



ERM CVS Webinar: Maximizing the Value of Assurance

Part of ERM's 2018 Sustainability Means
Business Webinar Series

July 18, 2018

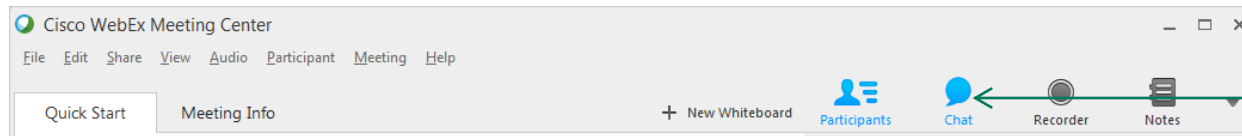
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The business of sustainability



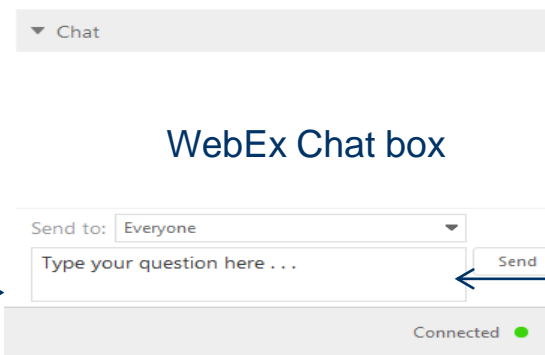
Welcome

- This presentation will be recorded and all who registered will receive a follow-up email containing a link to the presentation within a week.
- Participants can ask questions throughout the presentation using the WebEx chat function and they will be answered during the last 15 minutes of the webinar in the order that they were received.



*Click on
chat*

- Send your question to "Everyone" so that those answering the questions will be able to see them.



*Type your question
and send*

*Select
"Everyone"*

SUSTAINABILITY

MEANS

BUSINESS

Megatrends



2018 ERM Webinar Series



Today's Speakers



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What is ERM CVS?

Within ERM Group, we are a Global Specialty Business offering independent auditing and assurance services.

Our Global Services include:

Certification	Assurance / Verification	Other
<ul style="list-style-type: none">▪ ISO 14001 (Environment)▪ OHSAS 18001 (H&S)▪ SEMS II (Gulf offshore O&G)▪ ISO 50001 (Energy Management)▪ ISO 20121 (Events)▪ AWS (Water)▪ ASI (Aluminum) (pilot)	<ul style="list-style-type: none">▪ Sustainability/CR Reporting▪ GHG/EHS Data Verification▪ Low carbon/carbon neutral operations/ services/products▪ Project GHG (UNFCCC CDM, Gold Standard, and VCS)▪ Other GHG Reporting (EU ETS, Canada BC)	<ul style="list-style-type: none">▪ SME and Internal Audit training▪ Lead Assessor training (ISO)▪ Supporting ERM on advisory work where no conflict of interest

Presentation Overview

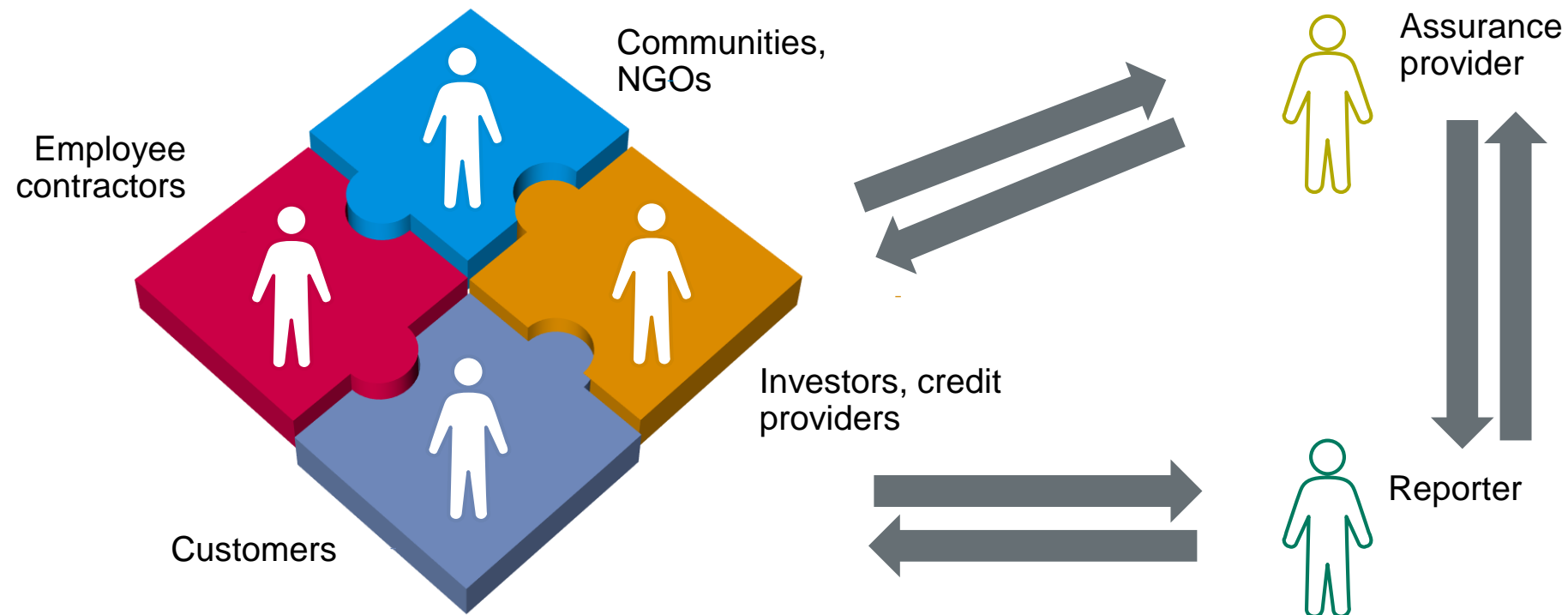
- 01 What is assurance and why does it matter?
- 02 Assurance process
- 03 Current assurance landscape, latest developments and trends
- 04 Scoping an assurance engagement around material topics
- 05 Key elements to achieve desired outcomes and increased value
- 06 Q&A

What is assurance?

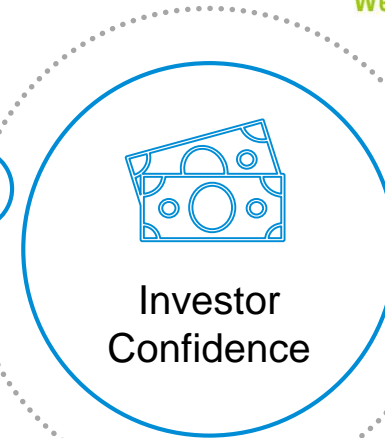
What is assurance?

'Assurance' is a broad concept – a 3-way relationship that provides confidence to third parties about the actions or claims of another party. It includes management systems certification, data verification, report assurance, supply chain auditing, internal audit reports etc.

This Webinar focuses on one type - assurance on public reporting – where the assurance provider increases the confidence the user has in information supplied by the reporter.



Why does it matter?



ROBECOSAM
We are Sustainability Investing.



We're renewing our
commitment to you

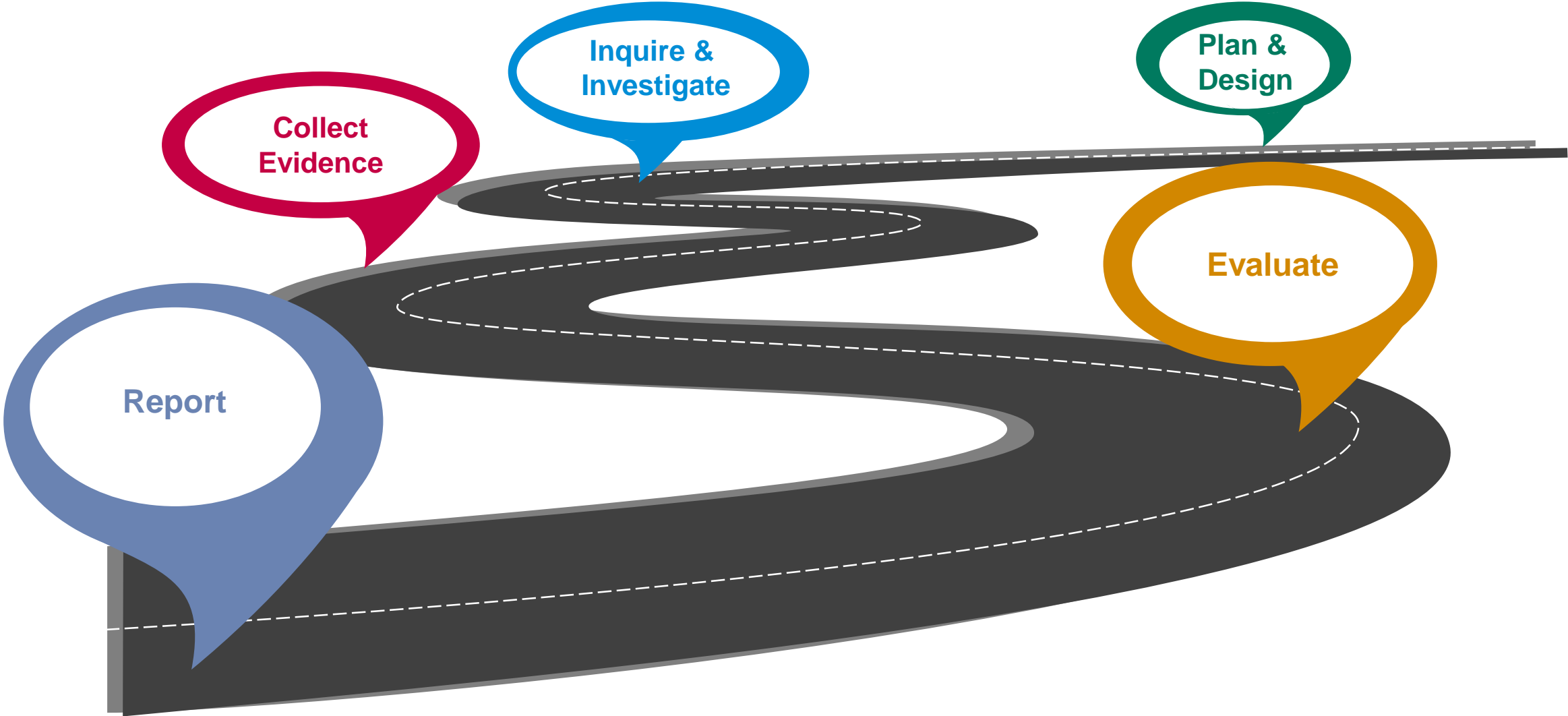
WELLS FARGO



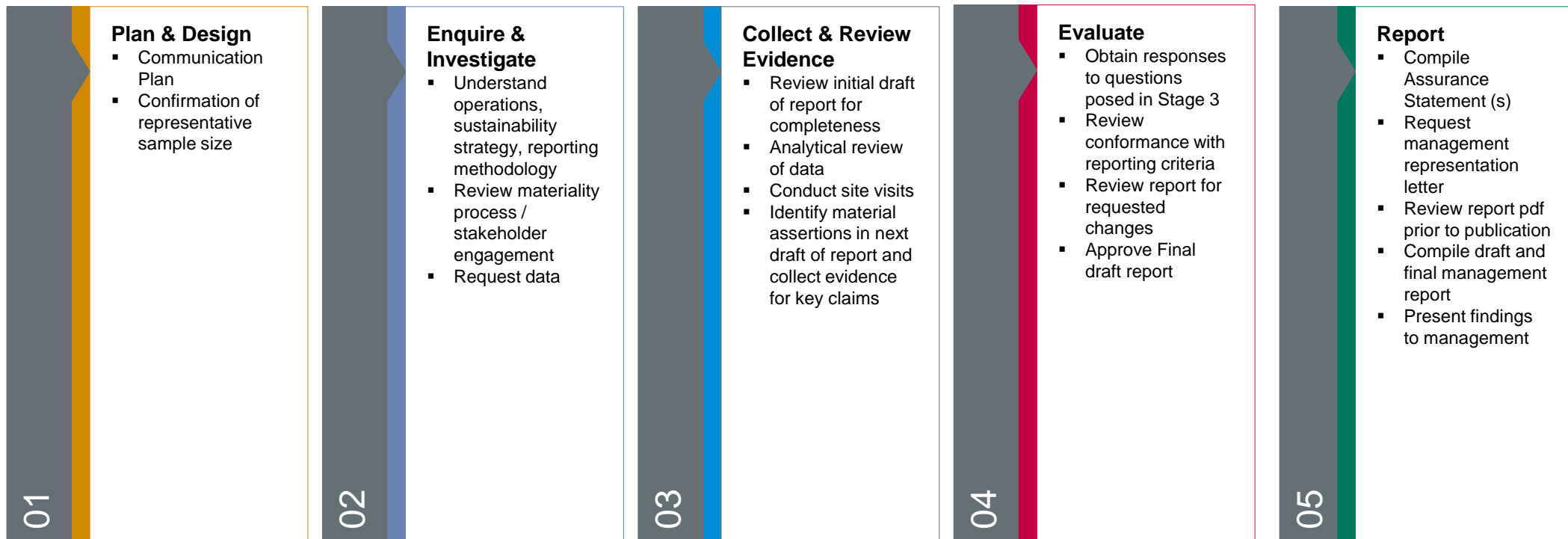
<https://shop.economist.com/>

Assurance process

Assurance Process Overview



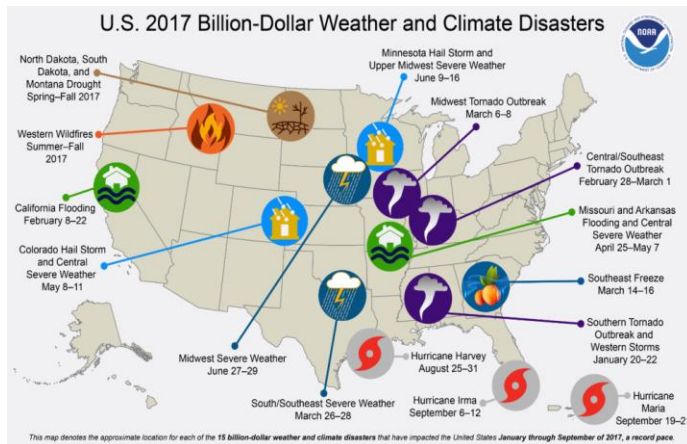
Process for Whole Report Assurance (summary)



**Current assurance
landscape, latest
developments and trends**

Uncertain Landscape

Customer trust; brand credibility; stakeholder concerns; investor demands; new regulations



Source: noaa.gov



Source: verdict.co.uk



Source: ecoblog.it



Source: Save the Children/ILO

Increasing Pressure from Investor Community and Government Regulations



Trust & Financial Access

Reporting reliable strategic sustainability information can positively impact shareholder trust and access to finance



Sustainability & Risk

Mounting pressure from investors to disclose performance and approach to risk management (e.g. TCFD)



Investor-grade Data

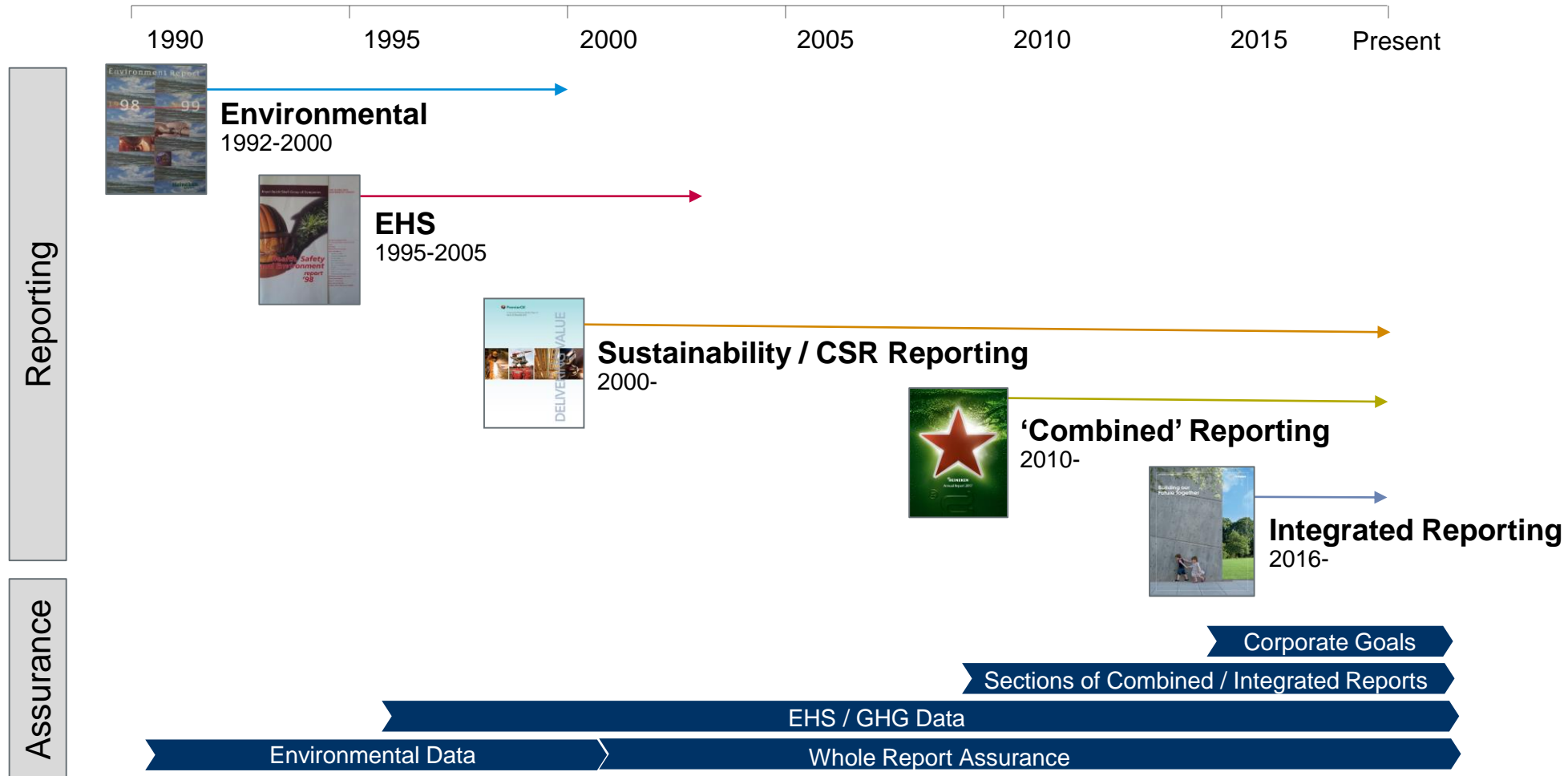
Risks associated with climate change are driving demands for 'investor-grade' data on GHG emissions.



Compliance Burden

40 countries require GHG reporting. 35 countries plus 20 states/cities have carbon taxes or trading schemes.

Reporting & Assurance Landscape – Developments Since 1990



Reporting Guidelines, Standards and Commitments Driving Assurance



United Nations
Global Compact

ICMM
International Council
on Mining & Metals



Emerging Assurance Drivers



UN Sustainable Developed Goals (SDGs)

More companies are using the SDGs to inform strategy and materiality assessments



New Sector Developments

e.g. Aluminum (ASI), Mining (ICMM) Cement (CSI), WBCSD release of Chemical Sector SDG roadmap



Climate Change-related Developments

- Science-based targets
- TCFD: Taskforce on carbon-related financial disclosures
 - Endorsed by S&P, Moody's, SEC, AXA, Blackrock, etc.
 - CDP 2018 includes TCFD reporting section (also DJSI, PRI etc.)
- Increasing use of Climate change / GHG performance in C-suite remuneration

While assurance is not mandatory (ICMM is exception), it is recommended by many bodies such as GRI, WBCSD, PRI, etc.

**Scoping an assurance
engagement around
material topics**

What to Assure?

- Focus assurance on material topics e.g. climate change, water, communities, human rights, supply chain, etc.
- Align with strategic objectives
- Consult internal and external stakeholders
- Don't assure what is 'easy' but where assurance will increase trust



GRI Report Content Principles

Stakeholder Inclusiveness

Sustainability Context

Materiality

Completeness

SEC's SAB 99: *'...consider quantitative and qualitative factors'. So materiality determination is not limited to financial (quantitative) information. A matter is material if it is substantially likely that the information will affect decisions of a reasonable person.*

Climate-related Data



GHG Scope 1 and Scope 2
Location and market-based emissions



GHG Scope 3
Select from 15 categories covering value chain



Low Carbon / Carbon Neutral

- Operational Sites (e.g. J&J Helsingborg)
- Products: BP PTA (Belgium, USA, China)
- Services: Air BP (fuel delivery), Shell B2B
- Events



Offsetting vs. Reduction
PAS2060



J&J Helsingborg, Sweden: A high standard for reduced carbon emissions

Shell launches sustainable solution at National Sustainability Congress – Customers can offset CO2 emissions

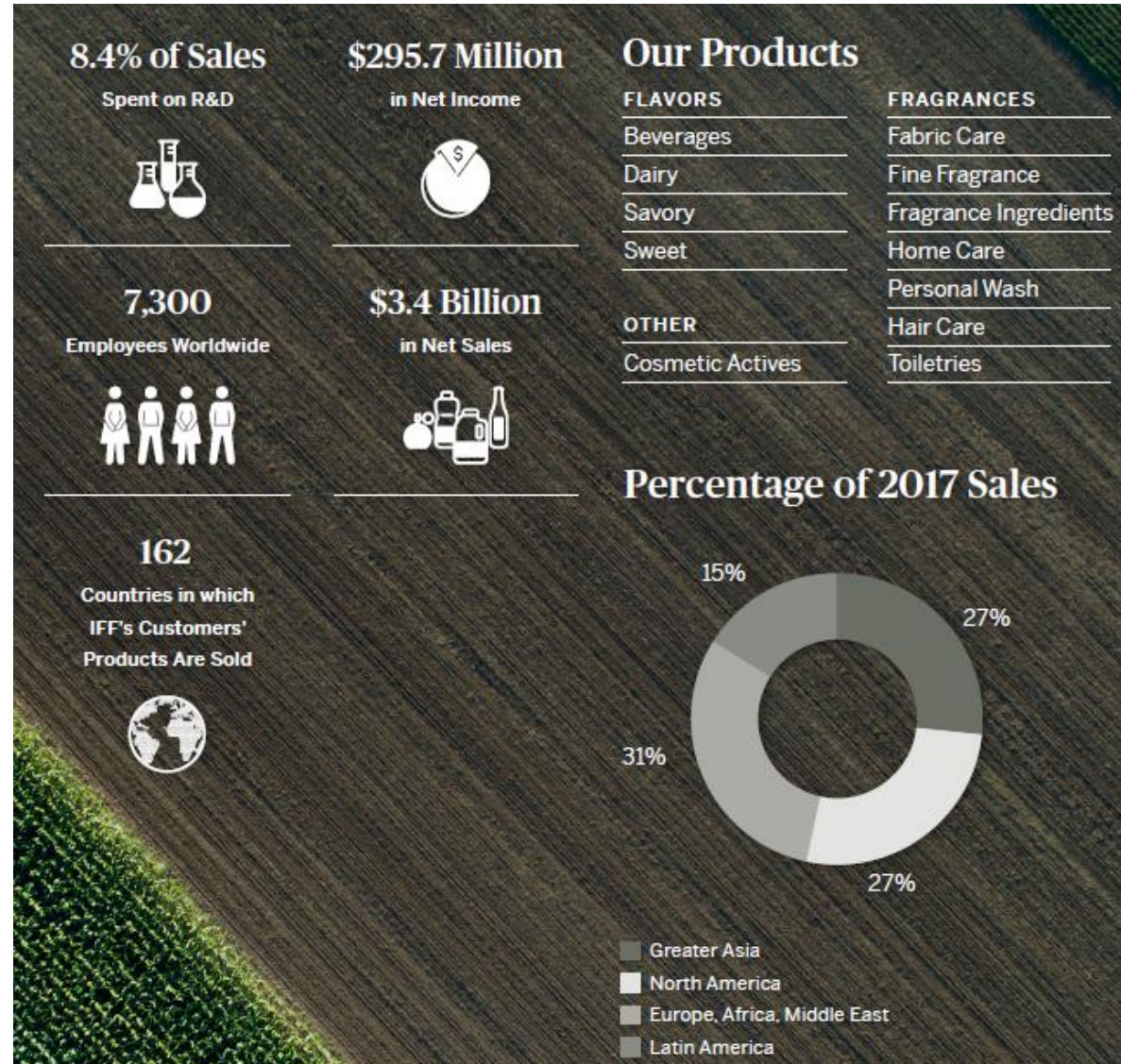
Nov 9, 2017

Shell has launched a new service ...enabling business customers to offset the CO2 emissions of their automobile usage. Accenture Netherlands is the first customer to use this new service

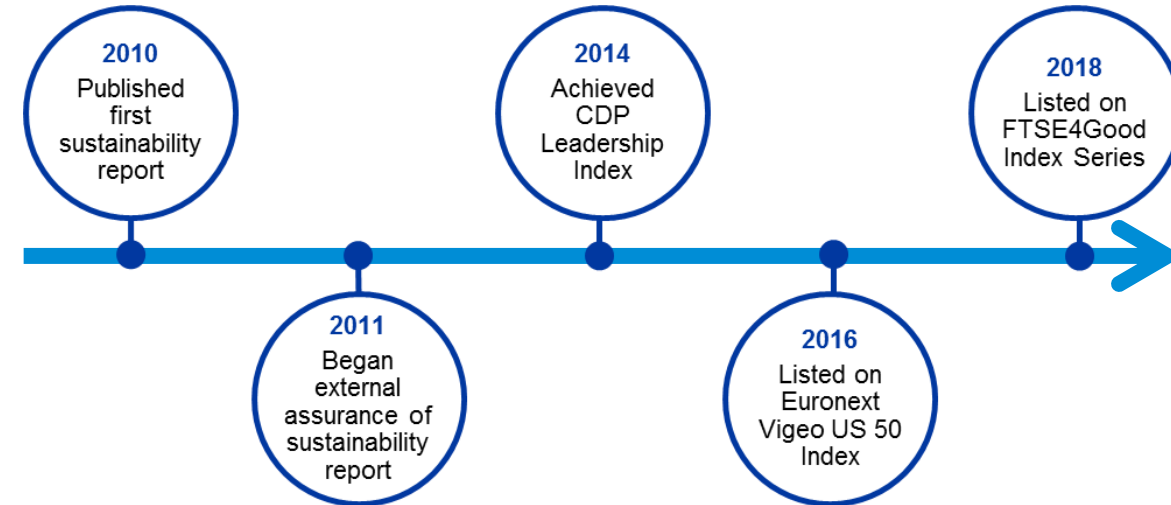
https://www.youtube.com/watch?v=Y_dnell4Xjc



Whole Report Assurance – IFF Overview



With increasing maturity in our sustainability program has come increasing public recognition...



Whole Report Assurance – Benefits to IFF

- On-the-ground information on our data management
- Eases approval process for sustainability report & other surveys & disclosures
- Commitment to continuous Improvement

Internal



- Stakeholders increasingly requesting 3rd party assurance
- Reputation: Assurance as a best practice
- Confidence in our data

External

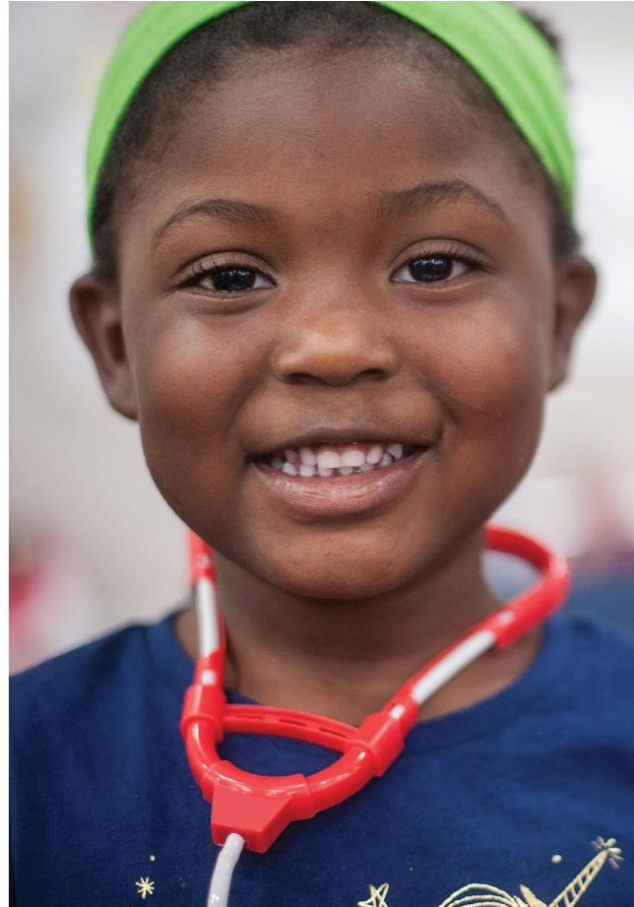


Long Term Goal Assurance

2017 Health for Humanity Report

Progress in Citizenship & Sustainability

Johnson & Johnson



J&J Assurance Journey – 1996 to Present



Considerations When Assuring Long-term Goals

ASSURANCE OF LONG TERM GOALS REQUIRES FORESIGHT

01

Knowing material issues and/or knowing where you have impact on global issues (SDGs)

02

Writing SMART goals
Avoiding 'fluffy' language

03

Clearly defining all assumptions/ estimations and their basis

04

Identifying and acknowledging the measurement limitations of global impact goals and publically sharing these limitations

J&J Assurance Against Long-term Goals (Sample)

Johnson & Johnson
2017 Health for Humanity Report 16
Johnson & Johnson
2017 Health for Humanity Report 22

About

Message from Alex Gorsky

Year In Brief

Sustainability Approach

Progress on Commitments

Better Health for All

Innovation

Our People

Environmental Health

Responsible Business Practice

Appendix

References

Progress on Commitments

Health for Humanity 2020 Goals²

At Johnson & Johnson, we aspire to profoundly change the trajectory of health for humanity. Our [Health for Humanity 2020 Goals](#), underpinned by 16 targets, focus our citizenship and sustainability efforts where we believe Johnson & Johnson can achieve the greatest impact. The goals underscore and reflect our long-term commitment to delivering sustainable social, environmental and economic change across our Company and extended value chain by leveraging the power of our people, expertise, and global partnerships.

Achieving our 2020 Goals is integral to Johnson & Johnson's long-term success. We consider them to be the Key Performance Indicators of our citizenship and sustainability approach and have processes in place to measure and track progress. We report out on our progress annually, including independent review and assurance of our progress and associated data.

Following is our Scorecard that provides an update on progress we have made to-date against our 2020 Goals.

Goal

Develop and deliver innovative, lifechanging solutions to address the world's major health challenges.

Target	Progress against 2020 Targets (Cumulative)	Notable	Status
Expand the database documenting the effectiveness, efficacy and safety profile of bedaquiline's (SIRTURO) through collaborative efforts to further increase access.	<ul style="list-style-type: none"> Continued enrolling patients from South Korea in Johnson & Johnson multi-country registry Submitted Data Sharing Agreement to the Institutional Review Board of the Government of South Africa for approval to integrate patient data from the South African national database to Johnson & Johnson multi-country registry. 		On Track
Collaborate on Phase 3 trials and make regulatory submissions for rilpivirine LA, the first all-injectable depot regimen for HIV.	In collaboration with ViiV Healthcare, completed recruitment into Phase 3 clinical trials of the all-injectable regimen (cabotegavir LA from ViiV Healthcare and EDURANT [rilpivirine] LA from Janssen).		On Track

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UN Sustainable Development Goals Commitments

UN SDG Progress Scorecard 2017

The United Nations Sustainable Development Goals (SDGs) are a global framework for progress toward a more sustainable future. In trying to determine the unique impact Johnson & Johnson would contribute to the global community to create a healthier, more equitable world, we developed a clear, pragmatic process to create a commitment to accelerate the SDGs that reflects our unique constellation of strengths. The Company's commitment is focused in five areas in which Johnson & Johnson is positioned to create sustainable and scalable impact: health workforce, women's and children's health, essential surgery, global disease challenges, and environmental health.

We aim to mobilize and inspire employees, consumers, communities, and our global network to improve health globally. While we aim to achieve outcomes in all of the Company's work, the identified targets for the SDG commitment are reflective of the Company's reach – individuals whose lives may benefit from our combined efforts with our partners. To that end, we developed a measurement reporting framework that involves the annual tracking of progress towards focus area targets, ensuring accountability of our work. The Company's SDG commitment focuses on SDGs 3, 5 and 17. [Learn more here.](#)

Aspiration

Health Workforce:
A world where the current and future healthcare workforce has the necessary competencies to deliver high-quality healthcare.

5-Year Target (2016 – 2020)	Progress (first year of reporting includes 2016 & 2017 numbers)	Notable	Status
650,000 health workers will have received training to better deliver quality healthcare.	165,000 healthcare providers (25% of overall goal achieved)	Recipients of leadership training, skills training, and education programs focused on health workforce development – including: China Neonatal Resuscitation Program, NurseConnect, mothers2mothers, North Star Alliance, Bridge to Employment, and Management Development Institute.	In Progress

[Learn more](#)

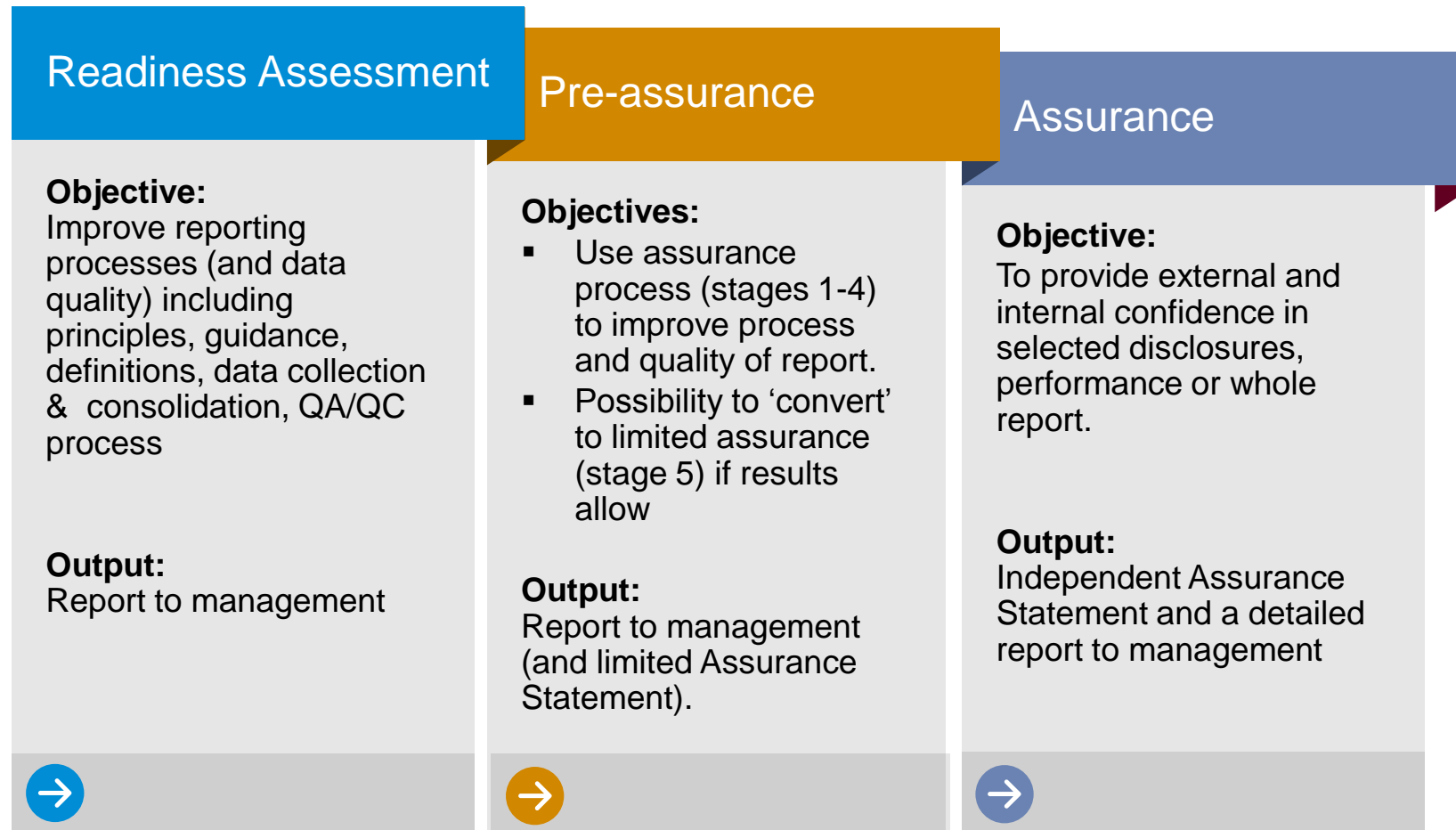
“J&J feels that the value of assurance is manifold. By leveraging industry-standard protocols and guidelines, external assurance provides an independent assessment of progress against company sustainability goals and commitments. Also, external assurance of environment, social and governance information provides the highest form of confidence that the reported information is reliable and relevant, offering investor-grade data around non-financial measures. Externally assured non-financial measures, when paired with financial measures, offer the stakeholder a full picture of a company’s commitment to long-term value creation.”

**Key elements to achieve
desired outcomes and
increased value**

Consider Maturity of Reporting

Level		Assurance Scope & Level
Immature	Early stage of sustainability management (and reporting)	Review reporting guidance / KPI definitions Readiness assessment (pre-assurance) on systems and processes Option for (limited) assurance on selected data/disclosures
Improving	More mature management approach, already reporting but want to improve quality	Limited assurance on disclosures (data/management approach) for material topics, GRI Standards (in accordance)
Leader	Strategic business approach to sustainability; longer term goals and mature reporting	Assurance on performance for strategic goals/targets Mix of reasonable/limited assurance on material disclosures

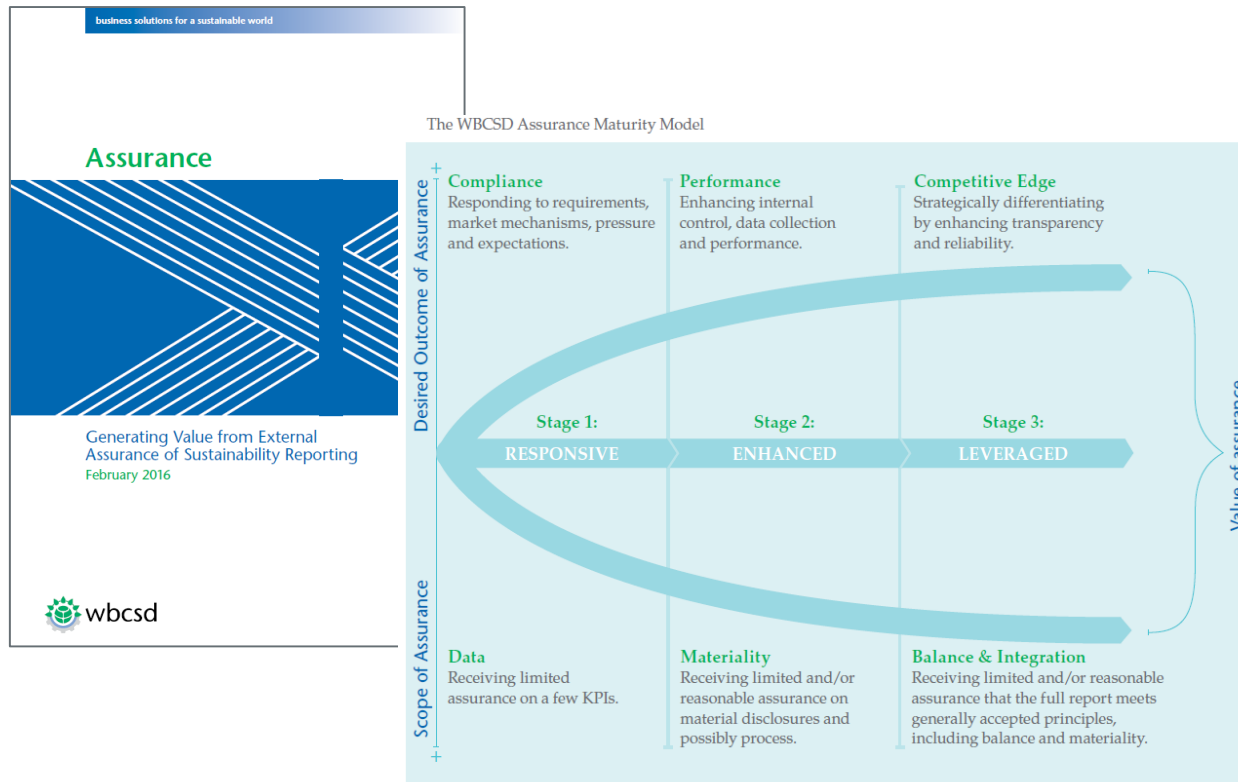
Readiness, Pre-Assurance and Assurance



Use Available Guidance

WBCSD Value of Assurance Project Phase 1, Publication Feb 2016
Phase 2 underway, expected report end 2018

GRI (G4), Publication 2013



The external assurance of sustainability reporting



- 1 Introduction
 - 2 What is independent assurance of sustainability reporting?
 - 2.1 Why assure?
 - 2.2 What does the assurance engagement process look like?
 - 2.3 What is the outcome of the process?
 - 2.4 Who assures?
 - 2.5 How and what to assure?
 - 2.6 Which assurance standard?
 - 3 The GRI Reporting Guidelines – G4 – and external assurance
 - 4 Glossary
 - 5 Further reading
- Annex – Assurance check list

Scoping Assurance to Add Value

Consideration

- Raise awareness: sustainability strategy, goals; report quality
- Identify weaknesses: data/QA/QC
- Improve consistent reporting across operations

Use operational site visits to:

Avoid

- Can result in: 'Rubbish in/out'
- Does not give comfort that disclosures are 'fairly stated'

Assurance on corporate consolidation only:

Consideration

- Scope, reporting criteria, level of assurance, assurance standards
- Assurance Statement and a Management Report
- Statement: 'long form' with activities/observations increases external credibility

RFPs

Avoid

- May not identify errors at site level
- Can lead to material errors in corporate report

Visiting head office only:

How Assurance Findings Add Value

No/limited QA/QC

Result:

Possible errors in the report not corrected by the organization itself

Limited senior management review and governance.

Result:

No high level 'ownership'

Consolidation principle not formally defined

Result:

Inconsistent data across the business

Poor reporting guidelines and definitions.

Result:

Inconsistent reporting leads to errors in the report

Reporting 'rules' not formalized

Result:

Frequent re-statement of goals, baselines & prior year data

No explanation of trends

Result:

Users do not see links to strategic objectives

Benefits of Independent Assurance



External credibility and trust



More reliable Reports and Accounts



Sustainability ranking scores



Risk management



Reputation management



Performance improvement

SUSTAINABILITY

MEANS

BUSINESS

Megatrends



2018 ERM Webinar Series



ERM's Next Webinar in this Series

Emerging Disclosure Trends

September 20, 2018 at 1pm (EDT)

Summary of the latest trends in sustainability disclosures (public reports and websites) based on a review of the latest round of materials and updates released by leading companies by the end of Summer 2018.

Speakers include:



James Margolis
ERM
Partner



Jennifer Eastes
ERM
Senior Consultant

Questions

ERM Sustainability Report 2018

Better business. Helping our clients balance the tension between societal responsibilities and commercial demands.

Megatrends

We see our clients responding to the impacts from four key megatrends:



ERM's contribution to the SDGs

We are creating a sustainable future with the world's leading organizations—in turn, contributing to the SDGs.



[Click here to view our online Sustainability Report 2018 ERM Foundation Annual Review 2018](#)



Thank you

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Appendix

Process for Whole Report Assurance

