

Generation's flagship Sustainability Trends Report highlights the critical choices facing governments, businesses and investors as the world recovers from COVID-19

- 2020 presents a once in a generation obligation to rethink, reset and redesign a sustainable recovery
- As the world recovers, the decisions made now will have a lasting impact on the environment and society
- Addressing historical injustices – reflected in the Black Lives Matter movement – must be at the centre of transition

London and San Francisco, 8th July 2020 - Generation Investment Management, the sustainable investment firm, today launched its fourth annual assessment into the world's transition to a sustainable economy. Drawing on more than 190 sources, its Sustainability Trends Report highlights the accelerated steps made partly because of the global pandemic, as well as the critical choices now facing governments, businesses and investors to ensure a healthier, safer and more equitable world.

Al Gore, Chairman of Generation Investment Management, said: "New political, economic and social realities have made it ever more urgent to push ahead with the Global Sustainability Revolution. With today's report, we have shed further light onto our shared sustainability challenges: the interlocking nature of our climate and health crises; the vulnerability of our societies; the hugely unequal access to high-quality healthcare; and the critical importance of science, institutions and international cooperation to succeed.

Gore continued: "Governments, businesses and investors now face critical decisions as the world recovers and seeks to build back better. In particular, long-term priorities, many of which have been highlighted by the pandemic, must remain central to decision-making today."

A once in a generation obligation

The trends in the report confirm that, in responding to the pandemic, the formation of new political and social realities provides a generational obligation for a shift to a more sustainable world. Governments, businesses and investors have the obligation to ensure that short-term emergency and recovery measures lead to a better and more resilient future. Specifically:

- Governments should chart the course for a green recovery through their investment and industrial policies, including decisive action to ensure stimulus supports a more sustainable transition.
- Businesses should contribute by focusing on their long-term strengths and working in the interests of all their stakeholders thereby building an inclusive, sustainable economy.
- Investors should deploy capital in businesses committed to long-term value creation and sustainability.

Taken together, the choices made by governments, businesses and investors in the pandemic recovery phase can urgently put us on a path toward meeting the Paris Agreement targets and achieving the United Nations Sustainable Development Goals.

Rising awareness of the need for change

The data in the report confirms that the pandemic triggered fundamental changes in consumer and social behaviour. This is matched by an acceleration in innovation by governments and businesses.

The scale and speed of government and business-backed scientific research have been faster than any other time in history, with more than 2,970 research reports published in the first three months of the outbreak. The report cites data showing that the time needed for vaccine trials to get underway shortened from 20 months during the severe acute respiratory syndrome (SARS) epidemic of 2003 to two and half months during the current COVID-19 pandemic.

The report finds a growing awareness that the world's collective social and economic fate is inextricably linked to that of the natural world. There is now a shared understanding of what an existential threat might look like. The consequences of ignoring scientific advice and of poor governmental decision making are in focus.

The report finds that to limit global temperature rise to 1.5 degrees Celsius – in line with Paris Agreement targets – greenhouse gas emissions need to fall by 7.6% per year for the next decade. That is more than the drop expected in 2020 due to COVID-19 but needs to be achieved amid an economic re-opening.

The report also highlights the many ways in which the burden of the crisis has fallen unequally, reinforcing and highlighting unfairness across societies. It argues that addressing these historical injustices – reflected in the Black Lives Matter movement – must be at the centre of a transition to a sustainable future.

The report notes that the chances of dying with COVID-19 in the UK is more than four times greater for Black people than white people. There is also a risk that the economic impacts of the pandemic unwinds development gains in the developing world, exacerbating inequality between countries.

Key, sector-specific accelerating trends cited in the Sustainability Trends Report include:

Energy: 2020 has highlighted the resilience of renewable energy sources

- Whilst COVID-19 unleashed a huge shock to energy markets, the sustainable energy transition should continue accelerating. Policy support in recovery plans should facilitate a managed decline for high carbon energy and a scaling up of zero carbon energy systems.
- Only the European Union, France, United Kingdom and Canada are taking decisive action to ensure stimulus supports a more sustainable transition.
- A shift to renewables would also have a meaningfully positive impact on jobs as the world emerges from the pandemic. \$10 million spent on renewable energy creates nearly three times as many jobs as \$10 million spent on fossil fuels.

Health: The pandemic may lead to a tipping point in the adoption of personalised healthcare

- Interest in direct-to-consumer healthcare quadrupled over the last five years, and in April 2020 COVID-19 became one of the top-five drivers of telehealth.
- Weaknesses in preparedness and capability to respond to an all-encompassing crisis have relevance beyond healthcare. More generally, it will trigger new thinking on social safety nets and the role of essential workers.
- Access to healthcare is highly uneven. In the US, access to treatment appears to have a big impact on life expectancy for different groups. In some countries, like the US, administrative costs account for nearly 10% of total health spending.

Economy & Finance: The crisis has highlighted the resilience of ESG leaders

- Rating agencies must better integrate Environmental, Social and Governance (ESG) factors to urgently improve the financial sector's accountability on climate change. 62% of ESG-focused investors want greater consistency or comparability across rating methodologies.
- ESG data needs to be more forward looking and more closely connected to real world impact. 62% of executives and 58% of investment professionals cited insufficient data for not considering ESG in assessments of competitors, suppliers or capital projects.
- Climate-related risk is becoming more integrated in the finance sector, with a quarter of global emissions now under carbon-pricing schemes. The number of institutions committed to responsible investment is also soaring.

Mobility and Buildings: Over half the world now lives in cities, and the pandemic is causing people to rethink where they live and how they prefer to move around

- Transport accounts for 22% of global emissions. Rolling out 100% electric vehicles is a priority for climate action. As people shun public transport in the short term, so far there is little evidence that the economic hit of the crisis will reverse progress on electric vehicles -- the transition will likely accelerate once the sector gets back on its feet.
- The technology required to enable net-zero carbon, smart buildings is ready for the mainstream but needs faster progress. The energy intensity per square meter (m²) of the global buildings sector needs to improve on average by 30% by 2030 (compared to 2015) to be on track to meet global climate ambitions set forth in the Paris Agreement.
- Energy efficiency in buildings and other smart energy investments are among the most cost effective and job intensive available.

Consumers: The pandemic represents an inflection point for consumer expectations and behaviours in ways that could (with policy support) become more permanent

- In April 2020, 65% of 26,030 people surveyed globally said that it was important that government actions prioritised climate change. The share of Americans expressing sustainable views has risen by more than 50% in a decade.
- Shifting to sustainable materials was an increasingly important theme for businesses before the pandemic -- especially around single-use plastics.
- Innovations to make the food system more sustainable are evident along the food value chain. 75% of consumers have considered purchasing or consuming a plant-based protein option and the amount of choice is increasing, with 129% more plant-based yoghurt products compared to 6% less animal-based yoghurt products available in the US alone last year.

Trade and Travel: Long-distance travel and supply chains are key frontiers for sustainability

- Businesses and governments are evaluating how to adapt global supply chains in light of the pandemic. Circular economy, climate and digital innovation will be key pillars of the EU's recovery plans. China's policy decisions in the 14th Five Year Plan will be crucial.
- The pandemic is driving a rethink in sustainability in long-distance travel. The challenges for aviation are mounting. The new goal on maritime emissions will drive a major change in the sector, deeper even than the changes brought in on fuel quality.

About Generation's Sustainability Trends Report

Generation's Sustainability Trends Report (STR) is an annual publication that provides insights into the transition to a sustainable economy. The STR is primarily based on Generation's investment frameworks and focuses on how sustainability is manifesting across various sectors of the economy, notably Energy, Health, Economy & Finance, Mobility and Buildings, Consumers, and Trade and Travel. It should not be construed as investment research, advice or the making of any recommendation. While the data is from sources Generation believes to be reliable, Generation makes no representation as to the completeness or accuracy of the data. The inaugural report was published in 2017.

About Generation

Generation Investment Management LLP is dedicated to long-term investing, integrated sustainability research and client alignment. It is an independent, private, owner-managed partnership established in 2004 and headquartered in London, with a US office in San Francisco. Generation Investment Management LLP is authorised and regulated in the United Kingdom by the Financial Conduct Authority.
www.generationim.com

ENDS

For more information, please contact:

Richard Campbell, Kekst CNC
generation@kekstcnc.com
+44 7775 784 933

Jenny Tod, Marlin / Archetype
generation@archetype.co
+44 7946 468 823