scenarios, and stress tests and all that stuff. So that’s been really helpful for us as a bank.” >



DAVID PEPERKAMP/SHUTTERSTOCK

If the end result is that clients with less sustainable homes go to another bank, that would not help the world in any way

He points out that the Netherlands is below sea level, and with two thirds of its lending activity in Dutch real estate, ABN Amro's biggest climate risk lies in its mortgage portfolio. The other area it is focused on in the UNEP FI pilot is investment in the energy sector.

The bank has sustainability goals of having all the real estate it finances score high on energy efficiency by 2030, renewable energy account for 20% of its energy portfolio by 2020, and to double the value of its sustainably invested assets to €16bn by the same date.

Krumpelman said ABN Amro was trying to incentivise clients to live more sustainably through favourable rates on mortgages or home improvement loans.

"If your home uses less energy, maybe generates its own energy, or is in an area where there is less risk of flooding, then it could very well be that that is a lower risk for the bank, so you will be charged less."

Asked whether there isn't a risk of losing clients to competitors with lower mortgage rates,

ABN Amro is one of the leading banks participating in UNEP Finance Initiative pilot project road-testing the TCFDs.

Krumpelman said that was one reason the TCFDs should be made mandatory.

"If the end result is that we scare away clients with less sustainable homes and they go to another bank where they got cheaper mortgage, that would not help the world in any way."

He said countries are already moving towards embedding the TCFD recommendations into regulation, but at different speeds.

He points out that France is forging ahead with mandatory climate-related disclosures, while in the Netherlands regulation is developed on a more consensual basis. Still, he said, many Dutch companies aren't waiting for it to become mandatory. ABN Amro will publish its TCFD report early in the new year.

Asked whether there is friendly competition on sustainability between ABN Amro with other Dutch lenders, like ING, he said the two banks each have a 20% market share of the Dutch mortgage market, and are collaborating on measuring the sustainability of their mortgage portfolios. ➤

He said ABN Amro has come a long way since a year ago, when it decided to implement the TCFD recommendations, without knowing how to go about it. It was a big challenge to figure out what they mean, and where to start, he says, something that has been helped by the UNEP FI pilot project. The next phase will be to decide how to embed it into the organisation and use it in reporting.

As it pursues its strategy of becoming a more sustainable bank, Krumpelman said ABN Amro has developed integrated reporting.

“We’ve worked on the SDG reporting. We’ve worked on impact reporting, we’ve worked on human rights reporting. And the TCFD will provide us with other insights to help steer the bank in the right direction. And I think there’s a lot of connectivity between these initiatives.”

While TCFDs are tricky, so are the Sustainable Development Goals, which companies have embraced more enthusiastically than the governments for which they were designed five years ago.

“I think that that the communicative value of the SDGs is really high. But once you dive into them. You’ll find yourself challenged as a company to align. I think it would help if companies were to disclose both their positive and negative impacts on the SDGs.”

Asked about the added cost to its operations from such initiatives, Krumpelman said it was question he sometimes received, but not from the board.

“We never question how much it costs to have a good risk-functioning person or to be compliant with rules and regulation because they are all really crucial to the value creation over time.” He said



We never question how much it costs to have a good risk-functioning person or to be compliant with regulation because they are all crucial to value creation



ABN AMRO

Tjeerd Krumpelman of Dutch bank ABN Amro.

ethics and integrity should be regarded in the same light. “Of course it needs some financial capital to get that going. But it’s delivering on a lot of the other value if you do it right, and destroying a lot of value if we get it wrong by underperforming on sustainability or ESG [environmental, social and governance]”

One high point for him came in September, when he was in the UN General Assembly in New York as 130 banks, representing more than \$47tn in assets, signed the [Principles for Responsible Banking](#), which include transparency and accountability, impact and target setting and governance among their six principles. “So it’s 30% of all the money in banks in the world signing up. It was a great moment to see all those CEOs sign the principles. ... We will have to act on these principles now. It’s not a free ride.” ■



Terry Slavin is editor of Ethical Corporation



CLASS OF 2019



In his monthly column on EthicalCorp.com, Oliver Balch profiles some of the people who are doing most to push the envelope for sustainable business. Here we feature our latest disruptor, BT's Gabrielle Ginér, and three more from the past year: Edward Mason of the Church Commissioners for England, Lucas Joppa of Microsoft and Mindy Lubber of Ceres



HOW QUIET-SPOKEN GABRIELLE GINÉR IS MAKING A BIG NOISE ON CLIMATE AT BT



BT

Oliver Balch profiles the head of sustainability at the FTSE 100 company, one of the first to set an ambitious 1.5C science-based target

 [VIEW ONLINE](#)

Amid the hoard of climate-minded policymakers, campaigners, lobbyists and media in Madrid this month for the United Nations' annual climate jamboree is Gabrielle Ginér. Head of environmental sustainability at the UK telcoms giant BT, Ginér attended her first COP (Conference of the Parties) in Paris in 2015 and has not missed one since. >



MATEJ KASTELIC/SHUTTERSTOCK

But she is no conference groupie. A graduate in international economics, Ginér has a long background in public affairs and government relations, including a stint in Brussels prior to joining BT in 1997. In short, she knows that the regulatory process matters.

As with other business attendees (the number of which is increasing year on year), she will be partly in Madrid to fly her company's flag. Here, she has a head start. The quality of BT's customer service

may invite questions, but its record for climate leadership is up there with the best.

In faintly accented English (she is Swedish by birth), Ginér runs off a lengthy list of BT's recent achievements: an 80% reduction in carbon emissions from its own operations (and scope 2) since 1996; a more than doubling of renewable energy consumption since 2004, to 87% of all its electricity needs today; savings of £298m in energy efficiency measures over the last decade.

As she explains: "What we are trying to do at COP . . . is to show best practice and what we are doing. A lot of policymakers are not aware of what businesses are already doing."

Don't expect any grandstanding from Ginér, however. Swaggering isn't her style. Nor is it really BT's. The 50-year-old national brand, which recently rebranded to reflect that it is no longer just about telecoms and broadband, is keeping a low-ish profile in Madrid. So no high-level sponsorships or boozy side events.

Generally, it is the corridors of COP where Ginér wears down her shoes, not on the main stage. A strategic conversation here, a confidential chat there. That said, at a UN climate meeting in Bonn in May 2018, she briefly addressed the conference's official delegates. The invitation arose >

Policymakers, companies and campaigners are in Madrid this month for COP25.



What we are trying to do at COP is to show best practice. A lot of policymakers are not aware of what businesses are already doing



People who work in this space realise that climate change is a shared problem. No one has all the answers, but we are trying to get there by talking

from her involvement in the [Talanoa Dialogue](#), a year-long process aimed at including the voices of non-state actors.

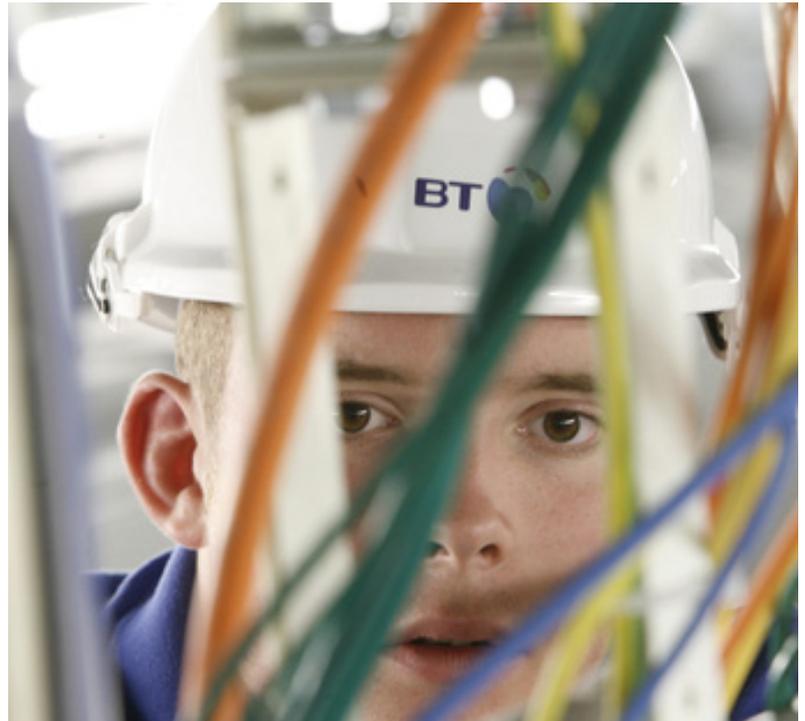
How she used the three minutes allocated to her in Bonn reveals much about her strategy for making a difference and driving change, particularly at a political level.

First up, she was dead straight about BT's motivations. For this £5.5bn FTSE 100 company, tackling climate change is as much about business growth as it is the wellbeing of the planet, she told the packed conference hall.

Ginér drew attention to the fact that BT's carbon-saving products (teleconferencing, broadband, cloud networking, and so on) now makes up [nearly one quarter \(23.4%\)](#) of the company's entire revenues. In terms of hard, cold cash, BT netted £220m in energy savings between 2009 and 2016 (the figure has since increased to [£298m](#)). As she stated at the time: "The business case for climate action is clear."

Second, the speech demonstrated Ginér's deep conviction about the importance of cooperation. Today, BT occupies a leading role in a host of business-led climate coalitions, from We Mean Business and The Climate Group through to CDP (formerly, the Carbon Disclosure Programme) and the World Business Council for Sustainable Development.

Such organisations represent "safe spaces" for businesses, where corporate professionals can talk through shared challenges in a frank and open fashion, she observes: "People who work in this space realise that [climate change] is a shared problem . . . No one has all the answers, but we are trying to get there by talking."



KINGTA/SHUTTERSTOCK

In addition, Ginér praises a collaborative approach to climate change action for its "snowball effect", which prompts climate laggards to get on board and climate leaders to "raise the bar".

It is for this reason that Ginér took the highly unusual decision to publish the [methodologies behind BT's science-based climate targets](#).

Asked if she isn't concerned that others might simply lift wholesale the methodological insights that BT worked for months to develop with the Climate Trust, she responds with genuine equanimity. The more that do so, the better, she believes. Indeed, a fundamental aspect of her role at BT is to inspire other companies to embrace climate action, she says.

"For me personally, I hope to get 'takers' . . . When other companies, including some of our competitors, started talking about their abatement targets, to me that was great. That's exactly what we wanted."

When it comes to winning buy-in from others, BT has form. In 2012, the telecoms giant introduced its award-winning [Better Future Supplier Forum](#) in a bid to win over its supply base. BT's 18,000 suppliers are responsible for more than 60% of its end-to-end emissions, a figure the firm (which boasts a procurement budget of around £14bn per year) hopes to cut by 29% by 2030.

As part of the initiative, suppliers are helped to assess their carbon footprint as well as trained up on emissions-reduction techniques. BT's strategy >

BT



here is a mix of carrots and sticks. On the one hand, suppliers can access favourable prices for renewable energy courtesy of a deal between BT and energy provider Npower. On the other, an update to their contract means that they are now obliged to make progress on cutting their emissions while working with BT.

The third, and perhaps most important characteristic exhibited by Ginér in her one-off COP speech, is a willingness to stick her own neck out. Thanks in no small part to her personal leadership, BT became the third multinational company to come out with a science-based target in line with keeping temperature to the more ambitious 1.5C (just pipped to the post by Carlsberg and Tesco, which were also advised by Carbon Trust). Until then other companies had adopted 2C compatible emissions targets.

She says she came away from the Paris Climate Summit in 2015 realising that it was only by setting a 1.5C science-based target that BT could rise to the ambition of the Paris Agreement.

Executing that idea was no easy task. First, BT's own board needed convincing. While supportive in principle, the combination of a seemingly futuristic 2030 horizon and a lack of clarity about potential costs left them understandably unnerved. Remember, this was also pre-Extinction Rebellion and Greta Thunberg, Ginér notes, so today's "public mood music" around the climate emergency was yet to be felt.

Ginér did her level best to provide hard numbers where possible, but, with so many unanswered (and unanswerable) variables on the table, landing on a concrete figure was always going to be "impossible". Take electric cars. To hit a 1.5C pathway, BT will need to shift its entire fleet of 33,000 vehicles to

To hit a 1.5C target, BT will need to change its fleet of 33,000 vehicles to electric or low carbon.

“All corporate boards now see that the discussion on climate change has taken off and setting science-based targets is simply what we need to do

electric or a low-carbon equivalent. With EVs only just entering the mainstream now, how much such a move will cost is anyone's guess.

In the end, Ginér found the most convincing route was to draw on BT's own history of leadership. Way back in 1992, for example, the company's then executive board became one of the first in UK corporate history to agree a voluntary emissions reduction target. Her message was simple: BT had stuck its neck out before and could (read: should) do so again.

Two years on, with climate change now front and centre in the public mind, Ginér's instinct is more than validated. From being a lone few just a couple of years ago, 22 corporations now have approved science-based targets in line with a 1.5C pathway. An additional 222 have approved targets using a temperature rise of within 2C as their yardstick. Another 441 companies have set SBTs, but have not yet had their plans approved.

As Ginér observes: "All corporate boards now notice that the discussion on climate change has taken off and there's a recognition that for BT and companies like us this [setting science-based targets] is simply what we need to do."

For Ginér, showing bold leadership in this space has knock-on effects beyond BT's own immediate carbon footprint. The term she uses to define such effects is "ambition loops", by which she means a sort of positive, upward spiral whereby corporate commitments and public policy begin to mutually reinforce one another.

"When we see policymakers starting to talk similarly about 1.5 degrees and net zero, that becomes very helpful for me to go back to my board and say, 'Look what's happening, the government is talking about this as well'. And the government >

WILLY BARTON/SHUTTERSTOCK



can also say, ‘Look at big companies like BT and Unilever, they are also all talking about net-zero.’”

This is a refreshing change, when all too often the intent of corporate **lobbyists** is to dampen and delay progressive policy. Never has this been truer than in policy debate on climate change, whether it be opposition to specific measures like a mandatory carbon tax, to general antipathy towards wider policy initiatives like the US Democrats’ proposed **Green New Deal**.

And climate sceptics don’t only exist in business; policymakers also have their own internal battles to fight. So when big brands come out in support of a policy idea like net-zero emissions by 2050 (as **more than 120 companies did** in an open letter to the then UK prime-minister Theresa May last May), it carries weight in the corridors of power.

Company representatives treading the corridors in Madrid this month should take a leaf from Ginér’s book. The world of climate policy has enough hot air circulating already; what’s needed is more of her brand of quiet, focused, ambitious leadership. ■

BT has stuck its head above the parapet to show leadership on climate change.

CV

GABRIELLE GINÉR

- 2009 –**
Head of Environmental Sustainability, BT
- 2007 – 2009**
Partnership Director, BT
- 2000 – 2007**
Programme Manager, BT
- 1997 – 2000**
Head of Public Affairs and Regulation, BT Japan
- 1993 – 1997**
Adviser, European Public Policy Advisers



Gabrielle Ginér will be one of the speakers at Ethical Corporation’s Responsible Business Summit Europe 2020.

Oliver Balch talks to Edward Mason, head of responsible investment at the influential Church Commissioners for England, about why it is critical to engage with the likes of Exxon Mobil and BP

 VIEW ONLINE



CHURCH OF ENGLAND

‘CLIMATE CHANGE IS THE BIGGEST ETHICAL ISSUE THE CHURCH OF ENGLAND FACES’

As corporate missions go, the Christian church can surely lay claim to have one of the longest standing. Since the moment Moses stepped down off Mount Sinai, the institution’s core tenets have – quite literally – been set in stone. Don’t steal, don’t lie, don’t covet, and so forth.

In a way, this puts Edward Mason on the front foot. As head of responsible investment for the Church Commissioners for England, the body that

manages the Anglican Church’s historic property assets, he has a clear ethical mandate from on high.

Yet, how this translates into practice for someone charged with ensuring that the Church Commissioners’ investment fund of £8.3bn is ethically managed is a different matter.

Mason, who is nearly five years into his current job, is unabashed about how theological injunctions, such as promoting the intrinsic dignity and equality of every human being and the Christian concept of loving one’s neighbour, have played a central role in his employers’ investment policy.

From the get-go, the institution instructed those managing its investments to ensure that tobacco, pornography, armaments and other so-called “sin stocks” be excluded from its portfolios. >

While this position remains as strong as ever, Mason has championed a more progressive, more positive approach to how the Church of England’s investment muscle might be flexed.

One important development under his tenure is the precedence now given to climate change, which he describes as “the biggest ethical issue that the Church of England faces as an investor”. Immediately on taking up his post, he helped spearhead a new climate change policy for the Church Commissioners, which was launched in 2015.

Climate change “really matters to Christians” for two reasons, Mason states: “One is that we are stewards of creation. And clearly climate change is damaging creation – it’s damaging our ecosystems, our biodiversity, all kinds of critical aspects of the natural world.”

The issue also taps into the Anglican Church’s historic concern for the poor and marginalised. Not only are the world’s most vulnerable likely to suffer the effects of climate change; they are also the least able to adapt to them, he points out.

Arguably, however, it is not what Mason has chosen to get his teeth into while at the Church Commissioners that is most interesting, but how he has chosen to act.

By nature, 51-year-old Mason is a measured, cerebral type; given more to quiet persuasion than charging the barricades. These qualities served him well in the early part of his career, when he worked as a foreign diplomat for the British government. His 15 years at Her Majesty’s service saw him posted to Zagreb and Oslo, as well as covering Ireland and various African countries as a desk officer in London.

“I think my previous diplomatic background comes in particularly useful on climate change because it’s obviously an issue with a strong political dimension to it . . . Also, with companies, it requires a tactical approach. It’s all about working out where they’re coming from, where agreement might be found, what leverage we have as investors.”



PIOSI/SHUTTERSTOCK

The Anglican church’s core tenets have literally been set in stone.

Mason has had the opportunity to put his skillset to the test in his negotiations with ExxonMobil. Together with his counterpart at New York State Common Retirement Fund, Mason heads up investor engagement with the US oil and gas major.

The experience has had its ups and downs, he readily admits. In 2016, a shareholder resolution calling on the company to conduct an analysis of the business impact of a 2C temperature rise scenario was rejected. Undeterred, investors came back the following year and pushed the resolution through.

Today, ExxonMobil not only issues an annual energy report (including a 2C scenario assessment), but now publicly backs the Paris Agreement and lobbies for a carbon tax in the US. It has also altered its board composition to include a climate scientist.

However, Mason and his fellow supporters in the climate-conscious investment community have had less joy persuading ExxonMobil to set emissions targets that are consistent with the Paris Agreement. After lobbying the Securities and Exchange Commission (SEC), it even managed to get the resolution scrapped from the ballot at its most recent shareholder meeting.

Despite a petition signed by investors with over \$9.5trn assets under management, the regulator did not budge. Mason is not discouraged. He knows negotiating can sometimes be a long game. Plus, he feels that the resolution – in spite of being scrapped – sent a “pretty strong demonstration” about investor concerns over Exxon’s climate liabilities. >



We are stewards of creation. And clearly climate change is damaging creation. It’s damaging ecosystems and biodiversity



Climate change requires a strategic change on the part of companies, he says, which argues against “a quick sort of in-and-out engagement”. He adds: “In general, I’d say that my experience with Exxon has been an opportunity to model how investors can progressively influence corporate strategy in a situation where a company can – at times – be determinedly resistant.”

This commitment to using investor clout to nudge, cajole and – hopefully, eventually – convince public-listed corporations to change tack on big ethical issues such as climate change is central to Mason’s theory of change.

A stellar example of this theory in practice is Climate Action 100+, which the Church Commissioners actively supports. The investor-led initiative pushes the world’s most significant corporate greenhouse gas emitters to curb emissions to strengthen their climate-related financial disclosures.

In the two years since it was launched, Climate Action 100+ has won the backing of more than 320 investors with more than \$33trn in assets collectively under management. And they have won some notable victories. One came last month, when

a resolution compelling BP to set out a business strategy consistent with the goals of the Paris Agreement won overriding support.

Another initiative backed strongly by Mason is the Transition Pathway Initiative (TPI). Launched in early 2017, the initiative sees the Church Commissioners join forces with its sister investment body, the Church of England Pensions Board, and the Environment Agency Pension Fund.

Among other achievements, the TPI has developed a robust tool that investors can use to research companies’ carbon impacts and liabilities, as well as inform their corporate engagement activities. It has since been taken up by Climate Action 100+ as its primary benchmarking methodology.

Of course, as any diplomat will tell you, a successful engagement strategy requires both parties to be broadly committed to the same end. And, as he or she will also tell you, that’s not always the case.

Off the bat, some negotiations just aren’t worth entering into. So when the Church Commissioners launched its revised climate change policy, for instance, it included a commitment to divest from >



**The Church of England
has divested from funds
with over 10%
of revenues from coal**

EVGENIY ISAYCHEV/SHUTTERSTOCK

any companies that derived more than 10% percent of revenues from thermal coal mining or oil production.

“We also made clear that we would divest from other companies with material impacts on climate change that weren’t taking their climate responsibility seriously.”

It’s not just climate change where Mason and the investment managers with whom he works are willing to put their foot down. In 2010, barely a year into his initial job at the Church Commissioners, the Church of England took the controversial decision to divest from Indian mining firm Vedanta on the grounds that its proposed mine in Orissa trampled on tribal peoples’ rights.

The decision, taken on the advice of the Ethical Investment Advisory Group, of which Mason was secretary, triggered other investors to follow suit. Such was the [dent on Vedanta’s reputation](#) that it eventually had to de-list from the London Stock Exchange.

Mason’s attitude towards divestment is anything

but gung-ho: “We prefer to influence companies successfully. Firms responding to our concerns and adjusting their policies and practices accordingly: that’s what success looks like for us.”

But the ability of the Church of England to put its ethics before financial interest and say “enough is enough” is equally important, says Mason. Few other investors have such free rein, he adds, which increases the moral obligation to respond when ethical lines are crossed.

“If a company is not acting responsibly, even after engagement, and we can’t make the progress that we’re looking for, then it’s necessary for us to step away. It’s important for our own integrity and our credibility with our stakeholders to have clear red lines.”

The Church Commissioners’ firm stance in the Vedanta affair flags up not only its willingness to take a stand, but ability to swing the heads of headline writers. The latter is something that the current Archbishop of Canterbury, Justin Welby, has used to great effect, kicking off national debates >



on everything from pay-day lending to corporate tax avoidance.

Nor is it just the ears of news editors that prick up. Colleagues in the wider investment and banking communities also take note, Mason states. He comes back to the example of Vedanta. When the mining giant sought to acquire Cairn Energy shortly after the divestment furore, its lenders required it to accept the recommendations of an independent sustainability review without debate.

“Other investors may not necessarily be able to take the same action as us and divest, but there are other things that they can do – they can carry on engagement, for instance, or put conditions on corporate lending.”

Looking forward, Mason says climate change will remain “the biggest issue on our plate for some years to come”. But as urgent as the climate crisis is, Mason says it is important that the Church Commissioners also keeps its eye on other issues, including corporate tax avoidance, excessive executive remuneration, and the living wage for workers.

“It’s important that investors help steward their investment so that capitalism is successful and productive for all . . . yet there are some real fragilities in our system at the moment, with widespread inequalities and people feeling left out. As church investors, it’s important we point these out.”

In 2010, the church divested from Indian mining firm Vedanta.

As the Gospels tell it, Jesus was so disgusted at the usurious practices of the money-changers in Jerusalem that he overturned their tables and forcibly ejected them from the temple. That’s not Mason’s style. All the same, don’t let the thoughtful manner of this former diplomat fool you. Cross his employer’s ethical lines and you can expect a swift response. ■

CV

EDWARD MASON

2014 –

Head of Responsible Investment, Church Commissioners for England

2009 – 2014

Secretary to Ethical Investment Advisory Group, Church Commissioners for England

2005 – 2009

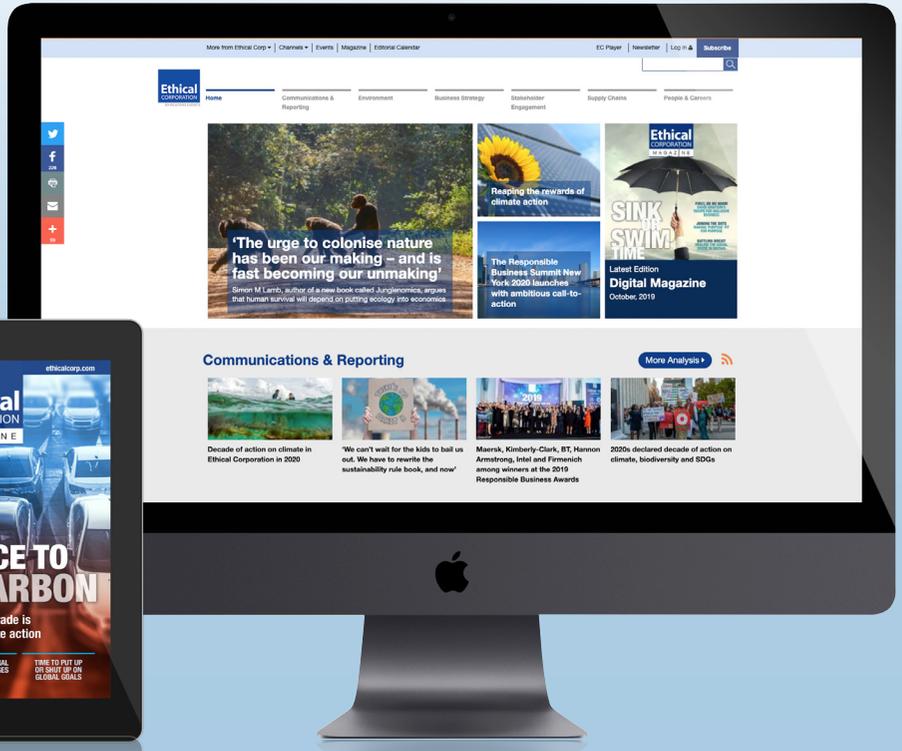
Head of London office, Independent Diplomat

1990 – 2005

British Foreign and Commonwealth Office



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LUCAS JOPPA'S MISSION TO USE MICROSOFT'S COMPUTATIONAL POWER FOR GOOD

Oliver Balch reports on how the tech giant's first ever chief environmental officer is aiming to maximise its positive impact by harnessing the power of AI

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or a man who grew up in the back woods of Wisconsin with no television nor computer, Microsoft might seem like an odd career choice.

Lucas Joppa makes no effort to hide the fact. He never intended to “land in a large corporation”, he says. His purpose, instead, has always been to “seek the greatest kind of environmental conditionality possible”.

That sense of personal mission is paying off. In July 2018, 37-year-old Joppa was appointed Microsoft's first ever chief environmental officer. He describes the role as dual-focused: part internal (ie impact minimisation) and part external (i.e. maximising potential upsides of his employer's tech).

“I talk about my team just everyday working to optimise a super-simple equation, which is minimising the environmental footprint of our business operations and maximising the positive environmental impacts of our products and our policies and our partnerships.” >

The first half of the job is far from small fry. The carbon emissions created from Microsoft’s own operations, coupled with the effects of the goods and services it buys and sells, come to just shy of 23 million metric tonnes – similar to the total carbon footprint of Sri Lanka.

The tech giant has a long way to go to bring this number down, but Joppa takes heart from the fact that he isn’t starting from scratch. Since 2012, for instance, the company has achieved carbon neutrality by introducing an internal carbon fee – the price of which, incidentally, it nearly doubled (to \$15 per metric tonne) back in April.

Joppa insists that Microsoft is “in no way stepping down” its commitment to operating in an environmentally sustainable manner as possible. Yet, at the same time, he concedes that the impacts of Microsoft’s server centres, PCs and so on remain “a drop in the bucket” when compared with the colossal volume of greenhouse gas emissions globally.

The conclusion is unavoidable: “Even if we do reduce all of these things to zero, it’s far from enough for the world to achieve what it needs to achieve.”

Conveniently, his logic here appears to coincide with the half of his job that really gets Joppa’s pulse racing: namely, putting Microsoft’s vast technological and intellectual weight behind breakthrough solutions to pressing environmental challenges.

And it is this that has caused Joppa’s star to shine so brightly at Microsoft in recent years. In early 2016, in his then capacity as a computational ecologist, he wrote a short internal memo outlining how the corporation’s artificial intelligence



Even if we do reduce Microsoft’s impacts to zero, it’s far from enough for the world to achieve what it needs to achieve



SIRTRAVELALOT/SHUTTERSTOCK

resources might be put to the service of eco-entrepreneurs worldwide.

From the back-of-an-envelope idea, the concept grew fast, catching the interest of colleagues and quickly winning the ear of senior management. One year later and AI for Earth was born.

The initiative was initially pitched as a one-year, \$2m programme providing peer technology grants. Such was the avalanche of early responses that Microsoft promptly ploughed a further \$48m into the project and expanded its timeline to five years.

The programme is premised on three pillars, Joppa explains: access (to Microsoft’s tech), education (in computer science wizardry), and talent (i.e. drawing on Microsoft’s internal, techie brain pool).

“The pillars of the programme were predicated on these areas that we knew would have to be solved if we were going to allow people in the sustainability and the environmental space more broadly to grow into the AI space,” Joppa explains.

The combination appears to be working. Less than three years in and AI for Earth has already backed over 380 projects. Most of the successful candidates are US-based, although the programme’s total reach currently stands at 66 countries from every corner of the globe.

All the projects follow a similar technology pipeline to Microsoft’s conventional development pattern. At the heart of all the AI for Earth innovations is the deployment of algorithms as application programming interfaces – referred to in tech lingo as APIs. These APIs go on to form the basis of end-of-user applications that are hosted in the cloud and made available on a range of different types of devices.

“Once they [grantees] have that model >

AI for Earth is being used by partner OceanMind to detect illegal fishing.



VILLIERS STEYN/SHUTTERSTOCK

developed, there's an easy way for them to deploy the raw file of code into a web-based service and allow anybody anywhere around the world to access it," says Joppa.

To illustrate what he means, he cites an app called [iNaturalist](#). Developed by National Geographic and the California Academy of Sciences, the app allows everyday folk to become citizen scientists by allowing them to upload a photo of any type of living organism and obtain an identification of what it is.

The identification process works by taking expert information about a raft of different species and encapsulating it in a deep neural network that then makes the match. It helps, of course, if users can provide some basic taxonomical knowledge along with the original photo. Failing that, however, the app provides a series of flip cards to narrow down what the answer might be.

The sense of excitement in Joppa's voice as he describes the solution is inescapable. The small team behind the project has now launched a live augmented reality version of the app, called "Seek", that identifies and names species in real time as users video their surroundings.

"An example like that really just shows me – and I hope it shows the world – what's possible with a small organisation with access to global-scale technology," he enthuses.

Joppa has a hatful of similar examples. Another that particularly excites him is called [Wild Me](#), an app that scours social media platforms such as Flickr and Instagram for images of individual species and assigns them an identifiable name. Plug this data into a large-scale modelling algorithm and it suddenly becomes possible to create far more accurate global wildlife population assessments.

Before he wraps up, Joppa cites one more stellar grantee, [SilviaTerra](#). A US forest mapping enterprise, it applied to AI for Earth to build up an algorithm that extrapolates high-resolution satellite imagery to determine information about the health, volume and location of trees in specific areas.

The firm recently completed the [first ever forest inventory analysis](#) for the whole of the US. Using over 800 terabytes of data, the study revealed a total of almost 100 billion trees across the country.

"Stuff like that kind of blows my mind. First and foremost, you're like, 'Wow, that's a lot of trees.' Second, it was the first time that we actually even >

EarthRanger is using AI for Earth to fight poaching in Africa.



What else should a company with so much computing power at its fingers do other than put that power at the hands of innovators who need it?

asked the question and got an answer to, “Where are all the trees in the United States?” Even though we know that trees are going to be an incredibly important component to meeting any kind of national or international climate goals.”

Since its launch, Microsoft has expanded Joppa’s baby into the fields of [humanitarian action](#) and accessibility. It feels like a no-brainer. What else should a company with so much computing power at its fingers do other than put that power at the hands of innovators who need it?

But it took someone like Joppa to make that link. The fact that he did speaks to his atypical way of seeing the world.

To an extent, this is innate. His aspiration, he says, is to “always be the dumbest person in the room”. For some, this may have the ring of false modesty (note: Joppa whizzed through a PhD in conservation and theoretical ecology in less than three years). Yet, in his case, it reflects an incurable intellectual curiosity.

It’s a quality the recruitment team at Microsoft spotted early. Unsure what to do after finishing

The iNaturalist app helps the general public become citizen scientists.

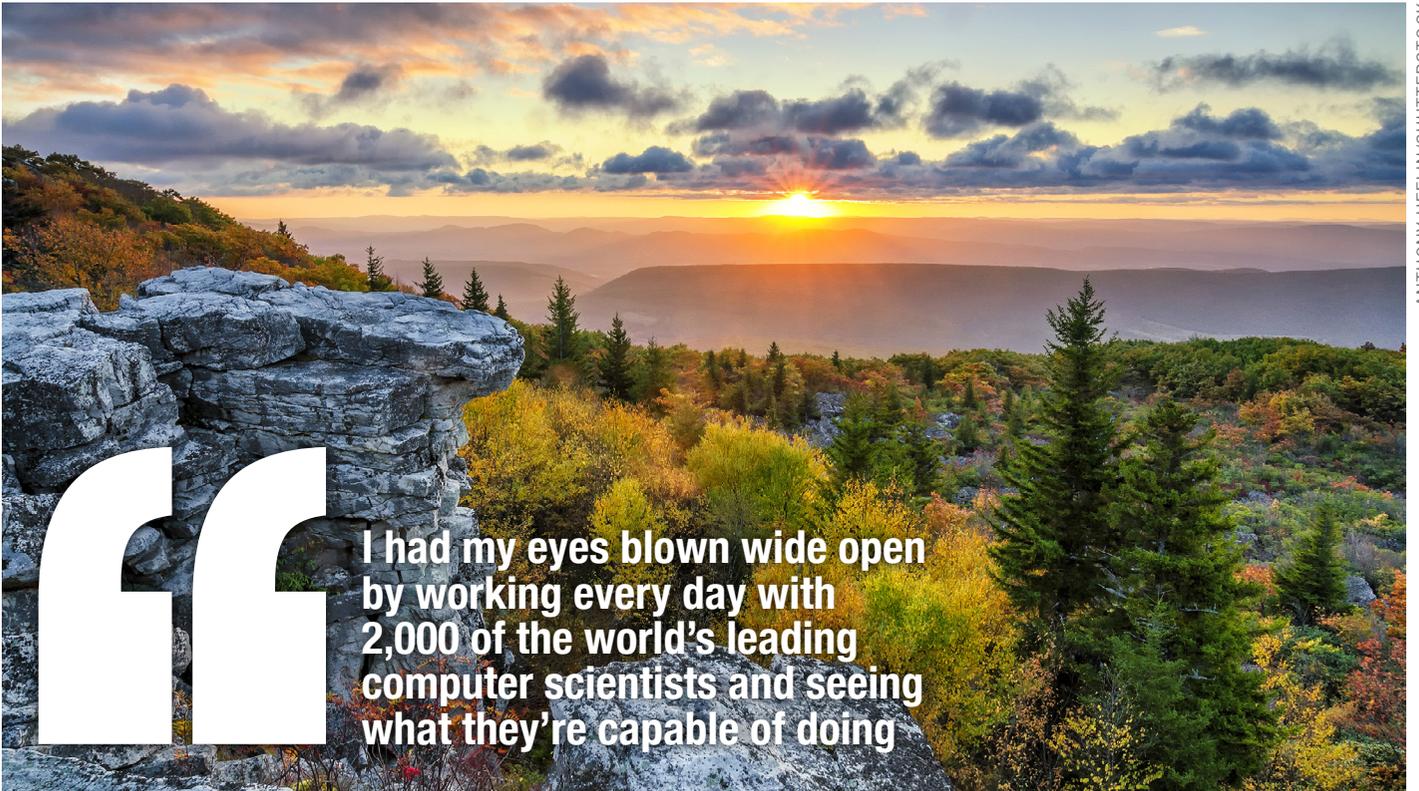
his post-graduate studies at Duke University, an academic colleague pointed him towards a new venture within Microsoft Research Lab looking into computational ecology. The team was based in Cambridge, UK, and Joppa flew over for a gruelling, day-long interview.

“It was just 20 minutes at a time standing up at a whiteboard, one on one with some of the world’s most brilliant computer scientists . . . I just remember wandering around Cambridge kind of in a daze thinking, ‘Well, that was embarrassing. I’m glad this was in England where nobody knows me.’”

It worked out better than he thought. What impressed them wasn’t the accuracy of his answers, he reflects. Instead, it was his honesty about the limitation of his knowledge and his “willingness to work through it” that stood out.

“At a place like Microsoft, they’re looking for your curiosity. They’re looking for your willingness to ask questions and to listen and to learn from other people.”

Along with his natural curiosity, Joppa’s instincts also push him towards this kind of empathetic >



“

I had my eyes blown wide open by working every day with 2,000 of the world’s leading computer scientists and seeing what they’re capable of doing

and collaborative mode of working. Between his studies, for example, he spent two years working for the Department of National Parks and Wildlife in Malawi as a Peace Corps volunteer.

He credits the experience with not only reinforcing his lifelong passion for nature, but also for opening his eyes to the daily reality of on-the-ground conservation; namely, undertaking mammoth tasks with (all too often) poultry budgets.

Of course, AI for Earth isn’t entirely down to Joppa’s natural talents. He describes the five years he spent in Microsoft’s Cambridge research team as a pretty unique opportunity to live what closely resembled “an academic life embedded in this massive corporation”.

“I had my eyes blown wide open by working every day with 2,000 of the world’s leading computer scientists and seeing what they’re capable of doing, [and] what Microsoft and its software was capable of doing.”

Joppa isn’t done yet either. Expect AI for Earth and its affiliate programmes to evolve and grow. Anticipate other similarly innovative ideas too. How can we be sure? Because Microsoft’s first ever global chief environment officer is not good at sitting still.

By any measure, Joppa is on a stellar career trajectory. Yet this 37-year-old over-achiever is not motivated by success for its own sake but by the platform that success offers to do something

SiviaTerra has recently completed the first forest inventory analysis for the whole of the United States.

different, to push a new and unexpected door.

So at every juncture of his career Joppa has asked himself the same question: “What’s the opportunity that’s available to you because of something that you did that nobody else has an opportunity to do?”

This goes a long way to explaining his professional capacity for disruption. And, yes, it might just leave him as the dumbest person in the room. But not for long. Joppa is far too curious and keen to learn for that. ■

CV LUCAS JOPPA

July 2018 –

Chief Environment Officer, Microsoft

March 2017 – July 2018

Chief Environmental Scientist, Microsoft

July 2009 – February 2017

Computational Ecologist, Microsoft

2006 – 2009

PhD in Ecology, Duke University

2004 – 2006

Peace Corps, Malawi

2002 – 2004

B.S. in Wildlife Ecology & Zoology, University of Wisconsin





HOW MINDY LUBBER IS LEADING THE GREEN FIGHT IN TRUMP'S AMERICA

Nowhere is life as an environmental activist an easy ride. Every green campaigner has stories of doors being shut and conversations closed down. Yet few face a harder slog than those working today in Donald Trump's America.

News of environmental measures encountering regulatory roll-back are almost daily. Right now, rules on mercury pollution are coming under fire.

Before, it was the turn of methane levels. Before that, vehicle emissions.

Mindy Lubber, a former litigator and regional director for the US Environmental Protection Agency, is not one to mince words. "This administration publicly and privately is trying to roll back environmental regulations that I was part of creating or part of implementing. And it's devastating."

Fortunately, she is not one for giving up. As chief executive of Ceres, the influential Boston-based environmental non-profit, it's her job to try and keep green issues on the political agenda.

And a mark of her success in doing just that is her appointment last month to the first ever climate-related market risk subcommittee of the >



NICOLE S GLASS/SHUTTERSTOCK

US Commodity Futures Trading Commission. Lubber will join the newly created 35-member subcommittee, which is focused on addressing the short and long-term financial and market risks posed by climate change to capital markets and the broader economy.

However, with President Donald Trump in the White House, green advocates have had precious little political leverage. Not only has Trump pulled the US out of the Paris Agreement, but his administration is awash with appointees who share his climate-sceptic views.

Lubber, who describes herself as an out-and-out pragmatist (“I just want the job done”), sees reasons for hope all the same.

First, US politics is not just about Trump. Yes, his interventions on environmental policy have been profoundly regressive. But there’s a new generation of younger politicians coming up the ranks – Democrats for the most part, but not exclusively so – who get why green issues matter and are willing to act.

By way of evidence, she points to the Green New Deal. Presented by the dynamic, freshman Congresswoman Alexandria Ocasio-Cortez, the



Environmental activists face a hard slog under the climate-sceptic administration of President Trump

proposal advances a sweeping economic stimulus package to promote green growth and combat global warming.

Lubber has so far resisted adding Ceres’ name to the high-profile plan on the grounds that it is “still conceptual”. Her reasoning is that Ceres, as a business-backed organisation, represents some of the US’s largest companies and investors. If they sign something, she says, they generally want details.

But as a shot-in-the-arm for discussions on Capitol Hill about environmental matters and the importance of a lower-carbon economy, she welcomes the move without reserve.

“What the Green New Deal does beautifully is help change the debate ... and force people to >



AMFPHOTOGRAPHY/SHUTTERSTOCK

“speak to these issues. Just getting everybody on the record will be very important.”

Second, she observes a definite shift in public mood around climate change. For decades, US citizens have been fed the argument that climate regulation represents yet more red tape that will cost American jobs and reduce economic competitiveness.

At long last, Lubber sees cracks in that discourse emerging. She credits the effects of climate change for finally breaking through to people. The recent devastating hurricanes that have swept Houston, Puerto Rico, and the Florida Keys mean people in the US are now feeling, living, and seeing climate change.

Recent poll data backs her up. A [Yale study](#), for example, reveals that more than seven in 10 (72%) Americans now say climate change is important to them – the highest level since the researchers started asking the question back in 2008.

“When President Obama was talking about it [climate], it felt like it was way off in the future ... now, we’re seeing storms throughout the country that are exacerbated by climate change.”

And it’s not just everyday citizens who are waking



When Obama was talking about climate it felt like it was way off in the future. Now we’re seeing storms throughout the country

up, she insists: so too is the US private sector. The economic case for addressing climate change (a case that Ceres has been instrumental in advancing) has never been stronger, she says.

Hank Paulson, former US Secretary of the Treasury, is on record as saying that the financial risks dwarf those of the sub-prime mortgage crisis, she notes. Even the federal government’s >



LEUNGCHOPAN SHUTTERSTOCK

own estimations in the Fourth National Climate Assessment predict a 10% reduction in the economy (a verdict Trump dismissed on Twitter with: “I don’t believe it”).

“This is a colossal financial problem that hits all of us,” says Lubber. “If there were ever a time now for the financial sector and the corporate sector to stand up and act, it’s now.”

Much of Ceres’ work centres on helping corporations do just that. The organisation’s staff of 100 or so work on a range of issues, from the big stuff (climate change, water, deforestation, human rights) through to the nerdy stuff (disclosure, governance, carbon asset risk).

The scope of its [Company Network](#), whose affiliates include a hatful of Fortune 500 firms such as Apple, Ford, Gap and PepsiCo, is similarly wide-ranging. Membership comes with an expectation of

Ceres’s
Company
Network
includes
a hatful of
Fortune
500 firms.

action. A good number, for example, have signed up to Ceres’ [Commit to Climate](#) initiative to go 100% renewable.

Ceres has also mustered substantial backing from the world of US finance. Its [Investor Network on Climate Risk and Sustainability](#) currently comprises 159 institutional investors, with over \$25trn in collective assets under management.

Under Lubber’s personal direction, this influential group has been pushing the 100 largest greenhouse gas emitters in the world to clean up their act. Ceres is one of five partner organisations behind the [Climate Action 100+](#) initiative, launched at the December 2017, and singled out by the French government as one of the [dozen key programmes](#) for combatting climate change.

As her heart sinks on listening to yet another item about regulatory rollbacks on the morning news, one final thought keeps her going: namely, that the Trump era won’t last forever.

Sure, for the next two years, the political situation looks pretty grim from where she’s sitting.

“I wish I could tell you we were going to move forward, but that would not be realistic or honest to say to you,” she admits.

Yet, in politics, two years “pass in a nanosecond”. Should Trump lose the 2020 presidential election, then the political landscape could suddenly look >



**If there were ever
a time for the financial
and corporate sectors
to stand up and act,
it’s now**

very different, very quickly, she reasons.

“I hope we’ll then have the ability to start putting back the regulatory frameworks that are being dismantled.”

Lubber doesn’t see the current stasis in US climate policy as an excuse for giving up on legislative reform. Lubber sees the next couple of years as one of consolidation and preparation.

Ceres is continuing to campaign vigorously on a number of fronts, with advocacy around a fixed carbon price very high of its list.

Away from Washington, she sees real opportunities for political progress at the city and state level. Over recent years, the organisation has worked closely with state legislators to promote energy reforms in California, for example – a [relationship it hopes to maintain](#) under the new administration of Governor Gavin Newsom.

Ceres is also a strong supporter of the [We Are Still In](#) initiative, a cross-sector coalition of non-federal legislators and businesses that have pledged to pursue the Paris Agreement despite Trump’s withdrawal.

In that spirit, L’Oréal USA recently pledged to make all its 21 manufacturing and distribution facilities carbon-neutral by the end of this year. Along with Adobe, Gap, Levi Strauss and Mars, it has also joined the growing list of US companies now committed to set science-based emissions reduction targets.

Having sat on the other side of the fence for many years, this ex-public servant knows the “extraordinary power and clout” that the voice of business can bring.

“Lawmakers expect to hear from my colleagues, whether it’s in the grassroots movement or in the traditional environmental movement ... What

“

Lawmakers expect to hear from the traditional environmental movement. What we bring to the debate is a voice that wasn’t in it before



JSTONE/SHUTTERSTOCK

A new generation of US politicians, such as Congresswoman Alexandria Ocasio-Cortez, are advocating green growth.

we bring to the debate is a voice [business] that wasn’t in it before.”

Of course, for every progressive company lobbying in favour of climate action, there are a dozen arguing against it at the same time. Even within individual corporations, such contradictory positions can be in evidence.

Lubber neither denies nor excuses such inconsistency. Her message is simple: “It’s just not okay.” If Ceres’ signatory companies are going to claim sustainability leadership, as she told them at the organisation’s most recent annual meeting, then their lobbying needs to match up.

That said, she won’t let the perfect get in the way of the good. None of the companies Ceres works with is “pure”, she admits: “But if we can bring in more players, as I think we have in many states, and be the difference, then that’s a good step forward.”

As for positives about policy-led change under the Trump regime, she draws two main lessons. The first is the importance of multiple angles of attack. Business leaders may never join street demonstrations, but the importance of direct action is unequivocal.

“I can think of no big issue – on healthcare, on LGBT, on South Africa, on anything – that wasn’t a cacophony of tactics and strategies for change,” she states.

It shows that business has a place at the table, despite the deep suspicions of many green groups; >



MICHELMOND/SHUTTERSTOCK

and that political partisanship on environmental issues needs to stop.

The other lesson Lubber takes from this dark period for environmental politics is a self-corrective of sorts. The climate debate won't be won on economics alone; it needs a human side, too, and the involvement of communities.

“If we look at who is most impacted by the hurricanes – take New Orleans for example – these are working people, already of modest means, with their homes and livelihoods destroyed. We see this time after time – the people who are hurt the most by natural disasters are often hit the hardest and have the most difficulty recovering.”

This applies to the victims of general environmental pollution, such as toxics in drinking water or air pollution. “It's lower-income communities that are most often closest to these polluted areas. How do we strengthen the resiliency of all communities? These communities as well as grassroots organisations need to be at the table as a part of these discussions and decisions.”

Under her pragmatic yet principled leadership, Ceres has played an increasingly influential role in convincing and corraling US corporations to take to the stump more boldly. And there they must stay, Trump or no Trump. ■

The US storms hit working people of modest means the hardest, destroying homes and livelihoods.



CV

MINDY LUBBER

2003 -

Ceres, president & chief executive

2016

Earth Day Network's Climate Visionary Award winner

2006

Skoll Foundation's Social Entrepreneur Award winner

1999-2001

US Environmental Protection Agency, regional administrator

1995-1999

US Environmental Protection Agency, senior policy adviser

1991

Founder, Green Century Capital Management

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| Tax, Investment and Pay | June 16, 2020 | June 17, 2020 |
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Tim Mohin - CEO, GRI

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