



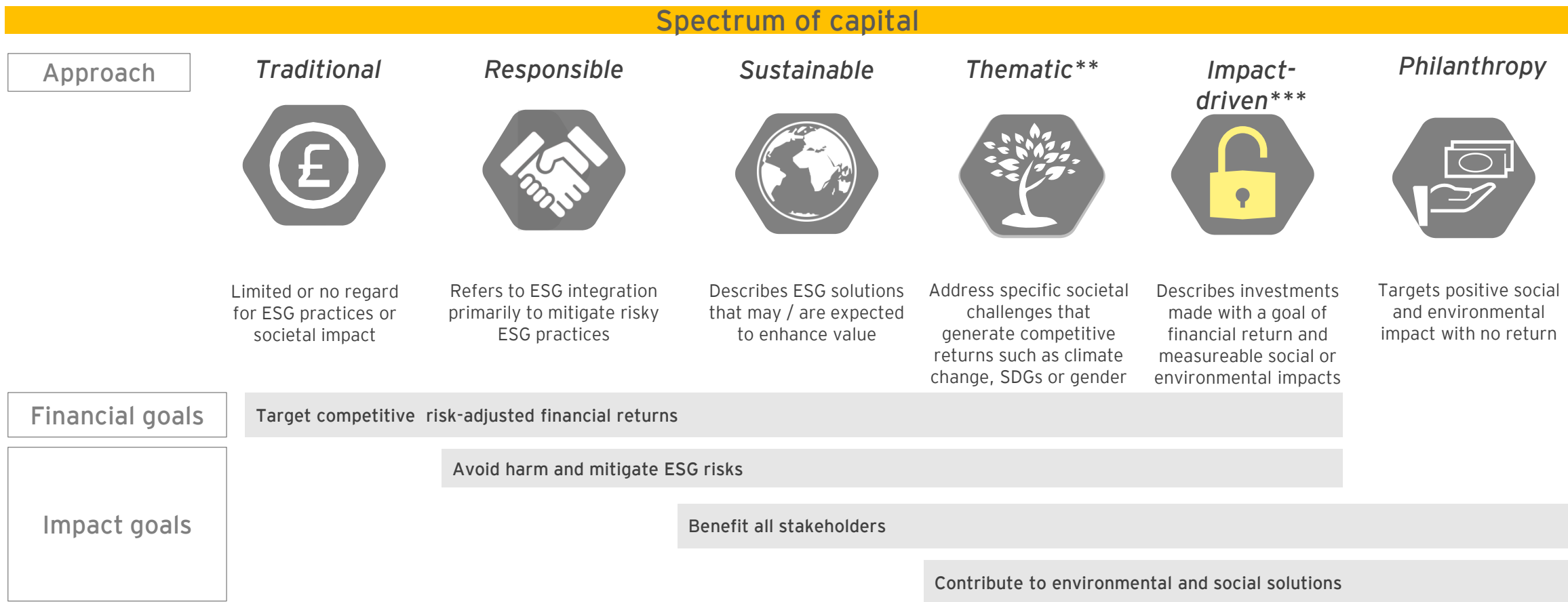
Long Term Value and the role of Wealth Managers to generate a positive impact

March 19th 2019

The landscape is broad and evolving, Wealth Managers will need to adopt a mix of strategies to meet client expectations

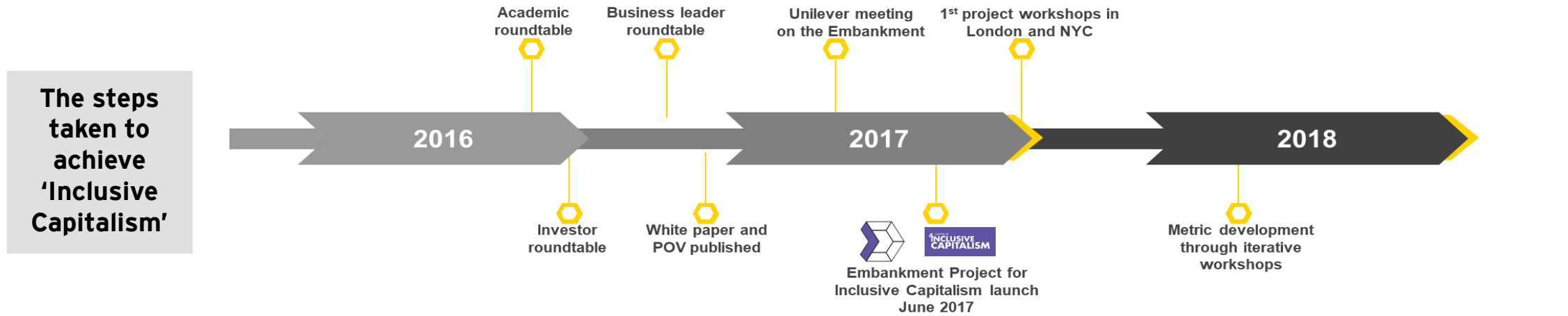
Meeting market expectations - the 'Leading' or 'Advanced' players will require a broader range and mix of products across the spectrum of capital.

Philanthropy perspective - a coherent story about creating positive change whilst also providing flexibility in applying the most appropriate ESG strategy within different parts of your portfolio.



The Embankment Project for Inclusive Capitalism - Insights and key participants

EPIC was launched in 2017, bringing together a mix of 31 asset owners, creators and managers to identify new metrics to measure and articulate LTV to investors and other stakeholders. Key participants are detailed below.



Asset Creators

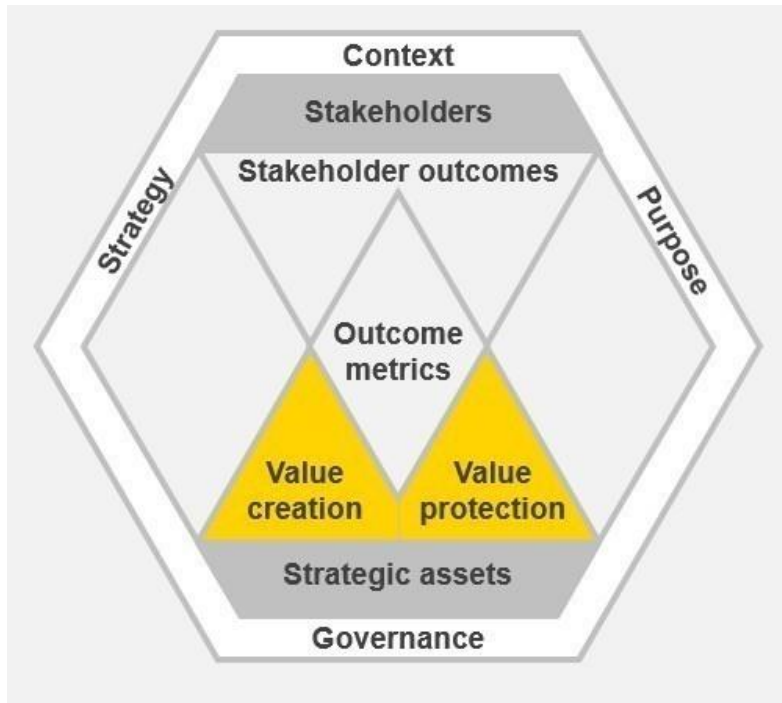
Asset Owners

Asset Managers

Total AUM - \$28.7tn / Market Cap - \$1.5tn

Embankment Project: Focus on Long Term Value creation

Long Term Value Framework



Value requires more than financial indicators

- ▶ Only 25% of Investors believe that financial reporting clearly conveys how a company can create future value through reinvestment¹
- ▶ On average, 52% of a company's market value is based on intangibles²

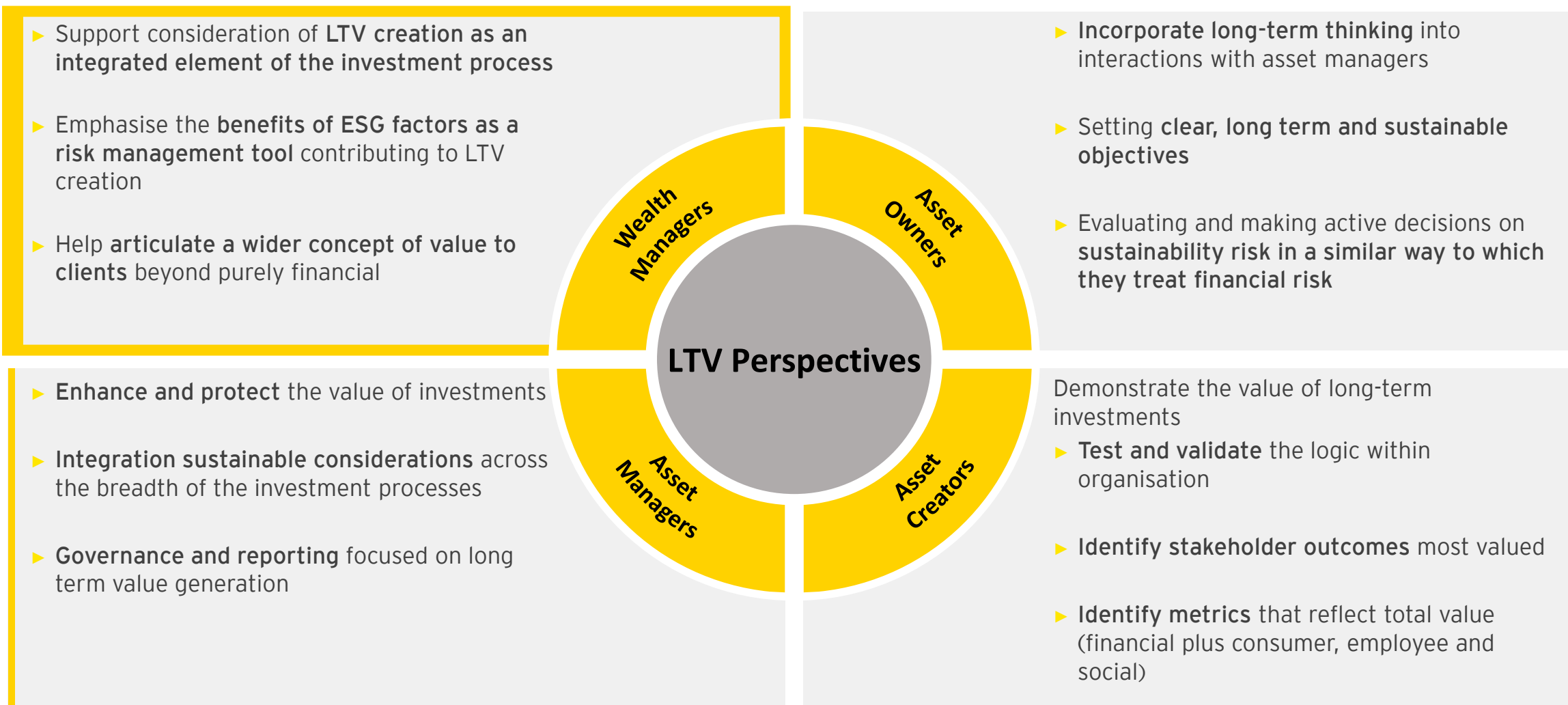
Dimensions of Long Term Value Creation

Value creation

Value protection

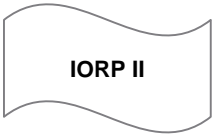
	Financial value	Consumer value	Human value	Societal value
Definition	Traditional yardstick to measure an organisation's performance	The value an organisation creates through the utilisation of goods and services to meet customer needs, including innovation	The value an organization creates through the utilisation of the skills, behaviours and engagement of its people	The value created through the relationships between an organisation and all other external stakeholders
Examples	<ul style="list-style-type: none"> ▶ Revenue ▶ Margin ▶ Cash flow conversion ▶ Capital structure 	<ul style="list-style-type: none"> ▶ Functional ▶ Comparative ▶ Brand 	<ul style="list-style-type: none"> ▶ Leadership ▶ Workforce alignment ▶ Workforce performance ▶ Engagement 	<ul style="list-style-type: none"> ▶ Environmental ▶ Social ▶ Economic

Long Term Value (LTV) - Key players & perspectives



Regulatory Drivers– will Europe be the first to introduce specific ESG regulations?

We are starting to see increased interest from regulators in ESG factors with the EU acting as first mover with the EU Action Plan on Sustainable Finance



EU Action Plan on Sustainable Finance (starting 2019 incl update AIFMD)

- ✓ The role of finance in facilitating the transition to a sustainable economy (risks and opportunities)
- ✓ Putting ESG factors at the heart of EU financial decision-making and establishing an EU sustainable taxonomy
- ✓ Embed ESG risks in risk management and disclosures

Directive for Institutions for Occupational Retirement Provision (IORP II)-2019:

- ✓ ESG criteria is to be considered in investment decisions and their practical implementation should

The Corporate Governance Code 2018:

- ✓ Firms must demonstrate a clear focus on LTV creation and assess how they preserve value over the long-term
- ✓ Establish a clear corporate purpose and ensure it's linked to strategy, culture and values
- ✓ Create a culture which aligns with the company's purpose, strategy and values and to assess and monitor this culture

PRA / FCA Consultation on Climate Change (UK):

- ✓ The Discussion Paper sets out how the impacts of climate change are relevant to the FCA's statutory objectives or protecting consumers, protecting market integrity and promoting competition



Article 173 (France):

- ✓ Requires asset owners to disclose information on how their investment decision-making process takes ESG criteria into consideration

FCA's Asset Management Market Study (UK):

- ✓ The FCA has clarified Authorised Fund Managers duties to act in the best interest of fund investors and explicitly assess and report on Value
- ✓ The FCA has introduced greater independence to governance bodies of Authorised Fund Managers (ACD Boards) to increase the robustness of scrutiny



EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

EY-000083862-01 (UK) 12/18. CSG London.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)