



## Picking up the pace

### Caribbean Corporate Governance

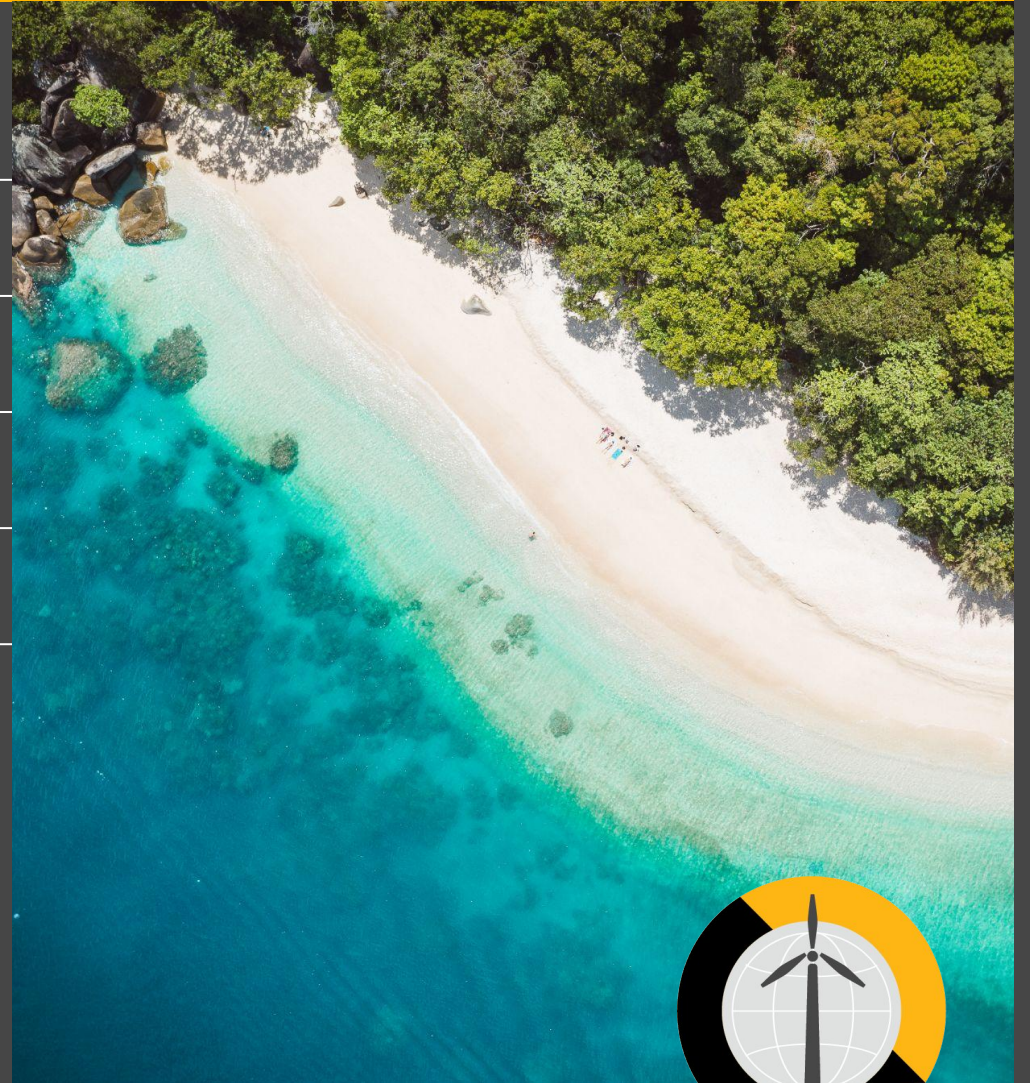
**Ronaele Dathorne-Bayrd**  
**Partner**  
**Regional Tax & Legal Services**  
**Leader**



**pwc**

# Today's discussion

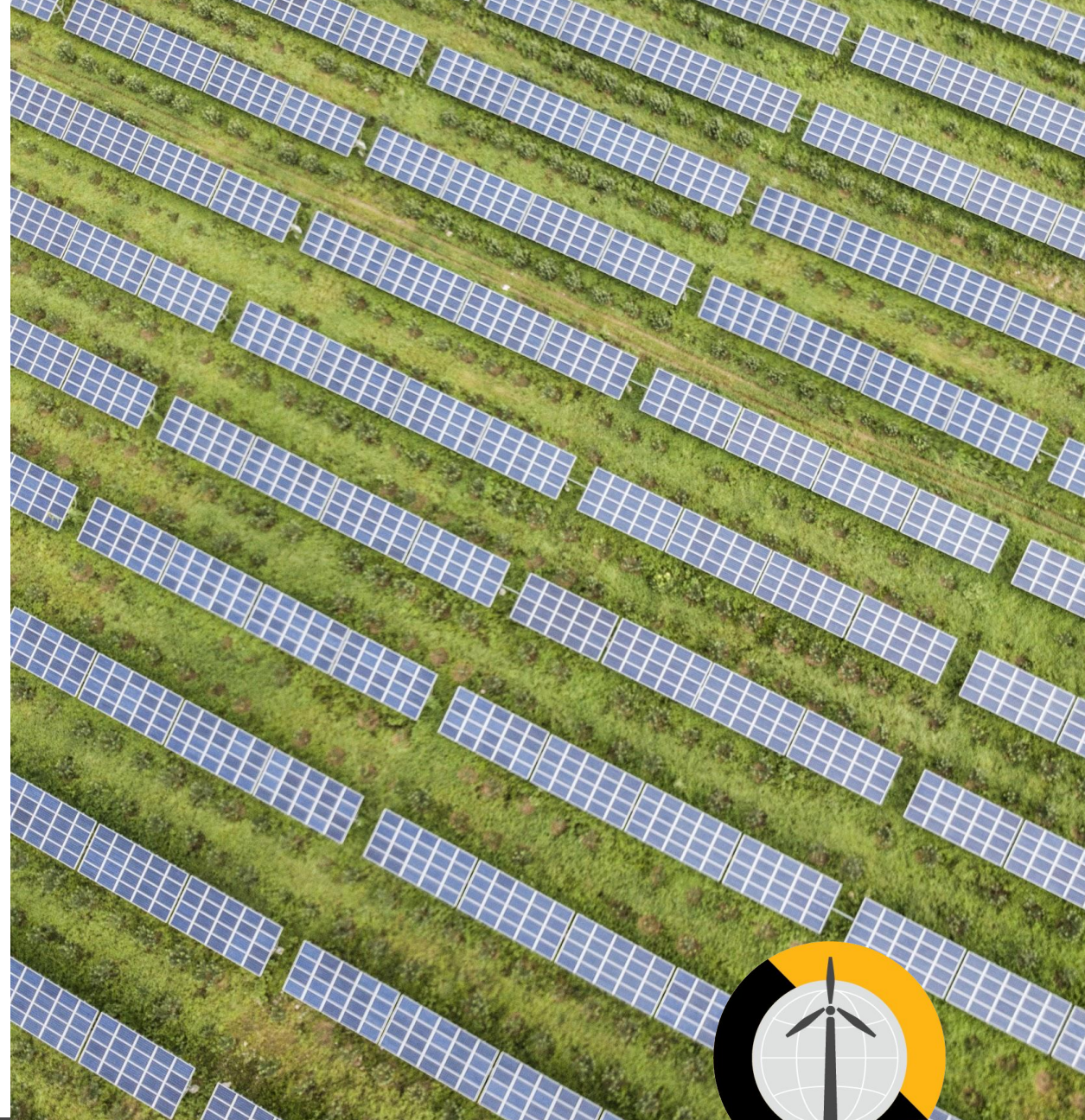
1. Sustainability in Evolution
2. Caribbean Directors' views - 2022 Survey - Picking up the pace





# 1

## Sustainability in Evolution





# Sustainability in Evolution - Our Caribbean

- The Caribbean is one of the world's most diverse biodiversity hotspots
- Region has suffered the highest rate of species extinctions globally
- By 2050, sea levels in the region are projected to rise as high as 40 centimeters and could exceed 1 meter by 2100
- UN estimates that capital GDP loss to CARICOM due to sea level rise will be as high as \$187 billion
- Small Island Developing States contribute less than 1% to total GHG emissions
- COP27 - Loss and Damage (L&D) Funding





# Substantive Corporate Governance - driven by Stakeholder Capitalism

- **ESG** - not new, but reimagined
- **Boards** have focused on, dabbled in or skirted around these issues
- **ESG demands** an approach to value creation based on Three Pillars of Sustainability, all driven by Governance:
  - Environmental protection
  - Societal impact (inc. wider society, employee engagement)
  - Economic Viability (inc. external partnerships)





# Sustainability Systems in Evolution

- 2006: UN PRI Framework on ESG Investment Practices
- 2015: UN's 2030 Agenda - 4Ps (Peace and Prosperity for People and Planet) & 17 Sustainable Development Goals (SDGs) to reduce emissions by 45%
- 2015: Net Zero by 2050
- 2019: EU Sustainable Financial Disclosure Requirements (SFDR)
- 2020: Davos Manifesto (International Business Council, World Bank and Big 4)
- 2020: US SEC's ESG Committee established
- 2021: UK's Sustainability Disclosure Requirements covering hedge funds, venture capital and private equity)
- **2022: Working group launched for Sustainable Finance Taxonomies in Latin America and the Caribbean (GTT-LAC)**





# What does ESG measure?

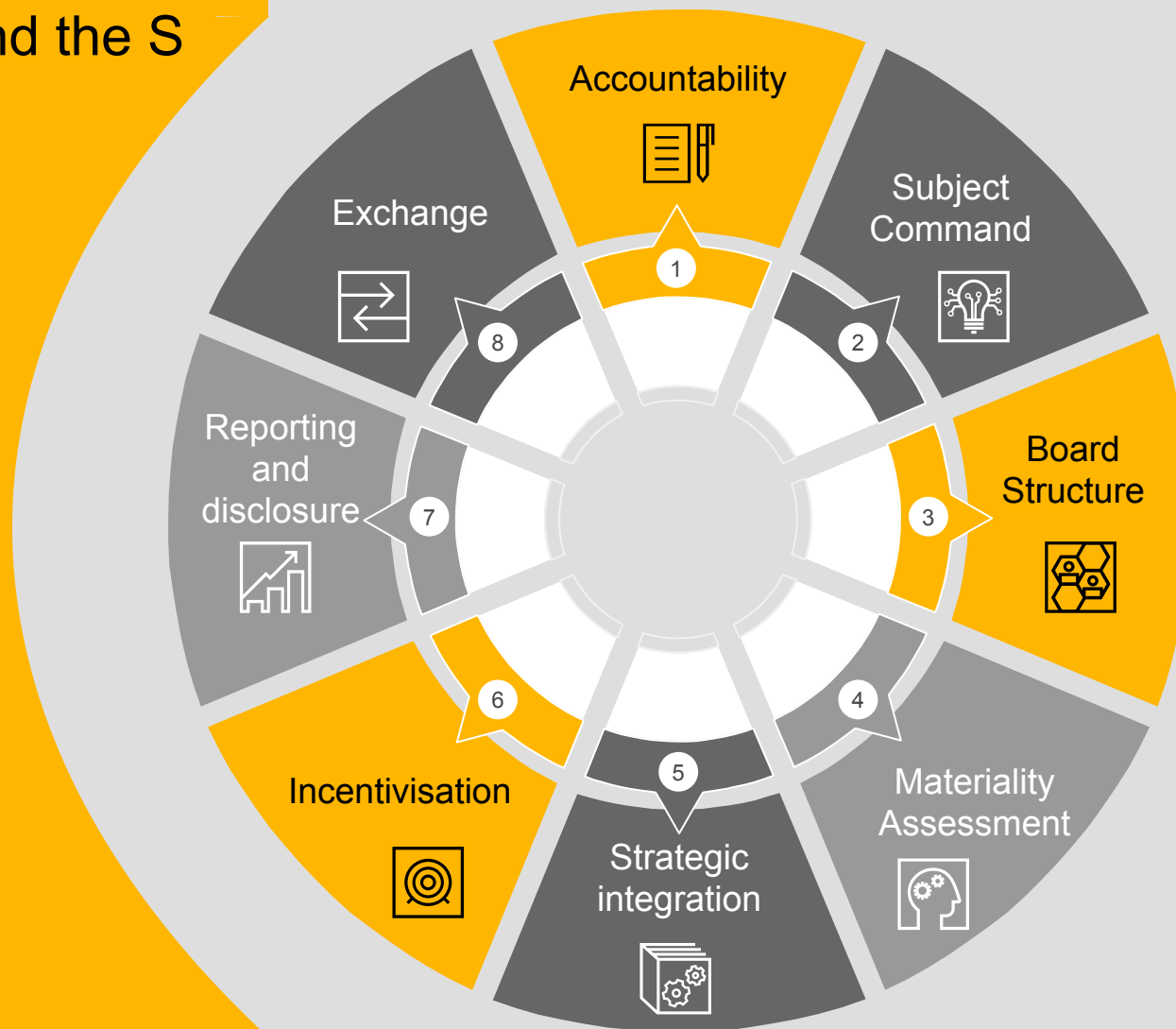




# Governance -

Lead from the top on the E and the S

**How boards can take sustainability and social action**



# 2

## Caribbean Directors' views

**Picking up the pace toward more substantive governance**

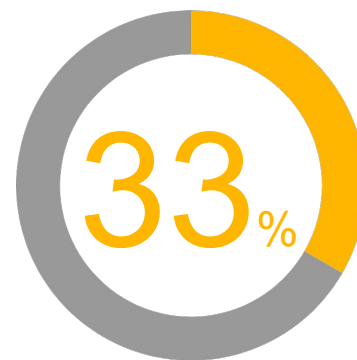




## Board composition/diversity

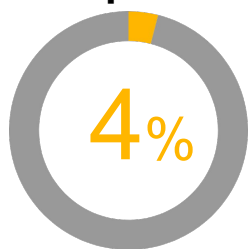


of our directors view diversity as bringing unique perspectives and almost all directors also agree that diversity stands to enhance board and strategic performance

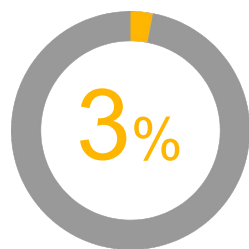


yet Industry expertise at 33% continues to be the main areas of focus for board recruitment in the short term.

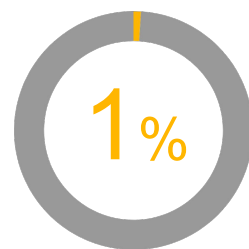
### Least important:



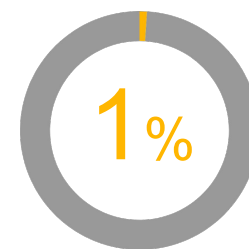
Age



Environmental sustainability



Cyber risk



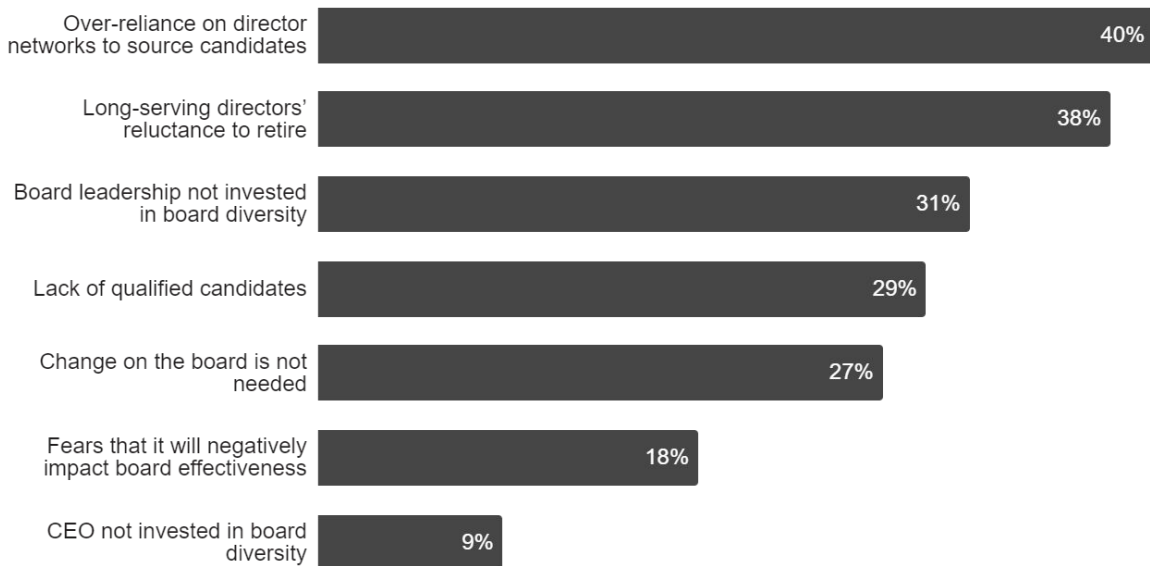
Race

Source: [Caribbean Corporate Governance Survey 2022](#)

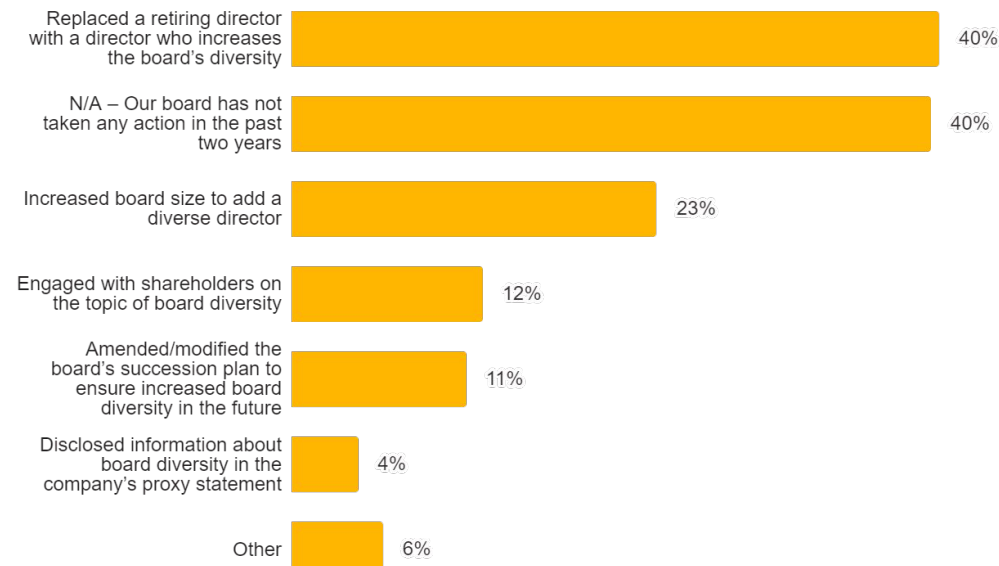


## Board composition/diversity

In your opinion, what has impeded efforts to increase board diversity in general (i.e., why haven't boards become diverse more quickly)? (select all that apply)



Which of the following actions has your board taken over the past two years regarding board diversity? (select all that apply)



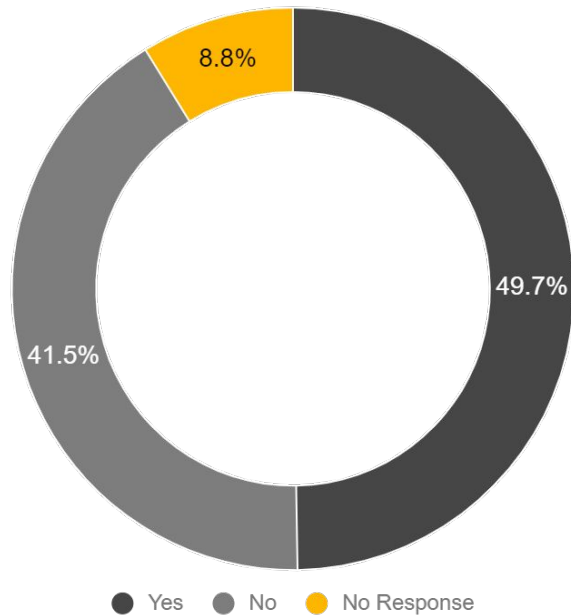
Source: [Caribbean Corporate Governance Survey 2022](#)



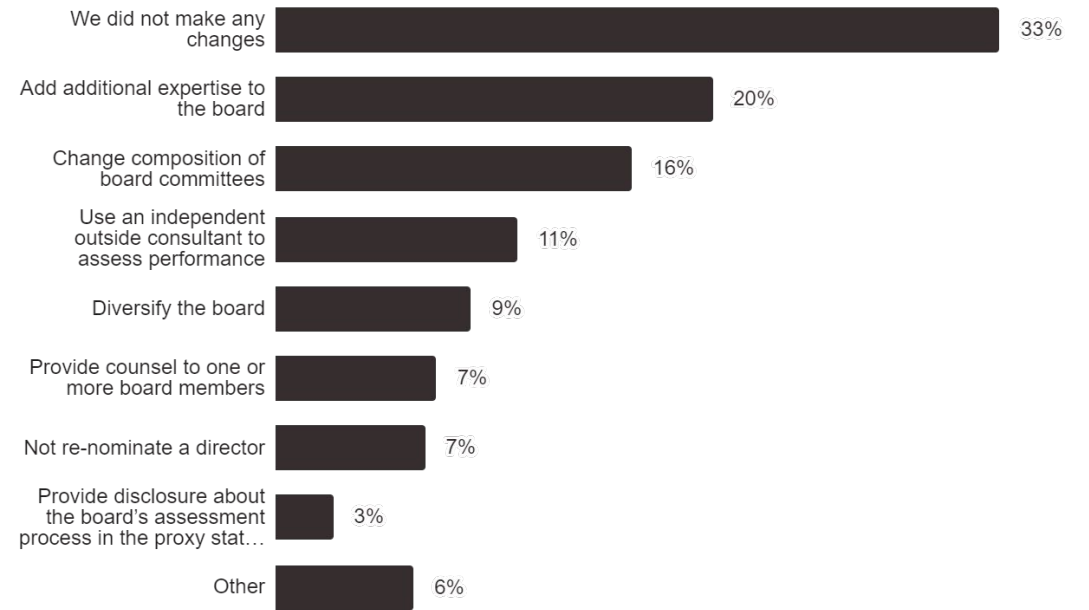


## Board practices

Has your board had an assessment in the past year?



In response to the results of your last board/committee assessment process, did your board/committee decide to do any of the following? (select all that apply)



Source: [Caribbean Corporate Governance Survey 2022](#)



## Board practices

Many directors acknowledge that they're stretched for time and that they're finding it hard to deliver an appropriate level of oversight.

Two-thirds of directors spent

**less than 150 hours**

a year in their board oversight role and a third **less than a 100 hrs.**

Source: [Caribbean Corporate Governance Survey 2022](#)

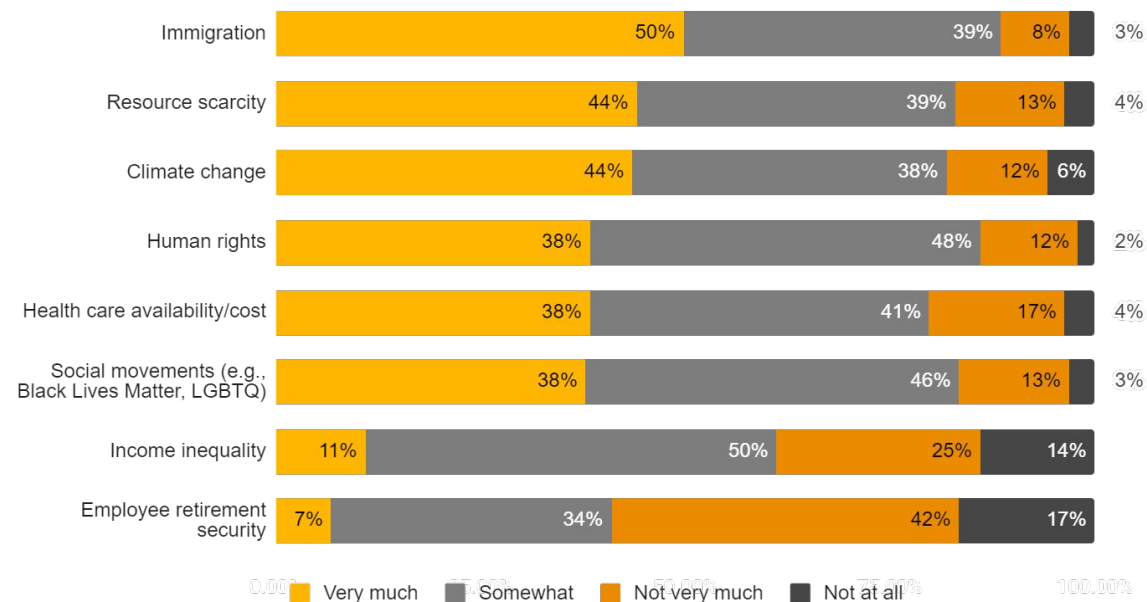
In your opinion, which of the following areas of oversight do not receive sufficient board time/attention? (select all that apply)



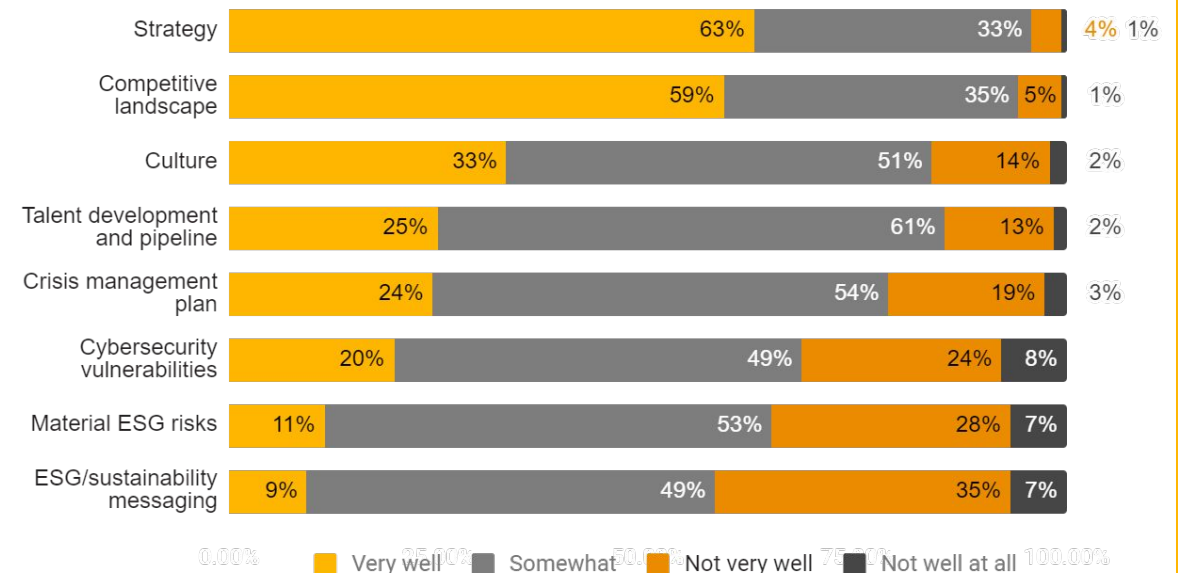


## Strategy / Risk / ESG

To what extent do you think your company should take the following issues into account when developing company strategy?



How well do you think your board understands the following as it relates to the company?



Source: [Caribbean Corporate Governance Survey 2022](#)



## Executive compensation / Talent management

There is strong overall feedback that compensation packages can be used to drive the right behaviours, but the tool faces challenges.

55%

55% of directors have concerns that their executives are already overpaid.

40%

Over 40% are concerned that compensation committees are too willing to approve overly generous packages/incentives.

30%

More than 30% feel that performance targets are sometimes too easy to achieve.

49%

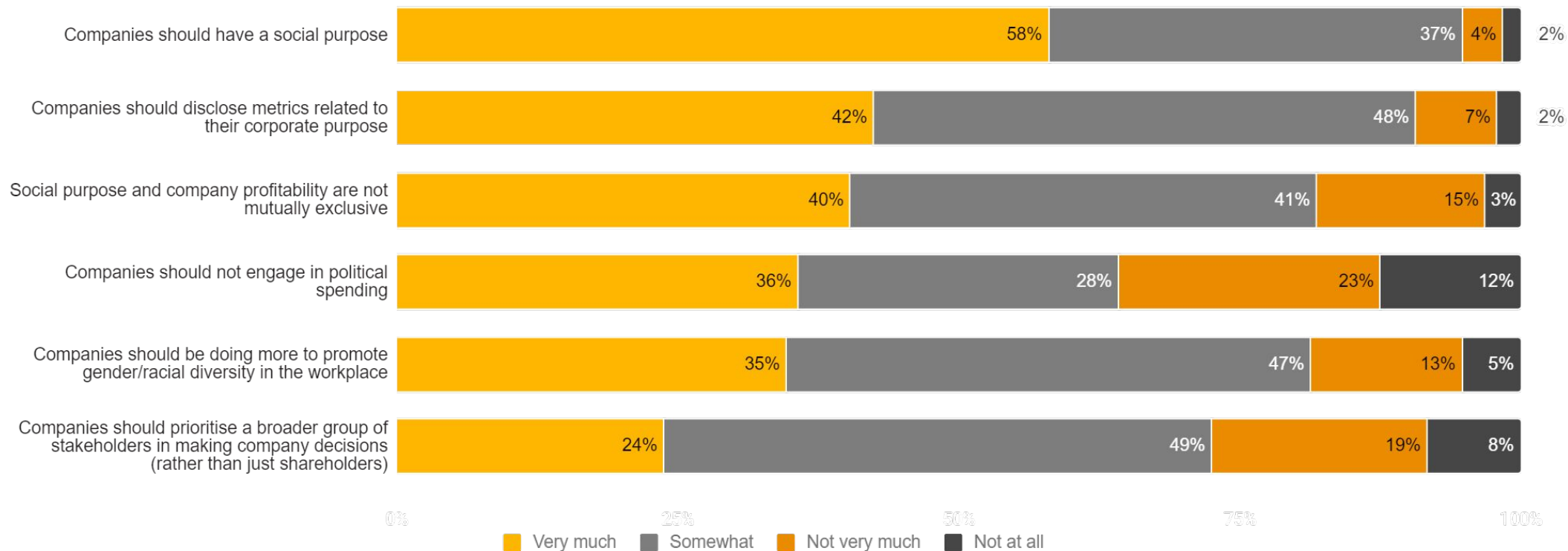
Only 49% of directors consider responsibilities owed to the environment to be important in driving the right behaviour and execution by management.

Source: [Caribbean Corporate Governance Survey 2022](#)





## The broader environment



Source: [Caribbean Corporate Governance Survey 2022](#)





# Thank you

## Contact



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# Sustainable nations

Building the economies of tomorrow

**Agnieszka Gajewska, Partner  
Global Leader, Government &  
Public Services**

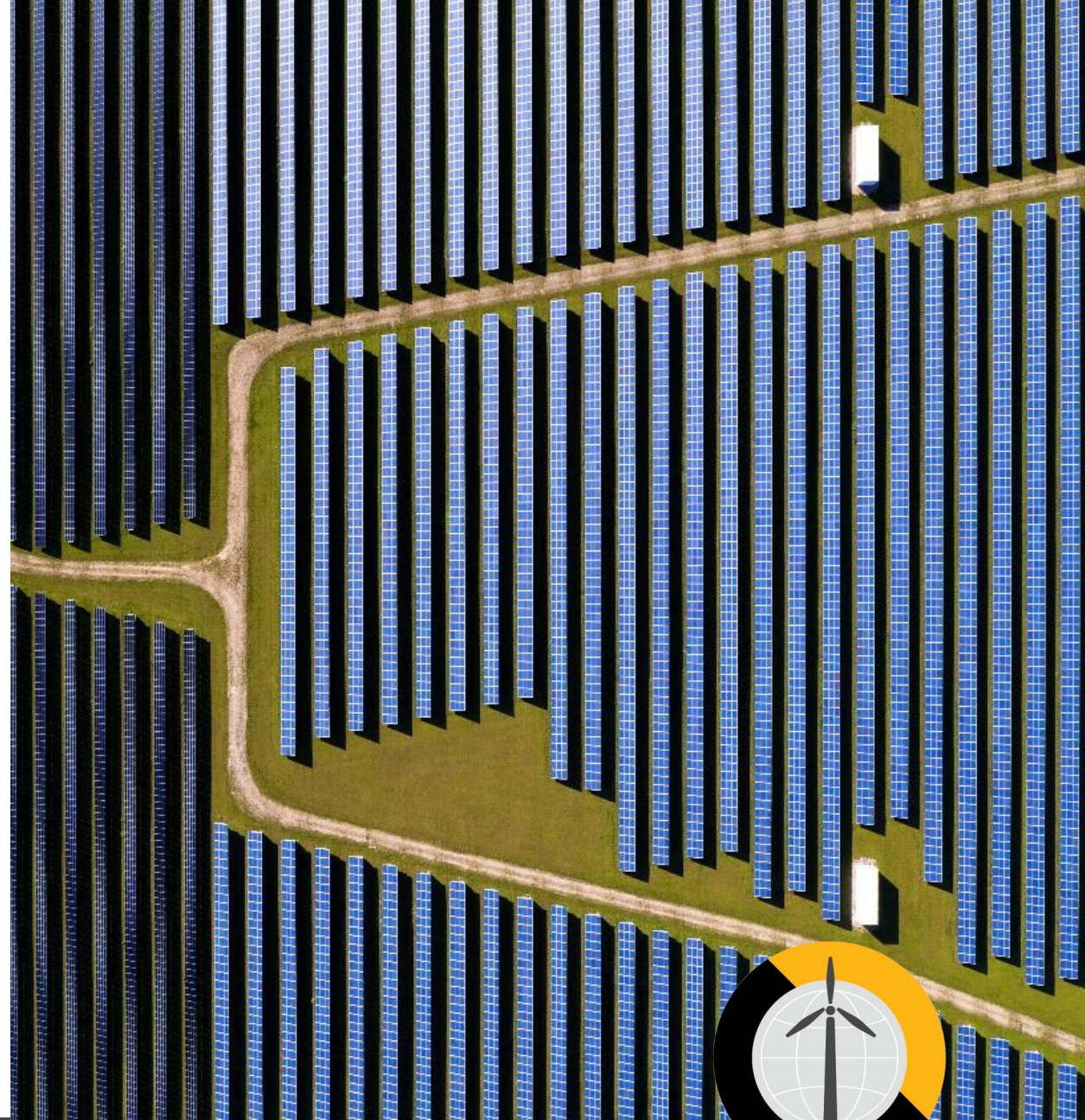


“

Let us remember that the trust that is needed to propel us to fight the great causes of our time will not be won by us breaching promises.

**Mia Amor Mottley**

The Prime Minister of Barbados



# Key global insights for the Caribbean region to monitor

## What's on the radar?



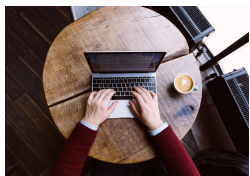
### COP27

- COP27's success will be measured on its ability to deliver on two goals: solidarity and accountability. Topics of focus: Scaling up support for adaptation, addressing loss and damage, honoring climate finance commitments and supporting a just transition.



### Higher decarbonization rates requirements vs energy crises

- Limiting warming to 1.5°C now requires an annual global rate of decarbonisation of 15.2% up from 5% last year. With further economic headwinds and energy price challenges ahead, countries have important decisions to make in regards to climate action



### New climate technologies are attracting larger sums of funding

- Investment in climate tech is showing strong growth as an emerging asset class for portfolio diversification... but these investments are heavily concentrated in specific territories and sectors.



### Rise of net-zero commitments

- Over 90% of global GDP is covered by some form of net-zero pledge but the challenge remains in turning pledges into action( Oxford NetZero)





# What has changed since COP 26?

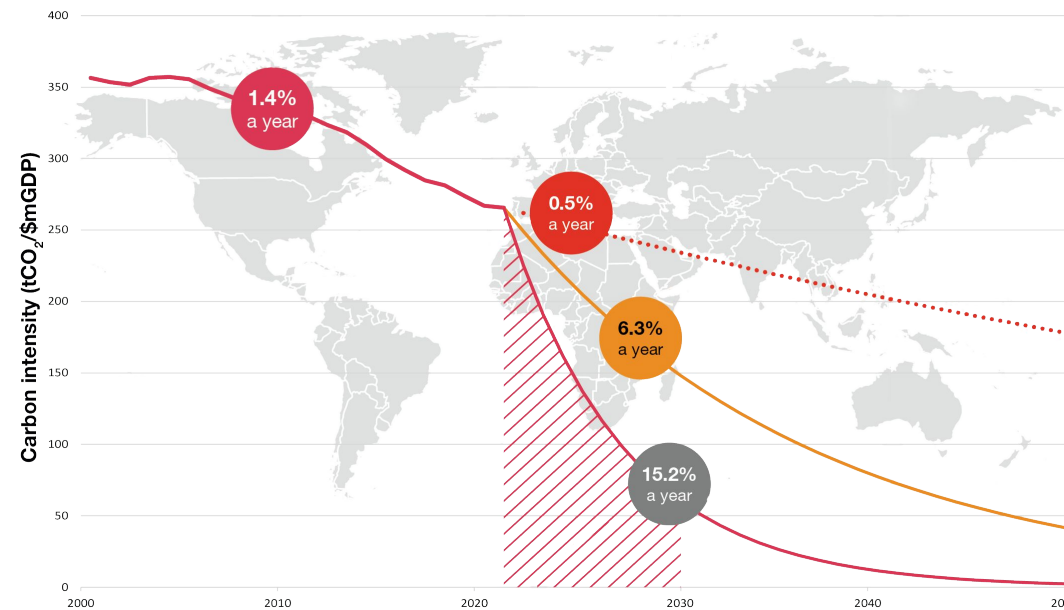
- Limiting warming to 1.5°C now requires an annual global rate of decarbonisation of 15.2% up from 5%
- Decarbonization now requires to be conducted 11 times faster than over the past 20 years.

“

**Go where the emissions are, that discipline of going there and assisting there with the transition is going to make the difference.**

**Mark Carney, UN Special Envoy on Climate Action and Finance & Co-chair for the GFANZ Finance Day Speeches at COP26, November 2021**

**Figure 1: Net Zero Economy Index 2022**



A 77% reduction in carbon intensity is required this decade to limit warming to 1.5°C

Global carbon intensity fell by an average of 1.4% per year from 2000 to 2021

Global carbon intensity fell by 0.5% in 2021

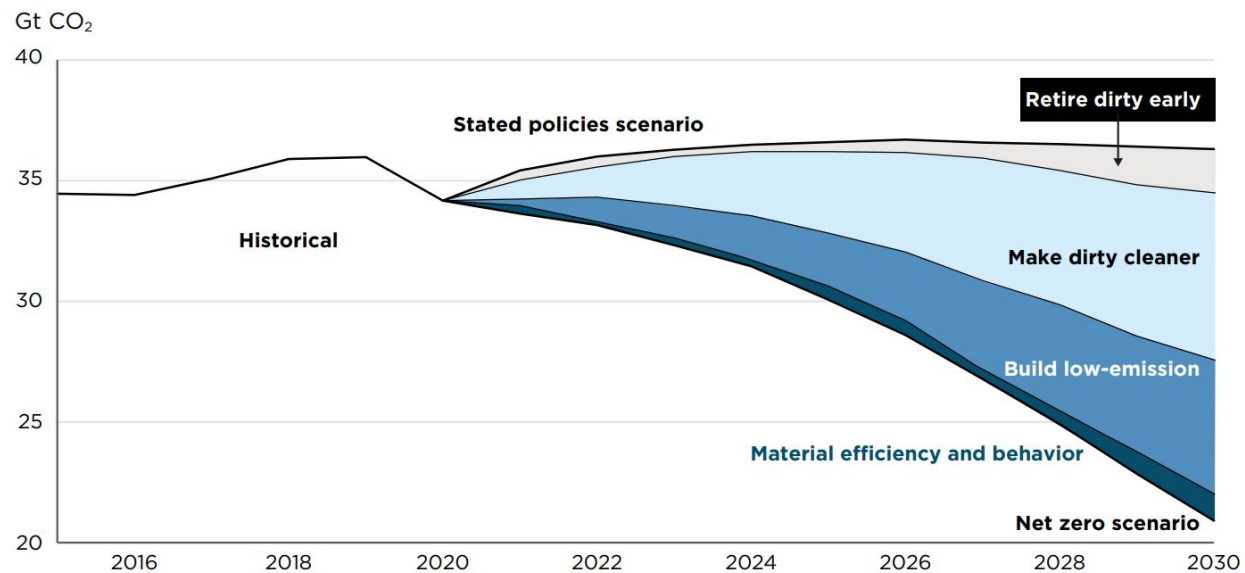
To limit warming to 2°C, an annual decarbonisation rate of 6.3% is needed

To limit warming to 1.5°C, an annual decarbonisation rate of 15.2% is needed



## What would it take to reach net-zero?

The International Energy Agency (IEA) suggests that there are four broad set of actions to implement.



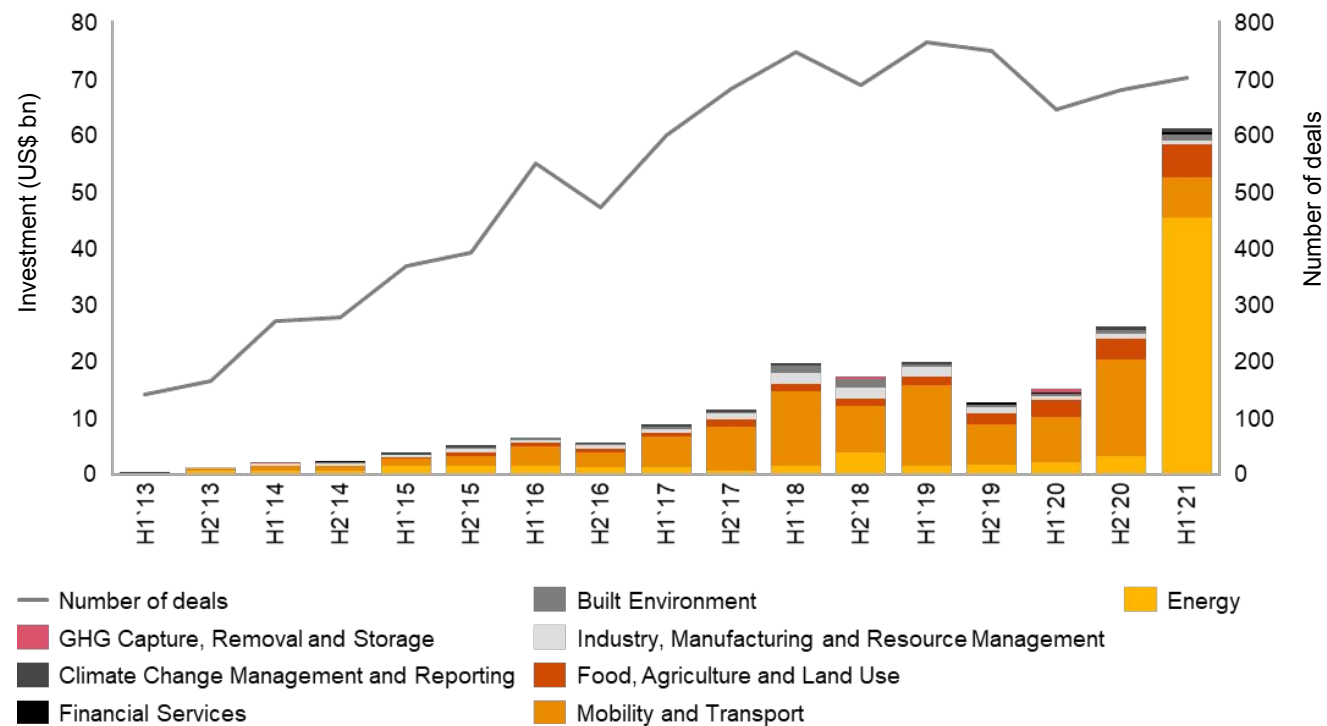
Source: IEA. CO<sub>2</sub> emissions reductions by type of measure in Net Zero versus Stated Policies Scenarios, 2015-2030, 2021

Sources: Adapted from IEA - Emissions reductions by type of measure in Net Zero versus Stated Policies Scenarios, 2015-2030 (2021)

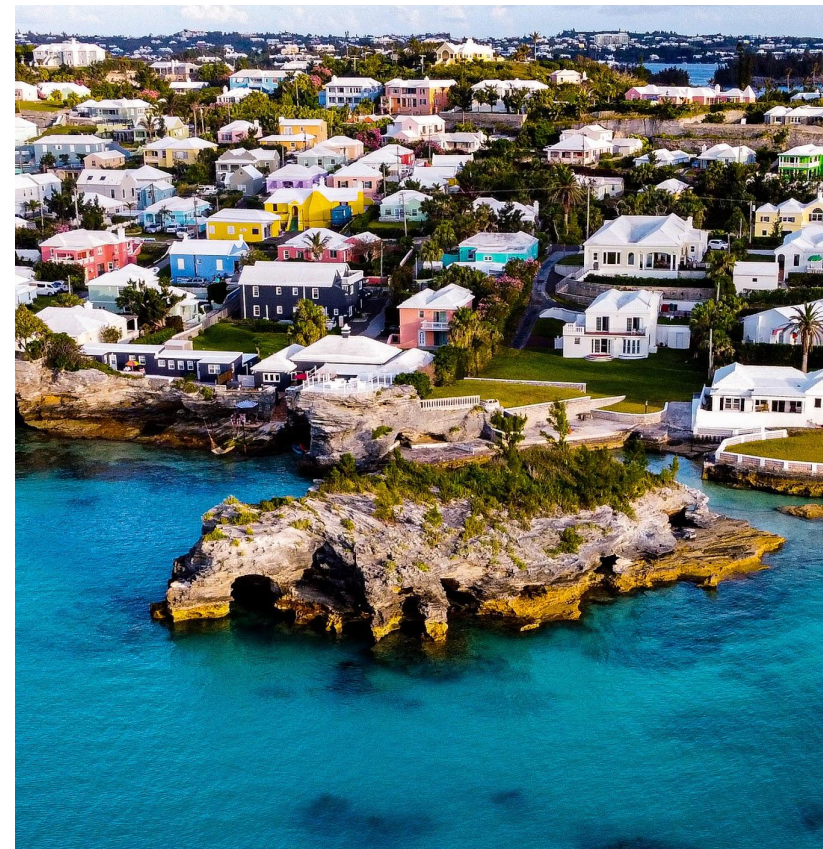


## Climate tech investments have gained sustained momentum globally

Investment into climate tech start-ups and number of deals



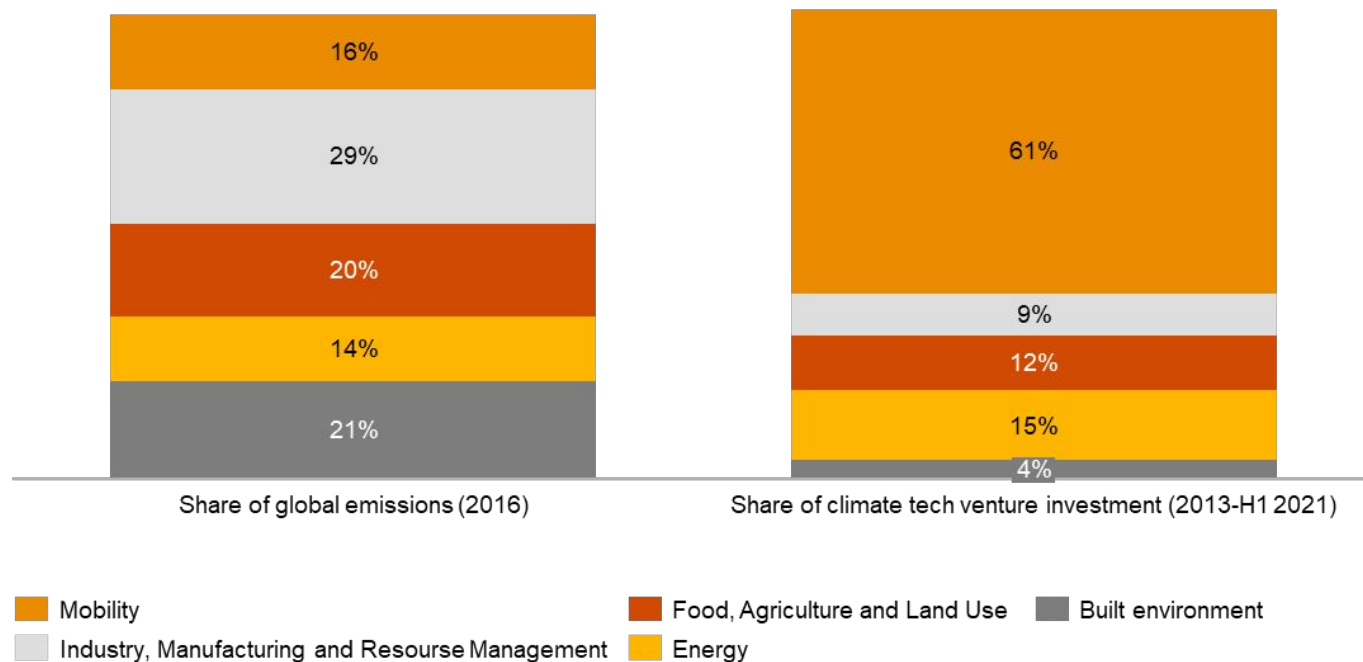
Source: The PwC State of Climate Tech Report 2021





## ... but investments are not evenly distributed causing a climate funding gap

Share of global emissions and climate tech venture investment by sector









Source: The PwC State of Climate Tech Report 2021 | PwC analysis on Dealroom and Our World In Data





# Leading financial institutions are coming together to accelerate progress towards the Net Zero transition as part of their pledges

These pledges will bring new implications for companies in all sectors and emerging nations' future growth plans.

		No. of members	AUM in USD	Industry-type
 <b>GFANZ</b> Glasgow Financial Alliance for Net Zero	<b>Glasgow Financial Alliance for Net Zero</b> Since Apr. 2021	450	(\$130 trillion)	All financial players
	<b>Net Zero Asset Owner Alliance members</b> Since Sept. 2019	74	(\$10.6 trillion)	Asset owners
	<b>Net Zero Asset Managers Initiative</b> Since Dec. 2020	273	(\$61.3 trillion)	Asset managers
	<b>Net Zero Banking Alliance</b> Since Apr. 2021	115	(\$70 trillion)	Global banks
	<b>ClimateAction100+ signatories</b> Since Dec. 2017	700	(\$68 trillion)	Asset managers & owners + engagement service providers
	<b>The Institutional Investors Group on Climate Change (IIGCC)</b> Since 2001	350	(\$51 trillion)	Asset managers and owners
	<b>Initiative Climat International (iCI)</b> Since March 2021 – Initiated by a group of French PE firms back in 2015	160	(\$3 trillion)	PE firms

Sources: GFANZ, UNEP FI, Climate Action 100+ IIGCC, iCI The above list is not exhaustive and is presented for illustration purposes only. Updated as of late August 2022



## What businesses in the Caribbean are thinking about ESG

**>60%**

More than 60% of Directors recognise the financial materiality of ESG and link it to strategy

**<1/3**

Less than 1/3 of Directors report that ESG is a regular part of the board's agenda

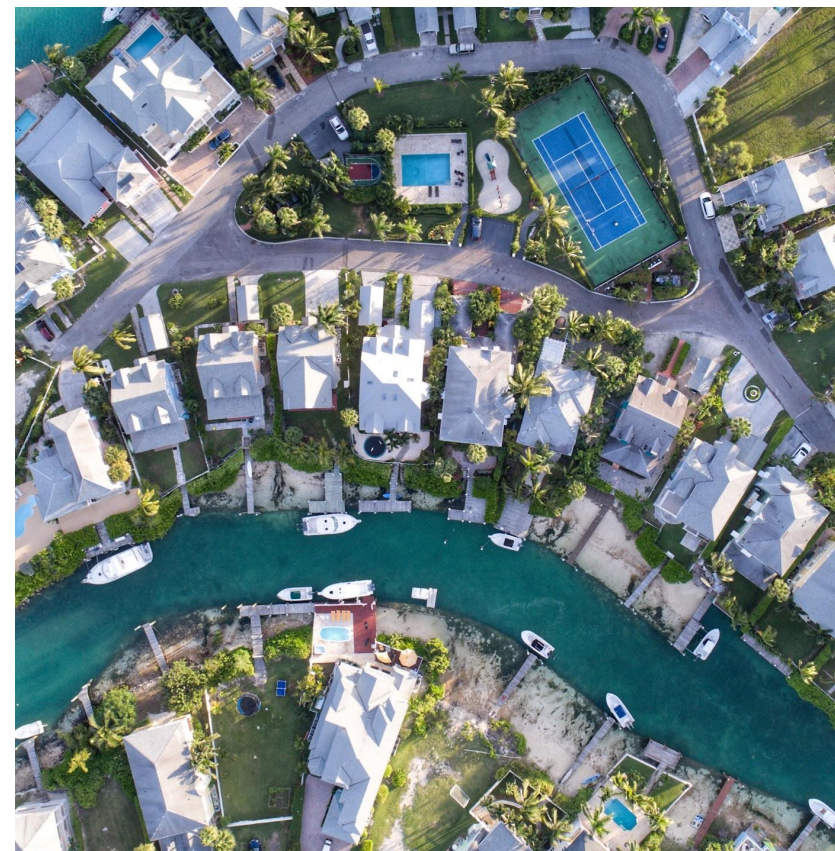
**50%**

% Directors who believe that ESG reporting should be a priority. However, over 40% of companies don't report on ESG.

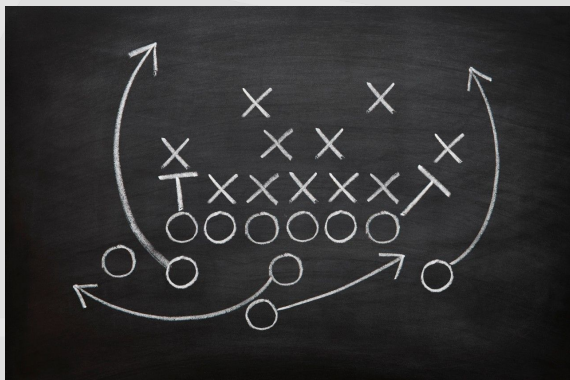
**10%**

% Directors who believe that their board understands ESG risks very well

Source: Caribbean Corporate Governance Survey 2022 | Survey of 193 directors from private and public sector organizations across the Caribbean



# So how to build the economies of tomorrow?



## Build collaborations

- Public-private partnerships
- Cross-sector collaboration



## Address funding gaps

- More emphasizes on adaptation finance
- Bring funding where is needed the most



## Embrace technology

- Reset your strategy
- Re-prioritise and remodel



## Long term goals

- Sustainability
- Long terms needs





# Thank you

## Contact



**Agnieszka Gajewska**

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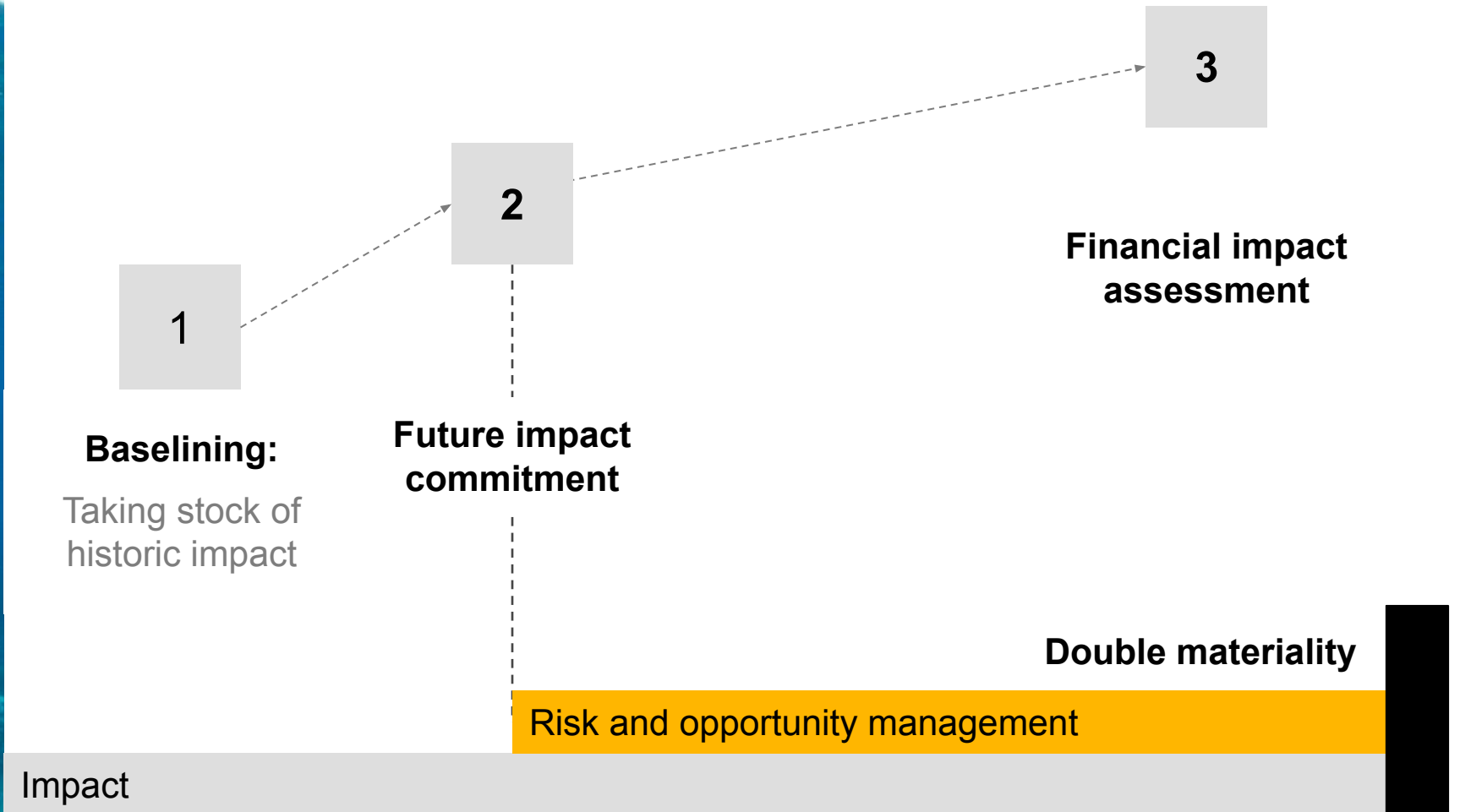
# Climate change and business

**Dr. Nicole Röttmer, Partner  
Global Climate Clients and  
Industry Lead**

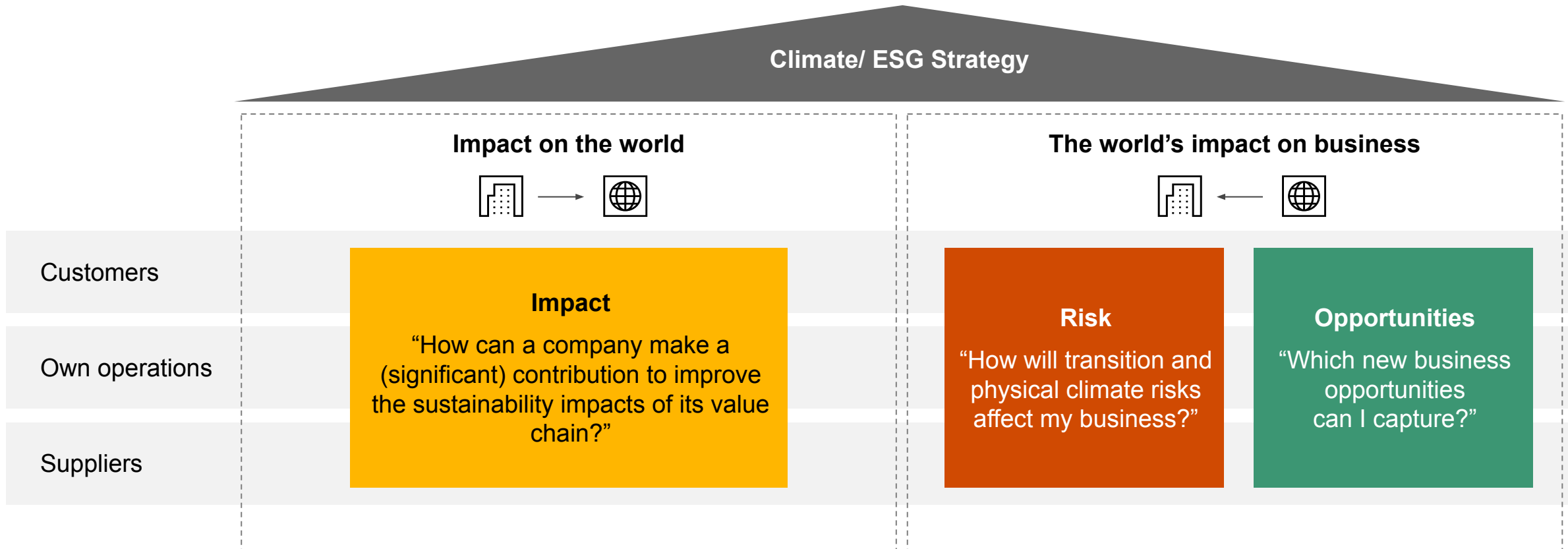




# ESG is facing three major mindshifts



# A holistic ESG or climate strategy encompasses both, the impact on the world and the world's impact on the business





# Physical risks are certainly business relevant in the Caribbean



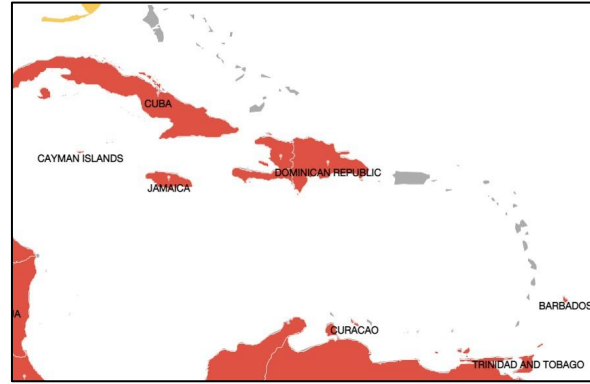
Based on modelling for year 2030 with a 4.0°C temperature increase and median uncertainty

## Physical risk

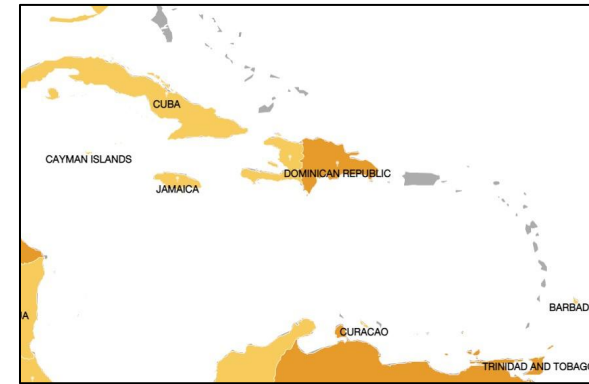
### Sea level rise



### Convective Storm



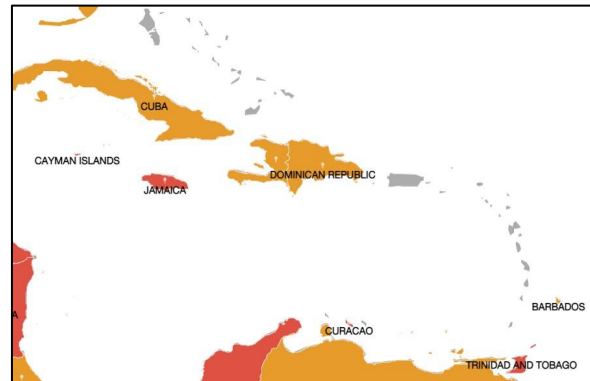
### Wildfire



### Drought



### Tropical Cyclone



### Heatwave



Low

Medium

High

Severe

**By mid-century, the world stands to lose around 10% of GDP - Latin America is among the most impacted regions with a potential loss of 17.0% of GDP**

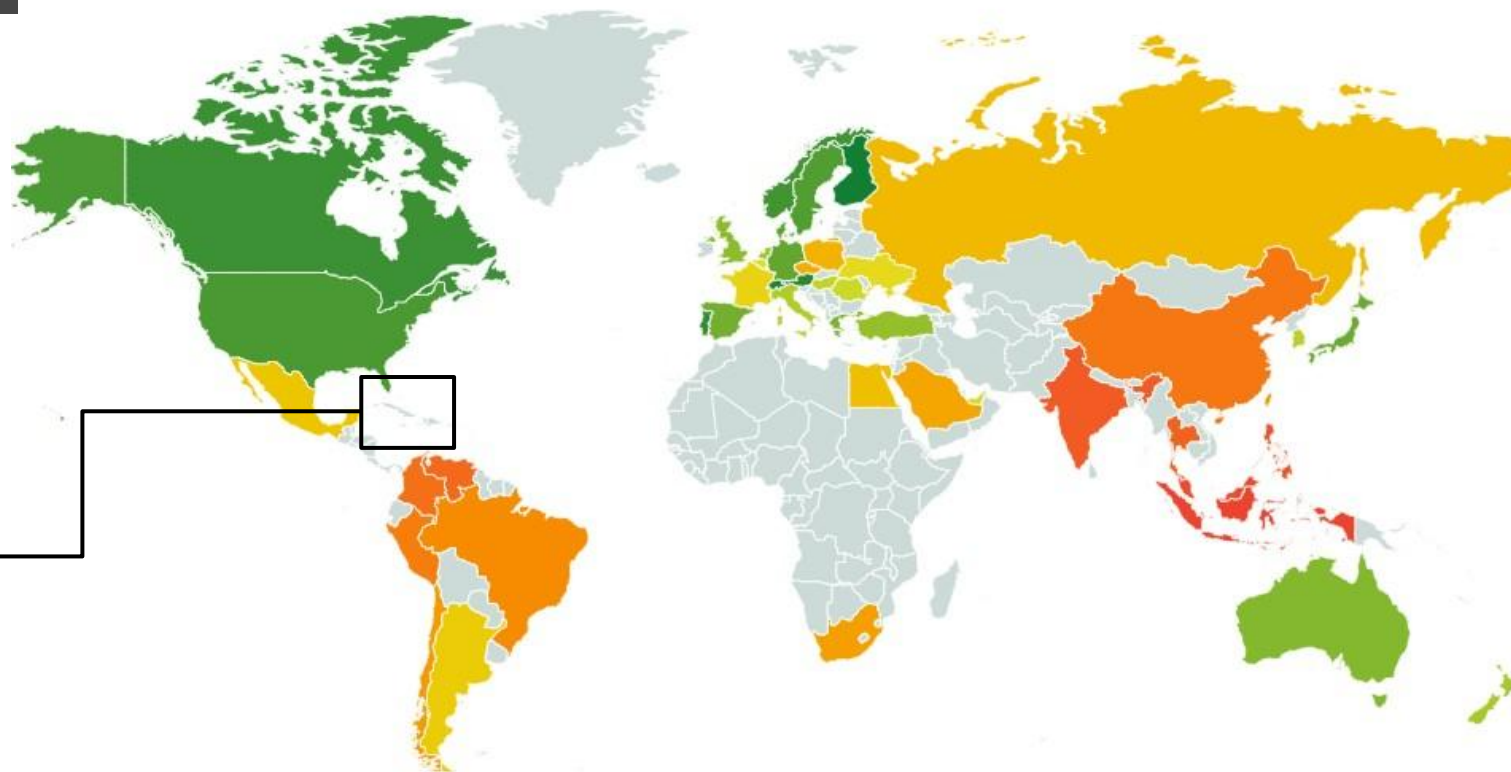


**The Climate  
Economics  
Index stress**

**Physical risk**



Despite limited detailed modelling, we can assume relevant GDP risks, based on the industry composition.



Source: <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.htm>  
Based on a 3.2°C increase by 2050.

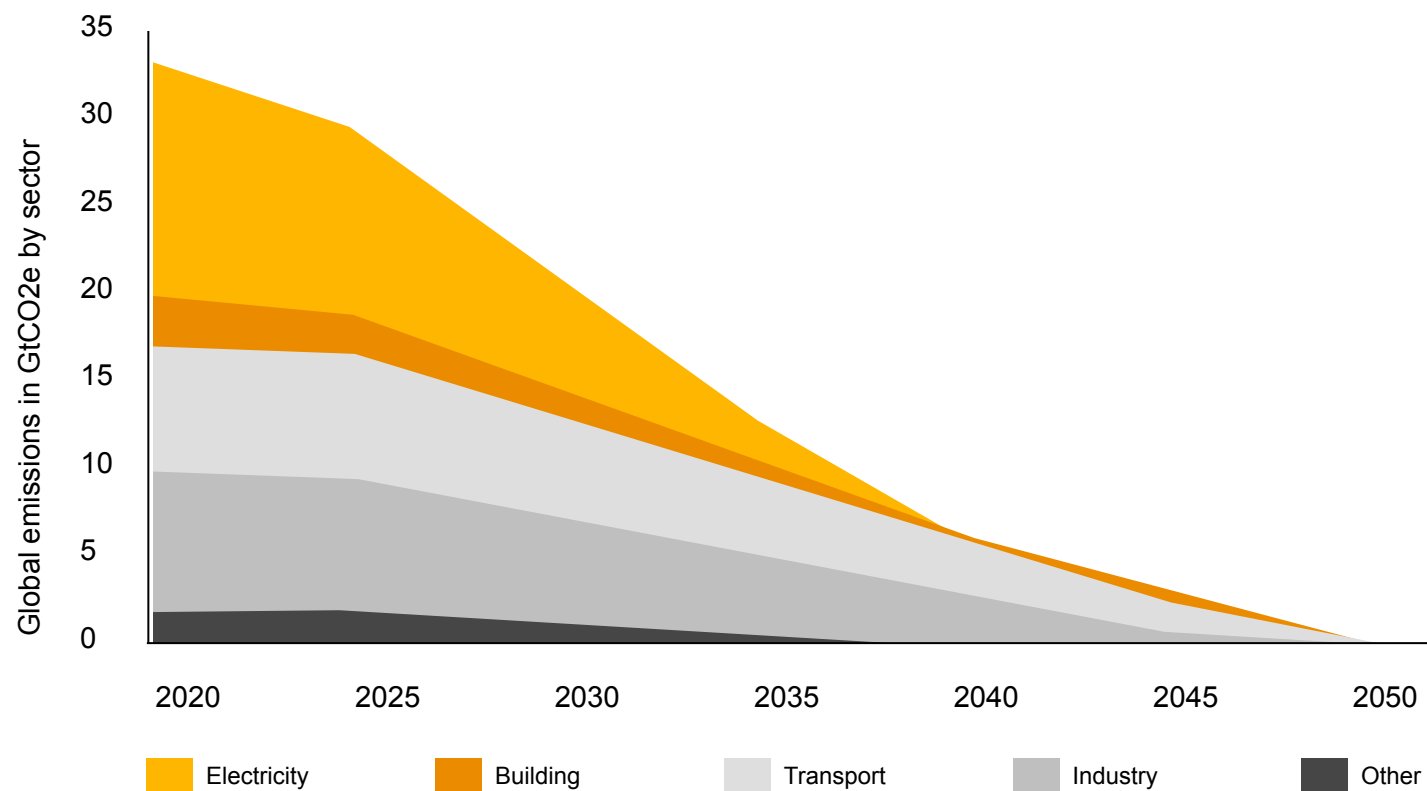
# IA net zero climate transition means cutting emissions ~ in half till 2030



ILLUSTRATIVE

## IEA "Net Zero Emissions 2050" Scenario

Transition risk

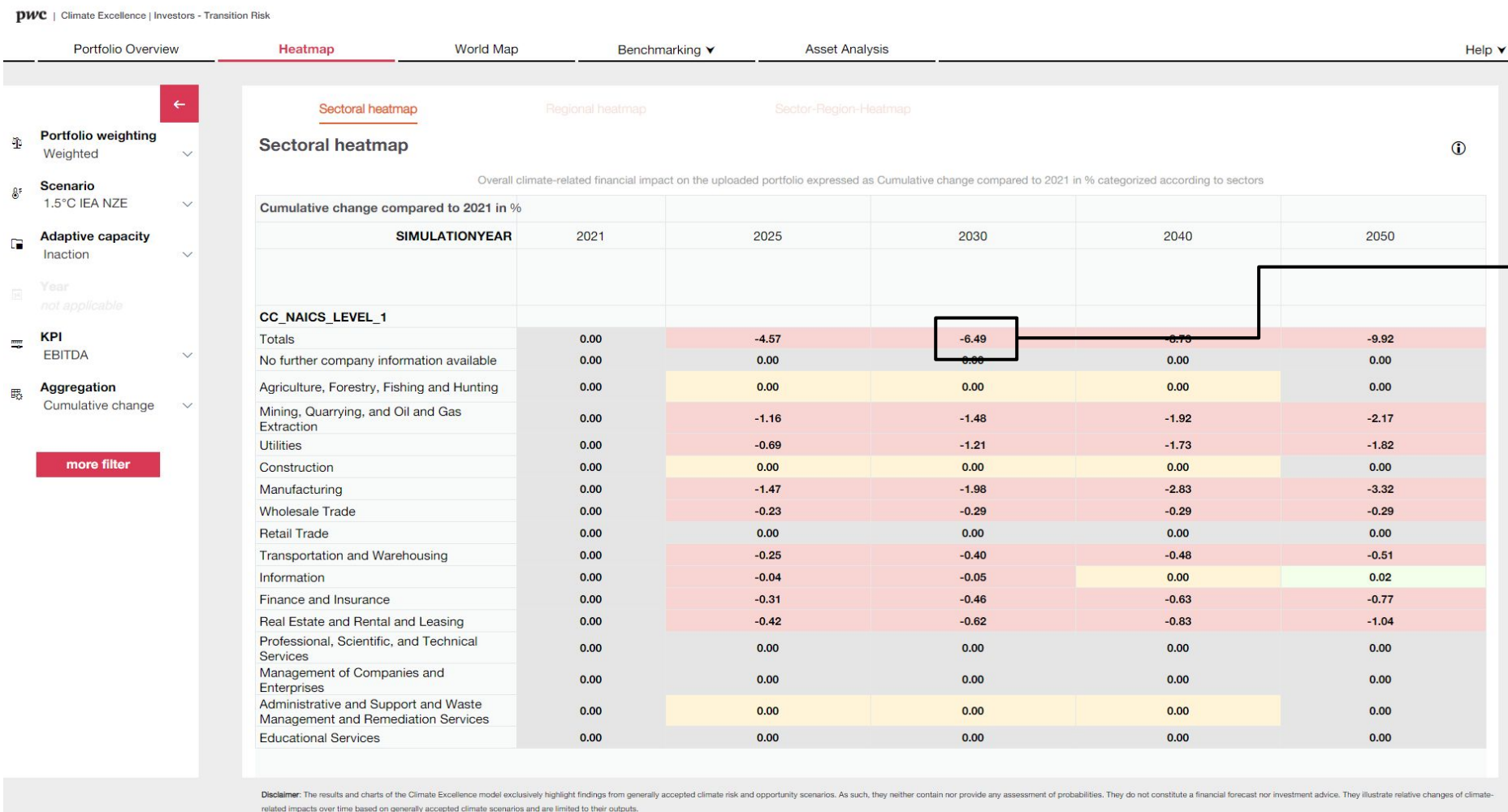




# 2030: MSCI risks 6.5% fundamental value risk when not transitioning with a world on a 1.5°C path



## Transition risk



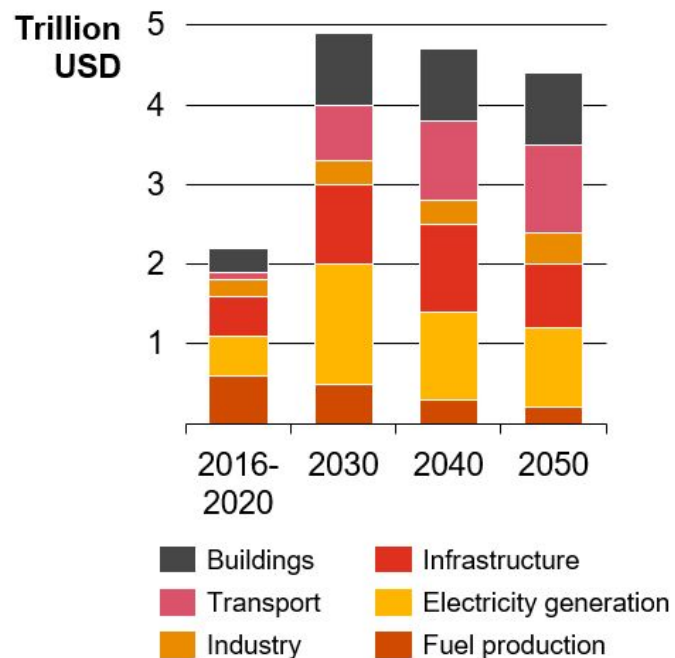
A total loss of **6.49%** predicted for year 2030 compared to year 2021

# The transition creates significant opportunities



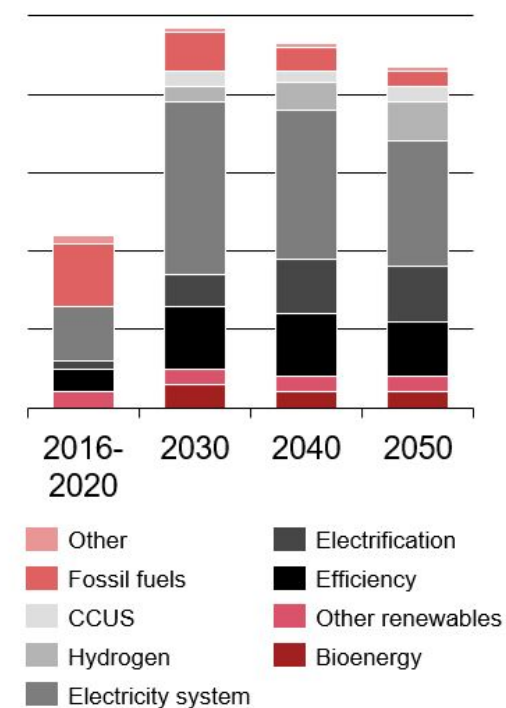
The transition to Net Zero will require an annual investment of 3 - 4.5 % of GDP worldwide by 2030

By sector



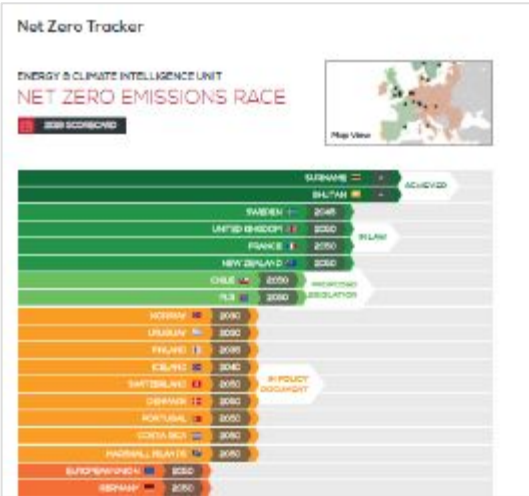
PwC Source: IEA (2019)

By technology area



# We are approaching a tipping point

Half the world's economy now eyeing Net Zero transition, analysis shows



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

More than 2,000 business and financial institutions are now working with science based targets



NGFS consists of 108 members and 17 observers including every major institution from the US Federal Reserve, the ECB, the Bank of England and the People's Bank of China.

Investors warn European companies over climate accounting (April 5 2022)



Top 5 business risks in 2020 were all about the environment say the World Economic Forum (WEF) register



World Economic Forum asks all Davos participants to set a net-zero climate target



120 countries, 1,049 cities, 67 regions, 5,235 businesses, 441 of the biggest investors, and 1,039 Higher Education Institutions committed to achieving Net Zero carbon emissions by 2050 at the latest.



.... Many businesses and financial institutions are committed to Science Based Targets



2,600+ organizations support the TCFD. This includes 1,069 financial institutions, responsible for assets of \$194 trillion.



Over 160 financial firms with assets in excess of \$70 trillion committed to make the transition to Net Zero emissions by 2050.

Source: PwC analysis

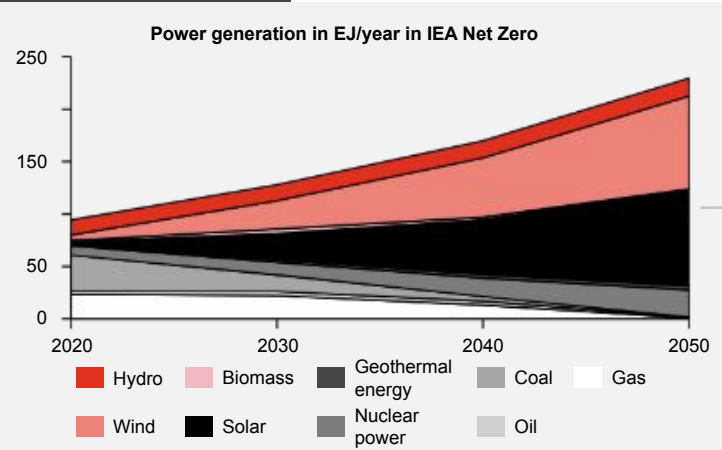




# Sneak peek: Financial services companies are investigating corporates on net zero, opportunities and risks



## Utilities sector

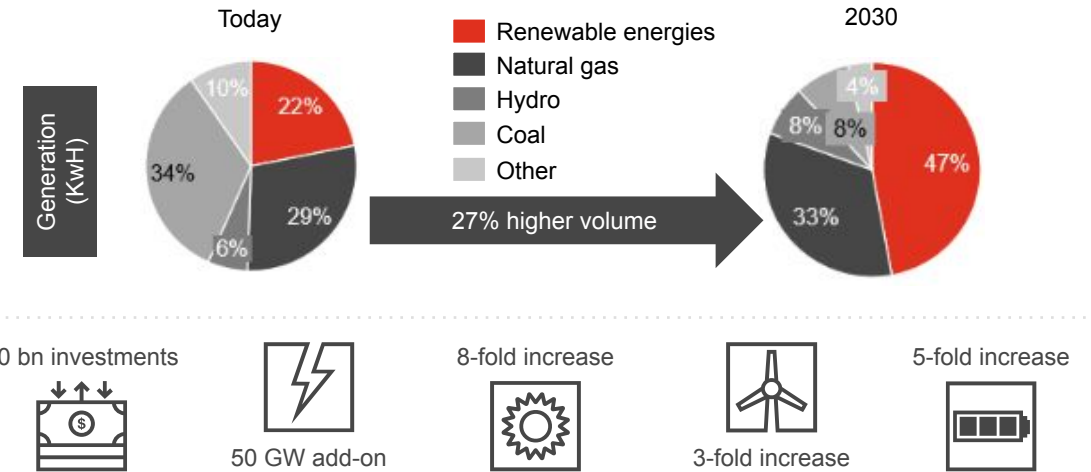
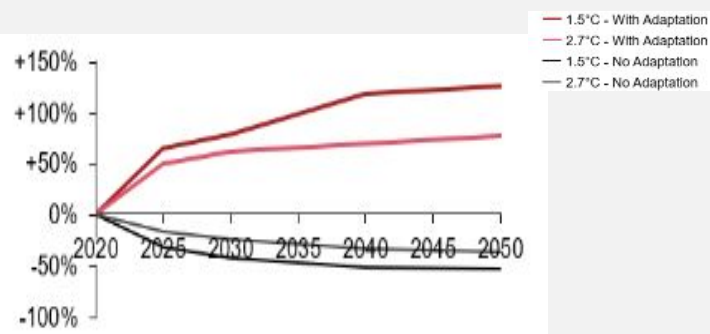


CX Net Zero path for RWE

Opportunities

Risks

## Cumulative EBITDA change RWE in CX-Modelling



If successfully implemented, capacity expansion will occur at a pace consistent with the Net Zero Pathway.

- If RWE adjusts to a 1.5°C scenario (IEA), EBITDA will increase by 60-80% by 2030. Without adjustment, RWE's EBITDA will decrease in a 1.5°C or 2.7°C scenario.
- RWE could benefit strongly from electrification of heating, transport and industrial processes (see higher EBITDA change in 1.5 °C scenario)
- Unabated coal phase-out of 7.6 GW coal by 2038 (19% of the total capacity of 39.9 GW)
- Coal does not generate sufficient revenue on the electricity market
- Lack of investment and modernisation of the electricity grid

# What to remember



**1** Materiality is key

**2** It is a full-blown business transformation

**3** It is an opportunity!



# Thank you



**Dr. Nicole Röttmer**

**Partner**  
Global Climate Clients and Industry  
Lead







# The ESG reporting landscape is **rapidly evolving**

The 'responsible investor' has changed and investors are fundamentally rewiring capital markets.

“

If certain information that happens to fall in any of the ESG categories is material to that company, the company needs to disclose it. We expect management and the board to do that, and we will come after them when they don't.

Elad Roisman  
SEC Commissioner

Our [PwC investor survey](#) provides insights into how investors are considering ESG.

79%



of investors say that ESG risks are an important factor in investment decision making

49%



of investors say they may sell their investment if companies are not adequately addressing ESG issues

82%



agree that companies should embed ESG directly into their corporate strategy

79%



of investors place more trust in ESG information reported by companies if it has been assured

68%



of investors agree that ESG performance measures and targets should be included in executive pay arrangements

81%



of investors won't accept a reduction of returns of more than 1% and 49% will accept zero reduction in returns for ESG benefits



# The ESG reporting landscape is complex

with many organizations and agencies playing important roles





# Regulations proposed for climate-reporting

but more is on the way...



## ISSB

- Two exposure drafts:
  - General requirements for disclosure of sustainability-related financial information; and
  - Climate-related disclosures
- Intended to form a global baseline

See PwC's in depth [here](#) to find out more.

**This is where we are at in the US regulatory environment**



## SEC

- Proposed rules to enhance and standardise climate-related disclosures for investors
- Proposals cover financial statement (FS) disclosures and non-FS disclosures for domestic and most foreign private issuers
- Proposed to apply as early as for calendar 2023 year-ends

See PwC's In the loop [here](#) and PwC's response letter [here](#).



## EFRAG

- 13 initial ESRS EDs have been published by EFRAG which cover overall architecture across E,S&G
- More proposed standards (including sector-specific topics) to be published later
- Application date still in flux, but likely calendar year 2024 or later

See PwC's In brief [here](#) to find out more.

**This is where we're heading!**



# TCFD forms the foundation of the **climate disclosure proposals**



## Four 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 process 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

Source: Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures



# ESG data expectations

PwC supports data platform and integrity

## Strategy oversight

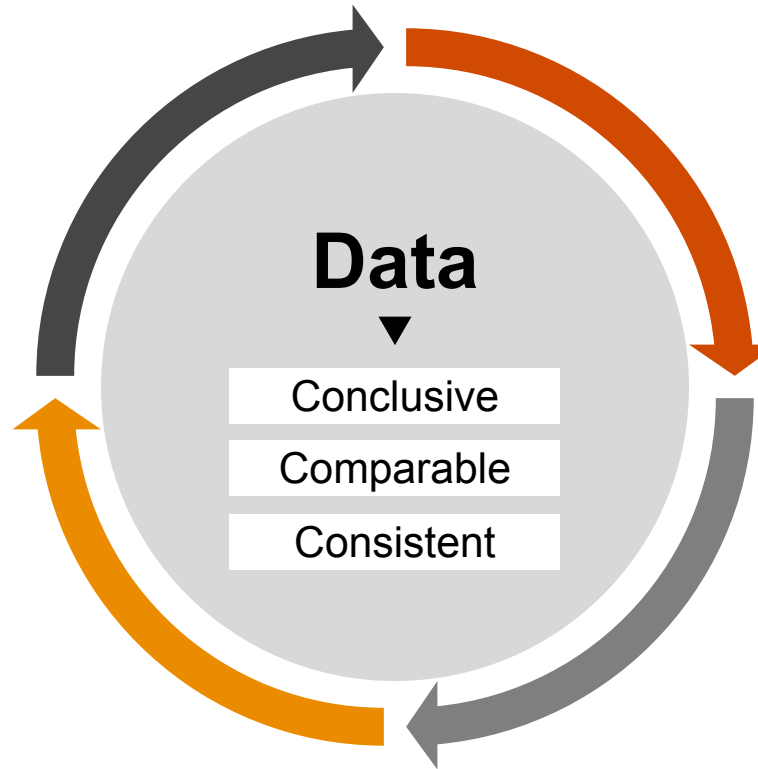


- Address broad view of existing and emerging ESG risks and opportunities
- Integrates with corporate strategy with clear objectives, targets, incentives

## Credible processes



- Establish sound processes to define, collect and process data
- Building trust by ensuring materiality, comparability and reliability of data



## ESG disclosures



- Addresses different stakeholder expectations, investor ratings, etc.
- Aligns with international standards e.g. TCFD, SASB, GRI, WEF

## Performance reviews



- Performance against stated objectives and targets with a clear line to business
- Aligns with ability to access capital

Supported by experts





# ESG should drive **value creation**

Driving value for all stakeholders including shareholders



Identifying sources of value to the business is the foundation of the business case

The reward for business



# Key takeaways

## ESG questions for consideration

Is your ESG disclosure credible and transparent? Are you ready to respond to stakeholder requests, including investors?

Are you providing sufficient resources for embedding ESG into businesses and enabling value creation

Are you providing the competence, tools and knowledge for your teams to understand how to identify and address ESG risks and opportunities for your business lines



Have you formalized ESG into corporate governance expectations, purpose, codes of conduct etc.

Have ESG risks and opportunities been identified and strategies set?

Are you holding executives accountable for integrating ESG priorities into the corporate strategy?  
Are the strategies impactful enabling meaningful change that differentiates the business model with investors and broad stakeholders?







# Thank you



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National Capital Markets Leader  
ESG Reporting Advisor



**Janice Noronha**  
**Partner**  
Advisory  
ESG Value Creation Lead







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