



RiverTalk

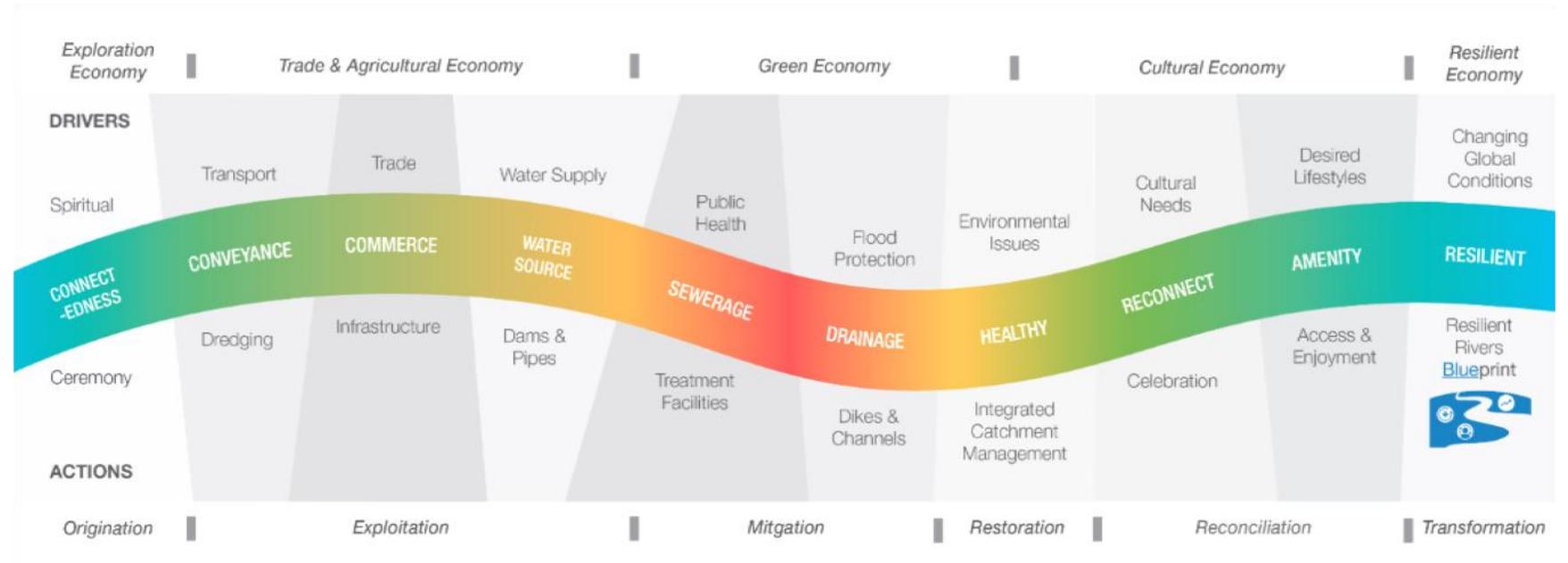
Unlocking the power of
finance for our waterways

Chi Mun Woo, Deloitte Sustainability & Climate Change
29 July 2020

- 1 Finance is increasingly seen as a key enabler and essential ingredient for sustainable development outcomes. Sustainable finance is growing fast, outperforming mainstream funds
- 2 Corporates face increasing pressure to demonstrate impact. Integration of sustainability into corporate strategies is growing. This will support corporate appetite in resilience partnerships
- 3 Collaborative financing partnerships are being catalysed and hold promise for investments in ecosystems resilience. Blockchain, IoT, analytics will have a transformative impact

Questions explored

- 1 What is Sustainable Finance and what is driving its growth?
- 2 How is Covid-19 impacting on sustainability and finance?
- 3 How can funding be unlocked?



The gap in finance needed to meet SDGs and the Paris Agreement

\$2.5T gap
for SDGs

The United Nations estimate the gap in achieving the Sustainable Development Goals at \$2.5 trillion per year in developed countries alone (*UNCATD*)

\$50T gap
by 2050
for
2°C

The world needs to spend US \$50 trillion by 2050 to slash emissions and meet the Paris Agreement's goal of halting global warming (*Morgan Stanley, 2019*)

\$8T Covid

Under the *United Nations Framework Convention on Climate Change*, developed countries have committed to mobilise \$100b in climate finance per year, but are **falling short** at only \$10.3b being pledged so far.

Public sector resources will not be adequate to meet this challenge, and **mobilisation of institutional and private capital will be necessary.**

What is sustainable finance

A financial system that **supports** a sustainable, prosperous and **resilient society**...and **accessible** and clearly defined sustainable finance **products & services**

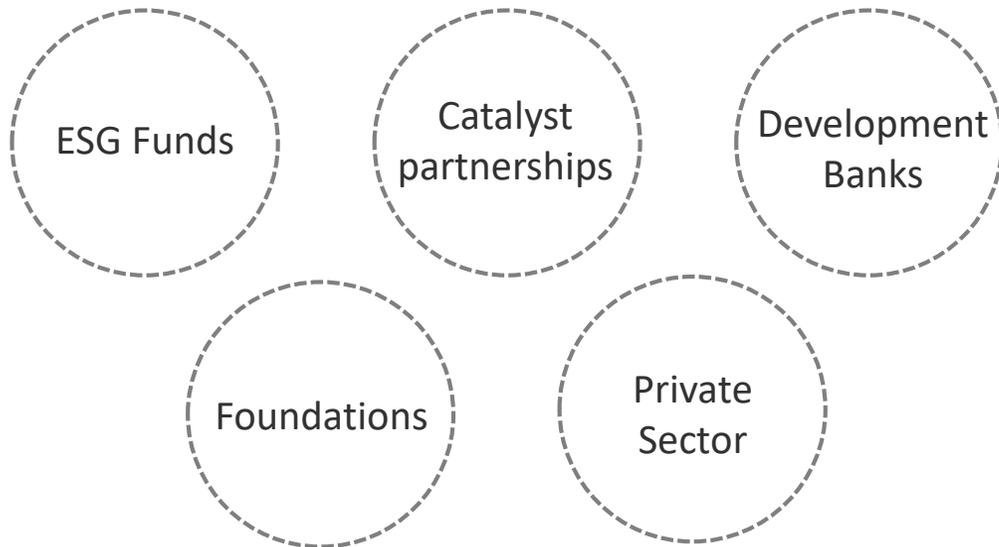
Australian Sustainable Finance Initiative

We believe **creative collaboration** is essential to mobilizing investment into climate infrastructure ... providing our clients with further **opportunity to invest** in the global low-carbon transition

Brian Deese, Global Head of Sustainable Investing at BlackRock

... to help redirect financial flows towards sustainable development investments across the emerging world...

Rémy Rioux, CEO of the French Development Agency ("AFD")



Aim:

- Enhance **resilience** and **stability** of the financial system by embedding **sustainability, climate** and **human rights** and other ESG considerations into financial markets, products and services
- **Mobilise capital** to deliver on national and global sustainable development and climate goals, commensurable with **science-based targets** and informed by **international conventions, treaties and norms**.

Examples

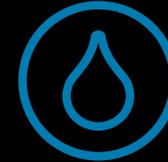
Successful stories of sustainable finance mechanisms at play



A Conservation Trust Fund in Mexico to rebuild beaches and protect coral reefs – Government, TNC, Academia, Tourism industry



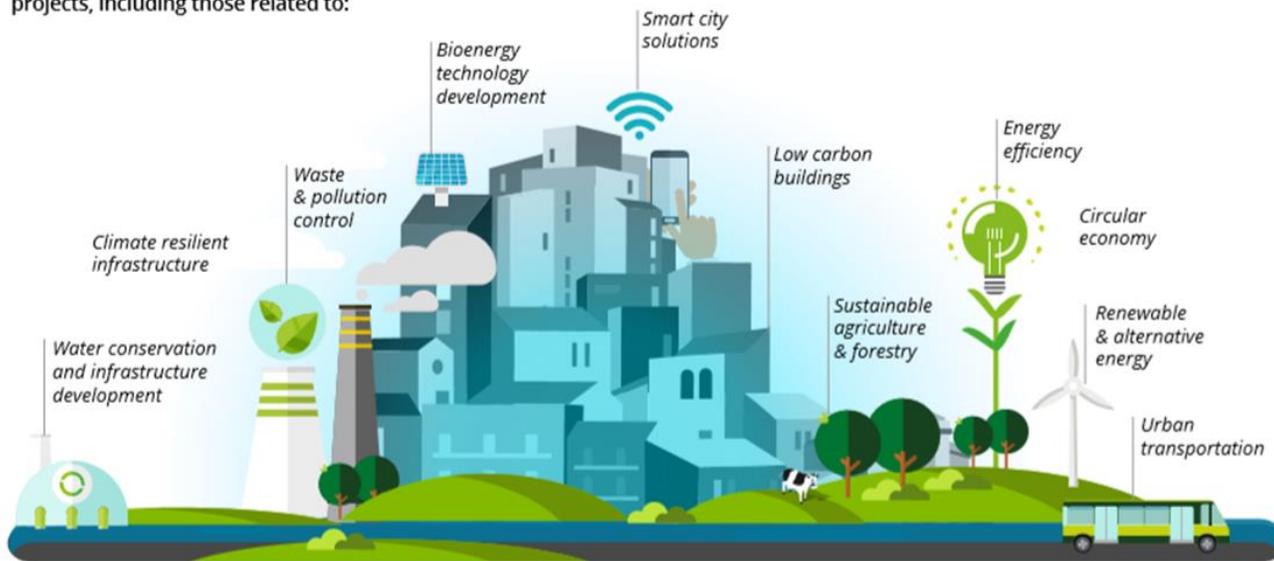
A mangrove restoration initiative in Senegal to support local jobs and reduce CO2 emissions – CDM project with Donone, Hermes, SAP, FFEM, IUCN



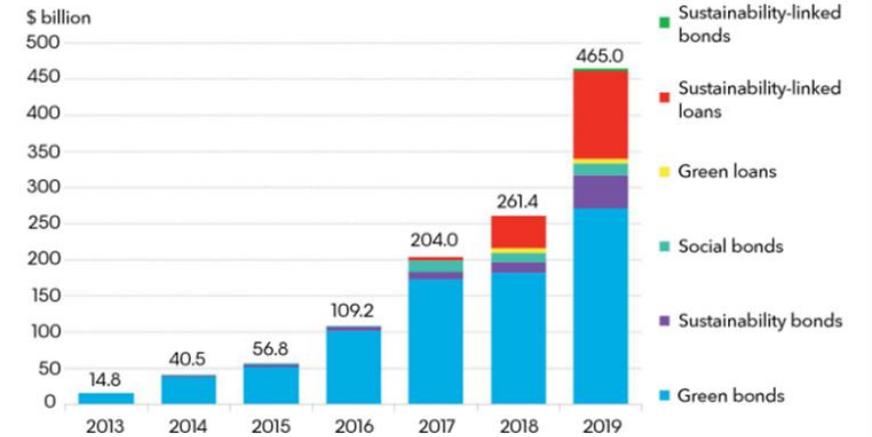
A blue bond issued in **Fiji** to protect oceans and natural habitats – Sovereign bond

Pace of growth and outperformance

Proceeds from Green Bonds can be utilized to fund various environmental projects, including those related to:



Global sustainable debt annual issuance, 2013 - 2019

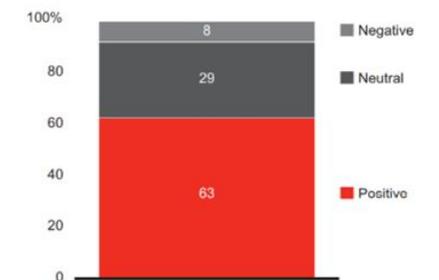


Source: BloombergNEF, Bloomberg L.P.

STOXX index performance (indexed to January 31, 2003)



Results of meta-studies on link between ESG and financial performance (by type of relationship)



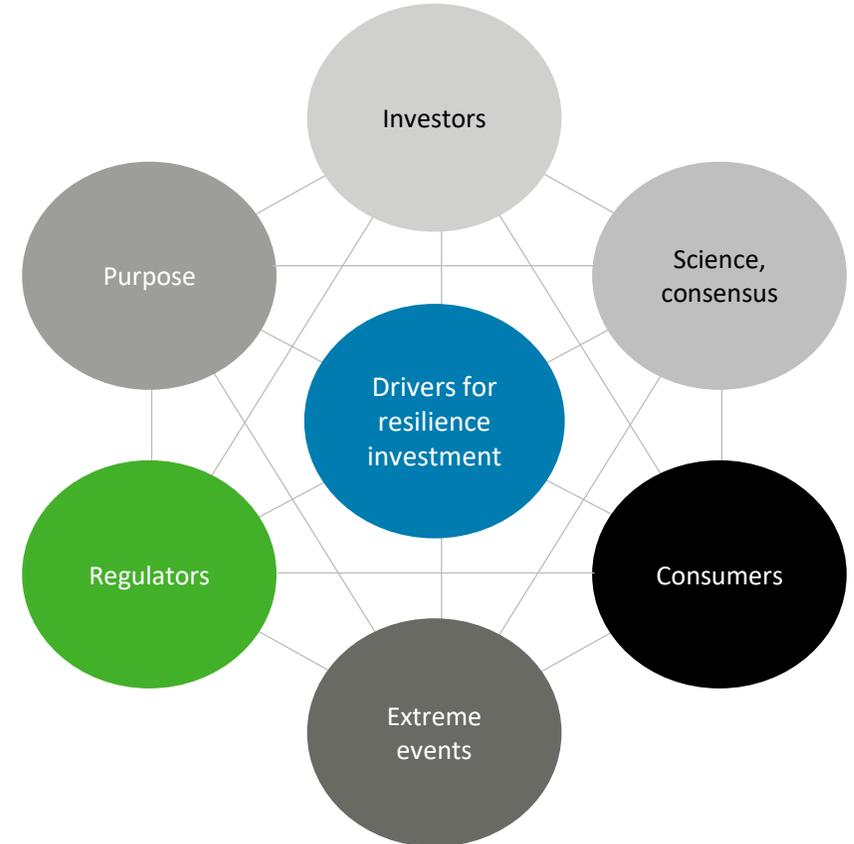
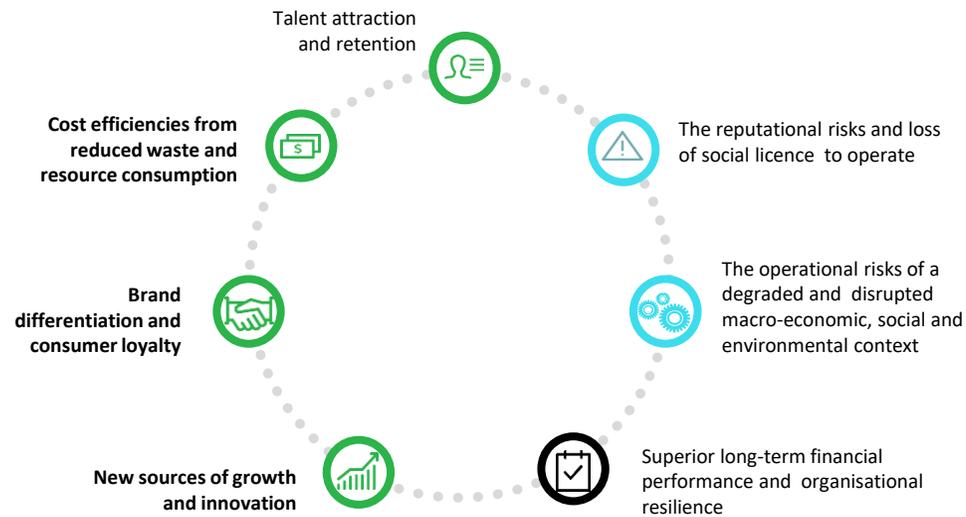
Sources: DWS and University of Hamburg, "ESG and Financial Performance: Aggregated Evidence from More than 2,000 Empirical Studies," 2015; DWS and Global Research Institute, "ESG & Corporate Financial Performance: Mapping the Global Landscape," 2015; STOXX; Bain analysis

Source: Bain & Company – Global Private Equity Report 2020

Sustainability strengthens relationships that build resilience

A strong sense of **purpose** and a commitment to stakeholders helps a company **connect more deeply** to its customers and **adjust to the changing demands of society**. Ultimately, purpose is the engine of long-term profitability

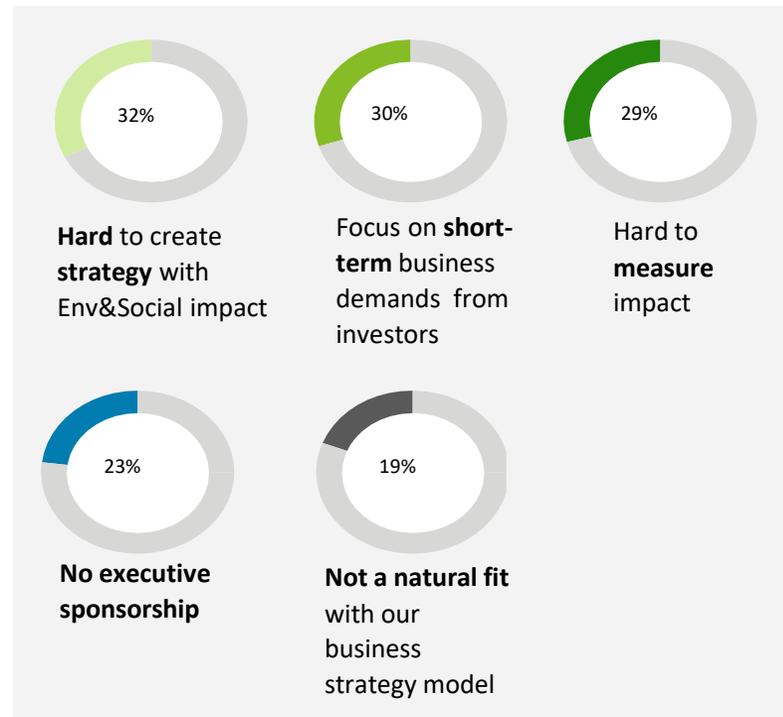
Larry Fink, CEO BlackRock



There is some way to go.....

- Value Creation
- Collab Mindset
- Time Horizon
- Data

“What, if anything, do you believe is holding back your company’s leadership from taking more concrete actions to address climate change?”



Deloitte Global Survey – March 2020



Implications of COVID-19

Vulnerabilities and Relationships

Yardstick for challenge ahead

Sectoral differences

ST pain, long term benefit

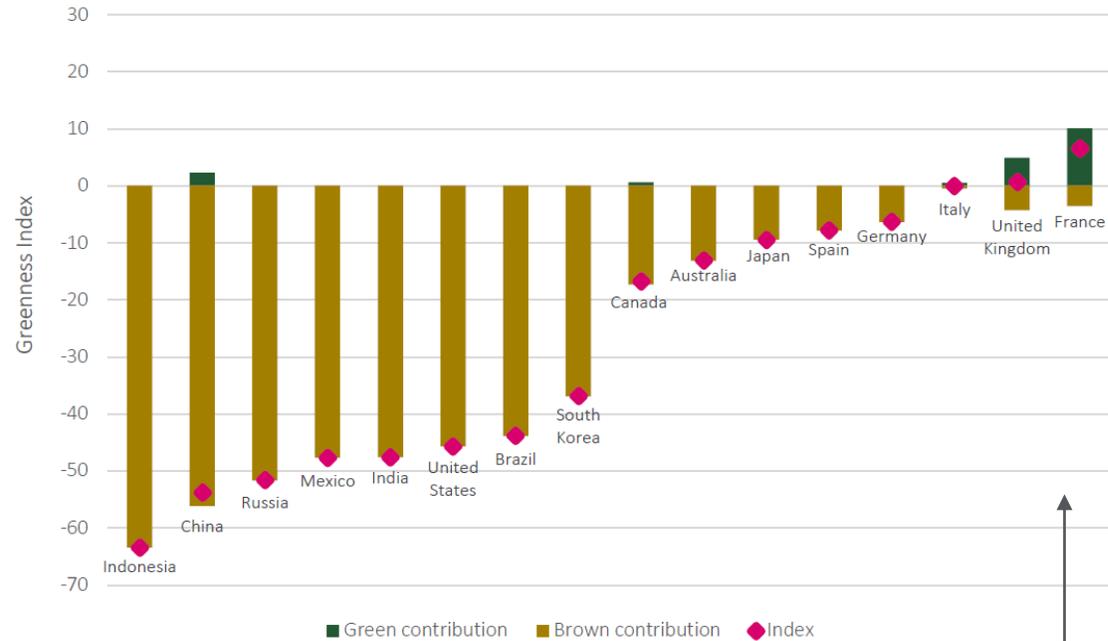
Inequality and injustice

Disruption

Scenarios for uncertain pathway

Purpose and impact

Green Stimulus Index



Source: Vivid Economics using a variety of sources

Note: Updated on May 12, 2020

Win-wins have included:

- EU Nat Capital and Circular Economy
- UK Energy efficiency schemes
- Green infrastructure [renewables, public transport]
- Decarbonisation strings

Top tips and lessons learnt

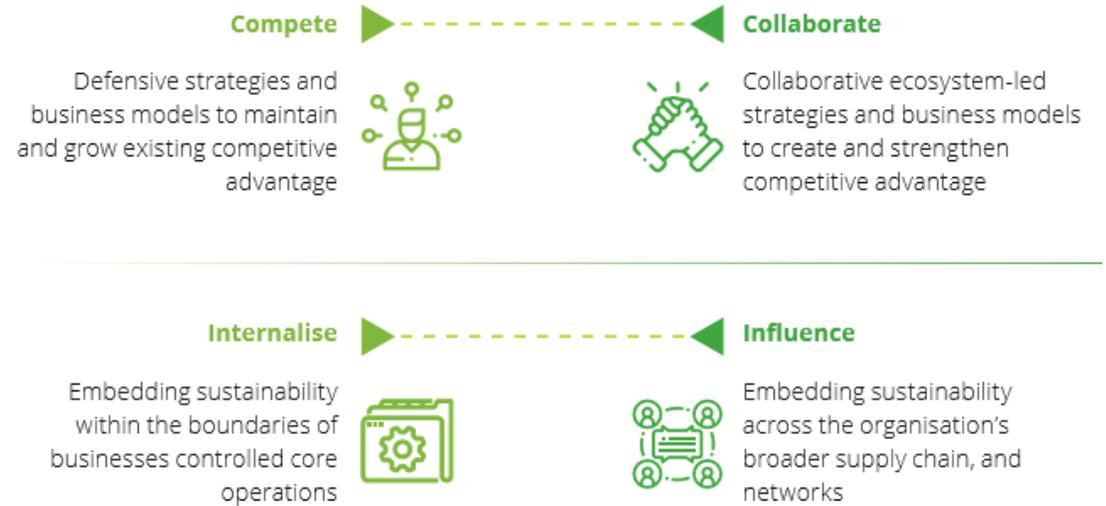
- 1** Look at the river system as a whole and the potential beneficiaries of proposed programs, and identify parties who would have a common goal and appetite for impact
- 2** Engage, collaborate, innovate
- 3** Consider quicker wins like sustainability-linked finance



Source: www.Resilientrivershub.com

Key ingredients for collaboration

 <p>An compelling picture of value creation attributable to financed activities is compelling, quantifiable</p>	 <p>Shared goal for social and environmental change between parties</p> <p>Benefits to each stakeholder is recognised and aligned with funder's requirements</p>	 <p>The value of change is seen through the lenses of the beneficiaries and supportable by strong and trusted data</p> <p>Support and explore IOT and Blockchain technologies</p>
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CURRENT LANDSCAPE	
GET FOCUSED	GET REAL
Map projects, benefits, funding sources, gap	Stress test against private sector appetite, sense data gaps

OPTIONS DEVELOPMENT	
GET CREATIVE	GET DECISIVE
Develop options that unlock ESG opportunities and connect to Purpose & Strategy	Test assumptions, engage with candidates, prioritise quick wins

DEPLOYMENT	
GET COMMITTED	GET GOING
Map high impact, actionable initiatives. Agree targets. Influence ecosystem	Actions internally to 'upgrade' narrative, data. Actions externally to build relationships and collaborate

Source: adapted from <https://www2.deloitte.com/au/en/pages/strategy-operations/articles/embedding-sustainability-strategy-business-operations.html>



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