Yair Avidan - Opening Remarks – Herzliya Conference – June 2024

Hello Honorable Members,

I am pleased and thank you for your willingness to participate in the roundtable at the Herzliya Conference.

The Herzliya Conference will be held this year under the theme "**On the Path of Strategic Surprises**".

The table is the product of cooperation between the Institute for Policy and Strategy (IPS) and the Arison Center for ESG at Reichman University.

The table will focus on the role of the business sector in creating civic and national resilience in the ESG era, i.e., integrating and implementing environmental, social and governance aspects as part of corporate DNA, strategy and business policy.

At the very beginning of my remarks, I want **to hang on to tall trees**....

From the risk map built by the World Economic Forum (WEF). It can be seen that within two years, the second-ranked risks are extreme climate change, and within ten years, the first four topics correspond directly with the E (extreme climate change, critical changes in the planetary systems, damage to biodiversity and collapse of preparedness, lack of natural resources), and out of the ten topics, seven certainly correspond with the ESG worlds.

And by the way, the State Chief Auditor's report states that the climate crisis must be recognized **as a strategic threat**. Climate change and the need to build climate resilience **should be defined as a national strategic goal and part of the national threat map**. Planning and implementing the climate change preparedness plan are critical steps for properly dealing with the expected scenarios, and therefore this strategy must be translated into policy, legislation, and the allocation of designated budgets.

But it is clear that climate change and its inherent risk is the defining risk we face.

These risks have the potential to have a significant impact on many worlds in the economy, society and more, effects that should be addressed in the immediate term.

Today, ESG has become critical in terms of business practices and investment strategies, reflecting **a growing awareness of the interplay between environmental, social and**

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governance issues and the company's long-term success and sustainability. As global challenges such as climate change, social inequality, and corporate responsibility continue to gain prominence, ESG is expected to remain an integral part of the corporate landscape.

And here I turn to all officials, wherever they are. **Implementing ESG is a leadership agenda**. It is **part of a world of moral leadership**. It's **part of a culture**. It**is true that it will be part of the organizational DNA**. Its realization **requires individual and collective leadership** by shareholders, boards of directors, management, investors and funders, policymakers and other stakeholders. It seems **that we are at a time when each of the players must step up and take leadership, when that leadership can drive a sustainable economy**.

And with a **sustainable business model,** aspects of business continuity and operational resilience **are of particular importance**. Combining business continuity and operational resilience with ESG principles is essential to fostering sustainable, responsible, and resilient businesses. By considering environmental, social, and governance aspects, companies can proactively address risks and disruptions, ensuring long-term viability and positive impact.

And the climate crisis and its consequences connect us to aspects of **rehabilitation**, rehabilitation that is unfortunately relevant to us after and following the events of the October 7th. We are concerned, inter alia, with rehabilitation after a disaster. Rehabilitation requires short-term solutions to long-term challenges. Due to the growing concern around the world in light of the many disasters that occur and are expected to occur, disaster recovery management has become a developing field that is slowly rising to the top of the research and management priorities. "**Resilience**" is increasingly seen as a key competence related to rehabilitation management in disaster-affected areas, where a comprehensive understanding of barriers to proper management of rehabilitation and recovery can lead to the development of policies that help prevent delays in the rehabilitation process and, as a result, strengthen public resilience. In this context, we will mention "**sustainable rehabilitation**" – rehabilitation that focuses not only on rebuilding the affected areas, but also on promoting long-term sustainability in the construction process, and paying attention to environmental responsibility and community resilience that were neglected in the past.

And of course, it should be remembered and noted – many corporate crises are actually failures of the 'S'.

The transition to a low-carbon economy has the potential for significant economic growth in the medium and long term, but in the short term the process may harm various populations,

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particularly workers in polluting industries and the secondary workers who support these industries – workers who are characterized by low employment skills to begin with and belong to low socioeconomic deciles.

Although we are all exposed to the effects of climate change to one degree or another, change is unlikely to affect everyone equally. In the absence of appropriate preparedness actions, climate change is expected to impose an excessive burden on society's weaker populations, perpetuate economic, gender, ethnic, and health social gaps, and increase inequality.

Accordingly, **climate change that we have been experiencing in recent decades poses a real danger** on a wide range of issues, including extreme weather, heat stress, water shortages, migration, struggles over natural resources, and this is only a partial list.

Preparing today to deal with the possible effects of climate change is essential in order to avoid strategic surprises that may befall us in the absence of prior thinking and planning and taking the necessary steps in order to deal with the various risks and challenges in a timely manner.

Therefore, a correct and clear policy vis-à-vis the challenges is required that will prevent multidimensional strategic surprises in the future, with an emphasis on aspects and significance of national and social resilience as a central pillar of Israel's strength.

The purpose of the roundtable is to examine the ways in which the business sector can and should be involved in formulating strategic and practical solutions in light of climate challenges, and to recommend to government decision makers the necessary directions of action. At the same time, the emphasis here is on the internal effort, i.e., the activities of the organizations, alongside the expectation of government involvement.

The discussion will focus on the **following three themes**:

1. **How should businesses respond and prepare for climate risks**? Within the framework of this theme, we will focus on **two types of climate risks**: [aspects of business continuity and functional continuity]
   (a) "**Physical risks" – there is the element of surprise**
   (b) "**Transition risks" – does not exist or less exist in the element of surprise**]
2. **From an environmental threat to an economic threat**. As part of this theme, we will focus on the assessments of the business sector with interfaces with abroad. **To some**

extent, it also communicates with transition plans. [Strategic, business, economic and regulatory assessments and long-term impacts]

3. **Socio-national resilience**. **Resilience is described as a system's ability to provide relative security in a wide range of circumstances, most of which are unpredictable** and some **potentially vulnerable to the transition to a green economy**. [Looking at the aspect of social resilience, event controls, and the world of transition]

And alongside pure economics, and for good reason, economics is part of the social sciences, it is important that we ask ourselves and provide a long-term answer, what is the difference between pure IRR or the desired return on capital and examining soft considerations in terms of impact on the planet, external influences, and yes, from a long-term perspective, what is relevant IRR as the planet warms above the existential threshold and the accompanying consequences, That is, what is the difference between IRR and failure to achieve Net Zero's goal on time.....
Where does our responsibility for future generations and the creation of a sustainable environment, economy, economy and society begin and end?

Thank you.

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