Dinner speech – Exeter College, Oxford
11 December 2018

Thank you, Richard: it is a pleasure to speak to such a distinguished gathering this evening, and I am indebted to Richard and Bob for their kind invitation to do so.

I am Veronica Poole, I'm a Partner in Deloitte in the UK, and being Deloitte's Chief Techie Nerd, I spend my life looking at all matters IFRS and Corporate Reporting. But this evening I would like to offer you a few observations in a personal capacity: as a seasoned City professional, an employer, an observer of change, and even, as a mother.

In the past few months, I have had the opportunity to participate in meetings with global securities regulators, the International Integrated Reporting Council and the Prince's Accounting for Sustainability Project. A common theme in those meetings was the immediate need for improvements in non-financial reporting, and more particularly in reporting around climate-related risk.

At the A4S Summit in November, Mark Carney, Governor of the Bank of England and Chair of the Financial Stability Board, spoke convincingly about the urgency for action on climate change and the risk it poses to both the planet and financial markets. He spoke of the immeasurable human costs of hurricanes in North America, typhoons in South East Asia; droughts in South Africa and Australia; unprecedented rainfall causing deadly landslides in Japan; and more recently devastating wildfires in California.

He spoke of the significant financial losses for weather-related insurance, and these are actual events and actual losses: the debits and credits of today that we in the City of London, investors and companies alike should care about.

The outlook is even more concerning. The October IPCC report shows that many land and ocean ecosystems have already changed due to global warming, and the physical risks of climate change will have a marked impact on human health, food security, water supply, human security, and economic growth. And the scientific consensus is that time is running out.

A simple calculation presented by the British Antarctic Survey spoke volumes to me: a 1.5°C target for global warming implies a 'carbon budget' of 2,620 billion metric tonnes of CO_2, of which 2,200bn has already been used. That leaves 420 billion tonnes of CO_2, but our current annual emissions are running at 42 billion a year and rising...well, that gives us 10 years at current emission levels before we've used up the budget and the planet is 1.5°C warmer. The mathematics of climate change are stark and uncompromising.

Scientific scaremongering, a sceptic would say. After all, as our learned colleagues here in Oxford know well, for each piece of research there is another to contradict it. The hurricanes and droughts? Well, the current UK politics are full of hurricanes and droughts. And that is already plenty for a business and the City of London to contend with, without adding climate into the mix.

And I get it. We are busy people and there are many burning platforms, here and now, with so many demands placed on us as individuals and on our businesses daily. In the whirlwind of the lives we lead, I find that children act as a good barometer in identifying what really matters.

One of the questions my kids keep asking is why are we failing to do more on climate. They and I had seen the bleached corals when diving in the Maldives this summer, and they and I worry at the simple projection that in ten years most of these corals will be lost, and with them the stunning and diverse sea life they support will be lost, too. And of course, climate change for them is not just about pretty corals and fish. They realise that floods will wipe out fertile deltas, and rising sea levels will mean the loss of low-lying islands and cities. They Googled the map of what the world would look like. And all will be because we, humanity, have allowed it to happen.

So for me this is no longer a nicely coined phrase by Mr Carney of the 'tragedy of horizons', not just a scientific report, or another worthy charitable cause. For me, this is now real, and it is personal.

Being a City person, I am a strong believer that business can be, and should be, a powerful platform for change. If governments will not act, business should.

Earlier today, we listened to a distinguished panel debate the benefits of the market-driven approach as compared to standard setting and regulation. Having grown up in the Soviet Union, I studied the theories of Socialism, Capitalism and the State, and this made me into a strong believer that market forces are the best driver for change.

And it is market forces that got us to the point we are at now.

We now talk readily about sustainable value creation and Sustainable Development Goals, responsible capitalism, social licence to operate, integrated thinking and even integrated reporting. Initiatives abound. So many frameworks, so much new business jargon. Open your newspaper, or attend any business event, and you will hear about yet another new way we should measure and report things. And I guess that this is natural evolution. The brave and the best will lead, consensus will emerge through many worthy initiatives to find it, and the laggards will eventually be forced to comply through regulation. All good then?

I had a chat with our host, Richard, not so long ago on this subject of regulation versus the power of market forces. One thing was immediately obvious: climate change is different; it is urgent. We do not have time for consensus-building and natural evolution, and furthermore, not dealing with climate will stop us achieving other Sustainable Development Goals.

So the real question for me is how do we accelerate the necessary change? And here, I'm afraid, I land on the need to regulate. And regulate in a way that is focused and achievable in the short term.

The A4S Report *Financing our Future* made recommendations to securities market regulators that I strongly agree with. We need to:

- endorse the TCFD recommendations;

- work with those securities regulators who either have or are planning to mandate improved disclosures to improve comparability and consistency of information on a global basis;
- work with prudential regulators and regulated firms to incorporate sustainability issues and the effects of climate change into risk management processes and to develop consistent and comparable climate and other sustainability stress test scenarios.

Much of this need not involve hard regulation. Hard regulation takes time because of the need for due process. But much progress can be made through soft regulation: expectations should be formed and encouragement should be given, and followed by challenges if expectations are not met. But hard regulation should not be far behind.

So here is a call for joined-up standard-setting; and a call for joined-up oversight. The debate today focused on IASB and FASB. Realistically, I do not think we have the time to re-jig them to respond to the urgent challenge of climate change. They should continue to focus on what they do best: how to account for the events and transactions that have already happened. Our accounting model is based on the old adage that 'the past is a good predictor of the future.' But climate is a disruptor event: it breaks this adage.

TCFD and other expert bodies have done a lot of good thinking about how to report the effects of climate change. With appropriate oversight and regulation we can, and should, bring this good thinking into mainstream reporting. The case for why we should do it is overwhelming; the urgency is obvious. Measuring and reporting what matters about climate **now** (and other sustainability matters in due course) will enable business to be a powerful platform for change that it can and should be.