



Corporate Social Responsibility and Goals for Sustainable Development

May 19, 2016



The Institute of Directors Bermuda

Lord Dr Michael Hastings of Scarisbrick CBE
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SUSTAINABLE DEVELOPMENT GOALS



VIDEO

“We the people” for the Global Goals

Financing the SDGs

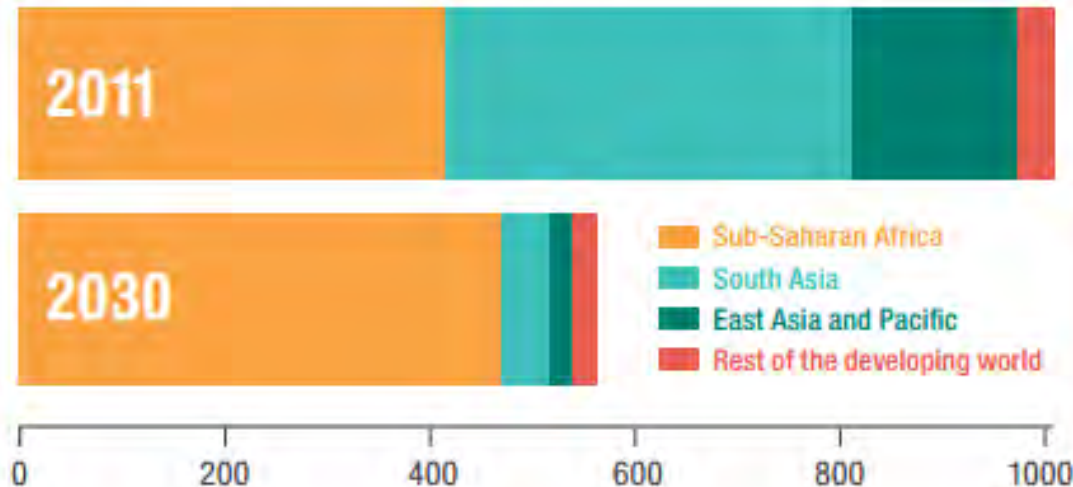
If we stick to business as usual, we'll fall far short of our development goals in 2030

500m

people will still be living on less than **\$1.25** a day

Extreme poverty will be even more concentrated in sub-Saharan Africa

Number of people living in extreme poverty (millions):



4m

children will die needlessly before the age of five

Low-income fragile states will be left even further behind

But we can avoid this. Aid won't solve the whole problem, but if we can mobilise the money and be smart about spending it, we can help to eradicate global poverty over the next 15 years.



Financing the SDGs

We need a new global social compact



Social protection for the poorest



Free basic universal healthcare



Free primary and secondary education for all

What will this cost low income countries per year?



Even if they raise taxes and use existing aid, there will still be a shortfall of \$73 billion.

But if governments fulfil their existing aid pledges, we can meet these costs – and still have at least \$40 billion to spare.



We can't afford not to. July's Financing for Development summit should:

- 1 Create or expand **global funds** for health, education in humanitarian crises, and social protection
- 2 Redirect 50% of **foreign aid** budgets towards the poorest countries where aid is most needed
- 3 Commit rich countries to giving 0.7% of their **national income** in aid
- 4 Bring **emerging economies** into the system as contributors
- 5 Develop smarter, more flexible and **long-term** ways to provide aid

Read the report at odi.org

#FtF2015

Financial Services

Food, Beverage & Consumer Goods

Transportation

Industrial Manufacturing

Healthcare & Life Sciences

Energy, Natural Resources & Chemicals



Financial Services
advancing
sustainable
development

Opportunities for the financial services industry

Access

Increase financial inclusion for:

- ◆ Individuals
- ◆ SMEs
- ◆ Governments

Investment

Invest in and insure:

- ◆ Renewable energy
- ◆ Infrastructure
- ◆ Social impact ventures

Risk

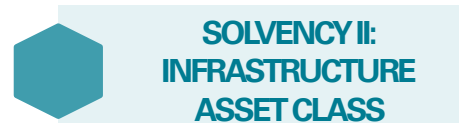
Create more resilient nations through:

- ◆ Innovative pricing models incentivising sustainable living and production
- ◆ Sharing risk data, analysis and expertise

Cross-cutting

Influencing ESG practices of insureds and investee companies through:

- ◆ Good practice principles, policies and risk frameworks
- ◆ Pricing
- ◆ Active investor stewardship



Opportunities for the financial services industry

Global Impact Investing Network

Insurance
Development Forum

Global Partnership for Financial Inclusion

Montreal Carbon Pledge

Investment Leaders Group



The Munich Climate
Insurance Initiative

ClimateWise

The Smart Risk
Investing Project

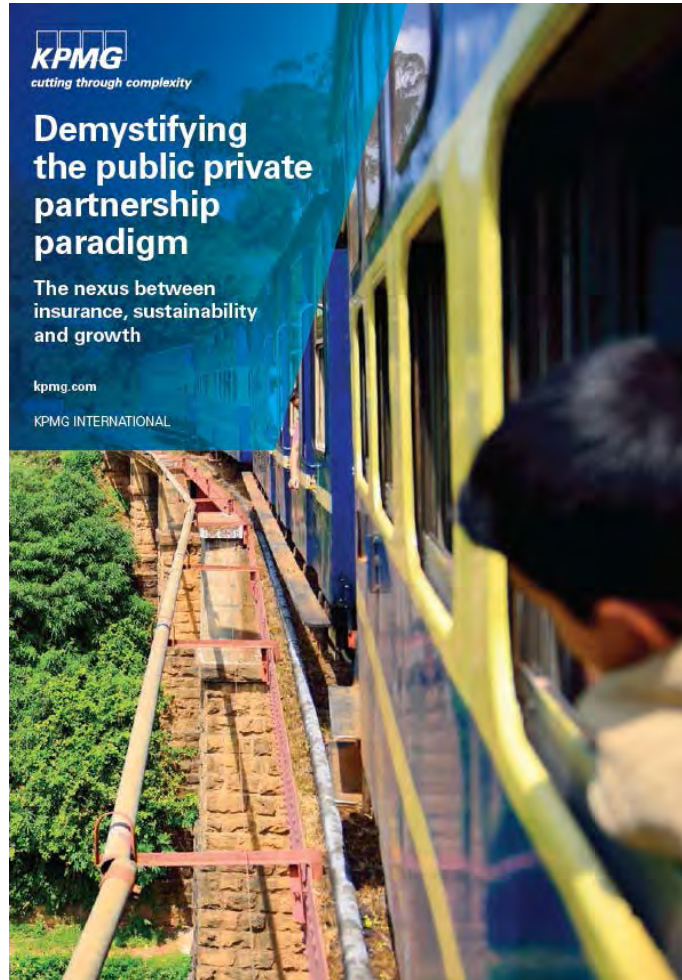
Climate Bonds Initiative

Banking Environment
Initiative

The 1-in-100 Initiative

Global Impact
Investing Network

Opportunities for the financial services industry



Innovation must be on the leadership agenda



Disciplined innovation portfolios risk and time balanced



Money flows and metrics matter



For many insurers cultivating innovation will require cultural change



The people dimension and high-performing human talent is the most important part of making innovation happen



Innovation leadership is critical. Initiative teams must be rewarded for their output

Risks for the financial services industry

The impact of climate change on the UK insurance sector

A Climate Change Adaptation Report by the Prudential Regulation Authority
September 2015



Insurers face shared risk of escalating natural disasters

In response to dramatic weather events that are confronting every continent, a wave of global, multilateral initiatives is aiming to improve the world's disaster resilience. Now is the moment for insurers to collaborate with public, private and NGO partners, to face a mounting issue that is very relevant to all communities and to industry sustainability.

The Economist

Intelligence Unit

A report from The Economist Intelligence Unit.



The cost of inaction:
Recognising the value at risk from climate change

Sponsored by:

AVIVA

Climate resilience: Catastrophe insurance

- Insures, reinsurers and brokers have collaborated with other stakeholders to provide regional catastrophe index-based risk insurance
- Provides short-term liquidity to Governments when certain rain and/or wind measurements exceed a contractual threshold
- Examples: Caribbean Catastrophe Risk Insurance Facility, Central America Natural Disaster Insurance Facility, Pacific Catastrophe Risk Assessment and Financing Initiative, Africa Risk Capacity



Energy Investment: Power Africa

- Citi has pledged to source US\$2.5 billion in incremental capital towards Power Africa
- Objective is to add more than 30,000 megawatts of clean and efficient electricity generation
- This will increase access to clean energy to over 60 million new homes and businesses



Impact investing: IADB Bond

- The Inter-American Development Bank (rated Aaa/AAA) launched a US\$500 million Education, Youth and Employment Bond
- Financing initiatives in Latin America and the Caribbean
- First global benchmark by a multilateral development bank
- Significantly oversubscribed



Environment: The Banking Environment Initiative

- The Banking Environment Initiative aims to lead the banking industry to direct capital towards environmentally and socially sustainable economic development
- The group comprises 11 leading banks with over US\$10 trillion of assets.



VIDEO

Jeremy Anderson FS

Principles for Responsible Investment

A UN Initiative

Six Principles

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.



PRI: Impact and Scale

2

UN PARTNERS:
UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



1380

SIGNATORIES:
ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



59

US\$ TRILLION:
ASSETS UNDER
MANAGEMENT



6

PRINCIPLES:
RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



PRI in 2015

FROM AWARENESS TO IMPACT

OVER
50
INVESTORS

SIGNED THE
MONTREAL
CARBON
PLEDGE

NEW ENGAGEMENTS ATTRACTING
96
SIGNATORIES
US\$11
TRILLION IN ASSETS

PRI in Person 2014

600
DELEGATES

26
COUNTRIES

MORE THAN
50
REGIONAL
EVENTS



INCLUDING
DIVESTMENT
DEBATES AND
RESEARCH,
INNOVATION
& STEWARDSHIP
WORKSHOPS

NEARLY
1,000

TRANSPARENCY REPORTS
ON THE PRI WEBSITE



MORE
THAN

200
STUDENTS
HAVE BEEN
TRAINED



BY THE NEW
PRI
ACADEMY

PRI ACADEMIC NETWORK
CONTINUES TO GROW

5

ACADEMIC PAPERS
AWARDED FOR
EXCELLENCE



1ST
REPORT ON
PROGRESS



USING NEW
REPORTING
FRAMEWORK

MET
100+
REGULATORS

**POLICY
MAKERS**

CEOs & CIOs

TO PROMOTE
RI

EXTEND OUR COLLECTIVE INFLUENCE

220
NEW SIGNATORIES

24 ASSET
OWNERS
162 INVESTMENT
MANAGERS
33 SERVICE
PROVIDERS



8
NEW EXCHANGES
IN THE
SUSTAINABLE
STOCK
EXCHANGES
INITIATIVE

20
NEW US
SIGNATORIES

24
NEW
ASSET
OWNER
SIGNATORIES



12%
INCREASE IN
ASSET
OWNER
PARTICIPATION

OVER
100
MEDIA
APPEARANCES



CAPABILITIES AND GOVERNANCE

NEW
SIMPLE
TRANSPARENT
ACCOUNTABLE



GOVERNANCE
STRUCTURE



**ENHANCED
SIGNATORY
RIGHTS**

12
NEW
HIRES





WHAT IF ALL OF UNPRI'S 1300+ SIGNATORIES INVESTED 5% IN RENEWABLE ENERGY?

Investors can lead on climate change by investing directly into renewable energy, according to a WWF-Norway report. Over 1300 institutions - representing US\$45 trillion in assets - signed the United Nations Principles for Responsible Investors (UNPRI). If they all invested 5% in new, renewable electricity capacity in the next five years, we would acting at the scale required to fight climate change.



HOW MONEY ARE ALLOCATED TO DIFFERENT TECHNOLOGIES:



HOW MUCH NEW CAPACITY WOULD BE INSTALLED?

850 GIGAWATTS

Equivalent (on average) to the installed capacity of 950 nuclear reactors or 3200 coal-fired power generators.



WHAT WOULD THE IMPACT OF FIVE YEARS OF INVESTMENT BE?

2016 — **2200 TWh** — 2069

2200 terrawatt hours (TWh) annually, every year for 50 years.

The same electricity consumption of half of the United States, every year for 50 years.



RENEWABLE VS COAL AND GAS EMISSIONS LEVEL



Investing in renewable power instead of in coal and gas would avoid a level of emissions the scale of 2 times the world's annual emissions, or 13 times the annual emissions of the US.

FOR MORE INFORMATION, VISIT WWF.NO

Labour standards in the supply chain

- In the last ten months, over 1,300 workers have lost their lives in Bangladesh factory accidents
- These accidents could have been avoided had the proper safety measures been in place
- The challenge? Should stakeholders, including the Bangladesh government, companies and investors, take timely and comprehensive measures to protect the safety and lives of garment workers
- Canadian and US investors are deeply concerned about the systemic risks to companies sourcing products in Bangladesh and other low-cost countries



Minority rights in the pharmaceutical sector

- A multinational pharmaceutical company operating in Nigeria asked shareholders to vote on a proposal which would have resulted in their stake of the Nigerian branch of the company increasing to 75%, from 46%.
- This raised major concerns with regard to minority shareholder rights in the pharmaceutical sector, as the multinational concerned would have been allowed to vote its own shares on the deal.
- In most developed markets, regulation strictly prohibits related parties from voting their shares in a transaction such as this; however, the Nigerian Stock Exchange (NSE) has no rules which prohibit related parties from voting.



Sustainable palm oil industry

- Palm oil has several significant uses and benefits as compared to other vegetable oils
- Its low cost and high yield nature has contributed significantly to economic development in a number of countries, in particular Indonesia and Malaysia.
- However, the development of palm oil plantations has also been linked to significant negative social and environmental impacts including widespread deforestation, increased greenhouse gas emissions, social conflicts, and damage to ecosystem services.



Boardroom questions



Protect and enhance your **organization's reputation** by acting responsibly in pursuit of inclusive, sustainable prosperity



Ensure you have the **values, resource, knowledge and capability** to implement the actions above



Review, and where necessary improve, **systems to measure**, manage and report the company's contribution to growing inclusive, sustainable prosperity – through integrated or supplementary reporting



Conduct a thorough **refresh of your stakeholder, risk and value creation analyses** to ensure your strategy reflects the changing social, environmental and policy landscape



Assess opportunities to **collaborate** with other businesses, governments, civil society, the United Nations, development banks and academia in order to **drive innovation and shared value**

No Point Going Half Way

A Millennium Village

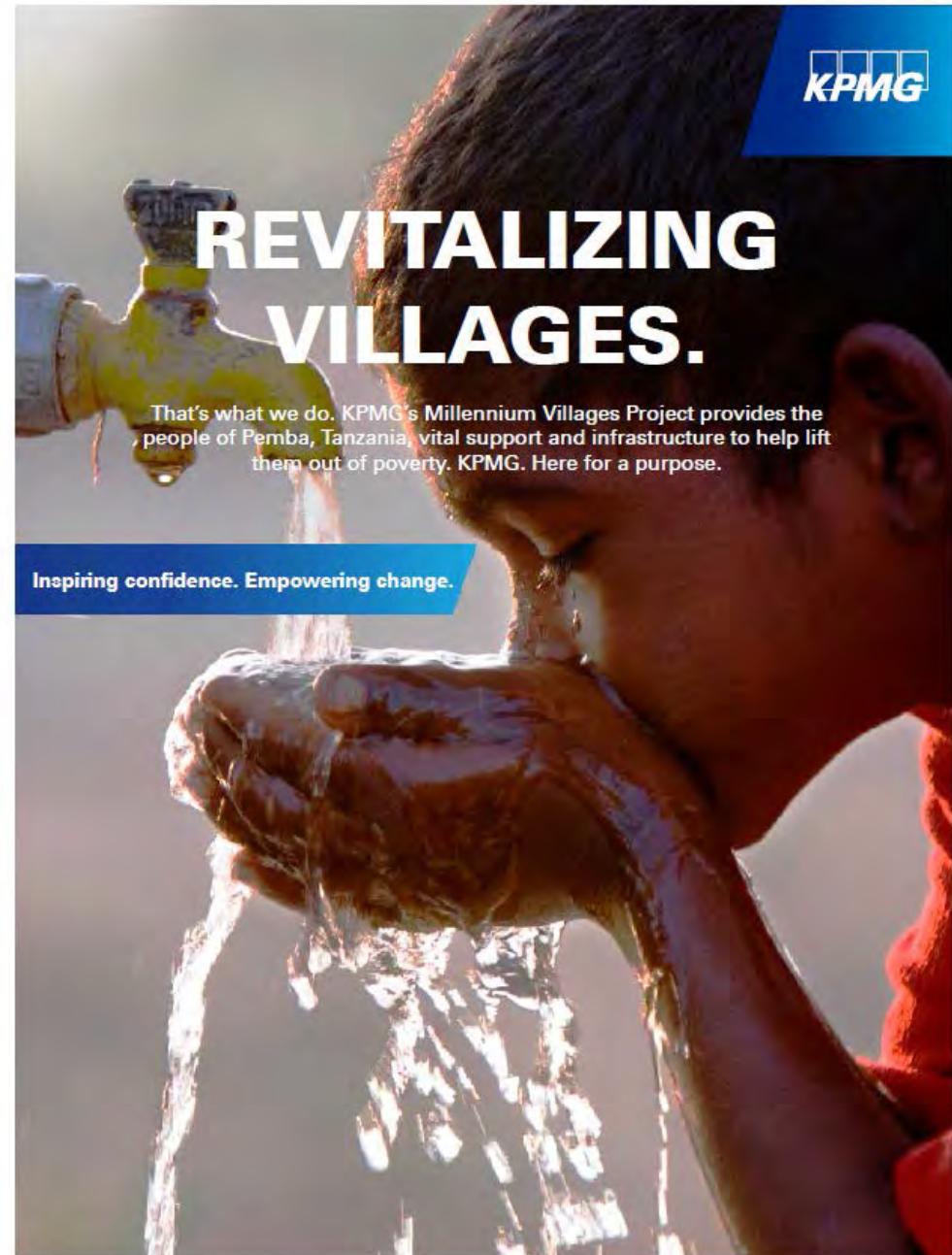
VIDEO

No point going half way

Millennium Village Project, Pemba



Millennium Village Project, Pemba



KPMG

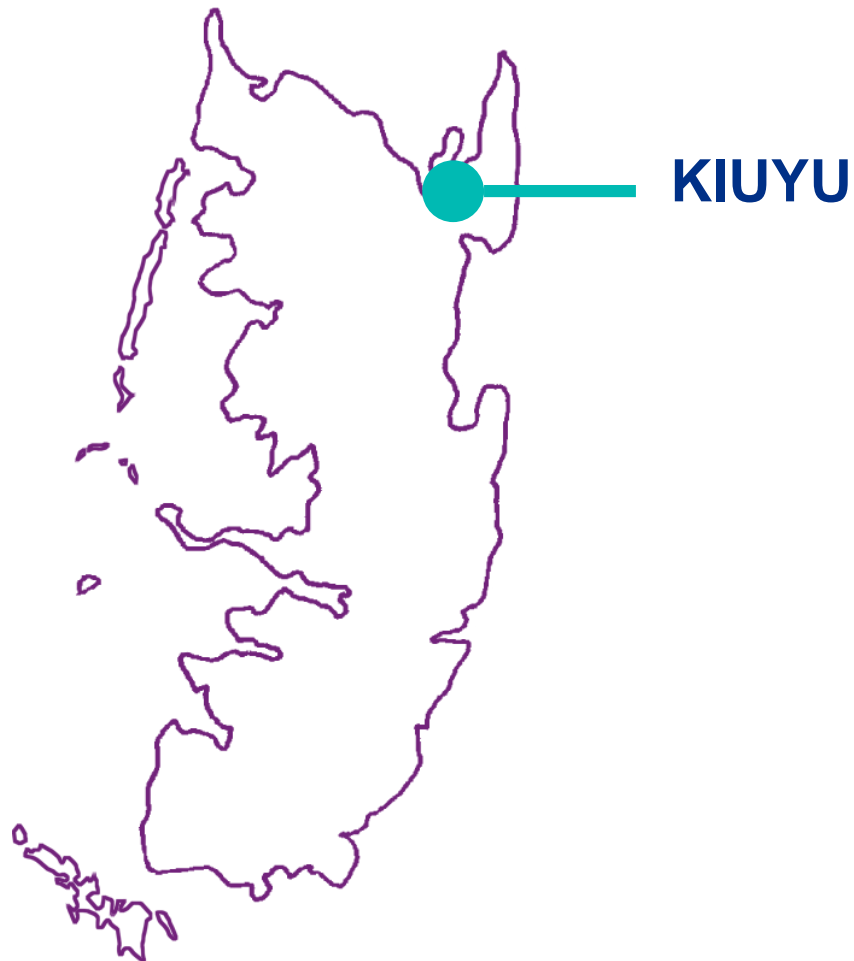
REVITALIZING VILLAGES.

That's what we do. KPMG's Millennium Villages Project provides the people of Pemba, Tanzania, vital support and infrastructure to help lift them out of poverty. KPMG. Here for a purpose.

Inspiring confidence. Empowering change.

Millennium Village Project

Pemba Island, Tanzania



KPMG in Africa

Australia

Bahrain

Brazil

Canada

East Africa

Germany

India

Ireland

Japan

Jordan

Kuwait

Luxembourg

Netherlands

Nigeria

Oman

Portugal

Qatar

Russia

Saudi Arabia

South Africa

Spain

UAE

Uganda

UK

USA, Woman's Advisory Board

KPMG International

Millennium Village Project

Key achievements

- With the new maternity ward, infant and child mortality reduced to zero in 2015
- School attendance up at 68%
- 3,000 new jobs through the seaweed industry crating revenue of over \$3m a year
- Reforestation with over 300,000 trees and mangroves planted
- Over 90% of the village now has access to safe and clean water
- Women's livelihoods and handicrafts are improving incomes















Thank you!



@LordHastings



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Currents of change:

**The KPMG Survey of Corporate
Responsibility Reporting 2015**

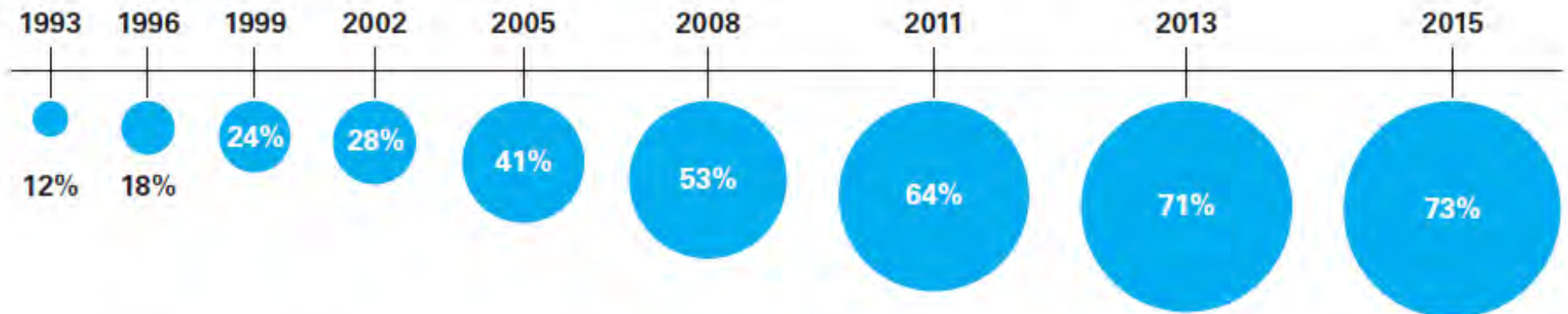


KPMG first produced its Survey of Corporate Responsibility Reporting in 1993. The 9th (2015) edition analyzes reporting from 4,500 companies in 45 countries as well as taking a deep-dive look at reporting from the world's 250 largest companies

CR reporting becomes the norm, driven by regulation

Reporting on corporate responsibility is now standard business practice around the world. Around $\frac{3}{4}$ of companies now report on corporate responsibility compared with only 12 percent back in 1993.

CR reporting stabilizes at a high level



Video



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Thank you!