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<<Brian Tomlinson, Research Director, Strategic Investor Initiative, Committee Encouraging Corporate Philanthropy>>

Good afternoon, everyone. I'm Brian Tomlinson. I'm the Research Director, SII. I'm delighted to announce Katherine Blue from KPMG. Katherine runs the sustainability services for the Americas for KPMG, delighted to have KPMG to be one of our sponsors, our lead sponsor today. Katherine has been doing some leading work on the TCFD initiative looking at the implications of that, overseeing the biennial KPMG corporate responsibility disclosure and survey. And today she'll give an introduction to her work on the SDGs, so delighted to announce Katherine Blue from KPMG. Thank you.

<<Katherine Blue, Managing Director, Climate Change & Sustainability, KPMG>>

All right. Good afternoon. Today I wanted to spend some time think – talking a little bit about Sustainable Development Goals. This is really based on our recent thought leadership that KPMG published in the last month. Many of you may be familiar with the Sustainable Development Goals. Some of you may not. I'll go through that in just a little bit. But what we really found was that in talking to our clients and then looking at the things they were struggling with around corporate reporting, they are really was not an established framework or process or benchmark to start looking at migrating corporate reporting over to Sustainable Development Goals in that framework.

What they were very interested in was what good reporting looks like from the standpoint of using the SDGs to help align what they're reporting from their corporate reporting standpoint. There is a lot of client uncertainty that we saw around where to start, what we actually need to do. I think it gets complicated a little bit by the fact that there are admittedly a lot of different standards that are out there, so GRI, SASB, there is CCFD disclosures.

So let's move that to the side those are all very good frameworks. But what companies are trying to look at is, how do they realign everything that they are reporting around the SDGs. And so what we try to do was we looked at the largest 250 – the G250 companies globally. We wanted to see what good looks like. So that was the main mission. We wanted to see how the largest companies were performing and in terms of their reporting. And what the companies were doing well and what lessons could be learned by other reporters as they are trying to migrate and look at their reporting to be aligned to SDGs.

And I would also say from the investor perspective, what this is starting to do is provide a framework for discussion around what are the longer-term sustainability goals that your company is making. And so it really is a good basis for conversation around ESG investor issue as well. You're also seeing funds starting to kind of a line how they're looking at the aspects of their funds and what parts of the SDGs that contributes to.

So I'll start with here is the SDGs what it looks like and what matters. If you want to copy of it, my e-mail is up there, feel free to reach out to me and I'll send you a copy of our thought leadership. It is also online, you can search by that particular topic, but I'm happy to send it directly to you. Many of you are familiar with the SDGs. So it's been best said that these are the 2030 goals if you will for the earth. And kind of how to bring that down to the next level of what's practical and what's relevant for companies in terms of their reporting and their business strategies. These are 2030 targets that were set by the UN as many of you know and 2015 underpinning all of these 2017 very important SDGs are about 169 targets that are underneath these support the 2017 SDGs.

The objective of this was really to in the same way that's the Paris Agreement allow companies to align their capital against very necessary goals for climate reduction. The goal was also to have the private sector, employ a lot of its business processes, its funding and its scale towards addressing these very important, very high level and aspirational needs from a global standpoint. So you can see this how aspirational they are, no poverty, zero hunger, gender equality, all very great goals, but very high level goals. And so the challenge is – and the struggle is how do companies get from taking what they're doing and putting it in this framework and quantifying how they're contributing against these goals.

What is the benefit of allowing this kind of lens on it. It really allows companies to strengthen how they're reporting, it strengthens engagement with stakeholders and investors because you can have this conversation about this higher level strategy alignment. It gives a little bit more of a long-term view and it also gives common language and really more of a shared purpose when you're talking about in terms of the Sustainable Development Goals.

So we looked at a number of leading companies to look at exactly what they're doing and you can see some of the companies here that we feature from the Global 250. I'll get into a couple of these examples. I won't get into all of them. And really what we wanted to look out was the quality of the reporting. And we wanted to have a way to basically look at these different aspects and we really how should around the understanding, the prioritization of the SDGs in the measurement.

And then each of these we had three different areas for the understanding we looked at the business case, are they articulating the business case, is the CEO making public commitments, from public commitments, are they looking at the business impacts. And on the prioritization side, how are they identifying them, what methodology are they using? How are they setting the targets? And then you can see for measurement, are the goals smart and are they using the correct indicators. So that's the framework that we use for scoring as we looked at each of the reporters.

So in terms of the results, I'll just go through these quickly. The vast majority of the Global 250 reports that we looked at its a 76% of them, which is a seemingly positive report are looking at the business impact of SDGs on their business. But upon a closer look, if you flip the lens on that, most of them if not all of them, we're talking about the positive impacts they can make on the SDGs, not really talking about the negative side or the risks that could jeopardize those

SDGs. So it's very much of a more of a one sided positive and then that's a great place to start, but I think over time, you're going to see a little bit more balanced reporting in that area, 39% reference or referencing this from a CEO perspective. We saw the highest rate of this in automotive with about 75% of the largest automotive companies stating the CEO commitment to the SDGs.

And from a business case standpoint, as you would expect that's a pretty low percentage rate on companies that are looking at the business case for SDG reporting, we saw that mostly in Europe. And we would expect that result I think a lot of the frameworks for being able to measure social impact and social capital impact are starting to evolve more quickly. Now I think we'll see that that the number migrate and change quite a bit, but that's really the emerging inability to really to measure that piece of the impact from a business case standpoint.

And one of the examples we highlighted in this area on public commitments and CEO commitment was BHP Billiton. Their CEO has made very firm statements around two years ago their commitment to the SDGs with respect to their environmental and social goals and their sustainability reporting. The second phase of that was actually setting their goals for BHP Billiton specifically around the SDGs and referencing that. And so that was a good example that we highlighted in the thought leadership around the understanding of the Sustainable Development Goals and really getting to the CEO commitment for that.

In terms of prioritizing the SDGs, we had about 85% were identifying the most relevant SDGs to their business. The challenge with this is when we drill down and looked into it a little bit more, 25% of those companies set all 17 were applicable.

And so you can imagine the struggle if you're trying to align your business process as an impact around all 17 of those SDGs and why you could probably make a remote case around each of them, I think all of us could. That's not really beneficial when in terms – when it comes to trying to prioritize goals around Sustainable Development Goals.

54% of them looked at the process to disclose. Actually how they're prioritizing and this is I think of most interest to at least companies in the room that are addressing this process. So how do you go about doing this? We had about 54% that we're looking at mapping SDGs to the value chain of the business. So they really looked at every aspect of the business and where the SDGs connected across their value chain. We had about 23% that were looking at the company's CSR metrics and reports as a way to align those CSR metrics. And then in terms of the SDGs including them in a materiality analysis that was about 20%. We're seeing a little bit more growth on that piece around materiality.

Targets we only had 20% of them that we're looking at the underlying targets underneath the 17 SDGs. Pfizer was a good example that we highlighted here. They were able to take one of the SDGs around well being branched out to six other related SDGs. So they really established their primary and then six other related SDGs. Telefonica used a systems analysis so they look to the interconnection and the push and pull among the different SDGs, water and energy are good common examples, but they tried to do it from systems analysis in a little bit more system rather than linear.

These were the most reported SDGs, as one would expect climate action, the decent work, economic growth and good health and well being. The least attention was being paid to Zero Hunger and Life on Land and Life Below Water. I would anticipate that probably a number of companies unless they're kind of in the food agriculture sector struggling a little bit to directly connect their business to the hunger piece. So those are the different priorities that we saw in terms of the trends.

Measuring the SDG performance, so we had 35% of them that were looking at SDG related performance goals, that we saw articulating those goals that are related to the SDGs, healthcare really led this, oil and gas was at the very bottom if you looked at the sector split and I can get more sector information if anybody wants that. Only 9% were setting the smart target, so the specific measurable, the rest of the acronym. The time bound piece is time bound already by the SDG goals, which is 2030, but only 9% we're looking at smart targets. 24% were using the indicators to measure and again we had healthcare at the top and oil and gas at the bottom for those.

When we applied the quality of results, you can kind of see there was much higher quality as you started at the beginning of the understanding? SDG is the moving towards prioritization and got a little bit lower and then measuring got a little bit lower than that. So as with all the surveys that we do, we've been surveying corporate reporting for over 20 years and looking at the trends there. We do generally see that these continue to migrate and get more sophisticated over time. So we'll be tracking this over time as well and expect to see that move.

So in terms of recommendations and learnings for SDG reporter, since we have about two minutes remaining. What we're really wanting companies to do is just really first starting with the understanding. So start this conversation around how relevant the SDGs are to your business. This is another layer on top of our lens on top of what you're already doing with respect to your corporate responsibility reporting. Really engaging the CEO and getting the CEO's top level public and public support to make sure that's consistent in that message over the long-term as well. And looking at options for how you start to look at the business impacts initially at least to the first cut.

Moving to prioritizing the SDGs. There are many different ways to do this. Right now, there's not a right or wrong way to do it. It's really just looking at the most relevant SDGs and trying to hone those down, where you can make a real business impact and not necessarily feeling the need to address all of them or even ones that are have a little bit of a disconnect to your main business mission. Prioritization methods are really not one size fits all. This is very much an emerging area. And most importantly, trying to take a look below those 17 SDGs to the 169 goal targets that are underneath, those help you understand the SDGs a little bit more.

Measuring SDG performance, I talked a little bit about that, but those really need to be based on your understanding of what the business impacts and the impact to the environment and social impacts are. And then being able to collaborate and we talked – we had a bunch of a lot of case studies that were in here. But how do you get that into an organization and motivate an organization to really take this up and a lot of executives are starting to align some of these areas

relevant to personal and business goals. And so when that happens you get a little bit more attraction than you would have otherwise.

I'll just leave it here. Our report talks about this in a little bit more detail, since we have fifteen minutes to address global SDGs. Phase 1 understand, Phase 2, reach agreement on which SDGs are going to focus on and which ones are not you can even just start with one to begin with and move forward. Design appropriate performance targets and measurement systems that aligned to the SDGs. And then really understand how you're going to start communicating that. And that could be through your reporting, through your conversations with investors and through everything that your company is talking about in the CSR area.

So with that, I think it's lunch, after you had this review of the SDGs, but thank you so much.

<<Brian Tomlinson, Research Director, Strategic Investor Initiative, Committee Encouraging Corporate Philanthropy>>

We have box launches over here, but they're really cool box launches are not just the standard fare. And I just want to remind folks, this is a great report inside your folder KPMG did ESG strategy in the long view and before that is Steven Brown here, Steven can you raise your hand. Great support from Steven since day one on our advisory board and so we're grateful for everything that KPMG is done and Steven, you in particular your insight on the advisory board is just had a great impact. So, thank you.