



Press Release

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A4S and Aviva Investors launch report outlining actions to help deliver a global sustainable financial system

The Prince's Accounting for Sustainability Project (A4S) in partnership with Aviva Investors has today launched the Financing our Future report, which makes recommendations on how each part of the investment chain can take practical actions to move towards a sustainable global financial system that supports delivery of the UN Sustainable Development Goals (SDGs) and on a pathway towards achieving the Paris Agreement. The report will be referred to during the 'Financing the 2030 Agenda for Sustainable Development' session at the United Nations General Assembly (UNGA) this afternoon in New York.

A4S convened a Finance Leaders' Summit hosted by His Royal Highness The Prince of Wales in July, at which the Financing our Future report was first tabled. Over 60 Chairs, Chief Executive Officers, and Chief Investment Officers from global financial institutions attended and contributed to the recommendations including Bank of America, HSBC, the Bank of England, IOSCO, World Bank Group, BlackRock, Brookfield Asset Management, Moody's, S&P Global, the Government Pension Investment Fund (Japan), BaFin, ABN Amro and Nordea.

The report, which was also supported by Aon, has recommendations for each part of the investment chain to take in order to deliver a sustainable financial system. This includes building a compelling evidence base and motivating people to act, developing consistent terminology, allocating funds to sustainable outcomes, adopting reporting standards, and pricing externalities. It also identified current actions already taken by actors across the financial system and the barriers to progressing further.

Commenting on the launch of the report, Jessica Fries, Executive Chairman of A4S, said, "This report comes at a pivotal time for the investment community. With the Business and Sustainable Development Commission estimating that achieving the SDGs will open up US\$12 trillion of market opportunities by 2030, the action of one global financial leader is significant, but the potential for positive impact when acting in concert is immense and this is what we hoped to initiate with the recommendations within the Financing our Future Report."

Mark Wilson, Group CEO of Aviva Plc, said, "Business can be the greatest force for good on the planet, but we need to make sure the interests of individuals and organizations reflect the interests of society and our planet. His Royal Highness The Prince of Wales has shown consistent vision and leadership on these issues and I hope that by providing a practical guide for each part of the financial system, this document can act as a catalyst for change."



Joaquim Levy, Managing Director and The World Bank Group Chief Financial Officer, who spoke at the event, said, "The A4S Finance Leaders' Summit offered a timely opportunity on new ways to mobilize finance to address climate change and fund the considerable mitigation and adaptation efforts required today. New evidence shows that infrastructure debt (especially in "green" sectors) has a better risk profile than usually thought, and we are engaged with financial regulators on how that can help foster this asset class. We look forward to continuing this vital dialogue with investors, asset managers and representatives of savers at the high level Investor Forum which will take place on November 29th, in Buenos Aires, on the eve of Heads of State Summit. We must work together to strengthen the environment for long term, sustainable investment."

The report is available to download via www.accountingforsustainability.org/financing-our-future from 05.01 (BST) 00.01 (Eastern) on 24th September.

Details of the recommendations and the attendees at the Finance Leaders' Summit can be found below.

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For more information:

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Editor's Notes:

ABOUT THE PRINCE'S ACCOUNTING FOR SUSTAINABILITY PROJECT (A4S)

The Prince's Accounting for Sustainability Project (A4S) was established by HRH The Prince of Wales in 2004 to "help ensure that we are not battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems". Our aim is to make sustainable decision making business as usual.

We work with the finance and accounting community to:

- **Inspire finance leaders** to adopt sustainable and resilient business models
- **Transform financial decision making** to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues
- **Scale up action** across the global finance and accounting community

We have three global networks:

- **Chief Financial Officer Leadership Network:** Chief Financial Officers from leading organizations seeking to transform finance and accounting
- **Accounting Bodies Network (ABN):** global accounting bodies whose members comprise approximately two thirds of the world's accountants
- **Asset Owners Network:** Pension Fund Chairs exploring the relevance of material social and environmental risks and opportunities with peers

www.accountingforsustainability.org

FINANCING OUR FUTURE REPORT RECOMMENDATIONS

1. **Build and disseminate a compelling evidence base, and motivate people to act**



A significant number of individuals and organizations across the finance community are convinced that a range of social and environmental issues present material financial risk and opportunity, and that adoption of sustainable approaches to finance are in the best interests of their organization and its core stakeholders, including the ultimate owners. This view is, however, still not the norm despite a growing body of research conducted by leading investment research houses and the academic community. This implies that either: a) there remain gaps in the research undertaken to date, b) existing research is not being disseminated effectively, or c) the evidence base does not influence underlying beliefs.

Suggested actions:

- 1.1 **Establish a global research fund** which can identify critical gaps and commission research to close those gaps from both the academic and investment research communities.
- 1.2 **Extend existing analysis** to include ESG considerations and provide an outlook over longer time horizons than is currently the norm.
- 1.3 **Engage with key industry publications and the financial media** to support dissemination of research.

Motivation to act: convincing people that sustainability matters

There not only needs to be compelling evidence of the importance of integrating ESG into investment decisions, individuals throughout the investment chain and capital markets need to be convinced and to want to take action, as well as have the knowledge to do so. Surveys increasingly show that, when asked the question, a significant proportion of people – of all ages, across the world – would like to put their savings and investments to better use and invest more responsibly.

Suggested actions:

- 1.4 **Engage with individual savers and pension fund beneficiaries** to support alignment with beliefs, working with corporate sponsors and the investment community as relevant.
- 1.5 **Incorporate into recruitment processes** a consideration of attitudes to issues such as climate change
- 1.6 Signal the importance of sustainability issues to peers and others along the investment chain by **raising as a central part of meetings, conferences and as part of procurement processes.**
- 1.7 **Review incentive structures** to ensure that sustainability performance outcomes are part of short and long term remuneration across the investment chain.
- 1.8 **Incorporate into professional codes of ethics and qualifications** to provide the necessary culture, tools and knowledge for investment professionals to act.
- 1.9 Ensure that trustees, board members, and **key decision makers are 'sustainability competent'**, for example, through dedicated training programmes such as those run by the University of Cambridge Institute for Sustainability Leadership (CISL).
- 1.10 **Consider the need to strengthen regulatory guidance** to reinforce the need to consider ESG matters, in particular as part of fiduciary responsibility.



2. Develop consistent terminology, definitions and clear product labelling backed by standards and verification

As interest in sustainable products grows, there is also growing confusion, both in terms of the definitions around sustainability and sustainable finance, and the labelling of products. Linked to this, there is also greater risk of 'green washing', with products, funds and managers labelled as sustainable without delivering tangible impact or effectively addressing ESG risk and opportunity, as well as increased risk of misselling.

Suggested actions:

- 2.1 Support efforts underway at national and international levels to **develop clear labels for products**, with the aim of delivering globally consistent standards, for example by working with The International Organization for Standardization (ISO).
- 2.2 **Adopt existing best practice standards** where they exist, for example, the green bond principles and the social bond principles.
- 2.3 **Report on outcomes** – both financial and non-financial – in a transparent manner to enable retail and institutional investors to assess performance.

3. Allocate funds to deliver sustainable outcomes

To support a rapid transition to a net zero carbon economy and achieve the SDGs, there needs to be a significant increase in financing towards activities which will deliver these outcomes. This is likely to require both increased allocation of funds towards explicitly sustainable products, for example social or green bonds, as well as the integration of ESG considerations across all aspects of financing and investment decision making.

Suggested actions:

- 3.1 **Set a target percentage allocation** to a sustainability innovation/outcome fund focused on opportunities around the SDGs and carbon transition.
- 3.2 Consider actions to enable **the allocation of unclaimed dividends** to sustainable outcomes.
- 3.3 **Conduct an analysis across all funds, loans and investments** to assess the positive and negative contribution made towards the SDGs and Paris Agreement, developing a strategy to align investment policies and decisions with these outcomes.
- 3.4 **Consider ways to adopt index linked funds which factor in sustainability as the norm**, rapidly increasing the allocation to these funds

4. Agree and adopt common reporting standards covering asset owners, asset managers and companies to close data gaps and enable comparison

Without information providing insight into sustainability factors, users across all parts of the system cannot properly assess the performance or prospects of companies or funds. There are three common issues faced by those seeking to incorporate a better understanding of sustainability risk and opportunity into investment decisions: 1) a lack of common frameworks or standards leading to a lack of consistency, 2) significant data gaps through failure to disclose, in particular where reporting is left to voluntary approaches rather than mandatory, and 3) a lack of enforcement of existing requirements. Joint action is required to close the information gap, a prerequisite for effective integration and alignment of sustainability and finance.



Suggested actions:

- 4.1 **Accelerate adoption of the Taskforce on Climate related Financial Disclosures (TCFD)** (See page 30) by committing to report against the recommendations and encouraging others to report, for example investors can exercise voting powers where there is a failure to provide adequate disclosures, and asset owners can consider inclusion as part of the selection process for managers.
 - 4.2 **Integrate sustainability information into core business decisions and client interactions**, whether it be guiding investments, providing analysis of companies or rating bonds, and make it clear to preparers how the information is being used.
 - 4.3 Work with other interested regulatory authorities around the world to **provide the mandate to an independent global body** with appropriate competence, oversight and accountability mechanisms to set sustainability standards, and provide incentives for existing standard setters to work together to drive greater convergence. Make disclosures mandatory in own jurisdiction, both by companies and by funds. For companies and investors, join forces to provide regulators with a clear call to action.
 - 4.4 **Consider the potential for the SDGs to improve reporting on sustainability impacts** by investors and companies, for example by using the SDGs as a framework for strategy development, target setting and reporting, and through support for the World Benchmarking Alliance (WBA). (See page 68)
5. **Price externalities such as carbon to accelerate the ability of the market to price risk properly and thereby integrate into decision making**

Social and environmental risks are starting to have short term financial impacts, however, the full consequences are only likely to impact over the longer term, and the cost will not necessarily fall on those with the greatest need to act. Finding ways to price in the risks faced to accelerate action is therefore vital.

Suggested actions:

- 5.1 **Adopt a shadow price on carbon** within analysis and investment decision making, for example through joining the Carbon Pricing Leadership Coalition (CPLC), aligning the price with the latest analysis (for example, the CPLC's recent work suggests a price on carbon of US\$100 by 2030).
- 5.2 **Support efforts to internalize market externalities** into the price signal at a level sufficient to affect investment decisions. This could include effective carbon pricing at an impactful level, and with clear signals setting out future increases, as well as eliminating fossil fuel subsidies.
- 5.2 **Develop natural and social capital accounting** models and look to incorporate into decision making to identify and respond to other externalities within the value chain which might present current or future opportunities and risks across other dimensions of sustainability.



PARTICIPANTS AT THE A4S FINANCE LEADERS' SUMMIT

Kees	van Dijkhuizen	Chairman & Chief Executive Officer	ABN AMRO
Alan	Stewart	Chief Financial Officer	Tesco
Ambassador Marc-André	Blanchard	Canadian Ambassador	United Nations
Andrew	Wilson	Chief Executive Officer	Goldman Sachs Asset Management
Andrew	Chisolm	Board Member	Royal Bank of Canada
Ann	Mather	Board of Directors	Alphabet
Anne-Marie	Verstraeten	CEO of United Kingdom	BNP Paribas
Antonio	Horta Osorio	Chief Executive Officer	Lloyds Banking Group
Ashley Ian	Alder	Chairman (Chief Executive Officer, Securities and Futures Commission, Hong Kong)	International Organization of Securities Commissions (IOSCO)
Brian	Moynihan	Chief Executive Officer	Bank of America Merrill Lynch
Brian	Lawson	Senior Managing Partner and Chief Financial Officer	Brookfield Asset Management
Casper	von Koskull	President and Chief Executive Officer	Nordea
Christine	Brogan	Director and Chief of Staff - Clients and Markets Executive	PwC UK (EP)
Christopher	Woolard	Director of Strategy and Competition	Financial Conduct Authority
Daniel	Klier	Group General Manager, Group Head of Strategy and Global Head of Sustainable Finance	HSBC
Dave	Thomas	CEO, Europe	RBC Capital Markets
David	Warren	Interim Chief Executive Officer and Group Chief Financial Officer*	London Stock Exchange Group
Dawn	Turner	Chief Executive Officer	Brunel Pension Partnership



Didem	Nisanci	Managing Director	Promontory Financial
Douglas	Peterson	Chief Executive Officer	S&P Global
Elizabeth	Corley	Vice-Chair	Allianz Global Investors
Emma	Howard Boyd	Chair	Environment Agency Pension Fund
Frederic	Janbon	Chief Executive Officer	BNP Paribas Asset Management
Geraldine	Matchett	Chief Financial Officer	Royal DSM
Gord	Beal	Chapter Director	A4S CFO Leadership Network – Canada
Helen	Slinger	CFO Leadership Network Director	The Prince's Accounting for Sustainability Project (A4S)
Hiromichi	Mizuno	Chief Investment Officer	Government Pension Investment Fund (Japan)
Javier	Echave	Chief Financial Officer	Heathrow Airport
Jessica	Fries	Executive Chairman	The Prince's Accounting for Sustainability Project (A4S)
Joaquim	Levy	Managing Director and Chief Financial Officer	World Bank Group
Johan	Sidenmark	Chief Executive Officer	AMF Pension
John	Belgrove	EMEA Head of Investments and Senior Partner	Aon
John	Haley	Chief Executive	Willis Towers Watson
Julie	Brown	Chief Financial Officer	Burberry
Kate	Bowyer	Chief Financial Officer	The Crown Estate
Louise	Macaulay	Senior Executive Leader	Australian Securities and Investments Commission
Magnus	Billing	Chief Executive Officer	Alecta
Mark	Wilson	Group Chief Executive Officer	Aviva
Mark	Thompson	Chief Investment Officer	HSBC Bank Pension Trust (UK)
Mark	Zinkula	Chief Executive Officer	Legal & General Investment Management
Michel	Madelain	Vice-Chair	Moody's Investors Service
Mitchell	Harris	Chief Executive Officer, Investment Management	The Bank of New York Mellon Corporation



Nandini	Sukumar	Chief Executive Officer	World Federation of Exchanges
Olaf	Sleijpen	Director, Supervisory Policy Division	Dutch Central Bank
Olivia	Dickson	Non Executive Director, Chair Actuarial Council	Financial Reporting Council
Patrick	Arber	Senior Analyst, Global Public Policy	Aviva
Paul	Smith	Chief Executive Officer	CFA Institute
Paul	Druckman	Non Executive Director	Financial Reporting Council
Paul	Taylor	President and Chief Executive Officer	Fitch Ratings
Pauliina	Murphy	Head of International Government Engagement	Aviva
Philip	Paddack	UK Country Manager	BBVA Group
Rachel	Lord	Senior Managing Director	BlackRock
Raimund	Röseler	Chief Executive Director	Federal Financial Supervisory Authority (BaFin)
Roger	Gifford	Chairman, Green Finance Initiative	City of London Corporation
Russell	Picot	Chair	HSBC Bank Pension Trust (UK)
Samir	Assaf	Chief Executive of Global Banking and Markets	HSBC
Sarah	Breeden	Executive Director, International Banks Directorate	Bank of England
Seppo	Parvi	Chief Financial Officer	Stora Enso
Steve	Waygood	Chief Responsibility Investment Officer	Aviva Investors
Teresa	Parker	President, EMEA	Northern Trust Asset Management
The Hon. Mary	Schapiro	Advisory Board Vice Chair	Promontory Financial
Tiff	Macklem	Dean	Rotman School of Management



Tony	Broccardo	Chief Investment Officer	Barclays Pension Fund
Vim	Maru	Group Director, Retail	Lloyds Banking Group
Will	Goodhart	Chief Executive	CFA Society (UK)

*at time of Summit

