Valuing corporate sustainability performance: meeting the needs of investors and civil society

Brussels, 4 June 2019
Crowne Plaza Hotel – Le Palace, Rue Gineste 3, Brussels
Room KLIMT

Programme

09:00 – 09:30  Registration and welcome coffee

09:30 – 10:15  Framing the debate

Welcome and introduction
Hakan Lucius, Head of Corporate Responsibility & Civil Society, European Investment Bank

How can companies integrate sustainability into their core business and document relevant impacts for society in a credible way?
• Hans Daems, Group Public Affairs Officer at Hitachi Europe, Chair of CSR Europe
• Juliet Markham, Head of Communication, International Integrated Reporting Council
• Filip Gregor, Head of the Responsible Companies division at Frank Bold, a purpose driven law firm, and Coordinator of the NGO Alliance for Corporate Transparency

10:15 – 12:00  The journey towards better integration and greater impact: showcasing corporate and finance perspectives

Sustainability as a driver for corporate value creation and investment decisions
• Dominique Debecker, Deputy Chief Sustainability Officer, Solvay, and Co-chair, Redefining Value Leadership Group, World Business Council for Sustainable Development
• Nina Hodzic, Director ESG Strategy and Integration, Allianz Global Investors

Coffee break in front of the main meeting room

Aligning with the Paris agreement: the need for a long-term sustainable impact strategy
• Esther Finidori, Director, Sustainable Performance, Schneider Electric
• Nancy Saich, Chief Climate Change Advisor, European Investment Bank

Moderator: Stefan Crets, Executive Director, CSR Europe

12:00 – 12:30  Joint key note presentation and conversation with the audience

The Value Balancing Alliance: Joining forces for multi-capital accounting
Christian Heller, Senior Manager Corporate Sustainability Strategy, BASF
Frank Sibert, Head of Sustainable Business, BNP Paribas  S.A. Germany Branch
Jan-Menko Grummer, Partner - Lead Long Term Value Program, EY
**Programme**

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>12:30 – 13:30</td>
<td>Lunch break</td>
</tr>
<tr>
<td>13:30 – 14:30</td>
<td><strong>Parallel workshops</strong></td>
</tr>
<tr>
<td>15:00 – 16:00</td>
<td><strong>Parallel workshops</strong></td>
</tr>
</tbody>
</table>

**Room SERENITY**

A) The materiality principle: How can it guide companies in stakeholder engagement, decision-making and reporting?

*Experts contributing to the discussion:*
- Eleonora Pessina, Group Sustainability Officer, Pirelli
- Emma Harbour, Head of Global Advocacy, Rainforest Alliance
- Dr Tom Bregman, Corporate Engagement Manager, Future-Fit Foundation
- Elena Perez, Corporate & Stakeholder Engagement Manager, Global Reporting Initiative

*Facilitated by Benno Kahrens, Consultant, akzente GmbH*

**Room INFINITY**

B) Managing risks and opportunities in the transition to a low-carbon economy: What does it mean for corporates and financial institutions?

*Experts contributing to the discussion:*
- Roberto Fernández Albendea, Head of Corporate Social Responsibility, Iberdrola
- Helen Wiggs, Engagement Manager – Climate Change, ShareAction
- Noémie Klein, Director, The 2° Investing Initiative
- Nancy Saich, Chief Climate Change Advisor, European Investment Bank

*Facilitated by Paula Byrne, Director of Sustainability Management and Networks, CSR Europe*

**Room KLIMT**

C) Investors' sustainability strategies: Which information do they require?

*Experts contributing to the discussion:*
- Mathilde Dufour, Co-head of SRI Research, Mirova – Responsible Investing
- Afroditi Sylla, Director of Investor Relations, Titan Cement
- Hans Biemans, Head of Sustainable Markets, ING
- Jeff Cohen, Institutional Product Strategist, Sustainability Accounting Standards Board

*Facilitated by Michael Harvey, SustainAbility, an ERM Group company*

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>14:30 – 15:00</td>
<td><strong>Coffee break in front of the main meeting room</strong></td>
</tr>
<tr>
<td></td>
<td>Participants will have the possibility to join two workshops, prior and after the coffee break.</td>
</tr>
</tbody>
</table>
## Programme

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>16:00 – 16:10</td>
<td>Room KLIMT Reconvening in plenary</td>
</tr>
<tr>
<td>16:10 – 17:10</td>
<td><strong>Roundtable discussion</strong>&lt;br&gt;<strong>How to further advance on valuing corporate sustainability performance?</strong>&lt;br&gt;Panel debate with&lt;br&gt;- Alain Deckers, Head of Unit, Corporate reporting, audit and credit rating agencies, DG for Financial Stability, Financial Services and Capital Markets Union, European Commission&lt;br&gt;- Susanne Stormer, Vice President of Corporate Sustainability, Novo Nordisk&lt;br&gt;- Jeff Cohen, Institutional Product Strategist, Sustainability Accounting Standards Board&lt;br&gt;- Antoni Ballabriga, Global Head of Responsible Business, BBVA&lt;br&gt;- Catherine Howarth, Chief Executive, ShareAction&lt;br&gt;<em>Moderator: Jan Noterdaeme, Senior Advisor External Relations, CSR Europe</em></td>
</tr>
<tr>
<td>17:10 – 17:15</td>
<td><strong>Closing remarks</strong>&lt;br&gt;Conclusions and outlook&lt;br&gt;Hakan Lucius, Head of Corporate Responsibility &amp; Civil Society, European Investment Bank</td>
</tr>
<tr>
<td>17:15 – 18:00</td>
<td><strong>Networking reception</strong></td>
</tr>
</tbody>
</table>

## Contact

Carsten Wachholz  
European Investment Bank (EIB)  
Corporate Responsibility Department  
Phone: +352 4379 83750  
E-Mail: c.wachholz@eib.org  
Internet: www.eib.org

Joanne Houston  
CSR Europe  
Sustainability Management & Reporting  
Phone: +32 2 541 1623  
E-Mail: jh@csreurope.org  
Internet: www.csreurope.org
Key messages from the “Valuing corporate sustainability performance” conference in Brussels on 4 June 2019

Summary from the organisers’ perspective

Session 1. How can companies integrate sustainability into their core business and document relevant impacts for society in a credible way?

- The need for sustainable business and financial models is more urgent than ever. However, all this must begin with a shared understanding what sustainability means. Only a common language enables comparability on a global scale.
- Companies must be honest and report both on positive and negative impacts for society. Reporting is not a goal per se. It is about integrating material ESG issues into corporate decisions. When a company has difficulty to disclose certain information, it has to explain and follow the “comply or explain” principle.
- Ensuring value creation for society is key for economic success. It requires a long-term vision of materiality and stakeholder engagement in order to build a strategy that aligns the internal and external perspectives and ambitions.

Session 2. The journey towards better integration and greater impact: showcasing corporate and finance perspectives.

Part A: Sustainability as a driver for corporate value creation and investment decisions

- Commitment is the “easy” part. The HOW is what is interesting.
- Measuring and reporting on impact is key to be credible.
- Sustainability is not an objective per se but a lever to create superior financial value.
- The financial system should not only reward the most sustainable companies but also those that are actively changing their currently unsustainable business models.

Part B: Aligning with the Paris Agreement: the need for a long-term sustainable impact strategy

- Companies should embed climate change in their corporate strategy, linking sustainability Key Performance Indicators (KPIs) with bonuses of ALL (even low-level) managers.
- The financial sector must address both resilience against physical risks of climate change and a fast and ambitious transition towards a carbon-neutral economy.
- If we are not fast and ambitious enough, risks will multiply. Acting later requires faster technology shifts; more money; and creates far higher risks of an unjust transition for affected people. It may eventually lead to “failure through success”, where capital moves away from emitting sectors so fast that it causes economic crises.
- Scaling up Climate Finance is not enough. We need to make sure that the rest of the Multilateral Development Banks (MDBs) financing does not undermine their efforts to support the Paris Agreement. Many businesses are still not aware of the scale and urgency of the transformation needed.

Joint keynote presentation. The Value Balancing Alliance: Joining forces for multi-capital accounting
We still struggle to assess the true contribution of a business to a sustainable future. What is the value of integrating sustainability into the DNA of a company?

A new accounting approach for corporate sustainability is needed: The newly formed ‘Valuing Balancing Alliance’ aims at integration of natural, social and human capital in financial disclosure and is supported by the OECD.

It is a 3-year not-for-profit project, engaging with various stakeholders to standardize calculations, to ensure comparability of results, to pilot it in management accounting, and to make outcomes publicly available.

The overall objective is to increase transparency on value creation and protection but putting a price tag e.g. on peoples’ lives can lead to perverse outcomes when it could be compensated by additional value created.

We have to recognize that not all natural, social and human capital factors can and should be valued in monetary terms, but we must use a metric that top management understands well.

**Workshop A. The materiality principle: How can it guide companies in stakeholder engagement, decision-making and reporting?**

- Companies can only carry out a meaningful materiality assessment by engaging with its key stakeholders. The main objective is to listen to all parties’ concerns and try as much as possible to balance their expectations.
- It is key to identify the most impacting stakeholders by looking at each stakeholder category (such as natural resource providers, distributors, investors, clients, NGOs, etc.) and engage the most relevant ones within a specific category.
- The crucial point is to gather them all around the same table so that everyone can hear the concerns and expectations of the others as well.
- A long-term view should be applied before going back to where the organisation currently stands when assessing the materiality of an issue.
- More and more companies start mapping their material issues against the SDGs, allowing them to identify ‘blind spots’ in their business and helping them to set up strategies and actions to fill those gaps.

**Workshop B. Managing risks and opportunities in the transition to a low-carbon economy: What does it mean for corporates and financial institutions?**

- Potential risks including reputational damage; being perceived as left behind; regulatory burden; stranded assets, outdated business models, etc.
- Potential opportunities including new business models, products and services, positive reputation, innovation, societal co-benefits like better health, etc.
- Early movers can benefit from a competitive advantage, but need to be fast and (!) cautious. You need to pick up the right technology at the right time and embrace innovation, efficiency and diversity. Investment in a low carbon economy has to allow for a learning curve.
- Formulation of GHG emission reduction targets (2025, 2030, 2050) are considered to be key – absolute emissions are what count, not relative savings.
- Disclosure of climate-related information in the banking sector would be one lever. The Asset Owners Disclosure Project ranks the climate-related financial disclosures of the world’s largest pension funds.
Low carbon transition and sustainability are a focus for institutional investors and banks. There is a need for more and better quality and analysis of portfolio evolution.

A robust climate finance tracking methodology with a granular approach is key, i.e. counting only a relevant percentage of a project as climate action.

Be aware of unintended consequences such as de-prioritisation of climate adaptation versus climate mitigation; de-prioritisation of other sectors such as education and health, which are neither green nor brown.

Workshop C. Investors’ sustainability strategies: Which information do they require?

- Low levels of awareness among CFOs of companies about sustainability ratings. There is a need to educate them and encourage them to adopt meaningful sustainability strategies, based on what is financially material for their business.
- Investors must put more emphasis on engagement and dialogue with companies.
- We need progress in data collection towards more automation, e.g. using sensors to measure e.g. air pollution around factories.
- There is a risk of paralysation by the amount of data being collected or available from third parties. We need simple frameworks to integrate information effectively into decision-making processes.
- From an investor standpoint, there is a need for better understanding of e.g. what is material differentiated by sectors.
- Standardisation and future regulation can help shaping a more consistent, transparent framework for ESG reporting. Linking ESG reporting with the SDG framework seems to be currently good practice.

Closing panel: How to further advance on valuing corporate sustainability performance?

- The sustainable finance agenda should help companies and financial institutions setting clear targets and moving from an exclusions-based approach towards an alignment approach.
- A precondition for this is to have clear and comparable metrics for assessing sustainability performance and to align those KPIs with compensation and incentives.
- While companies are often part of the problem, they can also play a huge part in providing solutions to sustainability issues.
- For companies to have a fiduciary duty, we need to move from an approach of “managing risks” to “managing impacts” and become accountable for the effects that business activities have on society as a whole: Make such due diligence mandatory.
- Continuous improvement is always necessary: There is no state of the world or “resting place”, but rather a state of mind.

Closing remarks

- Sustainability performance has multiple dimensions and there are multiple trade-offs.
- We need to tackle the key measurement challenges because there are no management nor accountability towards civil society without sound measurement.
- We have to deal with the timing mismatch: long-term success sometimes entails short-term losses.