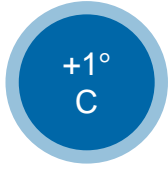


## 10<sup>th</sup> GRIHA Summit 2018

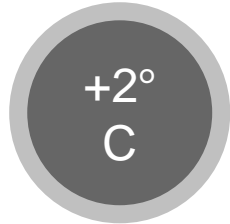
### Thematic Track #16: Market and Legal Perspectives





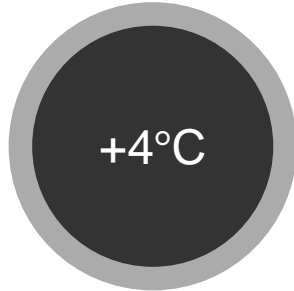
Increase in global average temperature since 1880

*Source : NASA Goddard Institute for Space Studies, 2017*



Climate change is **happening**, and we  
Irreversible polar icecap melting, extreme weather events  
are causing it...

*Source : Intergovernmental Panel on Climate Change (IPCC), 2013*



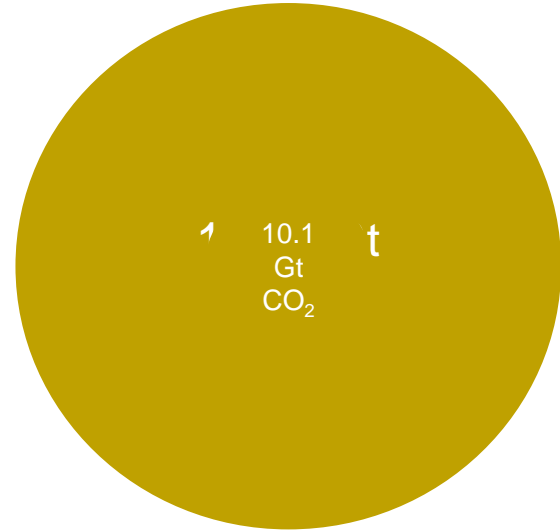
Global water shortages, major increases in ocean acidity

*Source : World Bank, 2012*

# Climate change and the carbon budget

Many governments (including Australia) have come together to reduce global carbon emissions to keep temperatures increases below 2 degrees.

Australia's share of this carbon budget represents its share of global population and GDP.



Australia's Carbon Budget  
Global Carbon Budget  
2013-2050

Australia emits 4x the global average carbon emissions per capita

*Source : World Bank, 2017*

At this rate, Australia will exhaust its 2050 carbon budget by 2030  
Where the problem lies...

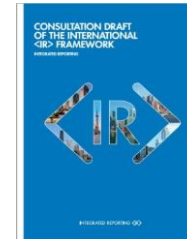
*Source : Australian Government Climate Change Authority, 2013*

There needs to be a drastic shift in in our economy and the way we live to stay within its carbon budget

# Initiatives from businesses include

## Standards and regulations

- Global Reporting Initiative (GRI)
- Greenhouse Gas Protocol
- ISO 26000 – Social Responsibility
- ISO 14001 – Environmental management systems
- ISO 14064 – Climate change
- OHS 18001 – Occupational, health and safety
- AA1000 Series – Accountability and Assurance
- <Integrated Reporting> - Framework
- Sustainability Accounting Standards Board (SASB) is developing a guidance for reporting – US based
- Task force on Climate-related Financial Disclosures (TCFD)
- Sustainable Development Goals



# What is TCFD?

To slow or reverse the current rate of global warming, we'll need a substantial shift in regulatory policy, consumer and company behaviour – all of which could **threaten traditional business models**.

- Working group tasked with creating a set of comparable and consistent disclosures that companies can use to demonstrate climate change resilience to their **capital providers**.

## **..... Climate change is moving to the centre stage of directors' duties**

The duty of care and diligence also extends to a director having to make a conscious decision in response to the risk of climate change (Noel Hutley SC, 2016)

Boards must consider transaction risks including climate change (Geoff Summerhayes, APRA 2017)

A listed entity must have regard to the views and interests of a broader range of stakeholders (ASX proposal, Code of Corporate Governance, 2018)

Figure 2

## Core Elements of Recommended Climate-Related Financial Disclosures



### **Governance**

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

### **Strategy**

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

### **Risk Management**

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

### **Metrics and Targets**

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

### Climate-Related Scenarios

Source: TCFD Report <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>



# TCFD Supporters – India

<u>Avaada Group</u>	India	Asia	Energy	Solar	July 2017
<u>Confederation of Indian Industry (CII)</u>	India	Asia	Other	Industry Association	September 2018
<u>Mahindra and Mahindra Ltd.</u>	India	Asia	Consumer Discretionary	Automobiles - Transportation	September 2018
<u>National Stock Exchange of India Ltd.</u>	India	Asia	Financial	Stock Exchange	December 2017
<u>Piramal Enterprises Limited</u>	India	Asia	Health Care	Pharmaceuticals	September 2018
<u>Tata Steel (India &amp; South East Asia)</u>	India	Asia	Materials	Metals & Mining	June 2017
<u>Wipro Ltd</u>	India	Asia	Information Technology	IT Consulting & Other Services	September 2017
<u>YES BANK</u>	India	Asia	Financial	Banking	December 2017

# Risk Management

**Physical risks** - e.g. increased extreme weather may impact property assets, employee health and operations (including supply chain).

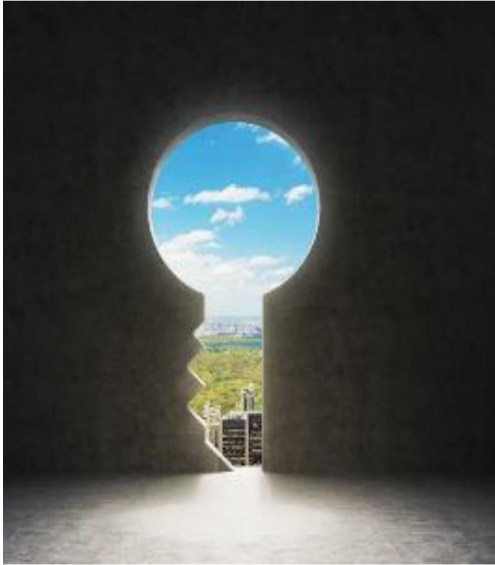
**Risks related to business model** - threat to business operations, e.g. through unavailable resources, increased or unpredictable costs and business closures

**Reputational risks** - How environmental matters are addressed can affect core intangible assets such as brand value, consumer confidence, employee loyalty, ability to attract financial capital and regulatory approval of projects.

**Legal and regulatory risks** - There are potential regulatory risks associated with climate change within:

- Statutory law
- Common law/Private law (i.e. focus on tort: negligence and nuisance)
- Fiduciary and other duties of directors and officers

# Opportunities



New product  
opportunities /  
revenue streams



Cost savings /  
efficiencies  
(e.g. via innovation)



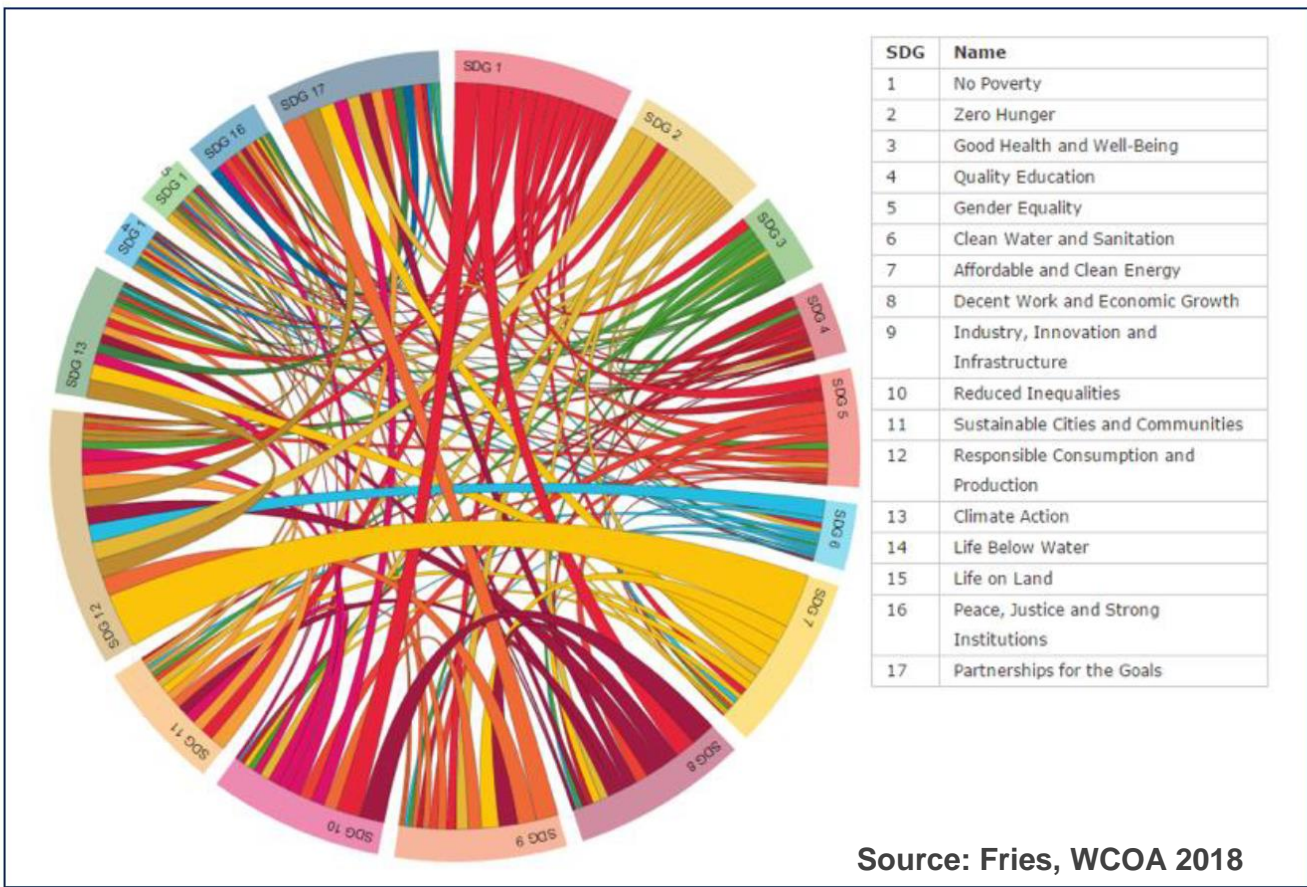
Figure 1

## Climate-Related Risks, Opportunities, and Financial Impact



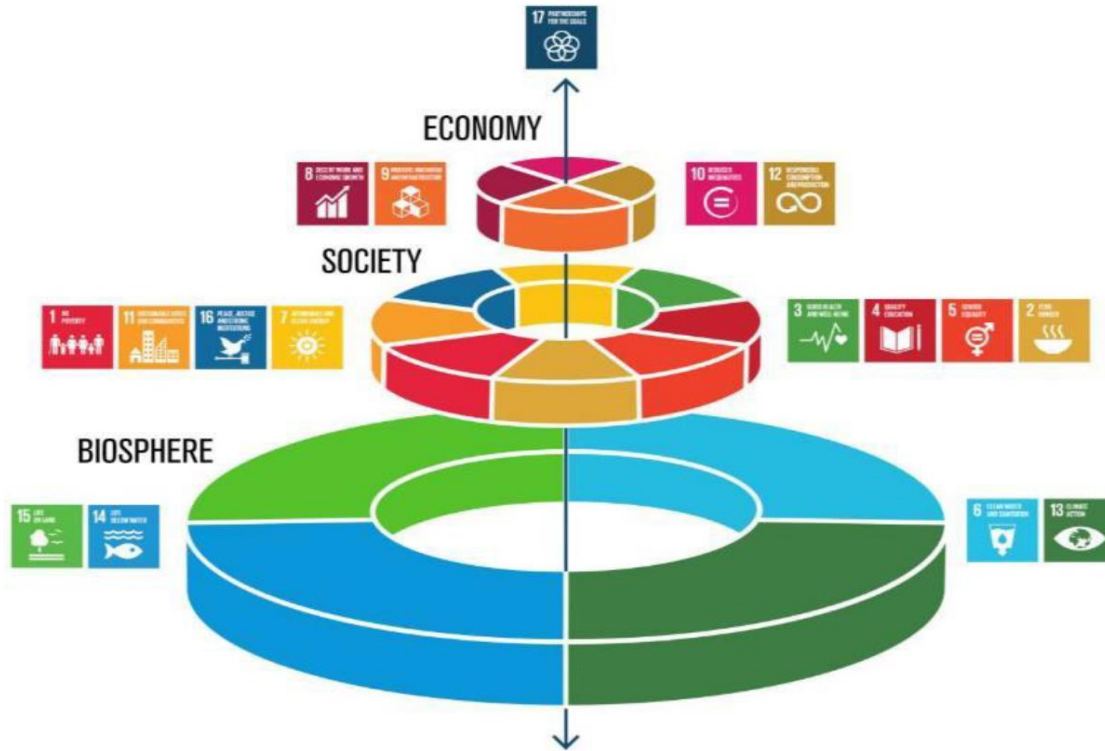
Source: TCFD Report <https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>

# SUSTAINABLE DEVELOPMENT GOALS



Source: Fries, WCOA 2018

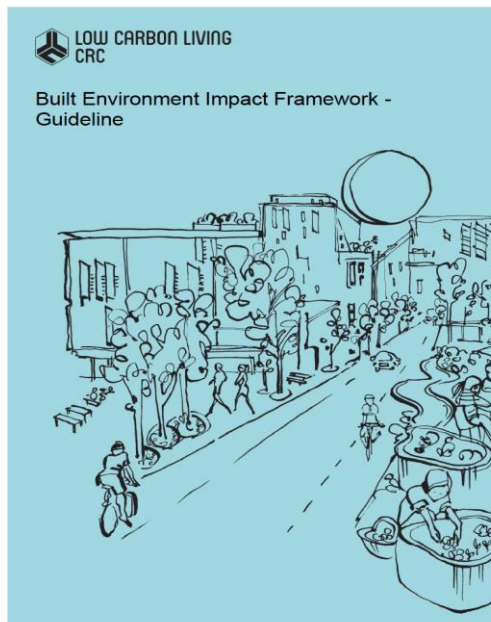
# ENVIRONMENT UNDERPINS SOCIETY, WHICH UNDERPINS THE ECONOMY



**Source:** Rockström and Sukhdev, Stockholm Resilience Centre



# Our research



## Key informant interviews

• 21 interviews



## Property company material issues

• 15 sources



## International Frameworks and Standards

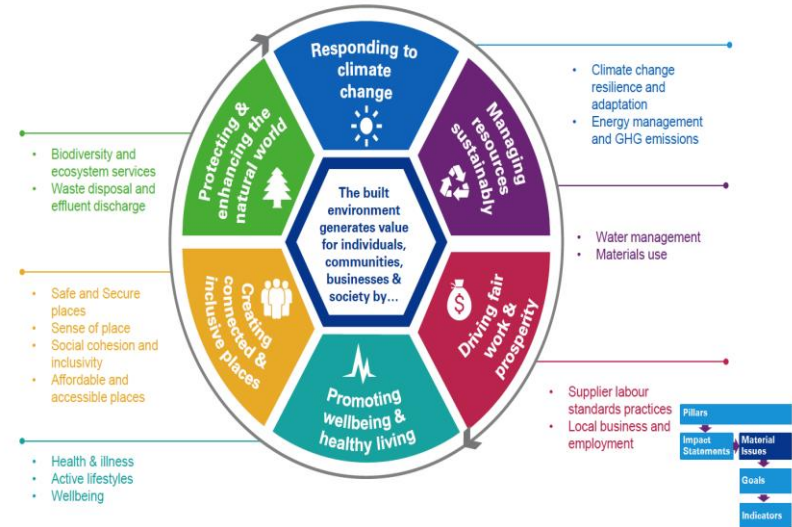
• 22 sources



## Sustainability research (cross-sector, property and responsible investment)

• 11 sources

A word cloud of sustainability-related terms. The most prominent words are 'Sustainability', 'community', 'climate', 'health', 'quality', 'water', 'energy', 'materials', 'governance', 'change', 'efficiency', 'consumption', 'use', 'resources', 'waste', 'issues', 'decision-making', 'collaboration', 'resilient', 'recycling', 'engagement', 'innovation', 'safety', 'public', 'physical', 'stakeholder', 'local', 'places', 'housing', 'zero', 'effluents', 'social', 'illness', 'economy', 'creation', 'work', 'emissions', 'wellbeing', 'education', 'involvement', 'scarcity', 'inclusivity', 'good', 'carbon', 'low', 'local', 'pillars', 'impact statements', 'material issues', 'goals', 'indicators'.





Thank you!

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