

His Royal Highness The Prince of Wales KG, KT, GCB, OM, AK, CD, QSO, PC
Clarence House
London SW1A 1BA

14 November 2018

Sir,

It is a great privilege to mark the occasion of Your Royal Highness's 70th birthday with this personal reflection on the enormous contribution your leadership has played in providing the intellectual and practical impetus that is accelerating an end to the polarization between our natural world and the financial measurements used to track economic, business and investment performance. The cause you have championed, and the action it has inspired, is both urgent and essential.

My own deep reflections on this polarization started during my Presidency of the Institute of Chartered Accountants in England and Wales (ICAEW) in 2004/5. In conversations with Your Royal Highness's then private secretary, Sir Michael Peat, I was confronted with this question: what kind of future are we aiming for if we treat nature and finance as polar opposites?

Your Royal Highness crystalized the role that the accountancy profession should play in resolving this dilemma in a speech to mark the ICAEW's 125th anniversary in May 2005, "*...without the ability to identify and assess in a robust and consistent manner the longer-term and wider consequences of our own decisions, we will not know whether our prosperity and quality of life today are being achieved at the expense of our children and grandchildren*". In my introduction to Your Royal Highness on that occasion, I revealed that we had surveyed accounting students and asked them what they thought could be the leading business headline in *The Financial Times* in 2030. The winner answered, "*Chinese renewable energy company rules the world*". A headline that perhaps seemed fanciful to many in 2005 is all too believable as we survey the landscape in 2018.

From the moment of Your Royal Highness's speech in 2005, breaking down the man-made and wholly counter-productive barriers between our capital markets, businesses, society and the environment became a professional and personal interest, mission and cause – a cause that continues to this day. The launch of Your Royal Highness's Accounting for Sustainability initiative in 2004 set a course which I can report is impacting business decisions and pivoting corporate and investor behaviour towards the long-term in over 60 countries globally, including in every G20 economy and all BRICS countries. One of the major catalysts for this transformation was the report published by A4S in December 2007 which proposed the concept of 'connected reporting' to help break down the artificial barriers that were holding back progress in measuring and embedding environmental factors within mainstream business decisions. The report also gave birth to the idea of a business having a responsibility for holistic and long-term value creation.

It is a tribute to Your Royal Highness's leadership, as well as the dedication of so many - including the current Executive Chair of A4S Jessica Fries - that the work did not end with that report. Indeed, it spurred a new beginning in the form of the International Integrated Reporting Committee (IIRC),

created at an historic meeting Your Royal Highness hosted at St James's Palace in December 2009. It was my honour to be invited to become the IIRC's Chief Executive Officer overseeing its transition to become an independent Council in 2012.

While A4S was founded on the principle of connecting sustainability and financial considerations, integrated reporting has added two new dimensions – of *integration* and *multi-capital* thinking and decision-making. In its short life the IIRC has become a powerful international coalition which includes business leaders and investors, regulators and standard setters, the accountancy profession and NGOs. The concept of integrated reporting respects human, social, environmental, intellectual, manufactured and financial resources as equal contributors to a business's value creation process. Crucially, it is helping companies to adopt the UN Sustainable Development Goals (SDGs) and the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD), which I know Your Royal Highness played an important role in inspiring. Today integrated reporting is adopted in 67 countries and has been included in the corporate governance code or endorsed by the capital market regulator in 16 major economies.

As William Wordsworth said, "*Come forth into the light of things, let nature be your teacher*". In keeping with these profound and beautiful words, Your Royal Highness can be sure that a new generation of finance professionals and business leaders are increasingly guided by nature, whose precious value it is in all our interests to preserve for this and future generations.

I would like to conclude this letter with a very personal reflection. I began by highlighting the historic polarization between financial and natural capital. It is widely reported that the world has never been more polarized – geographically, economically and generationally. Yet I would argue, too, that our world has never been more connected. Globalization, the human quest to understand and embrace new cultures, and technology are creating interconnections and interdependencies that have never existed in our world before. At the same time more and more issues are becoming cross-border or borderless in their dimensions and impact – from cyber security to climate change. In order to achieve our mission, I believe it is vital that we harness these trends, and connect them to the power, ingenuity and unbridled optimism of the next generation whose values, combined with their spending power, have the capacity to bring about a positive and powerful intergenerational shift in resource allocation towards sustainable, ethical and inclusive value creation.

It is an immense privilege to have played a small part in this historic journey.

I have the honour to remain, Sir, Your Royal Highness's most humble and obedient servant,

A handwritten signature in black ink, appearing to read 'Paul Druckman', with a stylized, flowing script.

Paul Druckman