

Net zero & ESG at PwC



Act today for a greener tomorrow

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Net Zero
by everyone,
for everyone

Introducing net zero: playing part in the climate crisis

The climate crisis is one of the most pressing problems facing our world today. It affects everyone – from families worrying about their children’s futures and deciding where to invest. So, it is in the interests of everyone that we see systemic change that averts climate catastrophe and unlocks the potential of green growth.

Put simply, net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away.

Momentum is growing, with more and more businesses, governments and cities around the world committing to net zero in the past year to maintain a world that sees temperatures increase by no more than 1.5 degrees celsius - an Science Based Target - SBT***.

Why has PwC set the 2030 target to achieve net zero?

At PwC, we’ve made a worldwide science-based commitment to reach net zero greenhouse gas emissions by 2030 – building on our existing global climate commitment. The SBTi requires that emissions targets are set for a period of between 5-15 years. A 2030 target was deemed to be the most appropriate timeframe for our business to make the transition in line with best practice and to give us flexibility over how PwC deliver this project.

This commitment is part of our wider ESG (Environmental, Social & Governance) responsibilities. As awareness of the risks of climate change grows, so has the focus for organisations on sustainability and ESG. From net zero to the circular economy, ESG is an approach that enables this critical transformation to happen. At PwC, we are taking bold, innovative steps forward in this space across our business - including our supply chain.



One of PwC targets is to drive down carbon emissions from its supply chain through innovation, engagement and collaboration.



*** The Science Based Targets initiative (SBTi) is a joint initiative by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF intended to increase corporate ambition on climate action by mobilising companies to set greenhouse gas emission reduction targets consistent with the level of decarbonisation required by science to limit warming to less than 1.5°C / 2°C compared to preindustrial temperatures.

What is PwC's net zero commitment and what will it cover?

1. Operations

Across the network, PwC commit to reducing the carbon emissions we produce by a minimum of 50% by 2030 in line with Science Based Targets***. For any residual emissions, PwC will invest in carbon removals to balance our overall carbon footprint to net zero, while continuing to work to reduce actual emissions from that date.

2. Clients

PwC will work with our clients to support their efforts to make a net zero future a reality for all. Building on existing client work in sustainability and net zero transformation, we will integrate climate and sustainability considerations across our services.

3. Value chain

PwC will engage with our key vendors, encouraging and supporting them to achieve net zero, as alongside our wider ESG commitments.

4. Climate agenda

PwC will continue our long-standing programme of research and collaboration with business, policy makers, and NGOs to accelerate a net zero economy.



How do we measure our footprint?

In order to measure our footprint, we will consider these three scopes:

Scope 1

GHG released directly from assets we own or control

For PwC this means fuel burnt by our car fleet or onsite generators etc.



Scope 2

GHG associated with producing the energy we buy

For PwC this means purchased electricity, heating or hot water in our offices.



Scope 3

Emissions from any other activities upstream or downstream in the value chain

For PwC this means our supply chain and travel.





What is the net zero target?

1. Publicly set a SBT
2. Commit to reducing emissions in all scope 1, 2 and 3 activities
3. Comprehensive and mandatory annual public reporting
4. Public accountable and targets released
5. Use of carbon removals for offsetting

What is a carbon neutral target?

1. Defined by internationally recognised standards
2. Includes emissions in Scope 1 and 2 but only encourages change for Scope 3
3. No level of ambition for reduction targets
4. You can invest in carbon offsets to mitigate impact.

What is a science based target (SBT)?

1. Targets validated and approved by an independent body ([SBTi](#))
2. Reporting in accordance with defined standards
3. Reporting is made public
4. SBTi targets must cover a min of 5 years
5. SBTi requires that if Scope 3 emissions account for greater than 40% of emissions (which they do for PwC), targets must cover all scope 1, 2 and 3 activities

How does this affect me and my company?

Rising global temperatures pose potential danger to almost all businesses, from increasing insurance costs to disrupted supply chains. High-emitting companies are encountering a particularly tough challenge to join the fast-paced rally to net zero. More and more businesses and investors are taking part, especially considering the benefits of getting ahead and the risks of not.

For companies, committing to net zero will help increase efficiency, reduce costs, and improve customer service. This commitment will help build a strong reputation among consumers who have rising expectations for sustainable business. Plus, taking part in it wins support from investors who increasingly demand strong environmental, social, and corporate governance.

How can I get involved?

PwC strategic partners can help and being part of PwC net zero journey. So let's work together to make this happen. You and your organisation can get involved by:

1. Completing the vendor questionnaire so we can set our baseline
2. Informing us of any environmental and net zero new developments that you launch
3. Reporting your emissions to PwC on a quarterly or annual basis as requested
4. Get in touch to discuss a contract amendment detailing our carbon ambitions





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ESG & the Circular Economy

What is the connection between ESG and net zero?

Net Zero plays an important role in ESG reporting. The “E” in ESG focuses on environmental stewardship and demonstrates the performance of the company’s efforts towards climate change, sustaining natural resources, reducing pollution & waste and taking advantage of environmental opportunities. These areas are the main criteria that Net Zero focuses on.

ESG reports can be integrated into risk management practices and create a materiality assessment to identify and measure risks within the ESG framework. Climate change imposes a physical and material risks to future of the companies and their supply chains if no action is taken towards addressing the climate crises.

How will net zero and ESG affect PwC’s procurement practices?

Regulators, customers and investors are exerting growing pressure on business to manage their value chains in a sustainable way, addressing issues around resource use, waste and social impacts.

All companies including PwC will be expected to develop policies with their vendors which include:

- Sustainable supply chain management
- Circular economy
- Green tax transformation
- Sustainable products and services innovation



“ESG will form part of most of the work that we do, be that either on delivering sustained outcomes and/or building trust”

Stephen Anderson,
Strategy and Markets
Leader at PwC
Middle East



ESG is starting to gain momentum in the boardroom

45% of directors said ESG issues were regularly a part of their board’s agenda in 2020, compared to 34% the year before.

What does ESG include?



Environmental

- Climate change & carbon emission
- Air & water pollution
- Energy efficiency
- Natural resources scarcity
- Waste management
- Net zero



Social

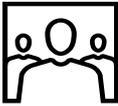
- Diversity & inclusion
- Human rights & anti-modern slavery
- Consumer protection
- Animal welfare
- Labour standards
- Gender & race equality
- Fair employee compensation
- Employee relations
- Customer satisfaction



Governance

- Management structure
- Executive/board compensation
- Bonuses
- Board diversity
- Anti-corruption schemes
- Anti-bribery
- Data protection & privacy

Competitive advantages of adopting ESG



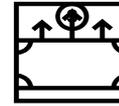
Workforce Productivity

Engages and empowers employees, increases retentions and attracts talent. Young talents are looking to work with a responsible companies



Reputation & Stakeholder Trust

Increased stakeholder trust and better corporate reputation



Increased revenue/profit

Clients and other business is moving towards working with companies with a strong ESG framework.



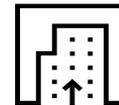
Increased Opportunities & Growth

Supports Identification of new markets, customers and products/services



Reduced Risk

Mitigates risk to the enterprise



Organisational Resilience

Anticipates and adapts to tech, customer and regulatory changes



How is PwC managing ESG with our supply chain?

[PwC's Third Party Code of Conduct](#) ("Code") explains the minimum standards of integrity and business conduct PwC expects of the Third Parties with which it does business. PwC expects Third Parties to require the same levels of integrity and business conduct from their Personnel and anyone outside their organisation engaged to provide services for or with PwC.

As mentioned, ESG is not about ticking boxes. This means, procurement and vendors should be actively engaging on best practices and adhering to the [Code of Conduct](#).

What is a circular economy?

Circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products for as long as possible. When a product reaches the end of its life, its materials are kept within the economy wherever possible. This concept looks beyond the current take-make-waste industrial model, and aims to redefine growth, focusing on positive society-wide benefits.



“The circular economy could generate over **\$1 trillion** in annual material savings globally by 2025.”



“**50-75%** of annual resource inputs into industrial economies is returned to the environment as waste within just one year.”

Benefits of a circular economy

Which are key to fit our corporate strategy?



Spur Innovation



Reduce Cost



Grow Revenue



Mitigate Risks

Immediate benefits

- Reduced **material bills** and warranty risks
- Ability to **sell or lease** used (second hand) products
- **New markets** and value propositions
- Increased **customer interaction** and **loyalty**

Medium term

- Innovative product design, providing **added value to the customer**
- Rethink your **business model** to improve competitiveness
- Strengthen **brand** and **reputation**
- Enhance **sustainability** impacts

Long term

- Address **strategic risks** of megatrends
- Hedge against **volatile commodity prices**
- Enhance **operational efficiency**

How PwC can help

To have a deeper discussion about how this topic might impact your business, please contact your engagement partners, or a member of PwC's Middle East Regional Net Zero Project Team.

Project team

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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with over 276,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for 40 years, PwC has 22 offices across 12 countries in the region with around 5,600 people. (www.pwc.com/me).

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