

Welcome to Zero In presented by Deloitte Center for Climate Action. Your host for the program is Bonnie D. Graham. This program will set up your business for the future with topics centered on accelerating climate action. We'll focus on core climate challenges and insights designed to move you to the next stage of your climate journey. Now here is Bonnie D. Graham.

Bonnie: Sectors are the movers of significant capital and knowledge, we know that. Business ecosystems have significant power in determining where capital and operating costs are allocated, what strategies are implemented and how organizations can approach and react to climate risk and opportunities. That's what we're focusing on today. I'm going to have the pleasure and the privilege of speaking with Della Wang and Hannah Rundle about the ways in which we can finance a climate forward future and the challenges the companies are up against while solving for funding the necessary changes. I said a little bit but it's packed with a lot of interesting things. Let me just tell you their titles and then we will hear from them.

Della Wang is a manager in the Modeling and Value Advisory Group within Financial Advisory Services at Deloitte Canada. Welcome Della and Hannah Rundle is a senior consultant in Deloitte Canada's Sustainability and Climate change practice. I have great respect for what both of you ladies do. Please introduce yourself. Tell us who you are, what you do, what's your passion for the topic? Go ahead Della.

Della: Hello Bonnie and all the listeners. Thank you for having me. As Bonnie mentioned I'm a manager in our financial advisory practice. I am based in Toronto and I mainly focus on the intersection between ESG and finance, exploring how to quantify and measure various environmental, social and governance risks as well as opportunities and how to account for them when talking about business value when assessing asset risk as well as making investment decisions both at the portfolio level, also at the operating level. I'm extremely lucky to be able to use my knowledge and skill sets in an area that is so dear to my heart. I can say I'm continuing to learn more every day than I am doing on this topic and just inspired by the leaders at every single level in this organization that I've come forward in this topic.

I am also the co-lead of our National Green Champions Network for World Climate this year. We continue to educate and empower our colleagues on climate action and we call ourselves climate warriors. We have so many of us that are ready to champion, ready to inspire and ready to lead. Very, very excited to be here today.

Bonnie: Thank you very much Della. You talked about continuous learning. You talked about being inspired and I know that you are an inspiration as well. Thank you for taking your time to be with us. Hannah Rundle, can't wait to meet you. Tell us a little bit more other than your title which I already shared.

Who are you, what do you do and what's your passion for our important topic. Hannah, welcome.

Hannah: Sure, thanks Bonnie. I'm excited to be here today talking about such an important topic. As Bonnie mentioned I'm a senior consultant in Deloitte's Canada Sustainability and Climate Change practice. We sit within the risk advisory center at Deloitte. We focus on working with clients to support the integration of sustainability so environmental and social factors into corporate strategy. Given our proximity of the Toronto office on Bay Street we find ourselves often working with the financial services sector to support financial institutions as they look to integrate ESG related risk management and develop sustainable finance opportunities. I, myself have a background in the financial services sector. I was doing corporate sustainability prior to joining Deloitte at one of Canada's largest banks. I've always held quite a passion for environmental issues and particularly how we're going to solve the challenge that is the climate crisis that we're facing. It's going to take an incredible amount of capital to finance the transition that we're undergoing right now to a low-carbon economy. I find this an incredibly interesting space and I am looking forward to the conversation today.

Bonnie: Thank you very much Hannah. Very impressive background as well. Yes, I come from multiple backgrounds. Would you ladies believe I'm an early woman in tech? I was a computer programmer analyst when you did both. You did the analysis and the coding back in the day. I won't tell you how far ago that was but I am so pleased to meet both of you. Let's talk. Now, I have asked each of you to send me a fictional character quote from a movie or a TV show that you're going to relate to the topic in your own words. Let's keep this really brief because we have so much to talk about but I can't wait. Della Wang has sent us a quote from Sam Wise known as Samwise Gamgee played by Sean Astin, Frodo's loyal hobbit gardener and companion. Everybody's getting the idea where this comes from, said to Frodo Baggins played by the one and only Elijah Wood, a young hobbit sent on a quest to destroy the one ring and the movie of course is the Two Towers, a 2002 epic fantasy adventure film and here is the quote. I love this Della. There's some good in this world Mr. Frodo and it's worth fighting for. I didn't try to do it exactly as the clip did but I think I got it across. Della, how did you find this wonderful quote and what does it have to do with our topic? Go ahead.

Della: Great impression Bonnie. I loved it. Well this was a hard one when Bonnie made the ask but I think this is a very important quote and very relevant today. I was late to the Lord of the Rings to be honest and was introduced as an adult. I saw so much parallel between this story and our fight against climate change. The very simple yet very profound idea that you don't really have to be the tallest or the most powerful or the strongest person in the room to be brave, to be persistent and to have hope. As an individual you really do have the power to be inspiring, to be a leader and to make a difference and

that's what Frodo and Sam did. That's in every one of us so thank you. It is worth fighting for. I think that's what we're here to talk about today from various aspects of a very important and big topic. Thank you Della. Very well done.

Hannah sent us a quote from Steve Carell in The Office. American mockumentary. I didn't even know there was a genre called mockumentary, sitcom TV series, NBC TV. I'm here in the States so that's when we saw 2005 to 2013, nine seasons and the character was of course Michael Gary Scott and the quote is would I rather be feared or loved? Easy both. I want people to be afraid of how much they love me. How can you read this quote with a straight face? Hannah, how did you find this one and please relate it in your own words to our topic? Go ahead.

Hannah: One of the things I appreciated so much about the series The Office was it really did a great job of picking up on some of these corporate absurdities and some of these norms and ideas that have just persisted and don't really make much sense. One of those for me is the idea to be respected that you need to be feared when I think when we think about what makes a good leader and the good leaders that have influenced our life I don't think fear has been involved at all. I think similar to me another sort of corporate absurd idea that or perception that we have is the concept that promoting environmental sustainability and protections for natural resources are at odds with profitability and economic success when we know that the foundation of our economy is built on the services provided by our natural world, access to water, all of the resources that come from our earth or that we can grow via our soils and a stable climate of course. We know that depleting or damaging these resources is actually at odds with long-term economic sustainability. Of course promoting environmental sustainability makes good sense business-wise and I think that perception is changing in the corporate world and sustainability is being seen as a business imperative rather than philanthropy as it once was seen.

Bonnie: What an important statement you just made Hannah being seen as a business imperative rather than philanthropy, philanthropic. Interesting. It used to be oh we'll tell everybody we're a sustainable. Oh top-notch people will want to come work for us and we'll get more investors and we'll get more advocates and more customers but you have to live that. You have to really practice it and do it. It's not just a buzzword in the company mission statement anymore. Thank you both. I was very intrigued with the quotes you picked. It was nice to revisit those characters so thank you.

Let's do a deep dive into the topic right now. I've asked both Della and Hannah to send me some discussion statements. I call them conversation starters. I'm going to read a little bit of the first one Dell Wang sent me. Della, take about three minutes, talk about it, do a deep dive as they say on the news please

unpack it Della. Then I'm going to ask Hannah for your comments on Della's statement. Then I'll pick a statement from you Hannah and we'll go back and forth. Let's see how much we can cover. Della, told me the following. She says as climate risk could result in a quantifiable impact on future cash flows for asset managers and lenders it becomes extremely important to incorporate climate risk into their decision making and scenario planning to support the net zero transition and mitigate their own risk exposure. I think the most important part of that sentence might be mitigating their own risk exposure because we know what CYA means but go ahead Della. Expand this please for us. Go ahead.

Della: Thanks Bonnie and I should elaborate on the fact that there's risk and then on the flip side there's always opportunity so it will be both. One thing that I think should be brought to light is that company value is usually one of the most important factors that are driving investment decisions. It all begins with understanding the impact of climate on valuation. As I sit in business valuation we see a lot about what are some of the critical drivers of value. In history, it hasn't been explicitly spoken about climate risk and how then it impacts both short and long term value. I think this is something that's beginning to surface more and more. A lot of asset managers are beginning to understand the correlation between the physical and transition risks of climate on their portfolio value and that risks impact their assets in different ways. The materiality varies across their different assets. Once those risks are somewhat understood asset managers can then take the appropriate courses of action either divestment or active management of those highly exposed assets which to mitigate risk and to tap into the opportunities.

I think without that first piece of quantifying the impact of climate risk or at least attempting to because it's not a perfect science right now. If we don't have that as a first step there will be less emphasis or urgency placed on the management side to think about how do we manage those risks, how do we invest and take advantage of those opportunities until it's likely too late where your options are limited and it's extremely expensive to do so.

Bonnie: Interesting. Waiting too long and letting the costs go up and too expensive is one of the risks that you don't want to take. Interesting. Thank you Della. Hannah, comments, thoughts? I will ask you to agree or disagree. Go ahead.

Hannah: Well put Della. I think I would just add on I think the recognition of climate risk is a potentially hugely impactful risk for our global economy is increasingly recognized. I look to this year. Every year the world economic forum publishes a global risk report. They've recently published their report for 2022. The top three risks in that report and the risks that are chosen from could be anything from global infectious disease, cybersecurity event, nuclear event, that kind of thing. The top three risks that the World Economic Forum

has put forward are failed climate action, water and security and then biodiversity crisis. Of course those three risks are all climate related. I think there's a growing recognition of the urgency of addressing and mitigating and planning for climate related risk as we're seeing more and more impacts as our climate is warming.

Bonnie: Thank you very much. Della, any comments back to Hannah before and Hannah, I put a statement into the chat for you for our next topic. Della, anything you want to say back to Hannah?

Della: No, I think Hannah is entirely correct. It doesn't just impact one industry. It doesn't just impact one location. It's a matter for all of us as a collective.

Bonnie: Thank you. Absolutely, all of us. Very important. Hannah, I'm looking at your statement number one. I was very intrigued. You put the first two words in quotes, not air quotes. I'm doing air quotes but quotes. Financed emissions or the emissions associated with the portfolios of financial institutions represent the bulk of the institutions' emissions profile therefore when making commitments to climate action portfolio composition is the primary focus. Hannah, please unpack for us. Go ahead.

Hannah: I think when we initially used to think about climate change and corporate commitments for climate action we really thought about heavy emitting industries and their impact on polluting and in outputting greenhouse gas emissions into the atmosphere. I think increasingly when we're looking at financial institutions there's recognition that the way that they were traditionally viewed which is they may have some office spaces, some paper use but otherwise not an outrageous operational footprint but when you look at their portfolios and where the capital is and where they're financing the view of the impact of where the climate impact associated with financial institutions is changing quite a bit. When you think about the largest component of the greenhouse gas emissions profile for financial institutions you need to think about the loan book. These are called the financed emissions or the emissions associated with portfolios of financial institutions.

Over the past few years many financial institutions for the first time are calculating their emissions profile associated with their loan book. This is a really important way to raise their awareness of where their climate impact is and where it is in relation to their lending and to help them establish who are their high-emitting clients and sectors, how they compare to their peers. This is very important to informing strategy development around how they will actually develop a climate action plan and a climate strategy. Though the concept of financed emissions is a relatively new development financial institutions have been asked and as part of good due diligence have been considering the environmental and social implications of their lending for many years now and

this is increasing as well integrating environmental and social risk into financial decision making is an important part of a risk mitigation strategy and important to preserving reputation with investors in and among the general public.

Bonnie: Thank you. Very interesting finance emissions. Della, thoughts please?

Della: Well exactly like Hannah said. I think the finance sector is the approvers of so much movement of capital. I think whatever tone they set in managing their own footprint sets the tone for what investors and lenders are looking for from management from both strategy, data collection to reporting. I think we're starting to see more and more of better data collection, better reporting, better tracking at the operational level on their carbon footprint which is then reported back up to their lenders and their investors. Very, very important as a starting point for sure.

Bonnie: Thank you. Hannah, great conversation starter. We have time for a couple more topics. Della, I'm looking at your notes. I'm going to your statement number four. This is interesting. You say indigenous communities and I know there are hundreds of them in Canada, should be empowered and supported to be at the frontier of climate leadership in Canada. Why don't we briefly touch on this? Della, go ahead.

Della: For sure, I think when we think about investment our minds typically go into technology research development so the flashy upfront things that are integrated into the infrastructure of our country but little do we talk about the vast amount of opportunities that are held at the regional or community level. For example in Canada nature-based climate solutions like forest conservation, old growth conservation, wetlands, etc. represents significant opportunities for us as a country to go net zero representing almost up to 30% of our total emissions reduction. If we can direct some of the investment dollars towards these communities, empower them to lead and build out our nature-based climate solutions it can actually generate a very positive return both socially, environmentally but also return for the investors from carbon crediting perspective. I think there's just a huge opportunity here that we are slowly starting to understand more and should continue to in the future.

Bonnie: Hopefully listeners will be inspired to understand that more from listening to this. Hannah, comments back on what Della shared. Go ahead.

Hannah: I agree completely with Della. I think it's incredibly important to lift up indigenous perspectives and ensure that indigenous people are involved in environmental governance. I came across a statistic a few years ago and it really stuck with me. It was that 80% or sorry 20% of the world's land is governed by indigenous peoples yet this land represents eighty percent of the

world's biodiversity. I think this just speaks to how effective indigenous people are living in harmony with their local surroundings, living off the land but also acting to take care of the lands that they're on. That just really stuck with me. I think we as a global community have a lot to learn from indigenous people in this space.

Bonnie: Yes, indeed. Thank you very much. Della, great conversation starter. I'm going to squeeze in one more topic here. Hannah, I'm looking at your last statement you sent me today and you say time is of the essence. The longer we delay transition to a low carbon economy the costlier climate change and low carbon transition will be. Then there's a caveat at the end of what you said. I'm intrigued with this Hannah. You say a quick transition however does not leave time for many workers to transition to new skills and industries and will negatively impact the livelihoods of many communities and people across the globe. Let's have the plus sign and the maybe not quite immediately so plus sign. Hannah, go ahead.

Hannah: Essentially the quicker we get going in working toward the low carbon transition the better for a number of reasons. The first of course the more we limit warming the less that we have to deal with the impacts of climate change. As we're at 1.5 degree warming currently and we're already seeing stronger storms, extreme weather, highly disruptive implications for local communities and in the global economy already. I think we can understand sort of why we want to limit warming as much as we can. Then I think the second point is around transition risk and this is encompassed by the idea of a just transition. The idea just transition speaks to the social impacts of the transition to a low-carbon economy. The more time we have to transition the more time that we have to ensure that the transition goes smoothly and that we're transitioning away from high carbon activities and into the green economy in a way that is positive for local communities for people.

One of those key things is that there are many workers in high carbon industries and there needs to be as much time as possible to exit from these high carbon industries and to ensure there's no harm to workers, communities and regions that are linked to these commodity dependent economies allowing the most time as possible for this orderly transition will ensure that we can mitigate some of these social harms associated with the transition to a low-carbon economy.

Bonnie: Thank you very much Hannah. Very interesting. Time is of the essence is a double-edged sword perhaps. If you do it fast enough great but if you do it too fast not quite so great. Della Wang, you get the last word on this one and then we're going to close. Della, go ahead.

Della: Thank you Hannah for raising that piece. I think it's really important especially in our industry. We often ask ourselves how do we help our clients

that are in the heavy emitter industries like oil and gas, mining. The answer is not shut those industries down. It's how do we use the amount of knowledge that we have to help them position themselves well enough for a just transition. I feel personally really energized by the idea that we as this industry has both the opportunity but also the responsibility to be aware, be curious and be educated so that we can help our clients in this industry to help them transition through this change in a financially sensible way as well as socially and economically. That's my take on that.

Bonnie: Be aware, be curious and be educated. I'm going to add be inspired and have the energy to back this all up and do something about this. I'll give you each one sentence of closing words for our audience. Della, what do you want people to remember about what you shared with us today? I'll give you two sentences. Go ahead because we're almost out of time. Two short sentences. Go ahead.

Della: I think don't be overwhelmed about all the information, all the terminology that is out there. Now is a perfect time to start. Pick up a little bit every single day if you have the excitement and the curiosity. Learn a bit each day. There is no pressure to know everything. Nobody does. Don't let that deter you from not going into this and looking into this more than you do now.

Bonnie: Thank you. Hannah Rundle, you get the final final word. Go ahead and then I'll close. Hannah?

Hannah: I think I would say that I feel that there is a lot of momentum and excitement in this space right now. I think more than ever we're seeing large companies, governments, organizations focus on re-thinking how are we going to get into a net zero future and what role does this industry need to play and transform in order to support that. I think there is a ton of momentum right now and I think it's an exciting time. As Della said, get involved and start to work on the low carbon transition.

Bonnie: Thank you very much. I have enjoyed speaking with Della Wang and Hannah Rundle at Deloitte Canada about a very important topic financing a climate forward future. Bonnie D. Graham saying bye bye for now. For Zero In, we have a lot more coming in the future months so remember zero in on climate change. You could wave for me Della and Hannah. Bye bye.

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