

Sustainability and the Role of the Board

*An Institute of Directors event
in partnership with BITCI*

Thursday, 24th September 2020



@IoDIreland @BITCIreland
#ESGandtheBoard



Welcome



Maura Quinn
Chief Executive
Institute of Directors in Ireland



@BITCIreland
@IoDIreland
#ESGandtheBoard

Introduction



Tomás Sercovich

Chief Executive

Business in the Community Ireland



@BITCIreland

@IoDIreland

#ESGandtheBoard

Housekeeping

- This webinar is being recorded and a link will be sent to you.
- We welcome questions so please use the **Q&A box** to submit your questions/feedback/any technical issues.
- Social Media: **#ESGandtheBoard**



@IoDIreland



@Institute of Directors in Ireland



@BITCIreland



@Business in the Community Ireland

Our Members: A Network of Leading Organisations



Agenda

- **Welcome**
Maura Quinn, CEO, Institute of Directors in Ireland
- **Introduction**
Tomás Sercovich, CEO, Business in the Community Ireland
- **Keynote Speaker**
 - **Mario Abela**, Director – Redefining Value Programme, World Business Council for Sustainable Development (WBCSD)
- **Panel Discussion – chaired by Tomás Sercovich, CEO, Business in the Community Ireland**
 - **Beatriz Pessôa de Araújo**, Partner, Baker McKenzie
 - **John Reynolds**, Chairperson, Cairn plc
- **Q&A**

Keynote Speaker



Mario Abela

Director – Redefining Value Programme

World Business Council for Sustainable Development



@BITCIreland

@IoDIreland

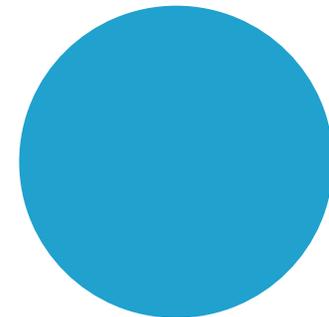
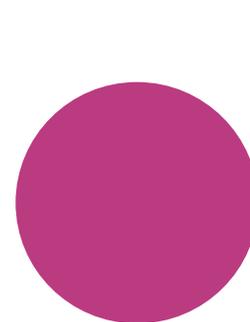
#ESGandtheBoard



BITC Ireland and Institute of Directors in Ireland

Modernizing governance: the final frontier

24 September 2020



A photograph of a bright sun rising over a vast expanse of white clouds, with a clear blue sky above. The sun is positioned in the upper left quadrant, creating a lens flare effect.

Business leadership for a sustainable future .

World Business Council for Sustainable Development (WBCSD)

200 global companies united around a common vision
creating a world in which over 9 billion people are all living well
and within planetary boundaries by 2050





Circular economy

No waste



Cities & Mobility

Clean & connected



Climate & Energy

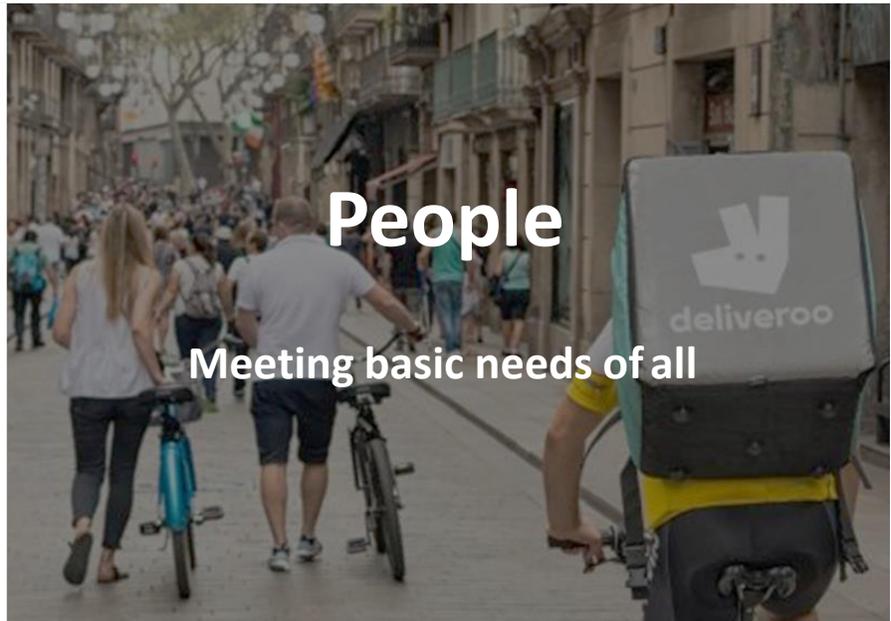
Net zero

WBCSD work program focused on 6 system transformations



Food & Nature

Healthy people, healthy planet



People

Meeting basic needs of all

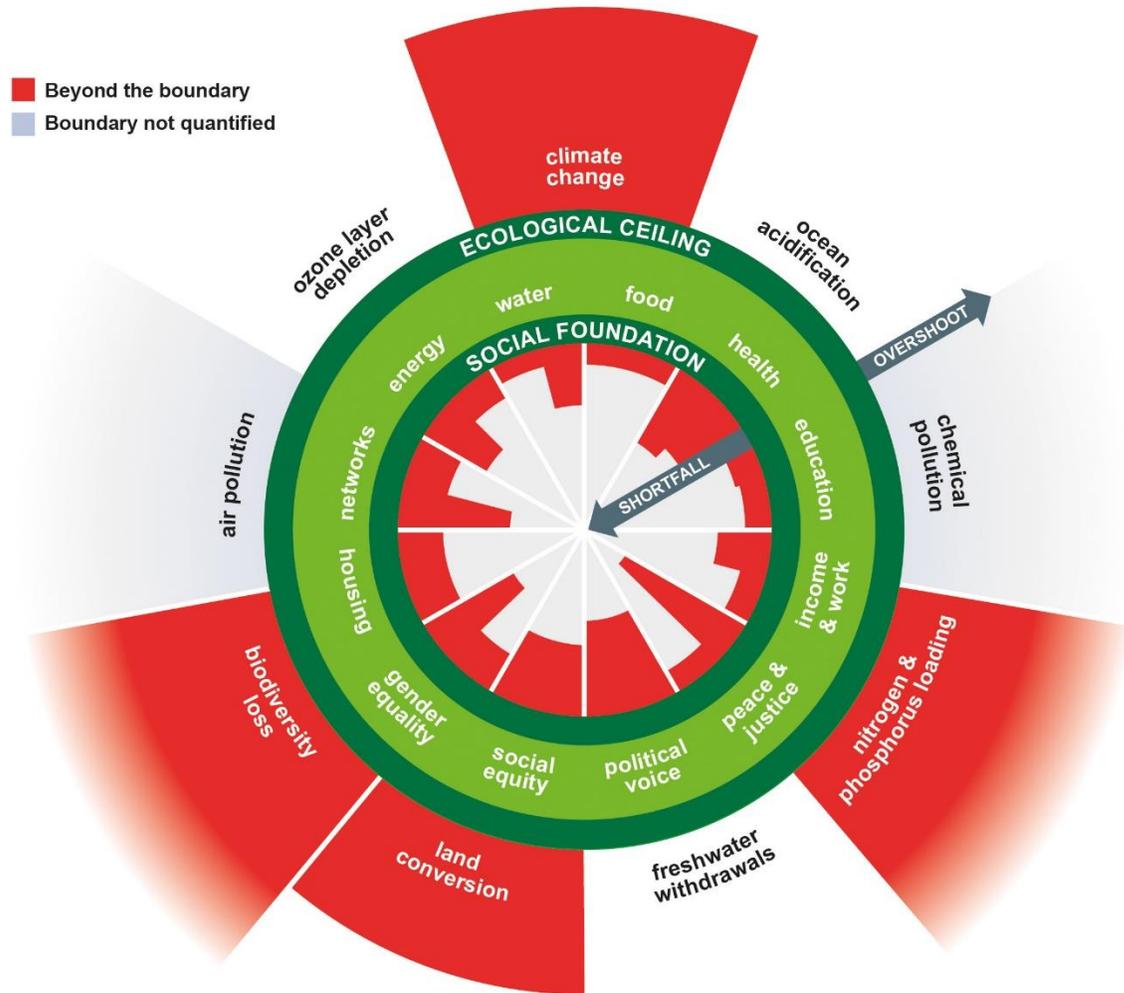


Redefining Value

Sustainable capitalism

Modernizing corporate governance

Doughnut Economics



- Unfortunately we don't know what happens next

- *Business as usual* has gone but still embedded in most financial models used for decision-making

The first governance revolution

Extract from a Letter from the RSA (Manufacturers and Commerce Committee) 30 April 1991

The company is the organisation through which wealth is created and the rewards of wealth creation are distributed. It is the organisation which seeks the capital needed for its future development and which focusses the efforts of large numbers of individuals and groups.

But what is the company's purpose? In many discussions about "corporate governance" it is taken for granted that the purpose of the company is the enrichment of its shareholders - medium term earnings per share. To advocate this point of view, the aim is to do whatever is necessary to maximise the "dividend stream". The satisfaction of shareholders is the end, the provision of a good product or service the means.

Whilst this point of view is taken for granted in many parts of the City of London, it would be considered surprising and distorted to many UK entrepreneurs and managers, and to the Japanese or German financial community who would say that those who provide the capital are one, but not the only, stakeholders which the company must satisfy. "The trouble with you English is that you are too fond of money" as the President of a Japanese company put it to Professor Charles Handy.

The central components of this voluntary code, the **Cadbury Code**, are:

- that there be a clear division of responsibilities at the top, primarily that the position of Chairman of the Board be separated from that of Chief Executive, or that there be a strong independent element on the board;
- that the majority of the Board be comprised of outside directors;
- that remuneration committees for Board members be made up in the majority of non-executive directors; and
- that the Board should appoint an Audit Committee including at least three non-executive directors.

From the Cadbury Archives: <http://cadbury.cjbs.archios.info/report>

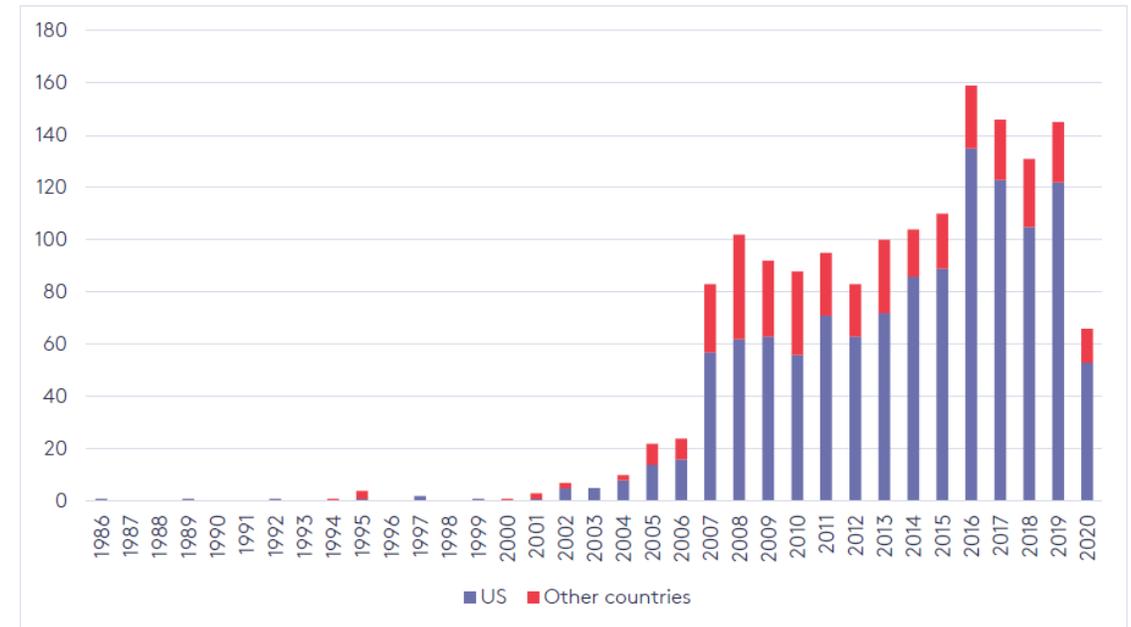
The current revolution in governance

Purpose of the Corporation

“ Profitably solving the problems of people and planet, and not profiting from creating problems for people and planet ”

British Academy – What is the Future of the Corporation

c) Total global cases over time, United States and other countries, 1986–May 2020



Source: Authors based on CCLW and Sabin Center data

From Grantham Institute – *Global Trends in Climate Change Litigation 2020 Snapshot*

Companies & regulators are **calling for change**

Leadership in Action Policy Perspectives About Us Media

CORPORATE GOVERNANCE

Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans'

AUG 19, 2019

Updated Statement Moves Away from Shareholder Primacy, Includes
Commitment to All Stakeholders



Sustainable Finance and the Role of Securities Regulators and IOSCO

Final Report



FRC Financial Reporting Council

ANNUAL REVIEW OF THE UK CORPORATE GOVERNANCE CODE

JANUARY 2020

BlackRock. About Us Newsroom Insights Investor Relations Sustainability Careers

A Fundamental Reshaping of Finance

Dear CEO,

As an asset manager, BlackRock invests on behalf of others, and I am writing to you as an advisor and fiduciary to these clients. The money we manage is not our own. It belongs to people in dozens of countries trying to finance long-term goals like retirement. And we have a deep responsibility to these institutions and individuals – who are shareholders in your company and thousands of others – to promote long-term value.

Final Report

Recommendations of the Task Force on Climate-related Financial Disclosures

Why look at **governance**?

- The role and expectations of the corporations are changing so it has an impact on the success of your business
- The board has a critical role to play in the embedding of environmental and social considerations as a part of their fiduciary duties
- The risks challenging companies are changing and boards need to build resilience to withstand these shocks if they materialize
- Governance arrangements remain opaque in many countries and there is a lack of transparency about the board and its decision-making

And then came **COVID-19**

- What is the role of the board in a period where businesses are fighting for survival
- Lack of consistency across borders
- Mixed response from regulators in terms of informing capital markets
- Question about what 'normal' might look like in +6mths +1yr +5yrs
- State control of movement and social interaction



Phase 2 Board director resources

SELF-ASSESSMENT

FIDUCIARY DUTY

**PURPOSE &
BUSINESS MODEL**

**ENGAGEMENT
WITH
MANAGEMENT**

**ENGAGEMENT
WITH
STAKEHOLDERS**

**RISK
MANAGEMENT**

**NON-FINANCIAL
REPORTING**

Board of director resources: Tools & solutions



Board Self-Assessment on ESG Oversight

Context

Understanding environmental, social and governance (ESG) information is becoming an increasingly important topic for the board. ESG oversight and performance is often viewed as a key pillar of effective organizational governance to promote long term success. From climate change to customer's health, ESG matters should be embedded into the company's purpose, management and culture; and the board has a pivotal role in overseeing these matters within the organization.

This board-level tool is designed to help boards assess how effectively they understand and are incorporating in their respective role ESG-related practices. This multiple-choice questionnaire seeks to evaluate the level and effectiveness of the board's oversight of ESG considerations across five core pillars: 1) purpose and business model, 2) risk management, 3) engagement with management, 4) engagement with stakeholders, and 5) non-financial disclosures. A board profile is generated at the end of the assessment which will serve as a guide to highlight current practices based upon survey responses – as well as additional practices to consider.

Scope

This self-assessment aims to provide boards with a practical tool to help them assess how effective they are at integrating ESG into their oversight role. It is not an evaluation of the board's overall effectiveness, professionalism or impacts.

Board Self-Assessment on ESG Oversight

Context
Understanding environmental, social and governance (ESG) information is becoming an increasingly important topic for the board. ESG oversight and performance is often viewed as a key pillar of effective organizational governance to promote long term success. From climate change to customer's health, ESG matters should be embedded into the company's purpose, management and culture; and the board has a pivotal role in overseeing these matters within the organization. This board-level tool is designed to help boards assess how effectively they understand and are incorporating in their respective role ESG-related practices. This multiple-choice questionnaire seeks to evaluate the level and effectiveness of the board's oversight of ESG considerations across five core pillars: 1) purpose and business model, 2) risk management, 3) engagement with management, 4) engagement with stakeholders, and 5) non-financial disclosures. A board profile is generated at the end of the assessment which will serve as a guide to highlight current practices based upon survey responses – as well as additional practices to consider.

Scope
This self-assessment aims to provide boards with a practical tool to help them assess how effective they are at integrating ESG into their oversight role. It is not an evaluation of the board's overall effectiveness, professionalism or impacts.

Target Audience
This self-assessment is meant for boards of directors, corporate secretaries, risk committees and governance or ESG executives interested in assessing the board's effectiveness of ESG oversight; it should be completed on behalf of the full board.

Availability
This self-assessment is available online through the WBCSD platform or can be completed offline in this excel format; it is expected that the survey will take approximately 30 minutes to complete. Upon completion of the survey, a board profile will be produced, this can be saved or printed but will not be made available at a later time. The output remains available in this excel format.

Data Privacy
This self-assessment is intended for company boards. If completing online, the questions answers and all other data shared will only be visible to the end user, i.e. the survey taker. The board profile created after completing the questionnaire will only be made available to the end once the survey is complete. There is an option to download the board profile in PDF form. Personal or company data will not be collected or stored through this self-assessment. Data will only be used by the survey tool for the analysis of answers resulting in the production of the board profile at the end of the survey.

This self-assessment is the result of a research project developed to improve the understanding of the governance landscape and board practices around ESG oversight. The research covered 12 jurisdictions and included more than 30 interviews with board members and a review of governance codes, legislative requirements, voluntary codes, good practice and relevant literature. The project's main findings and recommendations are detailed in the report [Modernizing Governance: Key Recommendations for Boards to Ensure Business Resilience](#) (available at the link below).

The project, including the self-assessment, was developed by the WBCSD Redefining Value team, with the assistance and expertise of Deloitte and Baker McKenzie, as well as with the guidance of an international group of governance professionals and a high-level advisory group.

[Start self-assessment](#)

Useful links:
[Interactive online self-assessment](#)
[Full report](#)
[Further project context](#)
For inquiries on the project and self-assessment, please contact the WBCSD Redefining Value team at leach@wbcsd.org or abela@wbcsd.org

[Modernizing Governance: Key Recommendations for Boards to Ensure Business Resilience](#)
[WBCSD website](#)

Board of director resources: Tools & solutions

Purpose & business model

Without an appropriately defined and wholly integrated corporate purpose, decision-making can be difficult. Systemic sustainability issues like climate change, health pandemics, biodiversity loss and supply chain management may not be considered in business decision-making if the purpose and business model focus only on profit or financial returns. Having a purpose which incorporates environmental, social and governance matters supports an organization in achieving objectives that benefit stakeholders beyond shareholders. The purpose of business is moving from shareholder exclusivity toward stakeholder inclusivity and this is changing the way that businesses make decisions.

Having a purpose and business model that demonstrates a company's contribution to profit, people and planet means that business and boardroom decision-making can support the long-term success of the corporation, as a whole and the board can effectively discharge their duty of oversight.



"The purpose of business is to produce profitable solutions to the problems of people and planet, and not to profit from producing problems for people or planet. This notion of purpose is now more relevant than ever in this age of crisis. It should be the principle that guides companies in how they react to the crisis, how they come out of it, and how they rebuild their businesses in the future."

Prof. Colin Mayer
University of Oxford



ENGAGEMENT WITH STAKEHOLDERS

As part of WBCSD's governance and internal oversight project we have collated a series of questions for both board directors and for management designed to be used as prompts for discussion. The questions are intended to be used to help organizations further integrate environmental and social issues into existing governance arrangements and decision-making.

Environmental, social and governance (ESG) in this context refers to all sustainability and non-financial considerations, including but not limited to: climate change, human rights, supply chain management, anti-corruption, ethics and compliance, water, biodiversity as well as impact on stakeholders (shareholders, employees, customers, suppliers, regulators, civil society and local communities).

The questions are in two parts, the first set of questions are intended for the board to ask itself or to consider in boardroom discussions, these cover activities and oversight responsibilities carried out by the board. This is followed by a set of questions that the board may ask management to ensure ESG considerations are properly embedded in operations and decision-making.

Questions for the board

- Does the board have direct and effective dialogue with stakeholders? Are stakeholder views considered in boardroom decision-making?
- How does the board get independent information from significant stakeholders and sustainability experts? Should the board establish a stakeholder panel, advisory group or critical friends committee? What benefits might this provide?
- Does our business model consider value creation for shareholders and wider stakeholders?
- Is the board aware of the ESG issues that are material for our stakeholders? Has the board considered the impact on internal and external stakeholders of the business' operating activities (employees, suppliers, communities)?
- Has the board considered both long- and short-term business objectives and how those objectives may impact different stakeholders?
- Has the board considered how it might appropriately communicate with stakeholders?
- Has the board approved stakeholder specific goals and does it monitor performance against those goals? Are these goals included in the corporate strategy?

Questions for management

- What steps are management taking to understand, monitor and respond to key stakeholders' views? How are these views taken into account in management's decision-making process?
- Does management understand the ESG priorities of key stakeholders, including but not limited to investors, employees, customers, suppliers, business partners, communities, the public, and regulators?
- Has management developed mutual goals with stakeholders and does it monitor progress on those goals?
- How does management monitor the effectiveness of the company's stakeholder relationships?
- Does the organization gather and monitor stakeholder views through periodic surveys of specific groups? And how often does management report the survey findings to the board?
- Is management aware of how our strategy impacts and benefits all stakeholders?

For more information on the WBCSD board director resources, please visit <https://wbcسدpublications.org/boards-director-resources/>

FIDUCIARY DUTY



PURPOSE & BUSINESS MODEL



ENGAGEMENT WITH MANAGEMENT



ENGAGEMENT WITH STAKEHOLDERS



RISK MANAGEMENT



NON-FINANCIAL REPORTING

For more information, click on the topic that you would like to learn more about.



The Embedding Project: Databases

WBCSD partnered with The Embedding Project to support the development of two databases that are useful resources to support the purpose & business model pillar of our board resources microsite.



Embedding PROJECT

About Resources Community Advisory

RESOURCES / CONTEXTUAL GOALS DATABASE

Contextual Goals Database

In collaboration with wbcscd

Are you designing new goals or interested in benchmarking your goals against leading practice? To help advance progress in setting contextual goals, we will maintain a free goals database containing leading sustainability goals and commitments set by large companies globally. We are transparent in the rubric that we are using to assess goals, and the information that we used in that assessment.

Search by issue, company, industry, goal type or SDG target.

How to use the free Contextual Goals Database

1 To start searching the database, click below to select an issue (click again to deselect, press Ctrl/Cmd to select multiple).

Worker Well-Being Worker Rights & Freedoms Community Well-Being Community Rights & Freedoms Local Economic Resilience Governance & Ethics Pollutants Materials & Waste Ecosystems Water Climate

HIDE

2 Use filters to narrow search results.

Company (All) Sector (GICS) (All) Sub-Issue (All) Level of Influence (All) Attribute (All) Goal Status (All) **Reset Filters**

SDG (Search for an SDG) Keyword (Search for a word)

Embedding PROJECT

About Resources Community Advisory

RESOURCES / POSITION DATABASE

Position Database

In collaboration with wbcscd

Is your company interested in taking a public position on an ESG issue? To help companies develop strong, clear positions, we will maintain a free database containing leading positions articulated by large companies globally.

Our governance guide outlines how companies should articulate their positions, and we have applied this criteria to the positions featured in this database.

How to use the free Position Database

1 To start searching the database, click below to select an issue (click again to deselect, press Ctrl/Cmd to select multiple).

Worker Well-Being Worker Rights & Freedoms Community Well-Being Community Rights & Freedoms Local Economic Resilience Governance & Ethics Pollutants Materials & Waste Ecosystems Water Climate

2 Filter by company, sector, or past and present positions.

Company (All) Sector (All) Past / Present Current **Reset Filters**

Keyword (Search for a word)

The clock is ticking

How quickly can your business adapt its business model?



Turning and turning in the widening gyre
The falcon cannot hear the falconer;
Things fall apart; the centre cannot hold;
Mere anarchy is loosed upon the world,
The blood-dimmed tide is loosed, and everywhere
The ceremony of innocence is drowned;
The best lack all conviction, while the worst
Are full of passionate intensity.

W.B Yeats *The Second Coming*



Please feel free to contact us with questions and comments
governance@wbcasd.org



WBCSD (Geneva)

Maison de la Paix
Chemin Eugène-Rigot 2B
CP 2075 1211 Geneva 1

WBCSD (New York)

29 East 19th Street, 4th Floor
New York, NY 10003
USA

WBCSD (Delhi)

WBCSD India, 4th Floor,
Worldmark 2,
Aerocity New Delhi 110 037
India

WBCSD (London)

WeWork Mansion House
33 Queen Street
London EC4R 1BR
UK



Lead.
Transform.
Succeed.

Panel Discussion

Panel chaired by: **Tomás Sercovich**, CEO, *Business in the Community Ireland*

Panel Speakers:

- **Beatriz Pessôa de Araújo**
Partner
Baker McKenzie
- **John Reynolds**
Chairperson
Cairn plc



Save the Date

SUSTAINABILITY. BEYOND THE RHETORIC

WITH FOCUS ON

OCT 14TH ENVIRONMENT
OCT 15TH SOCIAL
OCT 16TH GOVERNANCE

20
YEARS BUSINESS
IN THE
COMMUNITY
IRELAND

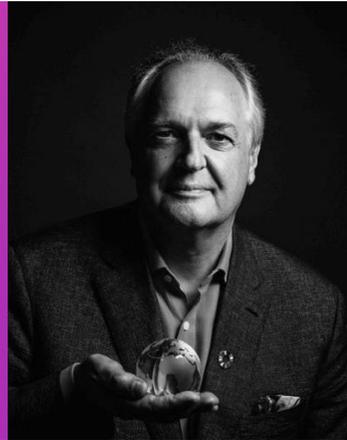


WEBINAR SERIES

OCT 14TH
BEYOND THE RHETORIC WEBINAR
SERIES LAUNCH

IN CONVERSATION WITH
PAUL POLMAN

20
YEARS BUSINESS
IN THE
COMMUNITY
IRELAND



Thank you for joining us



INSTITUTE OF DIRECTORS
IN IRELAND

20
YEARS

BUSINESS
IN THE
COMMUNITY
IRELAND