

Our sustainability journey

EMEIA Financial Services
Sustainability Overview 2016





Welcome

Sustainability is an escalating issue in financial services. Business leaders are now addressing not only the material financial and regulatory impact, but also the environmental and social aspects of their organizations. We have a chance to restore trust and build confidence with society.

At EY, we have a clear purpose: building a better working world. We fulfill our purpose through the services we provide. We help businesses seize economic opportunity as well as bring transparency around the impact of what they do. Digital disruption is here, and it's now the top issue in our materiality analysis. Terms like "FinTech," "robotics" and "artificial intelligence" are becoming part of our everyday language. These innovations present challenges, and we are ready and able to help our clients seize the upside of disruption.

This purpose is rooted in our people – in the way we behave, develop leaders and make a difference in businesses, governments and communities. Diversity and inclusiveness are key to achieving this. Within our communities, we want to continue to build the

right partnerships to support inclusive growth and increase the dialogue around sustainability. With our convening power and our industry relationships we can support stakeholders in their sustainability efforts. One way we connect with our communities across EMEIA is through our people. In financial year 2016, our people spent almost 16,000 hours volunteering, and we contributed US\$ 1.12 million to our communities.

We're making progress on our journey but we know we still have more to do. I'm truly optimistic about what lies ahead. The varied societal challenges we face provide us and the industry with opportunities to innovate and positively disrupt as we continue to build a better working world for our clients, our people and our communities.

"Amid the challenges of a changing world, lie business opportunities to innovate and grow."

Marcel van Loo
Regional Managing Partner
EY EMEIA Financial Services

Our year



Throughout this year, we've seen real changes on a global scale that will have implications for our organization and the financial services industry.

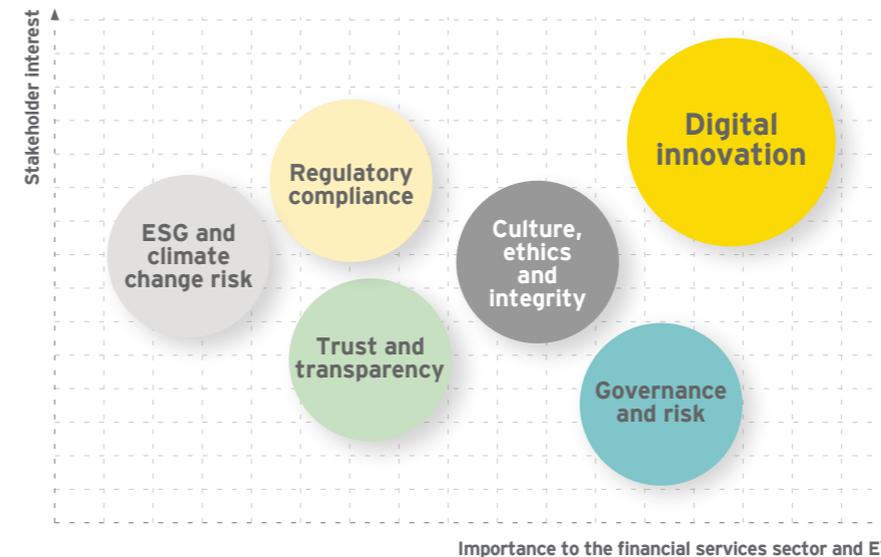
Events such as Brexit will change the landscape of UK banking, and the landmark deal at COP21 will increase pressure on the investment community to take action around climate change. We've seen the UN Sustainable Development Goals (SDGs) becoming more widely discussed, and we recognize that we have more to do in this area. The rise in the digital revolution continues, affecting the industry through how it approaches its workforce and consumers: this is also recognized within our materiality assessment.

More information on each of these, as well as our performance snapshot for FY16, is available from ey.com/fssr/year

Materiality

Our materiality assessment identifies the most important issues for our stakeholders and the industry, and it informs what we report on.

In FY16, we validated our FY15 material issues with our Regional Managing Partner Marcel van Loo and other key stakeholders. The six priority issues remain but the order of importance has changed – digital innovation and disruptive technology is now the top-priority issue within financial services.





Our clients

We deeply value our connections with everyone, from our clients to like-minded organizations and individuals. Whilst delivering consistent, high quality services, we offer industry-focused insights that promote increased trust and confidence in the financial system while exploring new perspectives to ensure that what we do today counts tomorrow.

More information is available from ey.com/fssr/clients

Digital innovation: the upside to disruption

Digital technology continues to disrupt and fundamentally transform the financial services industry. Organizations are navigating challenges presented by:

- ▶ **The Fourth Industrial Revolution:** This is characterized by digital technology, automation, artificial intelligence, robotics, the Internet of Things and the sharing economy. It presents a significant challenge to financial services organizations as they continue to find the right balance between automation and changes to their workforce.
- ▶ **Cyber resilience:** In an increasingly digital world, cybersecurity presents a challenge – 86% of respondents to our Global Information Security Survey 2016-17 say their cybersecurity function does not fully meet their organization's needs.
- ▶ **FinTech:** Financial technology (“FinTech”) continues to offer alternative opportunities for accessing financial support – from money transfers to financial planning. As FinTech becomes more attractive to consumers and technology prices continue to drop, banks need to review how to attract and retain customers who are unpredictable and compete in a digital world, potentially through partnering with FinTech organizations.



Regulatory compliance: a competitive advantage

Regulatory compliance is a business-as-usual activity to maintain a licence to operate. Questions on adaptability, resilience and governance in this space are not new, but what is new is the effort required to anticipate, mitigate and manage regulatory expectations.

Regulation continues to increase in number and complexity, imposing enormous compliance costs on financial services organizations that are already being challenged to boost revenues in a low-growth environment. For example, the European Parliament and the Council of the EU came to an agreement on the EU General Data Protection Regulation to address data privacy. In response, regulation technology ("RegTech") has emerged. RegTech can support more granular reporting and provides better insights to financial services executives.



Innovating with RegTech
Turning regulatory compliance into a competitive advantage



Search: Innovating with RegTech: Turning regulatory compliance into a competitive advantage EY (2016)

Embedding culture, ethics and integrity into financial services

Culture defines how an organization operates – it influences employee behavior and the choices they make, and it affects how stakeholders perceive and interact with the organization.

The notion of the contingent workforce, or "gig economy" has become mainstream in the past decade. The integration of contingent workers can challenge the cultural fabric of an organization, and financial service organizations need to maintain a culture of trust that motivates and emboldens both permanent employees and contingent workers.



A recent EY report found that 86% of respondents believe that culture is fundamental or very important to overall strategy and performance. In the same study, 92% of respondents indicated that investing in culture has improved their financial importance.

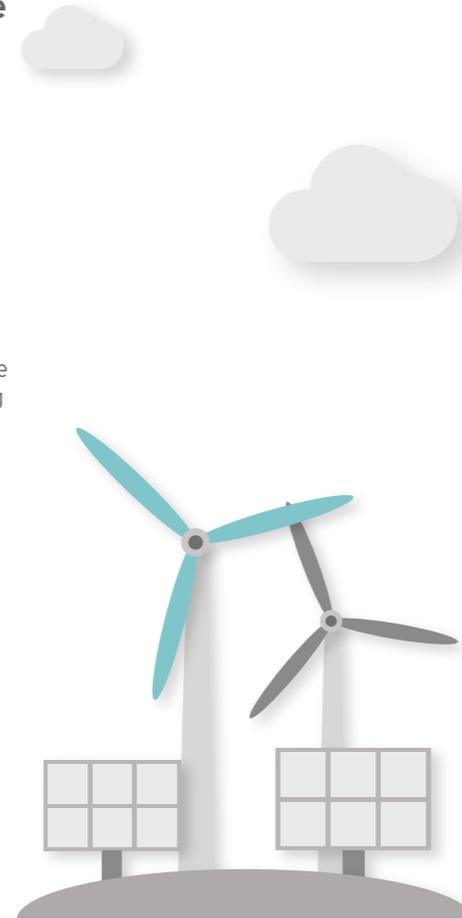
Source: Is your board yet to realise the true value of culture? EY (2016)

Supporting investment performance through ESG factors

Financial services businesses have an important role to play in addressing environmental, social and governance (ESG) and climate risks:

- ▶ Banks and capital markets play a pivotal role in raising funds to support the infrastructure development needed for a low-carbon economy.
- ▶ Insurers are reassessing the way they price products and set premiums to account for property damage, legal liability, political risk, stranded assets and the economic effects of climate change. Countries are also taking action, with Ireland being the first to pass a law to fully divest public funds from fossil fuels.
- ▶ Wealth and asset managers are increasingly incorporating ESG factors into their investment portfolios. Additionally, the European Parliament approved the updated Institutions for Occupational Retirement Provision directive mandating European workplace pensions to include ESG considerations.

Impact investing is quickly moving from niche to mainstream, with organizations recognizing the opportunity and introducing new Impact business divisions, acquiring impact-investment firms and launching impact funds.



Building trust through transparency

Consumer confidence in financial services continues to face challenges in the marketplace. The EY Global Consumer Banking Survey found that banks are largely trusted to keep consumers' money safe, but relatively few consumers completely trust banks to provide unbiased advice that puts their needs ahead of the banks' objectives.

Adding to this, in March 2016, the Independent Forum of Independent Audit Regulators (IFIAR) released its report relating to its 2015 inspection findings. 43% of inspected audits of publicly listed companies had at least one finding across areas such as fair value measurement, internal control testing and revenue recognition. IFIAR is working with the Global Public Policy Committee, of which we are a member, to conduct effective root cause analysis and execute responsive actions.

Customer trust: without it, you're just another bank
Explore key themes from the EY Global Consumer Banking Survey



Search: Customer trust: without it, you're just another bank EY (2016)

Governance and risk's evolving role

Financial services organizations are facing pressure to re-evaluate their risk governance models to place equal emphasis on both financial and nonfinancial risks. Regulators and standard setters have made it clear that internal audit should play a broader role in developing a model that embraces the entire governance, risk management and internal control framework of the organization.

Additionally, new regulatory reforms mandate that new capital, liquidity and leverage requirements are embedded into business models. In response, internal auditors are focusing on culture, conduct risk and the nature and operating cost of controls required to keep the level of conduct and reputational risk aligned to risk appetite. This also ensures that governance systems and controls across the organization are effective.





Our people

Our financial services organization has grown to almost 12,000 people across 14 countries. We have a twofold commitment to raise engagement via learning and communications, and to make sustainability an integral part of development.

To do this, we have big ambitions to:

- ▶ Focus on increasing awareness and understanding with our leadership
- ▶ Integrate sustainability into everything from recruitment to career progression, KPIs and development programs
- ▶ Confirm our culture embeds sustainability into the every day

More information is available from ey.com/fssr/people

Walking in our people's shoes

Some of our people highlights in FY16 included:

- ▶ **An award-winning approach to recruitment in a competitive market:** We were ranked a top-three employer among students by Universum.
- ▶ **A pioneering approach to performance management:** We are piloting a promotion-readiness performance evaluation program called the 10° Program, moving away from a system that is less reliant on proxy ratings.
- ▶ **A reward strategy that is transparent, fair and competitive:** We are firmly committed to the principle of equal pay between men and women, and also among ethnic groups, for comparable work, and we regularly conduct audits to assess this.
- ▶ **Addressing the career path needs of the future:** We are piloting technical professional careers for those with technical skills and capabilities in areas of strategic importance to EY such as digital, analytics and cyber resilience.

Our vision for EMEIA FSO



Find out more at ey.com/fssustainabilityreport/people.



“For three months, as part of the Global New Horizon Program, I swapped my Swiss office location to explore the actuarial and insurance landscapes of Hong Kong and Tokyo. I worked on several interesting and challenging projects at subsidiaries of European and American insurers.

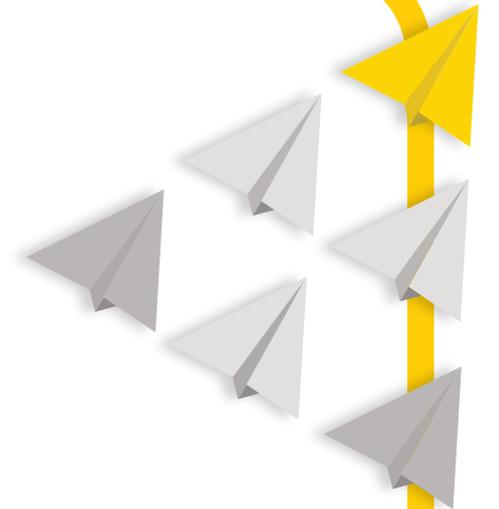
The intense face-to-face client exposure provided me with an invaluable experience. Although the hours were long, I felt the beat of Hong Kong as a city that never sleeps and will bring back memories from my assignment that I will never forget.”

Alexander Aeberli, Actuarial Manager, EY Switzerland (Ernst & Young AG)

Building our future leaders

Our needs of leaders and leadership are changing. We are moving from a world of “top down” styles of leadership to more collaborative and conversational styles of leadership. Some of the ways that EY supports its people in becoming successful leaders include:

- ▶ **A blueprint for growing our leaders:** We are increasingly measuring our leaders on “how” they undertake their business as well as what business and activities they do, to ensure a focus on presence, vitality and agility.
- ▶ **Learning and development – supporting a lifetime of learning opportunities:** We have specific development programs and milestone events at key transition points in our people’s career. One example is Global NextGen, which focuses on senior managers and directors on their path to partnership.
- ▶ **Counseling that creates relationships based on trust:** We are concentrating on deepening the quality of career counseling and developing an accreditation program for implementation in 2017, as we have found the number-one retention predictor of our people is counselor performance.
- ▶ **Delivering on our promise to our people starts with our partners:** We are invested in helping our partners be their best selves because what they do matters. We support our partners to build a legacy that lasts beyond their time at EY through our Partner Transition Program, which provides personalized retirement preparation for partners as they approach this major transition.



Creating a collaborative, cross-border organization

We need to be a collaborative, cross-border, innovative organization to maximize the potential of our people. Some of our initiatives in this space include:

- ▶ **Mobility that leverages the diversity of our global network:**
We encourage international assignments and experiences through a variety of programs, including the EMEIA Mobility Pipeline and our New Horizons scheme to encourage our people to share their knowledge and experience beyond their immediate teams.
- ▶ **Flexible working that centers on exceptional output and quality, not location:** Combining the strategies of talent, technology and real estate, we were able to implement new technology and real estate solutions such as virtual meetings, remote working tools and new open floors that lead to collaboration across our people as part of EY@Work to improve not just where our people work, but also how they work.
- ▶ **Our multi-award winning method for diversity and inclusion:**
We value and respect individual differences, not just those commonly used to define diversity, such as gender, ethnicity and sexual orientation, but also areas such as background, working style and education. Our Diversity and Inclusiveness strategy encourages action at both the organizational and individual level.





Our communities

We have two clear ambitions for our communities.

We aim to:

- ▶ Build partnerships and sponsorships that enhance the dialogue on sustainability in financial services
- ▶ Continuously grow as a responsible business through investment in the wider society and our own operations

More information is available from ey.com/fssr/communities

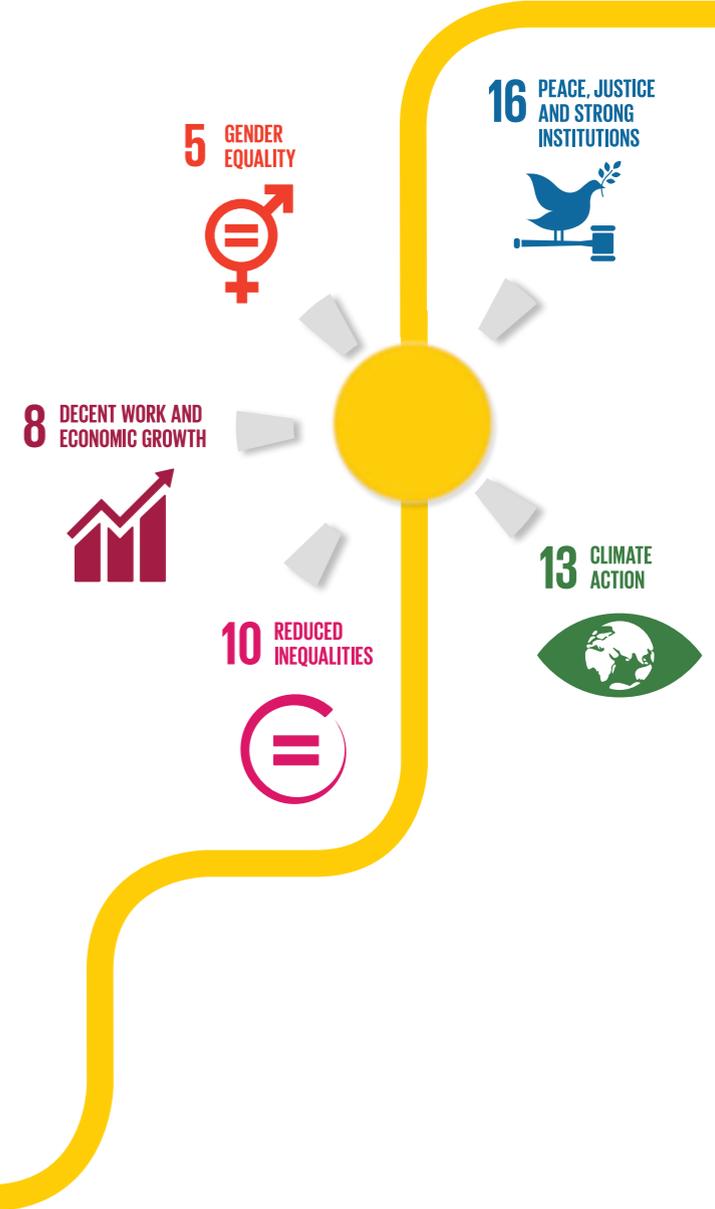
Enhancing the dialogue: championing the SDGs

Our work in this area includes collaborating to help bring systematic change to the financial services industry. One example of this is championing the UN Sustainable Development Goals (SDGs).

The SDGs provide a framework to address the global challenges we face. We have undertaken an exercise to review which SDGs are most important to our organization and the industry we work in. They are:

- 5:** Gender Equality
- 8:** Decent Work and Economic Growth
- 10:** Reduced Inequalities
- 13:** Climate Action
- 16:** Peace, Justice and Strong Institutions

We've also been contributing to the SDG debate and their relevance for professional and financial services, by engaging UN agencies from UNITAR to UNCTAD and UNEPFI, and our clients. Additionally, in the UK, we are using our voice to back efforts to engage the Government in the SDG agenda.



Advocating for increased FinTech collaborations

We believe that FinTech innovation can be a powerful vehicle for increasing financial inclusion, improving productivity and mobilizing dormant capital for the benefit of the wider economy.

Our FinTech teams are focused on helping FinTechs to scale up through:

- ▶ Providing tailored services
- ▶ Leveraging our connections across the financial services sector
- ▶ Seconding our people for three months to FinTechs as part of the EY FinTech Talent Program

Additionally, because we believe financial inclusion is key to an individual's economic prosperity, we are active in the microfinance space, which aims to provide products and services to the unbanked.

"The EY FinTech Talent Program is an exciting addition to EY's pro bono secondment programs, supporting high-growth FinTechs in their growth journey. Through the program, we are uniquely positioned to learn from high-growth FinTechs while offering our experience to build a better working world. A year after launching the program, we are delighted to see the impact the program has had on our people and the FinTechs."

Imran Gulamhuseinwala,
EY Global Head of FinTech



Continuously grow as a responsible business

Our goal is to grow as a responsible business by investing in the wider society and our own operations. We aim to move beyond legacy notions of corporate social responsibility and toward shared and long-term value. Examples of our activities in this space include:

- ▶ **The EY Vantage program:** We work with the nonprofit organization Endeavor to provide support to high-impact entrepreneurs at no fee, promoting social and economic growth where it is needed most.
- ▶ **Enterprise Growth Services:** We bring our top people, services and experience to small and growing social-impact organizations at accessible, not-for-profit rates, helping our clients change lives in low-and middle-income countries by assisting with steady jobs and affordable access to education, health care, sanitation, off-grid energy and clean water.
- ▶ **Social Business Trust:** We are a founding member of the Social Business Trust, a charity that brings together top business professionals and innovative social enterprises to tackle some of the UK's most pressing social issues, from educational disadvantage to elderly isolation.

- ▶ **Our markets, our communities:** Across our 14 markets, we are working to foster sustainability within our communities. From facilitating relationships between large corporations and refugees (EYcares in Germany) to working with young people to improve social mobility, we're continuing our purpose to build a better working world.
- ▶ **Our operations:** We challenge ourselves every day to reduce the impact of our operations on the planet as part of our effort to be good environmental stewards. In FY16, our emissions rate remained the same at 3 metric tons CO₂e per full-time professionals, but our absolute carbon footprint increased by 26%. As a professional services organization, our environmental impacts are related to travel and real estate and, therefore, our efforts focus on monitoring, managing and reducing our travel emissions through a target setting exercise, and improving the efficiency of our buildings.

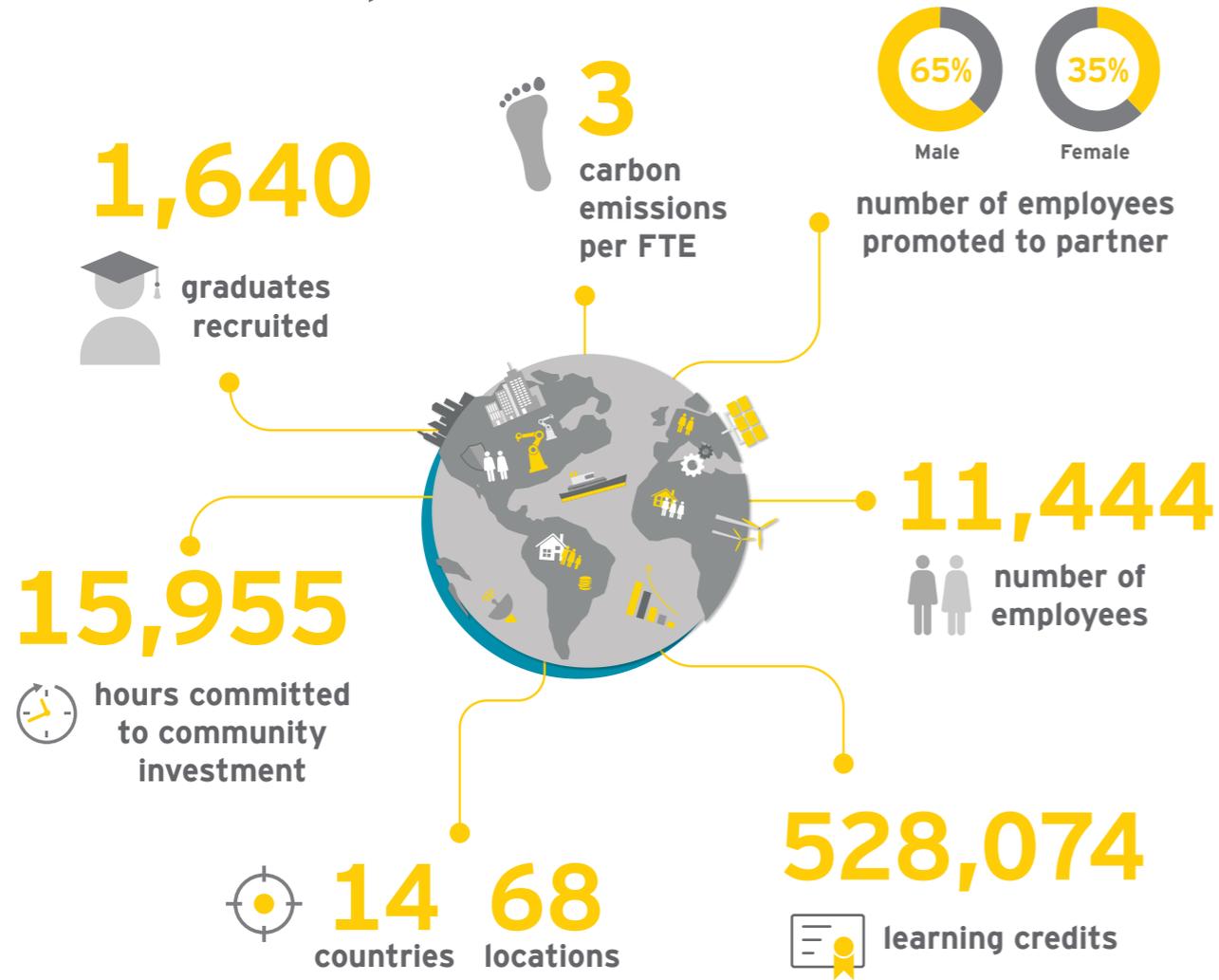


EY Foundation aim to foster sustainability within communities



Search: EY FS Foundation

Performance snapshot



“I’m proud of the progress made on our sustainability journey. In EMEIA FS, we believe that profitability and inclusive growth aren’t mutually exclusive. Our FY16 report shows how we are bringing that to life with our clients, our people and our communities, and how we will continue to come together to meet the challenges ahead.”

Be part of our conversation: find out more online and tell us what you think #sustainableFS

Anna Anthony, EY EMEIA Financial Services Tax & Legal Managing Partner and Corporate Sustainability partner sponsor

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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EY is a leader in serving the Financial Services (FS) industry.

We understand the importance of asking great questions. It's how you innovate, transform and achieve a better working world. One that benefits our clients, our people and our communities. Finance fuels our lives. No other sector can touch so many people or shape so many futures. That's why globally we employ 26,000 people who focus on financial services and nothing else. Our connected financial services teams are dedicated to providing assurance, tax, transaction and advisory services to the banking and capital markets, insurance, and wealth and asset management sectors. It's our global connectivity and local knowledge that confirms we provide the insights and quality services to help build trust and confidence in the capital markets and in economies the world over. By connecting people with the right mix of knowledge and insight, we are able to ask great questions. The better the question. The better the answer. The better the world works.

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