

22 October 2018

HRH The Prince of Wales
Clarence House

Sir

I was fortunate to be one of the small group of people present in Clarence House in September 2009 that discussed sustainability and business reporting. It was an important step in establishing the International Integrated Reporting Council (IIRC). That meeting, and the IIRC, would not have happened without Your Royal Highness's foresight and support.

Each of us at that meeting had our own story and reason for being there. My journey had begun about 10 years earlier in my home town of Auckland, New Zealand. I was creating, for Price Waterhouse, illustrative financial reports that included sections to help clients explain to their investors how they were managing their relationship with the environment.

One client became particularly engaged with this process and set out to quantify the effect of their activities on the environment. A simple case was a decision to replace a surface-level wastewater pipe that dissected a harbour inlet in Auckland with a sunken pipe. The company presented an analysis of the costs of different replacement options and the relative benefits. The underground option was more expensive and increased the financial cost to its customers. The openness of this process was integral to the company making the decision to spend a little more to meet the environmental goal of restoring the inlet to a more natural state. I think it demonstrates that when costs are shared, and people understand that this is a small price to pay to protect what really matters, they are willing to make sustainable decisions.

It did not stop there. This open and forward-thinking reporting was also viewed favourably by the company's lenders and was seen as one of the main reasons the company received the most favourable interest rates within their credit band. It reduced the cost of their borrowings.

I find examples like this empowering. However, without an appropriate forum these stories remain just that, stories—they become isolated and lost. Your Royal Highness provided leadership for a message that has brought together people with gentle voices and combined them into a collective and strong voice for change. By speaking up and challenging the business community to think about a more sustainable business model Your Royal Highness has created a new audience.

The 2018 Finance for the Future Awards demonstrated that we have come a long way. More and more people understand that sound, sustainable, business decision-making involves thinking about a wider range of factors. Importantly, those decisions are

affecting many people—including the customers and local community—in a very positive way. It was particularly encouraging to see contributions from so many countries. These are no longer isolated stories.

Having said that, we clearly have some way to go for this thinking to be embedded more broadly in business. In a speech to Lloyd's of London in September 2015, Bank of England Governor Mark Carney said that "... the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors – imposing a cost on future generations that the current generation has no direct incentive to fix..." We need to find more incentives for businesses to factor longer-term issues of sustainability into their thinking and decision-making. Businesses are facing challenging times. I am sure they find it hard enough dealing with short-term issues.

There is unlikely to be a simple, single solution. However, one small and achievable step would be to lower the costs to businesses of getting helpful information about the choices they face. Lowering the barriers allows people to peek over and see the potential benefits.

Whilst we have centuries of experience in measuring activities in monetary terms, many of the decisions that affect sustainable growth require non-financial information. Rather than asking each business to develop its own metrics, we need generally accepted standards. Today, if anything, we have too many standards for non-financial measures. It would be helpful if we could coalesce around a core set of measures, in the same way that International Financial Reporting Standards have become the accepted standard for financial reports.

Similarly, it is challenging for businesses to estimate the impact particular decisions have, or are likely to have (such as the consequences of changing delivery systems or reducing reliance on a particular type of energy). A concerted effort to establish simplified measures, such as indices or ratings, could provide strong yet simple signals about the choices businesses are making. Not only should generally accepted standards reduce the costs of providing information, but the information would be auditable, giving it more credibility.

I wish Your Royal Highness all the very best in celebrating your 70th Birthday and thank Your Royal Highness for providing continued leadership on sustainable thinking.



Alan Teixeira

Dr Alan Teixeira: Global Director – IFRS Research (Deloitte), former Senior Technical Director of the International Accounting Standards Board and former member of the IIRC Working Group and IIRC Framework Task Force.