Empowering businesses to engage with sustainable finance and the SDGs

REPORT

15 May 2018

On 15 May 2018, the European Bank for Reconstruction and Development (EBRD), ACCA (the Association of Chartered Certified Accountants) and Barclays hosted a joint conference in Brussels called **Empowering businesses to engage with sustainable finance and the SDGs**.

After a Welcome note by **Alexia LaTortue**, Managing Director, Corporate Strategy at the EBRD and key note speeches from **Heidi Hautala**, MEP and Vice-President of the European Parliament and **Paulina Dejmek Hack**, Financial Adviser to European Commission President Juncker, and a presentation of the sustainable Action plan by **Diego Valiante**, from the Capital Markets Union unit at DG FISMA, European Commission, the first panel called **How are European stakeholders acting to shift the dial towards sustainable finance?** moderated by **Gwilym Jones**, Head of EBRD Brussels office brought together **Flavia Micilotta**, Executive Director of Eurosif, **Lé-Quang Tran Van**, representing AFEP and EuropeanIssuers, **Rhian-Mari Thomas**, Managing Director and Chair of Barclays Green Banking Council, **Andrew Watchman**, EFRAG TEG Chairman and CEO and **Roxana Damianov**, acting Head of Corporate affairs at ESMA, and ACCA member.

ACCA Think Ahead

European Bank for Reconstruction and Development

BARCLAYS

After the presentation of the report *Sustainable Development Goals: redefining Context, Risk, and Opportunities*, by **Jimmy Greer**, ACCA's head of sustainability, the second panel called **How corporate sustainability reporting frameworks are enabling businesses to engage with sustainable finance and the SDGs**, moderated by **Nikky Wood**, from e-Revalue and Datamaran was comprised of **Tom Verheye**, Principal Adviser on Green Finance and Investment at DG ENVIRONMENT, European Commission, **Wim Bartels**, Member of the TCFD and Deputy chair ESG Reporting Task Force, Accountancy Europe, **Tatiana Krylova,** head of Enterprise Branch, Division on Investment and Entreprise, at UNCTAD ISAR, **Andrea Valcalda**, Head of Sustainability at ENEL and **Jonathan Labrey,** Chief Strategy Officer at the IIRC.

Concluding remarks were delivered by **Jon Whitehouse**, Managing Director, Group Head of Government Relations & Citizenship at Barclays.

Speakers highlighted that the Sustainable Finance Action Plan is a important milestone, which can help trigger further growth and recognition through clear signals. Access to better quality data, a common sustainability language –the taxonomy- and enhanced standards for transparency and accountability standards will improve the functioning of markets for sustainable investments in Europe and elsewhere.. But it was stressed that truly ensuring a rapid and well-managed transition to a green and low-carbon economy will require a broader overhaul of public policies, such as taxes and subsidies on energy, a 'real' carbon price integrating all externalities and incentives for industry to move their production and supply chains towards more sustainable models.

All actors - policy makers, regulators, supervisors, private sector and civil society - need to play their part. To make the economy greener and solve global challenges, the involvement and contribution of companies, which play a key role in the energy transition and reporting processes, is crucial.

Participants also heard that sustainability goes hand in hand with transparency. The European Union is working on a step by step process, building on existing initiatives such as the SDGs, national measures, existing non-financial reporting standards, existing voluntary industry transparency and reporting initiatives. Yet, the existing diversity of reporting frameworks can lead to complexity, affecting the coherence and comparability of data. The EC Action Plan item #9 and the EC Fitness Check on corporate reporting aim to address the issue. Some called for a flexible approach for promoting convergence also based on voluntary initiatives and further developing and promoting a good corporate practice and governance culture, there was also a clear call from others for more binding measures.

Main highlights:

Alexia LaTortue, Managing Director, Corporate Strategy, EBRD

- The European Commission has fully emerged in showing leadership in the sustainable growth debate. This leadership is much needed and appreciated.
- Ambitious sustainable development goals were adopted in 2015. The conversation around this topic has changed – it became exciting. It is now clear that the private sector is needed and essential. Partnering with the private sector is vital to the speed, the scale and the sustainability needed to achieve the goals that we all care about.
- The SDGs are much broader than any previous goals – the equation is now complete. The goals reflect our European values and human values. They are comprehensive and represent an ambitious vision. Achieving these goals will require involvement of the private sector. And not just its money. The agenda also requires the specific skills, the discipline, the creativity, the innovation, the solutions of the private sector. We need serious business propositions and access to the broadest possible range of available skills.
- Now we just have 12 years to 2030. The EBRD very clearly sees how it must contribute in order to make progress. Its work directly or indirectly contributes to all the SDGs, with a particular focus on nine. Much like the SDGs, the EBRD has also evolved. In 2016 the EBRD has updated what it means by market economy. It wants a market economy that has certain qualities: green, inclusive, well-governed, competitive, integrated and resilient.
- Sustainability has always been a part of EBRD's DNA. It has been moving towards becoming a green bank since 2006 and it has an excellent track record. In 2015 it has launched a green economy transition (GET) approach with a target of having 40% of new business in the green space by 2020. This target was achieved 3 years early with 43% of new business in green space in 2017. The projects that fall under the green economy transition are expected to deliver a reduction of 6,3 million tons of CO_2 per annum. This covers work in energy efficiency, renewables, climate resilience, infrastructure and other areas. The EBRD has also issued 66 green bonds since 2010. Private financing is the absolute key in all these initiatives.
- In the energy efficiency field, the EBRD works with a broad range of clients. These include large local industries, SMEs, commercial banks, equity funds, project developers.
- The EBRD's welcomes the increased focus of the European Commission on sustainable finance. It agrees with the quote by Frans Timmermans that moving to a greener and more sustainable economy is good for job creation, good for people and good for the planet, and that the financial system has to work towards this goal. The EBRD is channelling finance towards more sustainable economy by creating markets and fostering investments in sustainable projects and applying unified classification system with other multilateral development banks and development finance institutions. The EBRD welcomes the focus on reorienting private and capital flows towards low carbon and sustainable investments. It welcomes the focus on strengthening financial stability by incorporating environmental, social and governance factors into investment decision-making or better risk management. The EBRD also welcomes the focus to fostering transparency and improving reporting; the focus on long-termism and innovation.
- There are three specific areas where the EBRD can help support the action plan. The first area is development of the taxonomy. It is truly important to have a common language. The EBRD is pleased to be an observer on a technical working group, it is also coordinating a group of multilateral development banks responsible for preparation of a joint report. The EBRD is involved in upgrading disclosure rules and

making sustainable risks more transparent. The EBRD is also involved in the development of the EU Green Bonds Standard.

Heidi Hautala, MEP

- The European Commission Action Plan for Sustainable Finance is a big milestone. In order to implement it, we need to better understand the SDGs. We have no time to waste.
- The recent report of the European Parliament's Economic and Monetary Affairs Committee states that urgent actions are needed, we must use the power of finance can to facilitate the transition to a sustainable economy in the EU which extends beyond the climate transition into other areas of ecological crisis. The report also points out that the funding gap to deliver Europe's decarbonisation efforts is almost EUR 180 billion, excluding other sustainable development goals.
- Involving companies is crucial – it is absolutely impossible to solve global challenges without a strong contribution of the private sector.
- An initiative was taken in the European Parliament to establish a working group on responsible business conduct.
- Certain member states have become impatient due to lack of action. Denmark, Finland, Sweden, France and the Netherlands have sent a strong message to the European Commission on the important role of business in achieving the 2030 agenda.
- Responsible business conduct (RBC) is a prerequisite in achieving the SDGs and the 2030 agenda. However, often the problem is that responsible business conduct actions fall between different sectors and the ownership is lost.
- A responsible business policy, according to EU member states, has become fragmented. They are calling for an EU action plan that would sum up all the responsible business conduct related actions in EU's internal and external policy.
- The European Investment Bank has started the initiative for Sustainability Awareness Bonds. It goes far beyond a conventional approach on green bonds.
- A coherent approach to sustainability is needed. We also need to look at the European Parliament and how its working methodologies could be improved. A network between committees must be created in order to facilitate the communication.
- The SDGs are closely connected with the Paris agreement. We cannot pick and choose what issues to address. If we want to provide climate actions, we should not at the same time practice what could be, for example, damaging to human rights. We have to think of all the issues at once and this is not an easy task.
- Sustainability and transparency go together. Increased transparency can help companies to better manage risks and become more competitive while also the civil society, customers and other stakeholders can better support companies for their sustainable choices.
- Reporting is a primary instrument here and there are many good initiatives on voluntary reporting. The strongest instrument that we have at the moment is the Non-financial Reporting Directive.
- Progressive companies that are acting responsibly may not always be fully rewarded for their actions. This has to change and financing for sustainable growth is not the challenge and the opportunity.
- There are many good people and companies but often the system is not in their favour and transparent companies may even be penalised for smallest mistakes while more secretive competitors can get away with it.

- We are getting closer to a tipping point and the time is now for a mandatory due diligence legislation at the European level. This will give all companies the level playing field.

Paulina Dejmek Hack, Cabinet of European Commission Juncker, European Commission

- Sustainable finance is at the very core of Capital Markets Union, it is not a sideshow. We want deeper and more integrated EU capital markets, and sustainability considerations have to be part of it.
- Sustainable finance is an area where the EU needs to continue showing its global leadership. We have a good story to tell and we have seen many positive developments in past years: the Paris Agreement, the Juncker Plan with its 40% climate smart-investment goals etc. The public sector is not enough, we need to mobilise private and public sectors. European and national promotional banks play a very positive role.
- Sustainable finance is a part of the EU's united, positive agenda going forward, focussing on issues like innovation, research, digital and many others.
- We are not starting from scratch. We already have sustainable development goals, national measures, existing non-financial reporting standards, and existing industry initiatives. There is no need to reinvent the wheel – we need to build on the good basis we already have. Many companies are already doing a lot.
- The EU economy picking up and unemployment going down. It is important that the financial sector is part of the solution going forward.
- Sustainability is not about forcing sustainable choices on investors. This is about investor choice and transparency..
- We need to continue advancing this debate in a step by step approach and build on existing best practices and information. We cannot build a new taxonomy system over night.
- The approach in building the Capital Markets Union must be collective and inclusive. The Commission can be a positive force in terms of proposing legislation, but this will always be a collective effort by legislators, Member States, authorities, institutions and of course the financial sector.

Panel 1: How are European stakeholders acting to shift the dial towards sustainable finance? moderated by **Gwilym Jones**, Head of EBRD Brussels office

Diego Valiante, Capital Markets Union unit, DG FISMA, European Commission

- We can already see some financial losses materialising and there is a strong priority to act now to achieve our ambitious energy and climate change targets.
- The European Commission Action Plan is structured on three building blocks. First of all, the EC wants to create a reliable source of information. Inability to identify sustainable activities and sustainable assets is a market failure. The Commission is therefore launching an initiative in order to create a European classification system (a taxonomy), which will identify sustainable economic activities. The EC has recently launched a call for application for the creation of an expert group that will be launched in upcoming weeks and will be working until the end of 2019, to develop the taxonomy, among other things foreseen in its mandate. It will try to build as much as possible on already existing taxonomies. This will be the first major step to develop further initiatives. It will be complementary to other private initiatives, especially in corporate disclosure area. The EC is also looking into integrating sustainability factors, for example, in financial advice.
- The second objective of the action plan is to mainstream sustainability factors into risk management. One of the ways to achieve it is measuring the impact of sustainability factors on financial stability. The commitment is to assess the data that is already out

there and to see if adjustments need to be made to risk management practices and the prudential framework. Fiduciary duty of institutional investors is also very important, not just when proposing sustainability strategies but also in standard risk management procedures.

- The third aspect is the need to foster corporate transparency. We need to make non-financial disclosure more meaningful. The Commission has therefore launched a fitness check of the overall reporting framework.
- Sustainable Finance is going to be a long-term project and more initiatives will be presented in the coming years. The Action Plan will be a complex interaction of measures, which will affect– the whole investment value chain.
- Taxonomy is not going to focus on specific sectors, but it will be as comprehensive as possible.
- As regards to EU observatory, the European Commission is committed to establish a governance structure that will review and update the taxonomy and follow market developments, as measures are being implemented.

Flavia Micilotta, Executive Director Eurosif

- Eurosif has a great role to play in promoting sustainable finance through responsible investing, a crucial pillar in this equation. Eurosif works with its network of associations across Europe in order to promote Sustainable and Responsible Investment (SRI). The main work is in areas of advocacy and research (Eurosif SRI study).
- The SRI is today one of the most popular ways of making sustainable finance a reality. Investors' actions have been recognised by regulators. The SRI looks at how finance can be a mean to economy by financing social and environmental needs that our society is facing.
- Eurosif, with its Executive Director as member of the the High Level Expert Group, contributed to the definition of its work particularly around three pillars: transparency, accountability, disclosure, which represent the characterising issues of sustainable investing.
- The investors' community is very sensible about companies being sustainability future-proof, therefore, how sustainability can be integrated in their business models. Transparency and disclosure here are key.
- When it comes to fiduciary duty and the integration of the ESG criteria in the fiduciary duty, we have come a long way. Today, stakeholders have managed to push to the fore the understanding and acknowledgement that the work around fiduciary duty cannot be complete without integration of ESG parameters into it. This is a big revolution for the financial industry as a whole.
- The Non-financial disclosure directive will be one of the key tools to monitor if companies are truly sustainable players. The work of the TCFD is very valuable in this respect.
- Legislative developments of the past two years managed to really fast-forward changes in support of our industry. We are now very fortunate due to the political momentum.
- The retail investors can often be forgotten in our discussions although they are very important in making this industry truly mainstream. Some retail investors tend to be less savvy about sustainability, therefore transparency, disclosure and clear standards are absolutely key. The retail investors need to be aware of available choices in order to invest sustainably.
- Eurosif continues supporting the Commission in its work, specifically in regards to Recommendation 9 relating to ID and transparency.
- Eurosif is very positively impressed about the level of ambition in the EC's proposals, their rapidity and especially the content.

Lé-Quang Tran Van, AFEP and EuropeanIssuers

- The EU Action Plan on Sustainable Finance is a major step but the real challenge is not how to make finance greener but how to make the economy greener. It is important to help companies in their energy transition process and help them build sustainable and profitable projects. Imposing more disclosure requirements might not help in this regard because it is not easy to change a business model or energy sources that are used to produce the products that company is selling.
- The idea of taxonomy should be supported when it comes to identifying green assets. Taxonomy should be as wide as possible and then, depending on the sector/field/area in which it is implemented, it could be narrowed down.
- Another important aspect is including sustainability in prudential requirements. The key issue here is finalisation of the Basel III Accord and the review of the internal model for risk assessment.
- The Commission has launched its Fitness Check and should refrain from adopting any new reporting measures before the assessment is complete. The Fitness Check is an opportunity to have something that is efficient and proportionate in terms of disclosure.
- A proposal to establish a corporate lab is also very welcome. The mandate of the lab should be wider and should not be limited on best practices. It should be a place where policy makers and industry representatives can meet and discuss new legislation and make their proposals.
- As regards to expectations for corporates when it comes to sustainable finance, corporates need to be more involved in all discussion: they play a key role in the energy transition and reporting processes. They should therefore be directly involved in all discussions and in all policy-making stages on ESG, sustainable finance and climate reporting.
- Corporates need stability of regulatory framework – if rules changes often, it complicates things for companies.
- Afep has recently launched two initiatives in France: Shift project report on assessing climate risk; Engaging with non-financial rating agencies: Afep, together with Medef, is currently engaging a dialogue with the 9 major non-financial rating agencies following assessment by companies on key issues (business model, conflicts of interests, methodology).
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Rhian-Mari Thomas, Managing Director and Chair Barclays Green Banking Council

- The low carbon economy is the growth and investment story of our time. Barclays is responding to that opportunity by developing an innovative suite of commercial green financing products to support customers and clients as they transition to a low carbon future.
- The Barclays Green Banking Council, established early last year has not only been responsible for a greater focus on green bond origination but also for bringing to market green innovation loans, corporate loans, asset finance and trade loans as well as green corporate deposits, a green mortgage, a green accelerator space and our inaugural green bond issued Q4 last year. This is just the beginning of the green journey and the opportunity for innovation and growth in green finance is genuinely exciting.
- In Europe the latest estimated additional yearly funding requirement for sustainable investments is EUR180bn and the Committee on Climate Change has estimated that the total investment needed to meet the UK's fifth carbon budget is £22bn per year (roughly 1% of UK GDP).

- These huge numbers present significant investment opportunities and provide a key role for the capital markets and its intermediaries, the banks.
- However, ultimately, the speed and cost at which the private sector will invest in green will be driven by investors' perceptions of the risks and returns involved.
- An accurate assessment of those risks and returns can only be derived from disclosure of reliable, high quality data based on an agreed understanding of what is considered sustainable, requiring a common and shared taxonomy to be developed.
- Barclays welcomes the EU Action Plan's focus on disclosure, transparency and creating a common standardised language.
- Information is without question, the lifeblood of the markets and enhancing the quality and uptake of the TCFD recommendations as quickly as possible will be critical to prompt the market to more appropriately price the risks and returns associated with the low carbon transition.
- Barclays is a member of the TCFD Taskforce, it was also an early signatory and is actively engaged in a number of forums focused on implementing its recommendations. There is seemingly universal agreement that a successful disclosure regime will ensure that the balance is struck between delivering the right information for investors whilst not creating overly burdensome reporting obligations.
- There is clearly less agreement on the optimal way to achieve these aims. 250 major companies with a combined market cap to $6.5 trillion and financial institutions responsible for $80 trn of assets have already committed to adopt the TCFD recommendations. The power of market uptake will drive the successful implementation of TCFD. Given that climate-related financial risk disclosure is an evolving discipline that will require learning by doing and iteration, a voluntary approach could provide the appropriate flexibility that will promote uptake.
- Barclays leans towards the need for the TCFD recommendations to be mandatory in the medium-term in order to secure the initiative's long-term survival. A survey from January this year indicated that 76% of businesses questioned either hadn't or weren't aware if they had yet created scenarios to assess climate risks. As the HLEG report noted, companies will need a safe way to engage and experiment with disclosure. A comply and explain approach could provide the necessary flexibility and acknowledge the initial challenges of implementation but by setting an intention to make the TCFDs mandatory will provide the kick-start needed for widespread and speedy compliance.
- For this disclosed data to be comparable and actionable it needs to be underpinned by a common and shared taxonomy of what is considered sustainable, which in turn needs to be underpinned by an appropriate governance regime.
- There are two examples in microcosm of how the practical application of a common taxonomy and also the availability of sustainability data have enabled Barclays to develop green finance products to support green investment at Barclays.
- Barclays Green Product Framework, developed in partnership with Sustainalytics, sets out a clear definition of what constitutes green for our organisation. The framework is publicly available on the website and Barclays is committed to reviewing and revising it annually. The definition of eligible green activities provides mid-market corporate clients with clear guidelines and gives Barclays, as provider of finance, reassurance that the proceeds of green corporate loans, green asset finance and green trade loans are being invested sustainably.
- Barclays green residential mortgage, the first in a suite of green mortgage products in our UK pipeline, was launched last month and provides a separate example of how access to data can directly lead to channelling monies towards green outcomes. Last year, the UK government released data setting out the Energy Performance Certificates of every home across England and Wales in bulk downloadable format. This enabled Barclays to replicate the academic research that indicates that a

correlation exists between energy efficient homes and mortgage default rates. The conclusions drawn by analysing our mortgage book in this way enabled Barclays to develop a green mortgage product that offers a preferential rate to new build homes with an A or B EPC rating.

- Finally, despite the encouraging growth of the green bond market (recently passing the $400bn issuance mark) and the innovative development of other green products, to increase investment in green infrastructure, technology and services, there needs to be a pipeline of investible projects towards which banks can direct finance. This translates into the need for an industrial strategy backed by long-term visibility and transparency on policy direction that will provide the confidence for business to generate the opportunities for financial investments.
- In conclusion, whilst there isn't sadly a single silver bullet (or green bullet!) that will mobilise the financial markets towards green investment, the proposals set out in the Action Plan provide a powerful set of both supply side and importantly demand drivers, which we welcome and support, as we continue to play our part by innovating and developing the expertise to support clients' green and sustainable goals further.

Andrew Watchman, EFRAG TEG Chairman and CEO

- EFRAG's traditional core role is in the financial reporting world. The Action Plan contemplates an expanded role for EFRAG.
- There is a slightly troublesome tendency in the debate around transparency and disclosure, in the context to somehow suggest that financial reporting is broken or completely redundant. Financial reporting still has a crucial role. If we want a sound financial system and efficient markets that will bring investors together with investment opportunities, we need robust and reliable financial reporting. Financial statements serve and will continue to serve as an essential reality check. The more we improve methods to provide forward looking information, the more the important of that final reality check becomes.
- Let's not discard or downgrade financial reporting but let's welcome international cooperation and harmonization in this space. Let's call for continuous improvement.
- As the Action Plan points out, sustainability and long-termism go hand in hand. EFRAG's current work on accounting for equity investments from a long-term investing perspective is looking at an important aspect of this (consultation paper open for comment until 25 May).
- Financial reporting, of course, has its limitations. Also, information needs are changing. Financial reporting is backward-looking: financial position at a point in time and previous financial performance; it is periodic, not continuous and not well suited to capturing intangible value-drivers. These limitations need to be acknowledged and there is still some work to do on financial reporting.
- In current confusing landscape, the hope is that the sustainable development agenda can be a catalyst to take a step forward in harmonisation and comparability of non-financial reporting more holistically.
- A balance needs to be struck between standardisation and not creating a boilerplate compliance/check list mentality. We need to move towards something that is a communication and compliance exercise. This is very important for an effective engagement between companies and investors.
- EFRAG will be contributing to the Action Plan agenda in several ways. It was asked to establish the European Corporate Reporting Lab. The idea is to bring together all stakeholders to identify innovative approaches across the whole reporting spectrum. It will foster experimentation, encourage innovation and identify best practices.
- We should not use financial reporting as a tool to incentivise or disincentive particular economic behaviours beyond providing markets with high-quality information. Let's

not try to interfere with neutrality of financial information. However, financial reporting can have unintended consequences and EFRAG is evaluating them.

Roxana Damianov, acting Head of Corporate affairs, ESMA

- Presented the challenges relevant to the 3 main ESMA objectives: contribute to financial stability, ensure investor protection and promote orderly financial markets.
- The first challenge which might affect financial stability concerns the timing of the transition to a sustainable system, which is critical. Another factor related to financial stability is the time horizon for sustainable investment and the role of transparency. Very often we talk about short-termism and about changing investors' perspective from short-term to long-term. This is a very delicate topic, sometimes it is very easy to jump to conclusion and put the blame on investors. There are number of areas that can be looked into, especially the role of transparency in the short-term trends.
- Investor protection is a task on which moving to sustainable finance will pose some challenges. We need to think about the learning curve and what are the right tools to make investors aware of sustainable factors which are relevant for their decision making. Investment advisors need to integrate ESG factors into the risk profile of investors.
- Adaptation speed of each actor is different. It is important to keep a close eye on how developments are incorporated and how quickly they are absorbed by investors.
- As regards to orderly functioning of financial markets, it is clear that transparency is key. It is now time to move forward with non-financial information. Some steps in this direction were already made by introducing the Non-financial reporting directive. However, this is just the beginning and we need to put more effort into this.
- ESMA is supporting the European Commission's ambitious plan. The objective is valuable and sustainable finance is the critical element that we need in order to transform the capital markets into a system that is focused on long-term growth and prosperity.
- This is the first year when the non-financial reporting directive is applied. ESMA has prepared for it by creating a group which plans to review a number of reports prepared by companies and draw some preliminary conclusions on the first year of application.

Panel 2: How corporate sustainability reporting frameworks are enabling businesses to engage with sustainable finance and the SDGs, moderated by **Nikki Wood**, e-Revalue and Datamaran

Jimmy Greer, ACCA's head of sustainability, presented ACCA's report *Sustainable Development Goals: redefining Context, Risk, and Opportunities*.

- The challenge of meeting the SDGs by 2030 is immense. A critical factor in the SDGs success will be their mainstreaming as real-world prosperity benchmarks, so that new opportunities can be realised, and that their delivery becomes embedded into business practices through effective monitoring, and balanced reporting on genuine progress towards achieving them. The SDGs are set to be a defining challenge for business, the finance industry and the accountancy profession for the coming years

Tom Verheye, Principal Adviser on Green Finance and Investment, DG ENVIRONMENT, European Commission

- There are many great initiatives relating to corporate sustainability reporting; yet the lack of coherence and comparability across the many methods is concerning.
- We have been talking about sustainable finance for a long time and the interest peaked again because of the Agenda 2030 and the Paris Agreement; however the

strong private sector engagement, especially from the finance industry, is what makes the current situation different and the opportunity for change bigger.

- Both agreements embrace the vision of "Living Well within the Planetary Boundaries" embedded in the EU's 7EAP or in short "One Planet". It marks an international acknowledgment that current business practices are not compatible with a world in which 10 billion people share a finite pool of natural resources.
- In our pursuit of environmental sustainability, finance is a means, not an end – we need to solve several key outstanding environmental problems. More than half of the 10 most critical risks identified by the WEF relate to the environment; climate, air and water pollution, droughts, floods, land degradation, fragmentation, and biodiversity loss.
- Despite the many good sustainability reporting frameworks, few yield results providing an adequate overview of material impacts and dependencies of a business relating to the key components of the natural capital: air, water, land, and biodiversity.
- There is no robust and reliable information system available today that allows investors and others to assess and compare the sustainability performance of a business with that of peers.
- This was highlighted by the HLEG and the Commission as a principle obstacle for scaling up corporate environmental risk management and the allocation of capital to sustainable investments.
- The EU taxonomy is the first step in order to build a common language.
- Another important means is environmental accounting and reporting as referred in Action #9 of the Action Plan. It calls for further identifying and encouraging good practices on environmental accounting and reporting and suggests a lab hosted by EFRAG as an important hub for doing so.
- The environmental accounting practice, pioneered by Puma in 2012 and later expanded on by others, offers a particularly compelling range of best practice cases; it combines a comprehensive approach with an easy to understand set of accounts covering the key components of the natural capital: air, water land, and biodiversity. Success stories such as these show that it is important that senior management is fully behind the drive towards more sustainability.
- Managers and investors will ultimately need a set of generally accepted environmental accounting and reporting standards to assess the sustainability performance of their business both in terms of environmental impact and dependencies.
- It is essential that we are successful in delivering the action plan. There is a need for convergence. We need to try simplifying the basis of what we're trying to do and ideally with a certain purpose in mind.
- We cannot just focus on the good and positive when it comes to reporting on SDGs. If we are serious about tackling significant environmental and other problems, we need to pay attention to companies with a large footprint. That is where environmental accounting could usefully complement taxonomy related work.

Wim Bartels, Member of the TCFD and Deputy chair ESG Reporting Task Force, Accountancy Europe

- Back in 2016, when many companies started talking about SDGs, it was meant for countries and not companies. By now many companies have taken the SDGs as their beacon to relate their CSR issues. They are however not yet addressing the SDGs to the level they should as a company in light of, for example, the planetary boundaries. What they do is linking their current initiatives and indicators to SDGs. Another issue is reporting the indicators that inform real progress against the SDGs. There is a lot of room for improvement in order for companies to contribute to the SDGs at the level required from a societal perspective.

- Reporting frameworks could come in and help with that. There is a number of reporting frameworks that have developed guidance for relevant SDGs. The GRI is the most well-known, but also the IIRC, UN Global Compact, ISO and SASB have developed guidance that can assist companies in identifying the most relevant SDGs for their business and the information and indicators they can use to inform progress.
- There is a lot of confusion around which framework companies should use. Therefore convergence of frameworks is needed. AccountancyEurope has issued a Call for Action last year particularly directed to the non-financial reporting frameworks to work on further alignment and have encouraged the IASB to take a co-ordinating role in global corporate reporting (to include SDGs).
- AccountancyEurope welcomes the European Commission Action Plan and believes in the Core & More concept in order to balance concise reporting with further detailed reports for other purposes.
- The Corporate Reporting Dialogue has worked over the past year towards better alignment of frameworks. Over the next few months it will start a project to align non-financial reporting frameworks.
- There is one other relevant perspective to all this that will change the landscape drastically and is already part of the action plan: the TCFD recommendations on financial risks and opportunities from climate change. The interesting shift is the focus of this voluntary framework: the impact on the company rather than the impact by the company in its relation with the environment.
- When it comes to addressing negative aspects in reporting if we want to provide comprehensive information on SDGs, we need to apply the principle of good corporate reporting also to SDG reporting. That could mean including those SDGs where companies have a negative impact and could provide better balance and complete picture.

Tatiana Krylova, head of Enterprise Branch, Division on Investment and Entreprise, UNCTAD ISAR

- Corporate reporting is a key systemic source of information on corporate performance. For decades efforts were put to improve its usefulness for a range of users by developing a common set of requirements in the area of financial reporting known as “general purpose financial statements”.
- New trends have also evolved in corporate reporting in the areas of CSR, sustainable development and integrated reporting. These initiatives have played a very important role in raising awareness and advancing the agenda of corporate reporting.
- With the adoption of SDGs, there is now a clear need to unite and synergise these areas of reporting, following also an increased pressure to integrate sustainability or climate change related issues into companies’ business models and reporting cycle. One of the key reasons, among others, is growing financial risks associated with these issues.
- UNCTAD is actively involved in the implementation of the SDGs. Being a focal point in the UN on enterprise accounting and reporting issues, through coordination of the ISAR group (Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting) UNCTAD works with member States and key stakeholders towards enhancing the role of reporting in the SDG agenda and its monitoring mechanism.
- As part of the commitment to the implementation of the SDGs, member States need to provide progress reports on the implementation of the SDGs in all different areas, including on the private sector contribution to the SDG implementation Tools are needed to enable such reporting. To address this issue UNCTAD has launched its initiative on selecting a limited number of core SDG indicators which will be common across industries and will provide a baseline for companies to report on their

contribution to the SDGs. Such indicators will also help countries to collect data from companies to report on their progress towards SDG implementation at a national level.

- This work aims to harmonise the sustainability reporting, facilitate its comparability; based on consistency between the data provided for these indicators and financial reporting requirements and alignment with the SDG monitoring framework of national SDG macro indicators.
  When selecting core SDG indicators, it is of course important to understand the diversity of companies activities and their business models. However, it is still possible to identify common areas for all companies. For example, all companies use resources, natural resources such as water, energy, air; generate waste; they also use human capital. Rational use of these resources is critical for achieving the SDGs and this could be a starting point and a common denominator for companies to reflect on their contribution in this area in a consistent and comparable manner.
- The initiative on the SDG indicators for companies also supports UNCTAD's another work on developing meta data guidance on sustainability reporting for companies in its capacity as a custodian on the SDG 12.6.1 "Number of companies publishing sustainability reports". . - one of the UN monitoring indicators on the attainment of the SDG agenda.
  In its efforts towards enhancing the role of corporate reporting in the SDG agenda UNCTAD collaborates closely with all key stakeholders in this area to ensure synergies and coordination among different players in order to unite global agenda on sustainable development for countries, companies, investors and civil society.

Andrea Valcalda, Head of Sustainability, ENEL

- More and more companies, or at least the most advanced and successful companies, are committed towards a real, business-driven integration of sustainability targets and SDGs opportunities into their strategy and operations. Maybe, beyond integration, today we can see some example of sustainability-driven business or industry transformation, and the energy transition is a good example.
- It's a question of long-term, sustainable value creation for both shareholders and, more broadly, for society. Sustainability is "simply" a good and sound business conduct, to reduce risks and to catch new opportunities.
- Investors are more and more aware and also demanding in regards to ESG factor. We do not need to start from scratch or reinvent the wheel. Companies today are mature enough to have a strong ESG performance system that goes beyond reporting.
- Sustainable finance is becoming mainstream. Companies need to be ready to engage in this discussion together with all stakeholders.
- We all need an effort in terms of accountability, starting from best practices, to set standards avoiding the proliferation of models and sustainability indexes.
- ENEL's SDG reporting framework is in line with SDG Compass and GRI standards. ENEL took very specific SDG targets early on: number 13 - Climate Action, number 7 - Energy, as well as number 4 - Quality education and number 8 - Decent work and economic growth.
- ENEL reports on SDGs together with the financial performance. It is important for ENEL to focus on the mentioned goals because we run a long-term business that stays in communities for many years and becomes a part of it. The progress of these communities is our progress, but also a way to reduce company's risks. Every single investment comes with a Shared Value Plan and investors are becoming aware of this.

Jonathan Labrey, Chief Strategy Officer, IIRC

- Integrated Reporting isn't a standard but it draws on standards, like the GRI standards. The IIRC was found when the financial reporting community and the sustainability reporting community recognised that a new strategic framework was necessary in the changed world so that companies could communicate something that was strategic and it was top down from the management and the board of the company that was part of corporate governance.
- The heart of the framework that was created in 2013 on three fundamental principles: 1. businesses today should be communicating how they are creating value over time and value is multifaceted; 2. companies should be explaining their business model and how those multiple value sources fit into that business model and create outcomes for themselves, society and the environment; 3. fundamental aspect is capital – we shouldn't rely on financial capital but also human, natural, social, intellectual capital. The SDGs go very well with the integrated reporting framework.
- There are three main dilemmas that traditional reporting faces: 1. The SDGs are wide and interconnected, and yet our current reporting system is still very silo based. We don't have an integrated story of value creation yet as a mainstream way for companies to communicate how they are creating value, although the SDGs demand that companies think in a very connected way.
- 2. Sustainability reporting and sustainable finance is often seen through a lens of risk mitigation rather than through value creation. Businesses are in the business of creating value and we have to look at reporting against the SDGs from the perspective of where the business is in that respect.
- 3. The biggest dilemma is that the environmental cycle and the social cycle is much longer term than the business or economic cycle. We really have to challenge the very short-term disclosure horizons that businesses report upon. By extending the disclosure horizon, we also address the issue of investors' fiduciary duty because if a company reports on the long-term, that automatically changes the reference point for investors and the duty they have towards the business.
- The IIRC has commissioned Professor Carol Adams to look at the integrated reporting framework and the SDGs and evaluate what steps businesses can take now to start the process of implementing the SDGs using the integrated reporting framework. The paper has been developed that sets out five steps.
- The real benefits of integration are the streamlining and the efficiency within the business. There is a lot of information that is duplicated within the organisation and is being brought together very late in the day. Very often the sustainability information is also produce later than the core financial information which means that investors aren't taking that information into consideration when making their capital allocation decisions. More information doesn't mean better reporting. Principle of conciseness should be kept in mind when preparing reports.

Jon Whitehouse, global head of government relations and citizenship, Barclays

- Sustainability is no longer a buzz word or something that is nice to have, it is the theme of our time and it's fundamental to the way we do business. We need to embrace sustainability and recognise that it is fundamental to the way we serve our customers. Time is running out and we need to move quickly. We need a coherent approach to sustainability that moves us beyond just thinking about green – much broader outlook is necessary.
- The private sector has a huge role to play. A collective action from businesses, policy makers and other stakeholders is essential. More stable regulatory framework, harmonisation in reporting and offering a less confusing landscape for investors is also key. Despite all challenges, there is a huge opportunity in front of us and we should embrace it.