

Boardroom Questions

A global deal on climate change – COP21*

What does it mean for businesses?

Momentum is building towards a climate agreement in December 2015



“If we don’t tackle climate change, we won’t achieve economic growth.”

Paul Polman, CEO, Unilever, May 2015

“The debate is settled. Climate change is a fact.”

President Obama, January 2014

Global imperative

- Governments will meet in Paris in **December 2015** at the 21st UN annual climate talks (known as COP21)
- The physical impacts of climate change such as **extreme weather are becoming ever more apparent**
- There is a growing sense of urgency to **keep global temperature increases below 2°C** to avoid potentially catastrophic climate impacts

Why is a deal likely to happen now?

- **US and China are at the table:** both have committed to reduce their carbon emissions
- Signatory governments have agreed to sign a treaty ‘with legal force’ in 2015
- **Renewable energy costs are falling** while the **technology is improving**
- **Financing mechanisms**, e.g. green bonds, **are increasingly common**

Corporations might expect

- **Tighter regulations** to limit greenhouse gas emissions and improve energy efficiency
- **Higher costs**, e.g. carbon taxes and trading systems
- **Stronger requirements** to report on emissions
- **Greater opportunity** in the low-carbon economy
- **Improved incentives** for low-carbon products/ services
- **Stronger demand** for low-carbon suppliers
- **Pressure to manage emissions** across the value chain

Possible impact for business in getting it wrong



- **Increasing costs** for high-carbon companies
- **Penalties for non-compliance** with new regulation
- **Competitive disadvantage** as customers seek lower-carbon suppliers
- Threats to **shareholder value**
- Brand and **reputational damage**

Potential opportunities for growth



- Low-carbon economy offers opportunity for **innovation and new markets**
- **Shareholders reassured** that risks are addressed
- **Customers demonstrate brand loyalty** and select suppliers that reduce emissions

* Conference of Parties.

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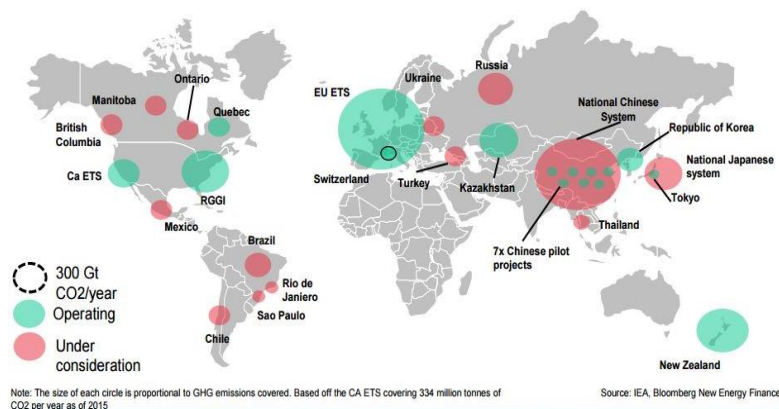
Strategy

- Is your business **ready to prosper** in a low-carbon economy?
- Are you **investing in the innovation** of greener products and services?
- Are you ready to **respond to tougher customer demands** to be low-carbon and climate friendly?
- How can your **business grow and simultaneously reduce** its greenhouse gas emissions?
- How can you **reduce exposure to future regulation, taxes and pricing** of greenhouse gas emissions?

Operations

- Is your organization **ready to comply** with more stringent carbon reporting requirements? Do you have the right systems and processes in place?
- Is your organization's **reputation at risk**, for example for not sourcing enough clean, green energy?
- How exposed is your **business and its supply chain** to the likely impacts of climate change such as **extreme weather, water scarcity and social unrest**?
- How will the **carbon reduction commitments** made by the countries **in which you operate** affect your organization?

Emissions trading systems already cover about 20 percent of the world's emissions. This will increase to 50 percent with planned schemes in Brazil, China and Chile.



What actions could the Board consider?



Assess legal, commercial and reputational risks, as well as the risk of exposure to the physical and social impacts of climate change



Review and improve systems to measure, manage, report and reduce the organization's emissions



Review corporate strategy to position the organization to **grow and prosper** in a low-carbon economy



Protect and enhance your organization's reputation as pressure grows on business to reduce emissions



Ensure you have **resource and capability** to implement the actions above



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