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PRESS RELEASE

Corporations should take the lead on sustainability

Brussels, May 10, 2019 – Businesses cannot wait for legislators, they should lead the path towards long-term sustainability.

That was a conclusion when speakers at the joint conference organized by ecoDa, PwC and the World Business Council for Sustainable Development (WBCSD) reflected on how to re-align societal and corporate interests, thus ensuring the sharing of costs and benefits of the transition to a sustainable economic paradigm.

"Businesses have to grab the opportunities and redefine value structure. Sustainability can no longer be considered in isolation. Authentic and successful internal governance processes for sustainability can only be introduced if corporations first align their purposes with systemic sustainability" said Mario Abela, Director, Redefining Value, WBCSD.

All speakers agreed that businesses have to change the way they take decisions and opt for resilient business models. Directors have to consider environmental issues as part of their overall duties. They can rely on the Institutes of Directors and other organizations like the OECD or the World Economic Forum to push though codes of practices.

"Boards of Directors need to focus more and more on the global financial performance of the company, taking into account its societal impact like supply chain, working conditions and remunerations, health, safety, environment, climate, non-discrimination or ethics", said Michel de Fabiani, Chair of ecoDa Policy Committee.

In the past, Corporate Governance had to adjust to deal with agency conflicts and to protect minority shareholders. Corporate Governance must now be broadened to meet the needs of society into steering the company towards sustainable success and include relevant ESG-factors in its performance reflections.

"Shareholders need to define and sometimes redefine the company interest and purpose while Board of Directors and the Executives will ensure that the sustainable competitiveness of the company delivers value to the shareholders and a positive impact on society where the company operates." added Michel de Fabiani.

Through the Action plan on sustainable finance, the European Union aims to encourage the transition by reorienting capital flows towards sustainable economic activities and financing climate change resilience and adaptation. With a view to reduce short-termism and promote business strategies with long term vision, the European Commission is considering further actions to foster sustainable Corporate Governance.

As expressed by Florentine Hopmeier, Member of European Commission Vice-President Katainen's Cabinet, "*The EU has taken significant steps in promoting a circular economy and sustainable investment. We need to act today: sustainability risks are already material and endanger the business models of European companies. The transition to a circular, low-carbon economy is not only a necessity but also an opportunity for Europe's competitiveness and leadership in sustainable solutions*".

The Non-Financial Reporting Directive has raised awareness on the need for companies to be transparent in order to build trust. However, businesses need better guidance and education on what long-term performance means and more data to show trends. Even if rating agencies can provide raw data, they are not always comparable given that companies use different scales to assess positive products and performance on the UN Sustainable Development Goals.

As mentioned by Jean-Christophe Georghiou, Assurance Policy leader for PwC in Europe, "*PwC analyzed the corporate reporting of more than 700 global companies on how they embrace the Global Sustainable Goals. Good intentions are on the rise but there remains room to improve relevant actions and monitoring. Companies which understand the need to shift their purpose from profit maximization to long term value creation, often lack adequate future-looking frameworks and critical data to embed sustainability in their decision making. Perhaps more importantly, the macro environment for business must change if business is to operate differently in the long term."*

"The focus of performance measures was on financial performance, complemented gradually with other aspects of scarce resources, like human resources. Reporting is still largely based on economical goods and not enough on common goods. There is a need for a global approach to externalities" added Lutgart Van den Berghe, Leader of The Corporate Governance Dialogue at ecoDa.

The conference was held on the 7th of May in Brussels in presence of the European Commission and the OECD. See the programme.

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Notes to editors

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 22 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

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