SUMMARY REPORT
ecoDa's webinar

ESG: From Awareness to Strategic Moves

February 2021

On 10th February 2021, ecoDa organized a virtual event, attracting over 240 participants, to raise the importance of ESG matters for board members and to share good practices. ecoDa strongly believes in peer exchange and education to make sure that companies are not *"lost in transition"*. Successful companies have the duty to pave the way for other companies to start the sustainable transition.

An initial session brought an institutional dimension and provided an opportunity to take stock of the ongoing work of DG FISMA and EFRAG. The intention of the European Commission is definitely to provide a robust set of sustainability standards as well as to review the non-financial reporting directive. These actions are driven by the willingness to make sustainability reporting as important as financial reporting. Companies will be required to provide more material and comparable data. In order for the European Union to lead the global move, EFRAG is due to issue its report on European non-financial reporting standards on February the 19th.

The need for boards of directors to proactively address these issues was recalled. Nothing will happen if boards are not committed. The major challenge for board members is certainly to review the way they discharge. Board members have first to drive the culture change, they have secondly to get a good understanding about who are their relevant stakeholders and finally to establish the right metrics to evaluate the implementation of their commitments. Even the way boards function has to change. Each board meeting should entail a forward-looking approach when it comes to strategic thinking. Board members have to consider all possible alternatives for decisions which might also mean managing conflicting interests. Evaluation and compensation have to reflect the new commitments. Moving into this new area might also require a revision of the company’s purpose and mission. The Spanish institute of directors (IC-A) has just issued a guidance to support board members through this journey.

Driving forces for changes : How does the pressure from asset managers/investors impact the behaviour of listed companies? How to become the best in class?

In order to understand from where pressures on boards to move ahead are coming, a session was dedicated on asset managers and rating agencies. Over the last years, there has been a complete change of the competitive landscape, with a 50% increase of total assets invested in sustainable funds. Rating agencies are there to empower investors and corporates to make better decisions. They are forcing companies to be more relevant and specific when it comes to sustainability. Companies are requested to demonstrate that they implement their commitments not only at their headquarters but in their different operations. Moody Eiris relies on qualitative information to create a common language and to identify the value creation but qualitative information are also highly scrutinized to avoid greenwashing. They engage strong dialogue with the corporations and their stakeholders. They want to make sure that companies have a very comprehensive and consistent performance. The situation is so that boards are now requesting the management to solicit a rating. With its RIBI indice, Hirschel & Kramer is helping asset managers to build greater portfolio. They look at commitments of asset managers and assess whether the paradigm shift has been translated into the brand.

Performance measurement: Measure what matters and make ESG performance measurement part of your DNA

Board members don't have to wait until they are forced to move forward. A second session looked at assessment tools that boards can use internally. S&P Global Ratings has developed a useful tool for ESG evaluation as a cross-sector relative analysis of an entity's capacity to operate successfully in the future. This evaluation is based on two pillars: ESG profile (the entity being assessed on a relative basis against sector peers), and ESG preparedness. The criteria used for the B Corp certification is also a good way to measure the achievements of a company in doing good, and to ensure that the company is on the right path to become more sustainable. During this evaluation and/or certification process,[1] boards are expected to play a key role. Indeed, boards will have to adapt to these ESG changes but also give the necessary impetus to accompany these changes. As expressed by the COO/CFO of Vestergaard, a B Corp certification brings additional assurance to the board that the company is going in the right direction. A B Corp certification also represents a competitive advantage in the sense that it can help attract the new generation.

Inspiration to walk the talk

The purpose of the last session was to learn from experienced board members how they move the needle on sustainability. According to a study performed by Compass and NedCommunity, there is still a lack of engagement, with only 40% board members playing a greater role in integrating ESG into long term strategies. The panelists agreed that embracing ESG matters will not happen overnight. In order to lead the transformation and deal with ESG matters, board members need to be very well equipped, and that goes through training to upskill. It is important to make sure that all board members are on the same page. The biggest challenge for board members is certainly the capacity to make strategic decisions while dealing with conflicting stakeholders' expectations. What matters is to make sure that sustainability is on the agenda of each board meeting. The Board needs to focus on areas where they feel they can make a change. When this is done, ESG goals have to be embedded in all their strategic decisions including in bonus schemes for the management. Defining KPIs is the best way to acknowledge progress and to move from promises to actions.

All companies should feel concerned about ESG matters, this is not only for energy companies or cooperatives that have integrated the need to do good as part of their DNA. However, it is true that the exercise can be more difficult for SMEs that are lacking in-house expertise and resources.

1. Companies can use B Corp criteria to evaluate themselves without going through the certification process.

Questioned about the need for a legislative initiative in this matter, the panelists agreed that regulators should refrain from regulating how companies should operate even more than all market forces are driving companies in the right direction. With the current crisis, they should avoid making entrepreneurship more difficult. However, there was a consensus on the fact that reporting standards could generate a level-playing field. Any legislative initiative should be consistent with the existing global framework.

The event ended with the announcement of the creation of Chapter Zero Brussels, an initiative of the World Economic Forum. The launch event, supported by ecoDa, is scheduled for March 2.

The recording of the webinar is available here.

Speakers : Sandra Gobert (ecoDa & Guberna), Rogier Wezenbeek (DG Fisma), Patrick de Cambourg (EFRAG), Marcial Campos Calvo-Sotelo (IC-A), Natasha Martseki (the NED Club), Markus Kramer (Hirschel & Kramer), Kevin Giersch (Moody Eiris), Antonio Fuertes Zurita (Naturgy), Luisina Berberian (S&P Global Ratings), Jonathan Normand (B LAB - Switzerland), Nicolas Schornoz (Vestergaard), Livia Piermattei (Nedcommunity), Nicolas Naudin (Non-Executive director), Lasse Bolander (chairman of Coop amba and Coop A/S), Marc Pittie (Chapter Zero in Brussels)

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