Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Morning Session

Agenda Item 3. Enhancing comparability of sustainability reporting: Selection of core indicators for company reporting on the contribution towards the attainment of the Sustainable Development Goals

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Funding the SDGs
The role of Corporate Reporting

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Building a better working world

The Financial Services industry has a critical role to play in closing the SDG financing gap

A funding gap of US$2.5tn exists to achieve the SDGs. With US$300tn in global capital markets, the financial services industry plays a pivotal role. Without the involvement of the Financial Services, the SDGs simply can't be achieved

Key steps for the Financial Services industry:

1. Come to terms with the risks faced by externalities, new regulation, changing stakeholder demands and identify the SDGs that it can have the most impact on.
2. Understand the opportunities that funding the SDGs provides, an estimated US$12tn[1] in opportunities for the global economy is at stake. This could include new financial products and services, impact investing and harnessing technology.
3. Commit to moving from short-termism to long-term value creation through culture change, new reporting mechanisms and collaboration across the industry.

[1] *Source: 'Valuing the SDG Prize,' Business Commission, www.businesscommission.org/our-work/valuing-the-sdg-prize-unlocking-business-opportunities-to-accelerate-sustainable-and-inclusive-growth,*

Closing the gap requires the Financial Services industry to seize opportunities and manage risks

1. Take advantage of emerging opportunities

- The time is ripe for sustainable investment with millennials set to inherit $30tn by 2040. 84% say environmental, social and governance impact is a central goal
- Firms worth $6.6tn have committed to accelerating SDG financing through the UNEP FI Principles for Positive Impact Finance
- The potential value of SDG investment is estimated at $12tn to the global economy
- Investors with assets of $2.6tn support the Financial Stability Board's Task Force on Climate-Related Financial Disclosures

2. Address risks to the business and industry

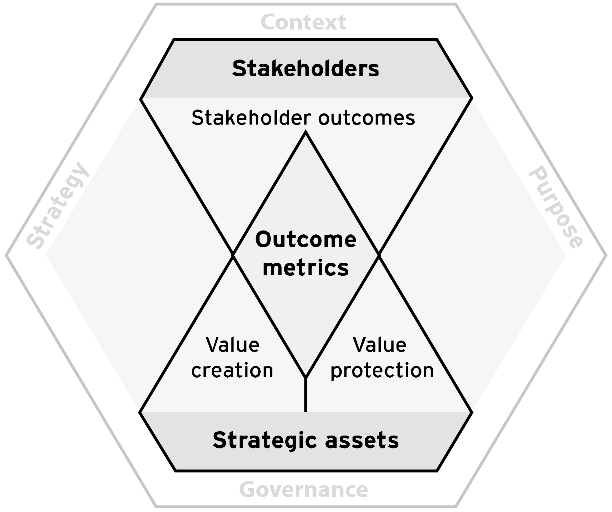
- Despite regulation and compliance, corruption, bribery and fraud cost $1.26tn in developing countries
- New EU pension rules on ESG requirements will affect a $3.5tn pension market
- Investors worth $5.2tn have committed to divestment due to increasing concerns about climate risk
- Climate change could cut the world's financial assets by $2.5tn

3. Embed existing opportunities into business as usual

- Islamic finance predicted to grow to $3.4tn by 2018
- Impact investments reported: $77.4bn
- Green bonds could reach $130bn by end of 2017
- Blended finance market worth $14.9bn

A 3 step strategic approach focussed on the long-term and embedded in the SDGs is essential to drive progress

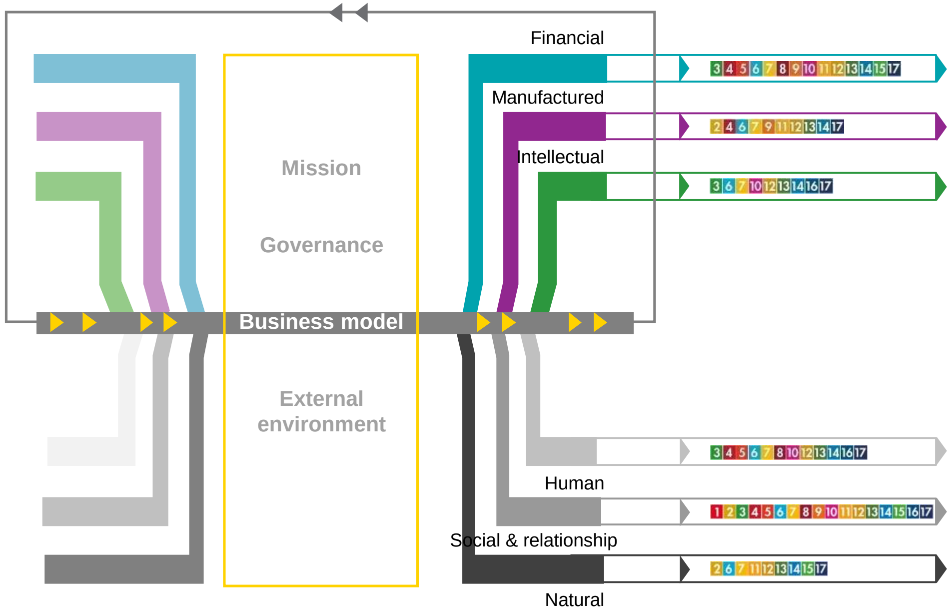
1 Understand and define long term value creation



- Understand what ‘inclusive capitalism’ means to the organisation
- Define what long term value means for all of the stakeholders

2 Embrace a strategic framework for SDG integration

IIRC Integrated Reporting Framework + UN SDG Framework



- Establish integrated thinking. Recognising all types of capitals and stakeholders
- Identify SDGs material to the business model and map SDGs to the organisation’s capitals
- Embed into strategy: opportunities (new business models, new products, etc.) and risks (implementation, reputation, etc.)

3 Develop targets, take action and report

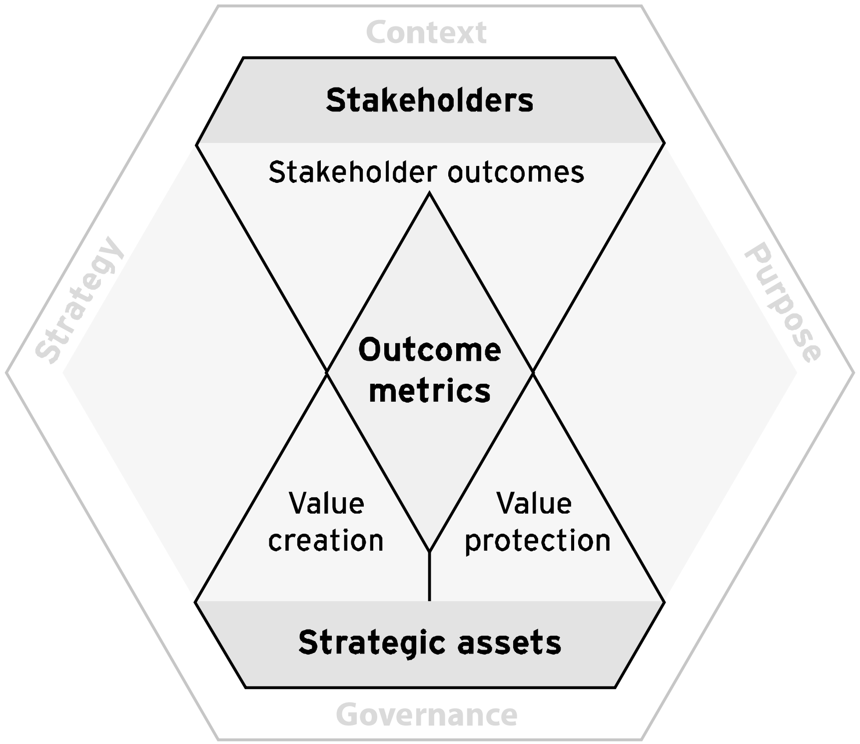
SDG number	Goal	Link with material topic	Link with strategy	Our contribution	KPI
4 Quality education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Learning and development; Recruiting and retaining top talent	Talent	Personal talent development; Investment in educating EY professionals; In cooperation with partners, pro bono teaching financial skills and coaching young entrepreneurs	Number of training hours / euros spent on training
5 Gender equality	Achieve gender equality and empower all women and girls	Recruiting and retaining top talent	Talent	Embed a thorough diversity policy and KPIs; Install several diversity and inclusiveness programs such as ‘Women in Financial Services’, the ‘EverYWomen network’ and several internal development courses; Publish and circulate a magazine concerning diversity and inclusiveness: ‘Verschil moet er zijn’	Number of training hours per FTE man and per FTE woman
8 Decent work and economic growth	Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Innovation; Quality of service; Sustainable performance; Independence, integrity and ethical standards	Markets, Operations	Contribute to entrepreneurial ecosystems; Pro-bono support to partners that reduce youth unemployment and stimulate entrepreneurship; Contribute to financial and non-financial performance of organizations; Operate in accordance with our EY Code of Conduct	Financial result, revenue
12 Responsible consumption and production	Ensure sustainable consumption and production patterns	Sustainable performance	Markets, Operations	Enable clients to deliver sustainable products and services; Reduce our environmental footprint with focus on mobility and energy efficient operations and offices; Sustainable sourcing; Compliance with supplier code procedures	CO_2 emissions per FTE
16 Peace and justice strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Quality of service	Markets, Operations	Contribute to creating trust and confidence in the capital markets; Provide services which meet our ethical standards and good governance practices	Quality of service (QRM)
17 Partnerships for the goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development	Innovation; Responsible citizenship	Markets	Involve stakeholders in order to facilitate sustainable development; Support partners with innovations and community investment	Number of hours spent on community investment

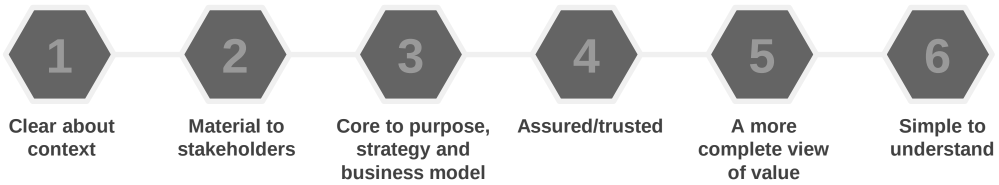
- Develop targets and KPIs closely aligned with the relevant SDGs and targets
- Develop systems to integrate the management of SDG issues into everyday business decision-making

EY

Long-term value creation can provide a roadmap towards a more inclusive form of capitalism

1 Understand and define long term value creation





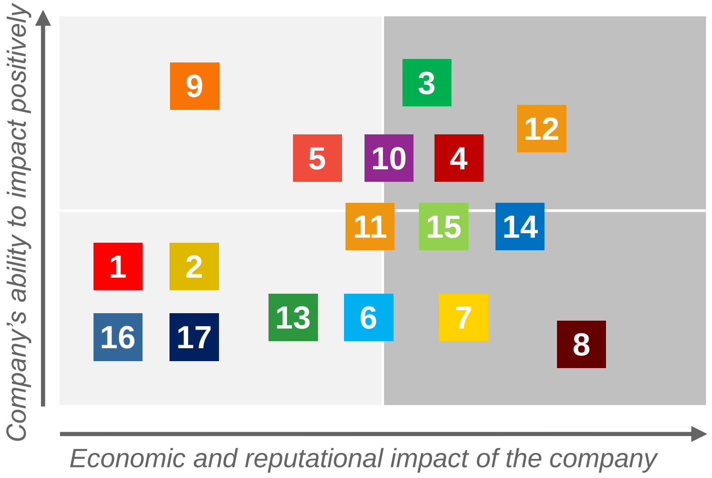
- **Context, Purpose, Strategy and Governance** determine the outcomes the organisation needs to deliver to its stakeholders
- **Value Creation levers** define the types of value an organisation creates
- **Value Protection levers** define the types of risks and threats an organisation manages to protect value
- **Strategic Assets** are the capabilities and resources that are required to deliver stakeholder outcomes
- **Outcome Metrics** measure the achievement of stakeholder outcomes

Integrated reporting, combined with the SDGs provides the framework for embedding long-termism

2 Embrace a strategic framework for SDG integration

Materiality mapping allows businesses to be efficient by isolating those SDGs which align to strategy

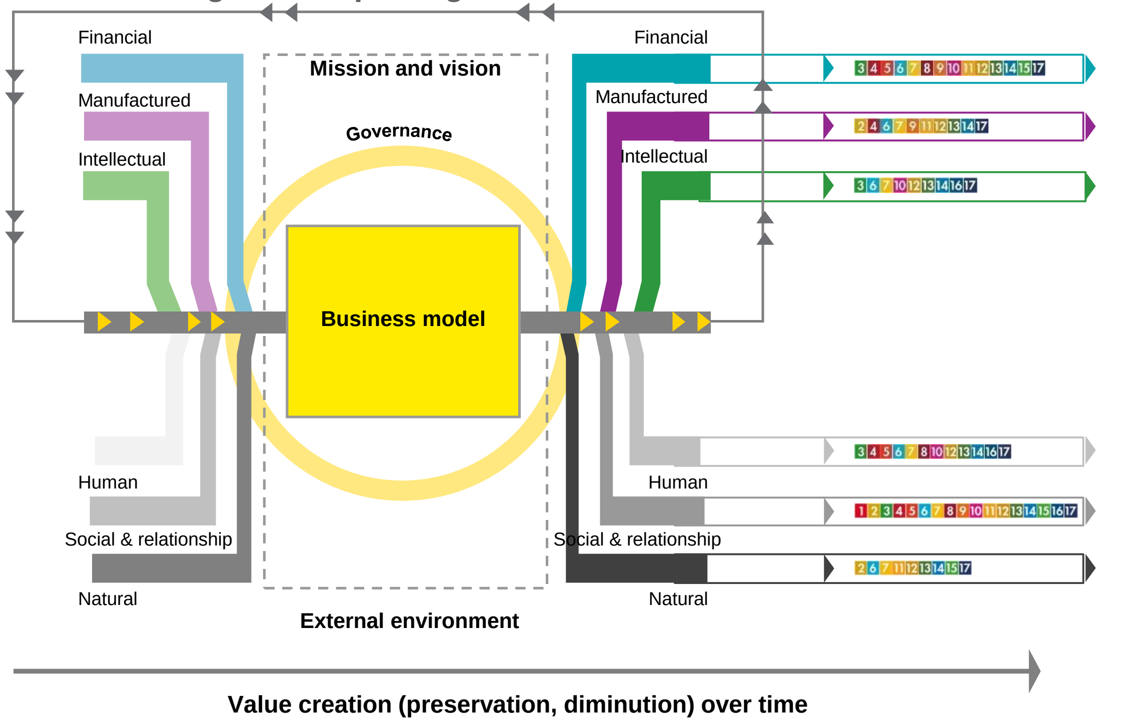
Prioritization of the 17 SDGs



An example: Material SDGs linked to strategy in a sustainability report

The IIRC Integrated Reporting Framework can be linked to the UN SDG Framework to identify risks and opportunities across all of the organisation's capitals (Financial, Manufactured, Intellectual, Human, Social, Natural)

IIRC Integrated Reporting Framework **+ UN SDG Framework**



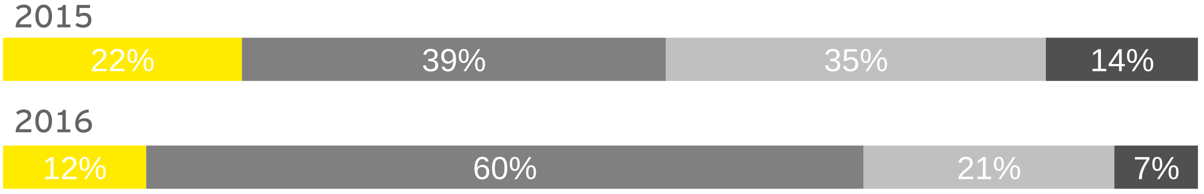
Source: International Integrated Reporting Council – Value Creation Framework 2017

But better non-financial information is required for more transparent reporting, to meet investors expectations and to channel capital

3 Develop targets, take action and report

EY Survey Tomorrow's Investment Rules 2017 highlights investors' demand for better disclosures:

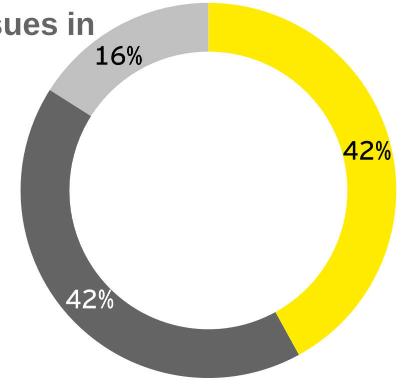
Do companies adequately disclose their ESG risks that could affect their current business models?



■ Yes ■ No, but companies should disclose these risks more fully ■ No ■ Don't Know

Which of the following statements best reflects your views on why you do not consider nonfinancial issues in your decision-making?

- Nonfinancial measurements are seldom available for comparison with those of other companies
- Nonfinancial information is often inconsistent, unavailable, or not verified
- Nonfinancial disclosures are seldom material or have a financial impact



Effective disclosures need to respond to the following criteria:

1 Materiality

Material trends and business and industry relevance

2 Comparability

Leveraging existing standards, that need to be mapped and enhanced rather than inflated with additional reporting burdens

3 Reliability

Through internal controls and systems, management of big data, external assurance

Source: Tomorrow's Investment Rules 2017, EY, 2017

A common framework for SDG indicators is key to reducing reporting burden and to enhance comparability

3 **Develop targets, take action and report**

Reporting the SDGs is crucial to keeping making progress in the right direction towards achieving the goals.

However for an integrated framework to work, material, comparable and reliable indicators are required. To foster this, a clear standard framework of reporting is essential.

What options are available to help to develop this standard?

Connecting the dots:
Examples of initiatives and involved bodies


SDG Index Initiative


Local Government initiatives


TCFD Recommendations


SASB

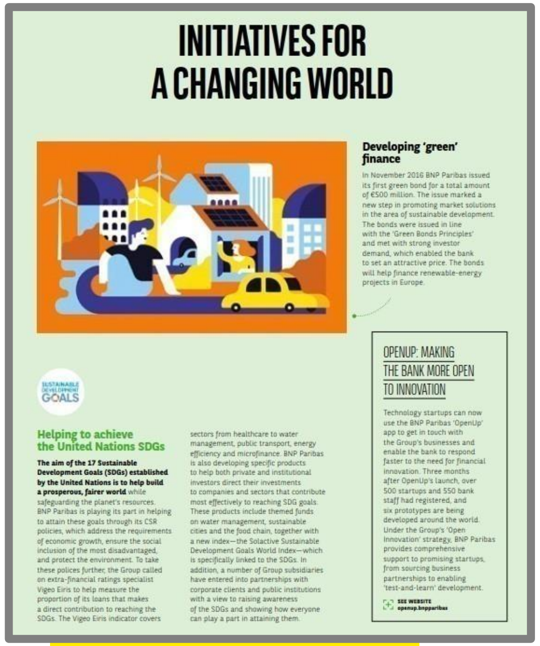

UNCTAD


SDG Compass and GRI

There are Financial Services organizations taking on that challenge and are responding to SDG reporting in different ways

Global Insurer

Global Banking Group



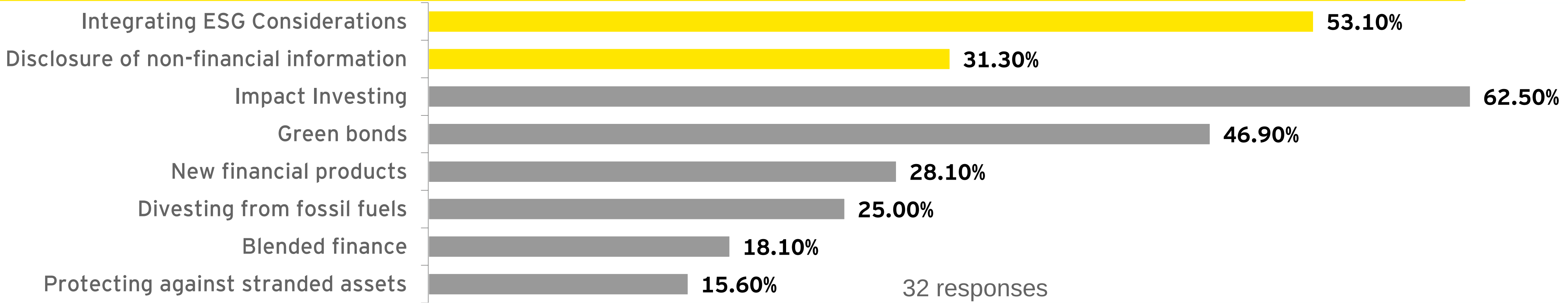
Global Banking Group

EY

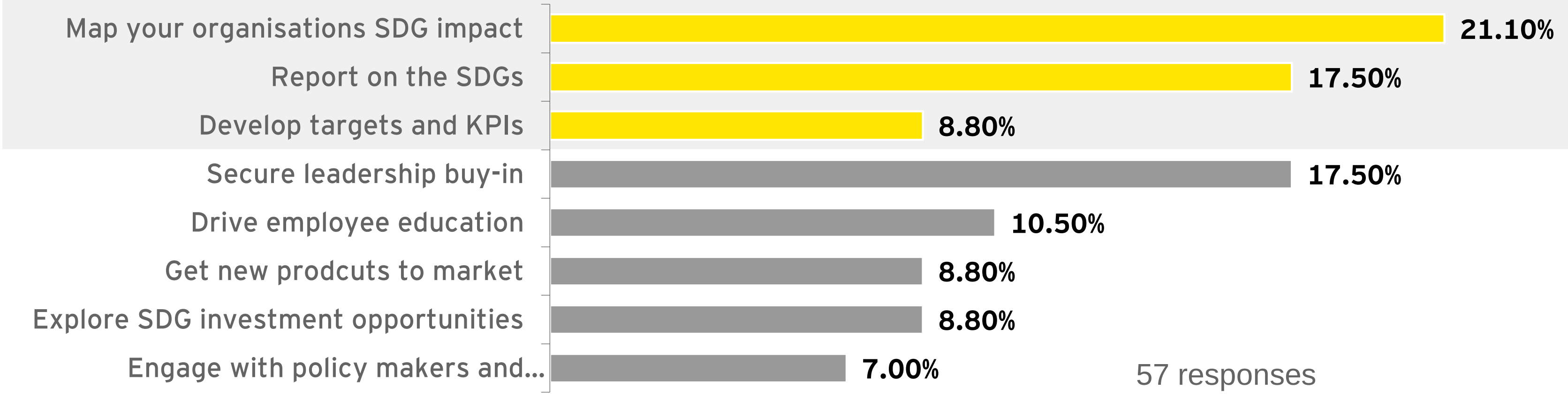
EY FS is addressing the challenge through research around SDGs to inform strategy and reporting

During EY's recent webinar "How do you fund a sustainable tomorrow?" the following survey was conducted among participants from leading Financial Services organisations:

What do you think are the key ways financial services can innovate to achieve the SDGs? (Select your top 3)



In your organization, what is at the top of your action list in order to further the SDG agenda?



47.4% of respondents have a top priority which relates to the measurement of SDGs. Developing a consistent SDG reporting and benchmarking framework can help achieve these actions.

Source: EY Webinar " EY's recent webinar "How do you fund a sustainable tomorrow?" poll, September 2017

Our EY member firms are also applying the SDG framework to their own reporting and making constant progress on the agenda

Example of SDG framework applied to the annual report of an EY member firm

	Markets	Talent	Operations
	Quality of service Innovation Responsible citizenship	Recruiting and retaining top talent Learning and development	Sustainable performance Independence, integrity and ethical standards
SDG	8 12 16 17	4 5	8 12 16
Vision 2020 Ambition	No. 1 or 2 in terms of market share in our chosen services Best Brand Positive an strong relationships with our stakeholders	The most favoured employer	Leading growth and competitive earnings to attract and retain world-class talent
Vision 2020 Strategy	**Focus on winning in the market** Deliver exceptional client service Maximize opportunities in markets and services	**Create highest performing teams** Attract, develop and inspire the best people Commit to a culture of world-class teaming	**Strengthen global, empower local** Emphasize global advantage Empower local teams by enabling their success
Strategic Priorities 2016/2017	Deliver exceptional client service Grow revenue Invest in innovation Invest in brand Foster stakeholders relationships	Execute teaming programs Invest in talent recruitment, retention and development Accelerate diversity and inclusiveness Implement workplace of the future	Maintain operational excellence Promote culture of quality and integrity Focus personal independence compliance Minimize carbon in operations

Created a visual link with goals, outlining the business topic to which they relate

Incorporated goals into Vision 2020 – EY long term ambition and strategy

Defined the organization's contributions and the related KPIs - measure the firm's impact and benchmark its performance

4. EY's contribution to the SDGs

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Source: 2016/17 annual report EY Netherlands

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