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Dear Professor Adams

### **Recommendations for Sustainable Development Goals (“SDG”) Disclosures – A Consultation Paper**

Thank you for taking the leadership, alongside Paul Druckman and Russell Picot, to develop principles for the reporting of SDGs. Four years have passed since they were adopted by members of the United Nations, and during that time various reporting initiatives (e.g., TCFD and GSSB<sup>1</sup>) have evolved to support the SDGs. I am pleased to see that your proposed principles can be aligned with these initiatives and the work undertaken by the IIRC<sup>2</sup> in this area.

#### **Importance of alignment**

I take a close interest, both personal and professional, in the development of corporate reporting to help rebuild public trust in business, and to aid the decision making of investors based on the long-term value of companies. This is why it’s important different reporting frameworks, and principles such as yours, can be aligned with each other. When applied they should provide a sustained and coherent improvement in corporate reporting, which means that the comparability and auditability of disclosures is enhanced rather than compromised. Much the same as any other industry, standards and principles become more effective when they evolve and coalesce, so they establish the required norm (e.g., corporate governance, reporting and auditing).

#### **Other frameworks and initiatives**

As you develop your reporting principles, I ask you to consider other initiatives which are also helping the application of the SDGs to evolve and coalesce.

- **Financial Reporting Council (FRC) Future of Corporate Reporting Project** - having worked with Paul Druckman you will be aware of his project championed by the regulator to challenge existing thinking about corporate reporting (financial and non-financial), and how companies can meet the information needs of shareholders and other stakeholders more effectively. I am a member of the project’s Advisory Council and am personally committed to engaging in its work.

<sup>1</sup> TCFD is the Task Force on Climate-Related Financial Disclosures. The GSSB is the Global Sustainability Standards Board.

<sup>2</sup> IIRC is the Internal Integrated Reporting Council

- **Independent review by Sir Donald Brydon into the quality and effectiveness of audit** - this review, commissioned by BEIS<sup>3</sup> in response to the “audit expectations gap” - is seeking ways in which the scope, purpose and outcomes from the statutory audit can be improved, not only for company shareholders, but stakeholders more generally. Similar to the above, I am a member of the Auditor Advisory Group, which supports the work of this review.
- **Financial Reporting Council (FRC)** - the Financial Reporting Lab (as part of the FRC) recently published *Climate-related corporate reporting: what next?* This seeks to bring into sharper focus the important role investors play when managing environmental, social and governance issues, particularly as the capital markets are seeking better information to make more informed decisions about capital allocation and risk.

### Current requirements on sustainability-related disclosures

Both policymakers and regulators play a vital role in addressing the longer-term challenges addressed by the SDGs, particularly on issues related to climate and environmental degradation with requirements for better climate-related disclosures.<sup>4</sup> This “top down” approach is evident in UK law. EY and others also play an important role “bottom up”, by guiding companies to follow the spirit as well as the letter of the law, and to take head of other reporting initiatives.

I believe that market-led initiatives will increasingly play an important role in driving the adoption of reporting frameworks. A good example is the one led by the International Business Council, a group supported by EY together with the other Big 4 and chaired by the Bank of America. Its drawing on and not duplicating the richness of existing and well-established frameworks and initiatives, not only provides a comparable reporting mechanism but also offers outcome metrics that investors can rely on.

As both companies and investors look to the future, with the aim of effectively addressing the longer-term challenges of identifying and reporting on the sustainable development issues affecting their businesses, we know that reporting practices need to be enhanced further. Your recommendations bring this into focus, for which we are very grateful.

Thank you again for your leadership, and I would very much welcome the opportunity to work with you on an integrated and consolidated set of principles for the reporting of sustainability matters.

Yours sincerely



Hywel Ball  
Managing Partner Assurance and UK Head of Audit

cc: Paul Druckman

<sup>3</sup> BEIS is the Department for Business, Energy and Industrial Strategy

<sup>4</sup> Examples of legislation include the The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (*SI 2013/1970*), and regulation includes the UK Corporate Governance Code 2016.