




Sustainability in Government and Public Services

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Introduction

Sustainability – *“Meeting the needs of the present without compromising the ability of future generations to meet their own needs”*

The Brundtland Commission

The concept of sustainability is not new. What is relatively new however, is the worldwide awakening that action needs to be taken quickly to address the huge economic, social and environmental challenges facing our planet and people to ensure a sustainable future. Governments, regulators, consumers and investors are all calling for immediate change.

Sustainability is a critical issue that presents both risk and opportunities. Organisations need to understand and mitigate these risks within their organisation and across its supply chain, navigating a fast-changing regulatory landscape. They need to balance this with

finding opportunities to innovate their operations, business model and products to not only have a better impact on the environment and society, but to provide a competitive edge. Whether you are trying to grasp the impact of sustainable finance, understand new regulations, implement a decarbonisation strategy or adopt a circular business model, our Deloitte Government and Public Services team can support you with assessing your sustainability risk and opportunities, aligning your sustainability ambitions to your purpose and strategy and integrating it into your governance, risk and rewards.



The changing risk and regulatory landscape

Sustainability risk – “an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment”.

Defined under the Sustainable Finance Disclosure Regulation

Seven of the ten global risks of highest concern (in terms of impact and likelihood) identified in 2021 by the World Economic Forum are environmental and societal issues*.

Sustainability risks are different to traditional risk types, for instance, environmental risks tend to be non-linear in their propagation and occur over a longer time horizon. These can affect multiple risk categories simultaneously. Unlike traditional risk types, historical loss experience may not be the best barometer to estimate sustainability risks.

The changing risk landscape should also be viewed as a source of competitive advantage.

Illustrative examples of environmental, social and governance risks and opportunities			
Sustainability metrics	Sub-section	Risks	Opportunities
Environmental	<ul style="list-style-type: none"> Climate change Carbon emissions Water stress Renewable energy Natural capital Biodiversity 	<ul style="list-style-type: none"> Transition risks (a risk resulting from mitigation challenges as societies decarbonise) Physical risks (a risk of acute and/or chronic weather events which impact operations) 	<ul style="list-style-type: none"> Product and service innovation providing a competitive advantage Resource and energy efficiency to ensure operations are effectively utilised
Social	<ul style="list-style-type: none"> Human capital Labour standards Human rights Privacy and data security Community engagement 	<ul style="list-style-type: none"> Reputational risks (a risk that an ESG issue causes a detrimental impact to brand and reputation) 	<ul style="list-style-type: none"> Enhancing your brand in the market resulting in a stickier client base
Governance	<ul style="list-style-type: none"> Corruption and bribery Business ethics Board pay Board diversity Ownership 	<ul style="list-style-type: none"> Regulatory and reporting risks (a risk of non-compliance to sustainability disclosure regulation and/or marketing sustainable when not sustainable) Conduct risk (a risk that action leads to customer detriment or negatively impacts market stability) 	<ul style="list-style-type: none"> Demonstrating your resilience and transparency Communicating accurate and transparent data

*World Economic Forum, the Global Risks Report 2021



How we support our Government and Public Services

Strategy and governance

Our team can work with you to design, implement, embed and review sustainability strategies, risk architecture and governance structures to help your organisation achieve its sustainability goals.

Risk and regulation

Our team can advise you on the changing policy and regulatory landscape, identifying the key laws and regulations that apply to your organisation and undertake a gap analysis to understand your level of compliance and any necessary actions that need to be taken.

Service Design and Delivery Innovation

The increased focus on sustainability is causing all organisations to think differently about their products. For example, seeking ways they can innovate to either change existing products or production to lower the impact on the environment, or to introduce new 'greener' products. We can assist with the research to understand the feasibility of your innovative concept, how it will fair in the market and the specific regulatory criteria to consider.

Reporting and assurance

Our team can assist organisations in applying the concept of integrated thinking to achieve strategic objectives and communicate organisational performance through integrated reporting. We assist organisations in increasing the credibility and reliability of sustainability disclosures by providing both internal and external assurance (using a wide range of internationally-recognised frameworks and standards such as GRI, TCFD, and SASB) on sustainability reports, greenhouse gas (GHG) statements, Carbon Budget Tracking and other forms of non-financial information.

Climate change and decarbonisation

Our team can help you reframe and rethink your future as you navigate your way through the climate change transition. We take organisations beyond risk identification and mitigation to decarbonisation strategies and abatement projects that deliver

competitive advantage. Our team can also provide training on climate change and decarbonisation strategies at all levels of the organisations, including government bodies and agencies, to increase awareness and understanding of the environmental issues and how it impacts your sector.



Deloitte is well-positioned to help Government and Public Services clients tackle their largest climate challenges

Client Issue	How we can help	Our Key Service Offerings & Solutions
Developing actionable and balanced policies/regulations... <i>that outlines clear roadmaps for accomplishing climate objectives but balances aggressive climate action with economic growth priorities.</i>	Policy & Strategy Development Developing strategies, policies/regulations and roadmaps to achieve climate objectives (e.g., decarbonisation, industrial industrial development of cleantech businesses).	<ul style="list-style-type: none"> • Climate change scenario modelling and pathway analysis • Scenario Builder; corporate strategy • Tax advisory/consulting • ESG Economics Offering; • Future of Regulation
Articulating and creating value on green infrastructure... <i>by creating business cases that receives buy in on large climate related infrastructure spend and bridging private sector involvement.</i>	Economic Analysis & Financing Business casing support on ROI analysis and development of infrastructure financing mechanisms to source and deploy private sector financing (e.g., PPPs).	<ul style="list-style-type: none"> • Financial modelling and analysis; infrastructure advisory; capital project delivery; climate financing • Economic impact assessment • Controls assessment
Managing large and complex funding programmes... <i>that aim to stimulate clean tech industries and incentivise green actions in society/industry (These programmes could occasionally focus on relief for climate induced disasters.)</i>	Funding/Grant Management Standing up and managing operations of large funding/grant initiatives.	<ul style="list-style-type: none"> • Operating model; operations excellence; • Fund management and distribution; fraud and misconduct • Technical due diligence • Reporting and assurance • R&D tax advisory
Transforming and futureproofing operations... <i>to better enable Government & Public Services organisations/divisions (with digital technologies and agile organisations) to tackle climate related issues (e.g., circular economy).</i>	Climate led Organisation Transformation Delivery Transforming large scale government and public services operations to more effectively mitigate or adapt to climate change, with a particular focus on tech enabled decarbonisation and launching circular economy.	<ul style="list-style-type: none"> • Digital/IT strategy; operations excellence; corporate strategy; organisation design; supply chain/procurement and climate impact modelling • Carbon emissions analytics



Civil Government (CG)

Implications to Organisations

Civil Government Led Climate Strategy

- Leaders will be required to develop and implement overarching, multi-sector strategies to prevent additional climate degradation and meet international metrics. Climate resiliency considerations will be critical across all civil government sectors, including education, cities, governance and operations and tax, revenue and finance. Civil government leaders will need to work with sector stakeholders to implement more sustainable practices across government

Economic and Financial Management

- Economic and Financial Management will become increasingly difficult as new means of financing climate-centered innovations enter the mix and as the traditional use of fossil fuels dies down, all while weather patterns disrupt broader supply chains
- Natural disasters will become more prevalent causing more pressure on civil government disaster relief agencies and associated funding
- Civil government will have to consider how to

levy regulations, restrictions, and incentives on regions, industry, and citizens to incentivise climate protection and de-incentivise anti-climate consumption. Civil governments in economies dependent on natural resources will have to consider how to create jobs and train citizens in more sustainable, green fields to maintain economic prosperity

- Food shortages, soil depletion, and decreasing crop yields will likely be managed through import/export tariffs, increased domestic taxation, and soil depletion prevention regulations

Infrastructure Management

- In the face of climate change, infrastructure management will be more challenging and require greater integration between national, local, and industry level players. Depleting resources will also require a more coordinated approach to areas like utility management and utility financing and taxation
- Urban housing demands and the need for

affordable housing in cities, coupled with multi-modal public transit options will become a critical consideration for government players

- Extreme weather patterns will cause increasing damage to infrastructure that is not properly protected, causing disruption of service to citizens



International case studies

Peru

- The Central Bank Reserve of Peru issued a study to determine the sectors in which they were most vulnerable to climate change. This regulatory body determined that fisheries in Peru would be the first to fall if climate resilient measures were not adopted. They have since begun trying to create a strategy to fortify Peruvian fisheries and the broader supply chain
- The Peruvian government, international actors like the Canadian International Development Agency, and the regional Government of Cuzco are currently implementing a community-based action plan to maintain and restore the micro-basins that rely on the currently retreating Salkantay and Sacsara Glaciers

Iceland

- Iceland has already seen dramatic effects of climate change throughout the country. Warming has melted large swaths of ice, leading to sea rise that threatens the infrastructure of Reykjavik and other coastal towns. It has also led to the drastic decrease in nearby fish population, impacting Iceland's main export and a central part of their economy. In addition to thawing, permafrost has led to the destabilisation of slopes and the increased risk of disasters like landslides
- Iceland has created a National Adaptation Plan to combat rising sea levels, supply chain disruption, and harness rising river flows to be able to manage the impacts of climate change. This plan is establishing a foundation to help make the nation more resilient to climate change and prevent disruptions from creating insurmountable challenges for the Icelandic people

UK

- The UK has recognised that in order to meet the regulations around greenhouse gas emissions that have been developed by the international community, they would have to financially incentivise their citizens and modify their economy to withstand any negative economic consequences from the changes to their infrastructure and regulations
- The UK began setting carbon budgets with 12-year lead times. These budgets contain roadmaps to emission reductions via infrastructure changes, taxes and tariffs, reduction of emission high industries, and increased infiltration of renewables. The advanced planning has allowed them to move towards their goal of net zero emissions by 2050 without financial fall out



Our Eminence/Points of View

We have a depth and breath of Government and Public Services climate thought-leadership



[A closer look: Climate change, 2020.](#)



[A new choice: Australia's climate for growth, 2020.](#)



[Sustainable is smart: Middle East PoV Fall 2019 issue, 2019.](#)



[Confidently Queensland: Creating a Liveable, Diversified and Inclusive Queensland, 2020.](#)



[Energy market reform in Europe - European energy and climate policies, 2020.](#)



[The 2030 decarbonization challenge - The path to the future of energy, 2020.](#)



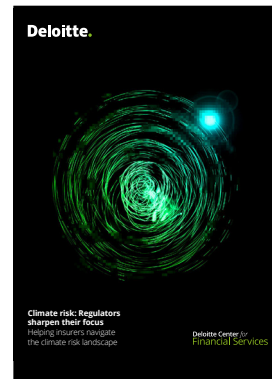
[Smart Cities Funding and Financing in Developing Economies, 2018.](#)



[Renewables \(em\)power smart cities: Wind and solar energy best enable the goals of people-centered smart cities, 2019.](#)



[The 2020 Deloitte City Mobility Index: Gauging global readiness for the future of mobility, 2020.](#)



[Climate risk: Regulators sharpen their focus, 2019.](#)



[Establishing science-based emissions reduction targets for insight, innovation, risk management, and competitiveness, 2019.](#)



[Seek And You May Find: How CFO's Can Manage Sustainability Risks and Find Long-Term Value, 2017.](#)

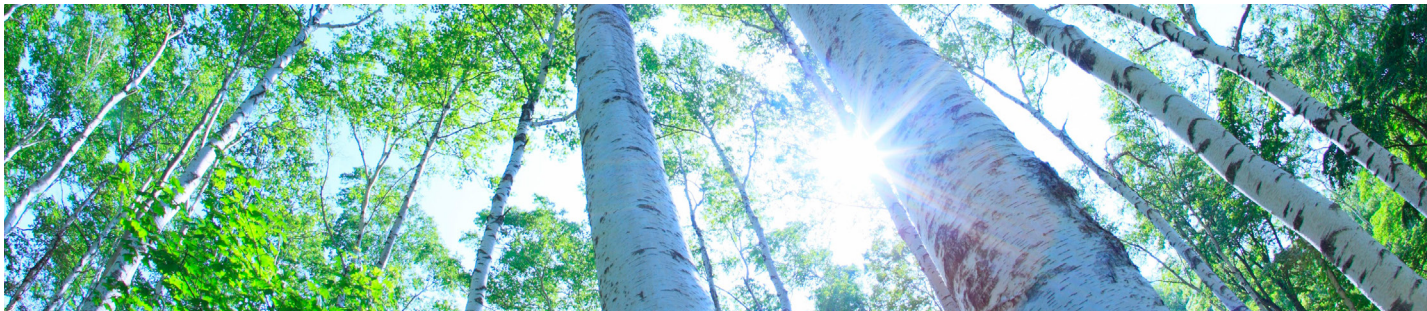


About us

Our Global Public Services Sustainability team's mission is to support organisations in achieving their decarbonisation ambitions.

Our expert team are passionate about enabling public sector organisations rise to the Net Zero challenge by creating effective policies and strategies, transforming their operations and measuring and communicating effectively at each step of the

journey. Our team is comprised of multi-disciplinary experts in climate science and decarbonisation, risk management, operations transformation, climate accounting and reporting, service innovation and stakeholder communications and engagement. We are part of Deloitte's global public sector sustainability teams and can help connect you with leading global practice and innovation in decarbonisation. Together we can make a real change because sustainable business is the future.



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