GRI Ep 2 Transcript

Adding it up: The risks and rewards of corporate climate reporting

[00:00:00] **Ayanda Charlie:** Every day we move nearer to reaching the global goals of ending poverty, protecting the planet, and ensuring that all people can live in peace and prosperity by 2030. But how close are we, really? Welcome to the SDG Insider, the series that helps bridge the gaps between corporate reporting and the sustainability agenda from the Global Reporting Initiative.

[00:00:23] **Ayanda Charlie:** We hope to help businesses navigate the 17 Sustainable Development Goals with resources and guidance for taking action. In episode 2, we're taking a closer look at the challenges of corporate reporting on greenhouse gas emissions, climate strategies and accountability, and we're sharing insight from prominent sustainability experts.

[00:00:43] **Ayanda Charlie:** I'm your host, Ayanda Charlie. One plus one equals two, right? It's simple mathematics. But where do these 'ones' come from, what did it take to make them, and how did they get to you before you make your 'two'? Adding it all up gets complicated when we look at the whole picture, and that's certainly the case for measuring the one-plus-one of a company's impact on the climate.

[00:01:09] **Ayanda Charlie:** Growing government ambitions and stronger policies on climate change – not to mention the rising temperature of the earth – are spurring increasing corporate action, pushing businesses to achieve their climate goals faster. In a landmark case in May 2021, The Hague District Court ordered Royal Dutch Shell to reduce the CO2 emissions of the Shell group by 45% by 2030, compared to 2019 levels.

[00:01:35] **Ayanda Charlie:** Royal Dutch Shell, is a British-Dutch multinational headquartered in The Hague. It is Europe's largest public company and the world's ninth highest emitting company from 1988-2015. For the first time in history, a judge held a corporation accountable for its contribution to climate change. The legal action was brought by seven foundations and associations as well as over 17,000 individual claimants.

[00:01:57] **Video Clip:** There will always be a concern and, and challenge. Uh, I think a lot of people, uh, would agree with me that we're not moving fast enough as a society to address the challenge of climate change. Uh, but I do also believe that this is a, uh, a system-wide challenge, an economy-wide challenge. Uh, and it's not about the supply of energy, it's about the demand of energy. I think what we are doing today is setting out a vision, how we as a company are going to make a contribution to solving that challenge, uh, in a very purposeful and a very profitable way. And it's going to be very much on indeed how we are going to reform the demand of energy to cleaner energy that customers need and want.

[00:02:43] **Ayanda Charlie:** The doors for further litigation against companies were opened as every tactic is tried to slow and mitigate climate change. But going back to ground zero, first companies need to understand where their emissions are coming from and how they can add them up, before they can come up with strategies to reduce them.

[00:03:00] **Ayanda Charlie:** And measuring this impact in a consistent, accurate way across the globe is the point from which everything else flows. Luckily I could turn to three experts to help us navigate our way, Greenhouse Gas Protocol expert Pankaj Bhatia, climate finance authority Sean Kidney and climate lawyer Raphael Soffer.

[00:03:21] **Ayanda Charlie:** Goal number 13 of the 17 Sustainable Development Goals, is to limit and adapt to climate change. At the same time, climate cuts across many other goals since they cannot be fulfilled without a guarantee of a liveable future. Under the Paris Agreement of 2015, almost 200 countries collectively agreed to reduce their emissions, with each submitting a national climate action plan with targets laid out.

[00:03:46] **Ayanda Charlie:** This agreement has a strong focus on transparency so countries can monitor, verify and report on their progress, with the first reports due in 2024. However, during COP26 in Glasgow in 2022, countries agreed to speed up their reductions to try and keep the average global temperature rise to below 1.5°C.

[00:04:08] **Ayanda Charlie:** It may still not be enough. As I mentioned, measuring emissions in a corporation's operations is just one of the steps in taking climate action. From this foundation, all business decisions, and investments need to be made to reach their aims. But what are the measures and terminology used to assess emissions?

[00:04:28] **Ayanda Charlie:** To begin with, greenhouse gas emissions are considered either 'direct' or 'indirect', and they're categorised into three groups or "scopes" by international carbon accounting standards. Scope 1 emissions are 'direct emissions' from sources that are owned or controlled by the company. So if your business does shipping, the burning of fuel for your delivery trucks would count,

[00:04:50] **Ayanda Charlie:** or if you manufacture a plastic product that releases chemicals in your factory, for example. These are relatively simple to measure and control. Scope 2 emissions are 'indirect emissions', which are the result of energy you have used in the course of your business. They're called indirect because they're generated at another facility, such as a power station.

[00:05:13] **Ayanda Charlie:** Switching to renewable energy instead can reduce emissions in a measurable way. Scope 3 emissions include all other indirect emissions across the value chain of a business. So, if you run a restaurant, you would need to think about the production of the ingredients you use, how they get from the farm to you, waste disposal, and even your waiters getting to and from work.

[00:05:36] **Ayanda Charlie:** Scope 3 emissions can be the hardest to measure, and in many cases, scope 3 will represent 50% or more of true impact. Some estimates show that a company's supply chain emissions are on average 5.5 times larger than emissions from their own operations. Scope 3 also requires thinking holistically about the entire life cycle of products, so more guidance on carbon accounting is definitely needed.

[00:06:01] **Ayanda Charlie:** I spoke with Pankaj Bhatia, the Director of Greenhouse Gas Protocol, which enables companies, cities and countries to develop comprehensive and reliable inventories of their greenhouse gas emissions, and track progress toward their climate goals. So Pankaj, how accurate is carbon accounting nowadays?

[00:06:20] **Pankaj Bhatia:** Well, carbon accounting is a journey and I think, uh, we started 20 years back almost, uh, 23 years now.

[00:06:30] **Pankaj Bhatia:** And the way I think one could draw a parallel is to understand the accuracy question is financial accounting and carbon accounting. When people ask me how accurate is carbon accounting, I usually take an example of financial accounting. As I understand, it took hundreds of years for financial accounting to mature itself and reach the level of, uh, sophistication and accuracy that we see in the present world.

[00:06:58] **Pankaj Bhatia:** And carbon accounting is very [00:07:00] young right now in that respect. And so I think, uh, it has improved in its accuracy and, uh, it should also be contextualized that accuracy is one of the five principles. There are four other principles, uh, in carbon accounting: transparency, consistency, relevance and completeness.

[00:07:21] **Pankaj Bhatia:** And we, our guidance in this protocol, we recommend that companies look at all the five principles together and sometimes, You could have less accuracy and greater amount of completeness, and that could be, uh, purposeful, that could be depending on your objective is what you need, and sometimes you need greater accuracy and less completeness.

[00:07:45] **Pankaj Bhatia:** Again, it depends on your objective, so, so accuracy I think is, is improving, but it has also, it needs to be contextualized.

[00:07:53] **Ayanda Charlie:** Well, I guess it's, that sounds like that would be kind of one of the challenges, right? Making businesses understand that there's, [00:08:00] it's not just about accuracy, it's about the full picture. What are the other challenges that you come across in climate accounting?

[00:08:06] **Pankaj Bhatia:** It's a very, very good question. Um, we of course, uh, we have been making strides in climate accounting. It's one of the biggest now jump that companies face is the setting of setting up of the net zero goals. The SPTI targets, uh, the, the expectation, the public expectation has increased quite a lot.

[00:08:29] **Pankaj Bhatia:** Accountability to key stakeholders, including regulators like securities and Exchange Commission in the US and European regulators. Uh, that accountability is increasing also day by day and new legal rules are expected soon. And so it's become a very serious business now, so to speak. Climate accounting for companies, it involves money, a tremendous amount of money sometimes, and I think given the level of financial planning that is involved [00:09:00] here, uh, one key objective for companies is to ensure they also deploy sufficient resources on the foundation of these plans, which is carbon accounting.

[00:09:11] **Pankaj Bhatia:** That they are sufficiently engaging with their data suppliers. For example, just to give you an example in Scope three accounting you depend on suppliers data, you depend on suppliers, emission factors. Now a company's product that could be coming from different regions of the world for the materials for the product, and they need to be aware that the emission factors should be geographically specific.

[00:09:39] **Pankaj Bhatia:** So if you, if, if you source beef, for example, from the US but your supplier is giving you an emission factor that is for another country that is experiencing tremendous deforestation, then your emission factor will be very much skewed and you, and if you use that, your scope three numbers are going to be huge.

[00:09:59] **Pankaj Bhatia:** And if your [00:10:00] scope three numbers are huge and you're making plans based on you know, how to reach net zero for your scope three numbers also, you are planning a lot of money to be invested, but if your un underlying data is not accurate, you are putting, uh, money in the wrong, uh, investment, so to speak. So I think this engagement, uh, building up resources both financially and also expertise and to really have a thorough engagement in getting the inventory site is the responsibility of companies now.

[00:10:30] **Ayanda Charlie:** I couldn't help wondering to myself if companies were getting the kind of guidance they need and what percentage of companies disclose accurately.

[00:10:37] **Pankaj Bhatia:** As much as we understand, uh, the number of companies that reported Scope three emissions in the public CDP.

[00:10:43] **Pankaj Bhatia:** Carbon disclosure, CDP dataset that is increased from 936 companies in 2010 to now 3,300 companies in 2021. And yes, so that increase itself shows not only the scale in terms of adoption, but also A greater amount of data in the public, uh, space because if, if companies are reporting more Scope three data, their Scope three data is, is another company Scope One or Scope two data also.

[00:11:15] **Pankaj Bhatia:** And so, so there is a truly an effect here that comes from such reporting into CDP and also SPTI. There are more than 4,000 companies well, Taking SPTI targets, and that also requires a high level of commitment to accuracy.

[00:11:31] **Ayanda Charlie:** Whether they've done it knowingly or unknowingly. Some companies have been caught being overly creative about their climate saving claims, a principle also known as greenwashing,

[00:11:40] **Video Clip:** But environmental groups are really skeptical. They argue that offsetting now can simply be a way for the wealthy to avoid or delay taking the necessary steps to reduce their use of fossil fuels. And even if you are paying money towards offsetting schemes, how can you be [00:12:00] sure that those trees wouldn't have been planted or those wetlands restored anyway? How permanent are your offset contributions likely to be? Trees, of course, can be cut down or burn in wildfires. In other words, is your money really compensating for the extra greenhouse gases you've produced? Supporters of offsetting argue that in some sectors like air travel, there aren't yet any realistic alternatives which can produce fewer carbon emissions. So unless you want to ban air travel altogether, offsetting can play some role in mitigating the immediate impact on the environment, and airlines are already doing it.

[00:12:26] **Ayanda Charlie:** In early 2020, Ryanair announced itself as Europe's "lowest emissions airline" in advertising materials. Since the claim was misleading, used outdated information and could not be substantiated since it didn't compare against all Ryanair competitors, the advert was banned by the Advertising Standards Authority in the UK.

[00:12:57] **Ayanda Charlie:** In 2023 the low-cost airline got into trouble again with the Netherlands Authority for Consumers and Markets for using phrases such as 'fly greener' in its marketing materials to suggest that the airline's carbon-offsetting measures would make travelling with them more sustainable. But the fact is that, even with CO2-compensation schemes, flying remains a highly polluting way of travelling.

[00:13:21] **Ayanda Charlie:** It's more important than ever for companies to ensure they measure their emissions and report them in an accurate way. Pankaj had some advice for companies looking to reduce emissions. Most companies will need to apply more than one tool to cover their emissions.

[00:13:42] **Ayanda Charlie:** Accurate climate reporting is becoming increasingly important, as the trend for investors to prioritise Environmental, Social, and Governance goals grows. This is resulting in pressure on companies in every industry to reduce their carbon footprint – even in the digital economy. The so-called mining of cryptocurrencies uses powerful computers to solve complex mathematical problems in order to validate transactions and maintain security of the network.

[00:14:10] **Ayanda Charlie:** But this process has come under fire for being extremely energy intensive. A September 2022 White House report made some recommendations to mitigate this, including requiring Bitcoin miners to increase their use of renewable energy, as well as release more detailed information about their energy usage.

[00:14:29] **Ayanda Charlie:** More and more regulations tackling climate change are being developed for different sectors around the world, including the actions to be taken.

Video Clip: In 2020 mining Bitcoin also consumed 75.4 terawatt hours of electricity. More than all of Austria or Portugal. Sometimes it's been as much as Norway, uh, which is about 120 terawatt hours. So it's a lot of electricity.

[00:14:50] **Ayanda Charlie:** It's clear that there is a responsibility held by those who have more resources, money and power to do their fair share in slowing climate change. (Especially since they are often producing the most emissions.) This is echoed by the Paris Agreement, which affirms that developed countries should take the lead in providing financial assistance to countries that are more vulnerable.

[00:15:15] **Ayanda Charlie:** It states that climate finance is needed for mitigation, because large-scale investments are required to significantly reduce emissions and help us adapt to the adverse effects of a changing climate. One of these climate finance tools is called a green bond. Using so-called green credentials to appeal to socially responsible investors means that measuring and reporting needs to be even more clear, reliable, and consistent.

[00:15:41] **Ayanda Charlie:** Stakeholders also need more information about how the finance sector is directing financing towards sustainable technologies and solutions in general. But transparency and continuity are key. Companies' memberships of associations and alliances, financial contributions and direct engagement on climate policy should be aligned with their publicly stated position on the issue of climate change.

[00:16:06] **Ayanda Charlie:** They need to walk the talk. I spoke to Sean Kidney the CEO at the Climate Bonds Initiative and he told me more about this. In simple terms, can you explain what qualifies as a green finance instrument?

[00:16:19] **Sean Kidney:** In a way, it's simple. We need to see very large scale capital flows into climate solutions to have any kind of chance of a future for our kids.

[00:16:34] **Sean Kidney:** You know, we need to replace all the world's fossil fuel energy plants. That's by far the majority of the world's energy plants with clean energy, and we've gotta do it tomorrow morning because of how dire things are and that requires capital. That requires finance. That's green finance.

[00:16:53] **Sean Kidney:** That's money going towards solutions that address climate change. Very simple. Now, [00:17:00] within that universe, there's all sorts of things you can do. You can raise money through a bank, Hey, that's called a green loan. Or a sustainable loan, you can issue bonds. Uh, let's say, let's say someone building a big renewable energy farmer, a solar farm, um, they could, um, issue bonds and that would be a green instrument.

[00:17:21] **Sean Kidney:** Uh, or the railway line. The railway line for example, could issue bonds to finance or refinance it, and that'd be green bonds because rail is low carbon transport and we need to be doing more rail and less petrol-using cars, that sort of stuff. So it's simply a matter of financing stuff that's fit for the future.

[00:17:42] **Ayanda Charlie:** Now, Sean, how can the ESG data produced through the GRI framework be useful for assessing investment suitability as climate finance instruments?

[00:17:52] **Sean Kidney:** I would say that guidelines that make us think of the various risks involved in long-term [00:18:00] sustainability are obviously essential. You know a bit profit tend to be guides for short term returns.

[00:18:07] **Sean Kidney:** We're talking about 20 and 30 year investments have they made here, and wherever they survive is going to be a function of multiple data points that we've gotta explore. That's, that's what ESG does, right? It, it brings in an understanding of multiple data points that are material to ensuring that the investment is sustainable over a longer period.

[00:18:31] **Sean Kidney:** In a way, it's that simple. It's all about managing risk and understanding risk. Now, I'm gonna say there is a dominant data point, which is the extent to which the investment is addressing climate change. That's not always appreciated in ESG. A lot of ESG scoring systems will provide equal waiting for a variety of actors, including climate change.

[00:18:53] **Sean Kidney:** And you might have something that looks really bad in climate change, but performs really well on governance and it looks good in the portfolio. We've gotta have some [00:19:00] absolutes here. And so there's a bit of work we're doing at the moment as a global industry on rethinking ESG guidelines in the context of climate change.

[00:19:10] **Sean Kidney:** But at the end of the day, all we're talking about is better understanding forward risk, and of course forward opportunity. Yeah, because this isn't just about things that you shouldn't do. This is about understanding the world economy is changing. You know, when I speak to global investors around the world, it's very clear they believe the future has been decided.

[00:19:33] **Sean Kidney:** It will be green thanks to the commitments by all the world's major governments for 2050 and strong 2030 targets. There is, let's just call it a very high likelihood that something's gonna happen to change the world economy. The real question now for investors is, are they gonna get knocked over or are they gonna be able to successfully ride out the tsunami of change that's coming through?[00:20:00]

[00:20:00] **Ayanda Charlie:** It is estimated that between 160 to $340 billion are needed by the end of the decade to close the climate finance gap. A lot of the investment will be needed in the emerging markets, yet in many places there's a lack of data and information on sustainability. As we transition to a lower carbon economy, the development dimension needs more attention too.

[00:20:23] **Ayanda Charlie:** And investment is the key word, as these are not sunk costs. This means developing industries where necessary, as well as making changes in industries, energy systems, infrastructure, and labor markets. I asked Sean to comment on how companies can get on board with this and how companies can help close the climate finance gap.

[00:20:43] **Sean Kidney:** I'm gonna say the most important thing that resource rich economies have to do has gotta be thinking about shifting their resources, industries from high carbon to minerals for the transition. There is money to be made in lithium. We know that now, that's [00:21:00] obvious. There's money to be made in nickel, in cobalt, in rare earths in and copper and so on and so on, because to rewire the planet is gonna take a lot of investment in emerging markets.

[00:21:13] **Sean Kidney:** Where the bulk 70% of the investment we need to make lies everywhere from Nigeria to to China. There's enormous need for new resources, materials, and that's, that's a new commodities boom coming in. That's the first opportunity. The second opportunity is around energy. We are about to enter a new era of low cost energy fueled by solar.

[00:21:41] **Sean Kidney:** You know, people are agonizing about closing down coal fired power plants in 2040. You know what? By 2035, we're gonna close them down because they're too expensive to run compared to solar. Solar is getting so damned cheap everywhere that if you're not starting to convert your [00:22:00] economy now and planning a different grid to be able to support it, you're gonna find your energy costs compared to your neighbors are too high.

[00:22:06] **Sean Kidney:** Going forward, energy's dropping. So the cost of solar is dropping 20% every year, year in, year out. The main thing companies, well, in fact, the main thing everyone needs to do, but companies and governments, is we need transition plans. The world is changing. How fast the change is uncertain. The faster we can change it, the more likely we are to have a reasonably sustainable future.

[00:22:35] **Sean Kidney:** To make that change, we need all companies and all cities and governments for that matter to develop transition plans. We've got a short window. The Intergovernment panel of climate change says we've gotta get global emissions down by 55% by 2030, 65% by 2035. We need to plan now between now and the end of [00:23:00] 2025 is the window.

[00:23:03] **Sean Kidney:** So what does it mean for your business? I have no idea. 'cause I've gotta look at your business, but have a look. Ask the question. Does it mean that your actual manufacturing processes need to change? They might not. You might be perfectly fine. If you're a steel business though, you have to be rethinking your blast furnaces.

[00:23:20] **Sean Kidney:** If you're a cement business, you have to be rethinking your production processes so you can shift to net positive concrete, which is available, doable now away from high carbon concrete, which is the bulk of it now, and so on in every single industry. Get a plan sorted out.

[00:23:39] **Ayanda Charlie:** And what about emerging economies? What role does the financial sector play in bringing about climate transition in these countries? And what is the role of ESG data in scaling up sustainable finance?

[00:23:51] **Sean Kidney:** What I say to the financial sector is that the bulk of investment and the bulk of wealth creation in the [00:24:00] world over the next 20 and 30 years will be in emerging economies.

[00:24:05] **Sean Kidney:** Will it be in all emerging economies? It may not if they're badly managed. I mean, Goodness, though us humans have a fantastic proclivity to mess things up sometimes. I appreciate that and part of the challenge of investing is to pick the ones that will prosper and the ones that won't. I get that.

[00:24:21] **Sean Kidney:** That's about risk management, but it's not going to be in London or Tokyo or New York. It is going to be in Lagos or Mumbai or Guang Ju or Jakarta. That's where the growth is. I mean the simple, you are already seeing massive growth in property values as a whole. Lot of people move towards the middle classes and seek new homes, but it's gonna be all sorts of aspects.

[00:24:48] **Sean Kidney:** These are large populations that are changing dramatically. Now we need to make sure they're green because if they're not green, we are all stuffed. It ruins the whole planet.

[00:24:57] **Ayanda Charlie:** As Sean explains, no part of society is exempt from participating in this group effort, as we are on our climate journey together. It is costly to do but the alternative is far more costly.

[00:25:05] **Ayanda Charlie:** Raphaël Soffer from Client Earth, told me more about using law to protect people and the planet. Client Earth is an ambitious environmental organisation that uses the law to hold governments and companies to account over climate change, nature loss and pollution.

[00:25:26] **Ayanda Charlie:** So maybe Raphaël, let's start with you telling us more about the work that you do.

[00:25:31] **Raphaël Soffer:** I am Raphaël Soffer. I've been a lawyer at an organization called Client Earth for almost five years now. Uh, Client Earth is mostly made of lawyers. We are 60% and we are quite a young organization. Um, we have been expanding really quickly and I'm very happy to be part of the new Asia, uh, energy systems team for more than three years now and working on climate change, uh, with, uh, [00:26:00] we are almost 10 colleagues now.

[00:26:01] **Raphaël Soffer:** We are focusing on two types of work. I think the first one is litigation. Uh, in certain countries we are quite famous for that. Think the UK uh, where clients have been suing the government and corporations. The other part of our work is advocacy. Uh, I'm part of the process office and we are quite a big office with almost 60 people and we are doing lots of advocacy, uh, inter office, so advocating to.

[00:26:29] **Raphaël Soffer:** Of course the EU, it's why we're in Brussells but also to member states, uh, to governments. And we're also doing some advocacy with corporations.

[00:26:37] **Ayanda Charlie:** Well then I guess you've kind of touched on my next question because I was going to ask you what the specific approach of Client Earth is in tackling, uh, climate change but it sounds like it has to do with advocacy and litigation?

[00:26:51] **Raphaël Soffer:** Well, we, we try to always divide our work into those two very big buckets. I think in terms of technique, climate change, both types of [00:27:00] work are very effective. Uh, we have all heard about climate litigation. Uh, it's quite popular, a number of, a number of organizations, uh, I trying the change in this climate mitigation.

[00:27:10] **Ayanda Charlie:** What role does corporate disclosure have in demonstrating the path towards low carbon transitions?

[00:27:17] **Raphaël Soffer:** It’s a very big question and, uh, I, I'll answer from my little modest perspective. I, I think what, what we have seen recently was I. A difference between what we call financial disclosures and non-financial disclosures.

[00:27:31] **Raphaël Soffer:** Corporation had to, uh, disclose, uh, on both areas and there was a tendency to do so in a separate way. It may either be different departments of the same corporation, um, to those disclosures or different set of advisors. However, it has become more and more obvious that climate change is having an impact on the future and current revenue of a number of companies.

[00:27:56] **Raphaël Soffer:** Therefore, there is a real need to incorporate climate generated disclosures, not only in the so-called non-financial disclosures, but also in the financial disclosures and there is unfortunately, uh, still a very big gap, uh, between what is being advocated here and what we are seeing corporations, uh, as implementing.

[00:28:16] **Raphaël Soffer:** Uh, so Client Earth had recently a report, it was focused on UK companies and we were looking at what companies were doing in terms of those disclosures in the financial disclosures. What we saw is that only 4% of them were making clear reference to climate change in their financial accounts. 4% is quite a low figure.

[00:28:35] **Raphaël Soffer:** We have also looked at the report made by Carbon Tracker quite recently, so they had two, or first one was called Flying Blind. The one was called Still Flying Blind, and they also did this exercise at the global level looking at the so-called highly carbon exposed companies, and they found that 98% of companies did not provide sufficient information to demonstrate how the financial [00:29:00] statements included consideration of financial impact of climate change.

[00:29:05] **Raphaël Soffer:** So there is still, let's say, a very big topic, uh, on how to make sure the capital disclosure are demonstrating a past towards low carbon transition. Companies need to adopt a transition plan, um, and then they need to implement it and they need to report on the implementation. Um, there have been a number of studies regarding how advanced we are in terms of having companies having transition plans which are credible and being implemented.

[00:29:35] **Raphaël Soffer:** The truth is that most companies today, uh, have not been very advanced in terms of having credible solution plan and in terms of reporting against them, um, there are a number of reasons for that. One of them is that, Transition plans are only voluntary, uh, for companies so far. Um, the EU, uh, is apparently the first jurisdiction, uh, which is pushing for having [00:30:00] companies, uh, adopting transition plans in a mandatory manner.

[00:30:05] **Raphaël Soffer:** Uh, there is one directive which is mandating certain financial companies to disclose them When they have already adopted them. So it's not really a mandatory, uh, another obligation for companies to adopt them at the general level, just a obligation to disclose them as they exist. There is a new directive called the CSDDD, so which stands for corporate, uh, sustainability Due Diligence directive, which is still being, uh, discussed right now in Brussels, and which would be most likely the first instrument legally mandating companies to adopt transition plants.

[00:30:42] **Raphael Soffer:** And we're already seeing a number of other jurisdictions, uh, going that direction. So the UK, uh, is already quite advanced, uh, in that direction. And we are hoping that a number of other companies, uh, jurisdiction will be also mandating transition plans, which are actually the most important part for companies.

[00:31:01] **Ayanda Charlie:** So it sounds like that's one challenge of your work, but what are some other challenges? If you could give me, you know, a few main challenges of the work that you do because you engage with institutional investors and high emitting companies to strengthen corporate climate accountability standards and the recognition of climate risks.

[00:31:20] **Raphaël Soffer:** We are working at the intersection, uh, between civil society and corporations and regulators. I do talk to a number of different type of entities, and I'd say that the interest are not always fully aligned. I think that's the, that's the first one. Uh, we do work with a number of investors, and I think most of them are, uh, extremely ambitious, uh, in, in their willingness to deliver impact.

[00:31:46] **Raphaël Soffer:** Uh, through stewardship of of, of the companies they are invested in. However, there are some other investors which may see the exercise of engaging, um, with the companies they're investing in more like a tick boxing [00:32:00] exercise. And I think that the first challenge, uh, avoiding this and understanding who we have to work with.

[00:32:07] **Raphael Soffer:** I think the other challenge, of course, is which is very popular in our discussion of greenwashing. And greenwashing can occur at so many stages. It can occur at the most basic stage when the actual company which is emitting is misrepresenting its work on decarbonization. And if this is being endorsed, uh, by the investors, there is a risk of replicating this greenwashing, uh, in the financial instruments.

[00:32:35] **Raphaël Soffer:** Um, I, I think that's really the main part of my work in terms of my work. Always making sure that the investors are as ambitious as possible, uh, and are not too easily satisfied with very marginal, uh, progress from the emitting companies they are invested in.

[00:32:57] **Ayanda Charlie:** The science couldn't be clearer. Our time to make the [00:33:00] change is coming to an end yet many corporate actors do not fulfill their obligations.

[00:33:06] **Raphaël Soffer:** Yes, of course. Uh, so there are a number of potential liabilities. Uh, I think the most obvious will be, let's say, penalties, uh, or damages. So monetary liability. Um, and they are not only theoreticals, they do happen every now and then. Uh, and I need to recall it here.

[00:33:26] **Raphaël Soffer:** I think the other one is in terms of professional risk. Um, Companies which have been singled out by regulators or maybe by competitors or by society, uh, are facing more risk. I think the, and the, the last one, which is very obvious, and I we'll move to the less obvious one, uh, as the labor directors. So we just discussed it.

[00:33:48] **Raphaël Soffer:** Uh, in CRE in a number of jurisdictions, if directors, uh, do not exercise proper oversight, uh, regarding [00:34:00] disclosures of companies, uh, and if it has a material impact, um, the share price, uh, of the company, well, directors will legitimately be liable. Uh, so this is a, a huge liability, which, uh, is not technically of the company, but of the director which is related to climate norms.

[00:34:18] **Ayanda Charlie:** And so it seems to me that we all need to continue taking responsibility and adding it all up correctly. Thank you for tuning into Episode 2 of The SDG Insider. Join us again for more topics related to the Global Goals and be sure to click the subscribe button so that you don't miss any upcoming episodes. For more information. This podcast is produced by 2Stories for Mediclinic, written by Nicci Collier, produced by Carol Williams with audio editing, engineering, and sound design by Kozi Mzimela and Jordyn Toohey. For more information on references used in this episode, please refer to the show notes.