



Are you providing investors with the information they want to make informed decisions?

The better the question. The better the answer.
The better the world works.

Companies produce a range of reports that include nonfinancial information, such as sustainability reports, strategic reports, management reports and integrated reports. In addition, digital reporting is increasing, allowing for an interactive use of information and customized reporting.

Results from the last three editions of EY's investor survey data, recent events and global initiatives offer evidence that nonfinancial information and, in particular environmental, social and governance (ESG) information, plays an increasingly influential role in investment decision-making. Thus, the proportion of investors relying on nonfinancial information – especially those doing so occasionally – has increased. The 2017 EY investor survey¹ notes that for investors, the annual report is still the key source for information on the company's performance.

Investors say, "Tell me more"

While the amount of nonfinancial information is growing and is increasingly being used in decision-making, evidence shows that at the same time there is a dissatisfaction from investors with the quality of information available from companies.² While companies are gradually starting to improve the quality of nonfinancial information, it is not improving at a fast enough pace to keep up with higher expectations from investors. As investors come to see nonfinancial information as increasingly significant they reveal higher expectations for it to be timely, comparable and verifiable. However, investors note that the available nonfinancial information is often of poor quality, inconsistent or not verified, nor available for comparison with those of other companies.

EY Climate Change and Sustainability Services (CCaSS) teams can help you to improve the credibility of your nonfinancial reporting by:

- ▶ Helping identify stakeholder information needs and performing a gap analysis with your current reporting
- ▶ Supporting the drafting of a nonfinancial information reporting policy tailored to your business model and meeting applicable requirements
- ▶ Helping draft relevant and connected financial and nonfinancial reporting
- ▶ Helping develop reporting processes that are supported by sound governance and control

1. *Is your nonfinancial performance revealing the true value of your business to investors?* EY, 2017.

2. *Ibid.*

What does the increased demand for nonfinancial information mean for your organization?

A root cause of the dissatisfaction with the available information could be the reaction of companies to include more and more information in their reporting. This has created a risk of information overload and makes it difficult for stakeholders to properly identify the most relevant information to them. This makes it more difficult for intended users to follow the corporate story the report is trying to tell.

Given the current demand for nonfinancial information, your company may benefit from assessing your current nonfinancial reporting environment and how it supports decision-making, both internally and externally, in particular by investors. In addition, you may benefit from assessing whether your management of nonfinancial information is efficient in the sense that it is delivering the right information, in a reliable and appropriate format, at the right time.

Collecting and reporting high quality information is a journey and you can challenge yourself by asking the following questions:

1. Do you know what type of nonfinancial information investors expect from your company?
2. Do you have enough insight to balance the different expectations from stakeholders?
3. Do you know what your peers are reporting and how you benchmark against them?
4. Is it easy for you to choose from the various reporting frameworks available and identify how they are connected?
5. Is the nonfinancial information in your annual report sufficient, relevant, connected, reliable and comparable?
6. Do you use information technology effectively to support your key messaging on nonfinancial information?
7. Are your nonfinancial information processes sufficiently connected to financial information processes, supporting reporting the right information at the right time?
8. Are your nonfinancial information processes, governance and internal control sufficiently robust?
9. Are nonfinancial reporting responsibilities, skills and competencies within your company at the desired level?
10. Do you want to confirm your compliance with reporting criteria by independent external assurance?

Information that meets user needs

Imagine a world where you have relevant company data at your fingertips in an integrated dashboard, including both financial and nonfinancial information. It could support you to engage with your investors and manage your business to effectively create value. It could help you to prepare more robust reporting and build credibility and trust from your investors and other stakeholders. Even when companies are already producing nonfinancial information, they are often still struggling to design a concise, relevant and connected report based on effective nonfinancial data management, financial information and the most effective IT solutions.

At EY, we believe you can close the information gap, make your reporting processes more effective and enhance the quality of nonfinancial information by:

- Engaging with investors and other stakeholders to identify information requirements, what type of information and what type of quality characteristics are most relevant
- Developing a reporting policy fit to meet the needs of users
- Establishing strong governance and control surrounding the reporting process
- Establishing consistency between the various information platforms being used
- Using third-party assurance services to provide confidence in the data

Reporting on nonfinancial information aligned with your financial reporting is a first step toward providing a holistic view to your stakeholders on your long-term value creation.

How can EY help?

EY can help you bring your nonfinancial information management and reporting to the next level. Our multidisciplinary teams can support you with their experience in financial and nonfinancial accounting, IT, governance, risk management and control.

An overview of how we can help is provided below:

Your requirements	How we can help
Balancing stakeholder needs <ul style="list-style-type: none"> ▶ Effectively engaging with investors and other external stakeholders on material business issues ▶ Identifying and balancing information needs 	Gap analysis <ul style="list-style-type: none"> ▶ Identifying needs vs. current reporting ▶ Providing materiality assessment support ▶ Aligning business models with stakeholder expectations and company strategy
Selecting a nonfinancial information reporting framework <ul style="list-style-type: none"> ▶ Selecting the appropriate reporting framework, tailored to company's business model and strategy and defining a reporting policy 	Drafting a nonfinancial information reporting policy <ul style="list-style-type: none"> ▶ Providing reporting policy support, including selecting uniform definitions, boundaries, scope and alignment with applicable frameworks and standards such as IIRC's Integrated Reporting Framework and the GRI* Standards.
Enhance quality reporting <ul style="list-style-type: none"> ▶ Embedding nonfinancial information in annual reporting ▶ Focused and concise reporting ▶ Connectivity of information ▶ Consistency of reporting 	Drafting relevant and connected nonfinancial information reporting <ul style="list-style-type: none"> ▶ Helping define report structure, content, key performance indicators (KPIs) and related disclosures ▶ Technology support to present the information ▶ Report good practices and comparisons
Enhance soundness of reporting processes <ul style="list-style-type: none"> ▶ Robustness of governance and internal control supporting the nonfinancial information reporting process ▶ Alignment of external reporting and underlying IT management information systems. ▶ Effectiveness and connectivity of nonfinancial information processes, including with financial information processes, to be able to report the right information at the right time 	Reporting process supported by sound governance and control <ul style="list-style-type: none"> ▶ Helping to identify technology to support nonfinancial information processes including data conversion and definition of process and controls ▶ Enterprise risk management alignment ▶ Internal audit support
Enhancing credibility <ul style="list-style-type: none"> ▶ Independent conclusion on quality nonfinancial information and compliance with reporting framework 	Independent external assurance <ul style="list-style-type: none"> ▶ Providing assurance over nonfinancial information: reasonable assurance engagement or limited assurance engagement

*IIRC – International Integrated Reporting Council

*GRI – Global Reporting Initiative

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Your benefits

The transformation to high quality nonfinancial information is an investment that could unlock improved communication of business value to create a robust and reliable performance story. Connecting financial and nonfinancial information may provide your investors and other stakeholders with a powerful tool. This may help them to make balanced and integrated decisions, as they are more able to connect your strategy with opportunities and risks. Enhancing the effectiveness of your reporting and focusing on what is really required for decision-making could also reduce your reporting burden.

Our services may help you to:

- ▶ Have insight into your most important ESG risks to support you in mitigating them in an effective and timely way
- ▶ Have an efficient and connected design of your reporting processes
- ▶ Have robust information to present to your intended users: investors and other stakeholders
- ▶ Increase the effectiveness of your reporting
- ▶ Decrease your reporting burden

Why EY

EY has supported companies globally in various industries as they take their journey to more effectively report robust nonfinancial information. Our services cover the full journey and include services for companies that are beginning their nonfinancial reporting process, as well as services for companies that are more mature and are exploring a more integrated approach.

EY is closely involved in working with global reporting frameworks relevant to nonfinancial information, such as those of the IIRC or GRI, so we are well positioned to help you transition to communicating nonfinancial information more effectively.

Our global network of over 600 practitioners dedicated to offering sustainability services is growing and we are innovating through the expansion of the scope of the services we offer. We work closely with our financial accounting and advisory professionals to help you develop a multi-disciplinary, integrated approach to reporting.

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About EY

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