

The G as a driver of sustainable value creation

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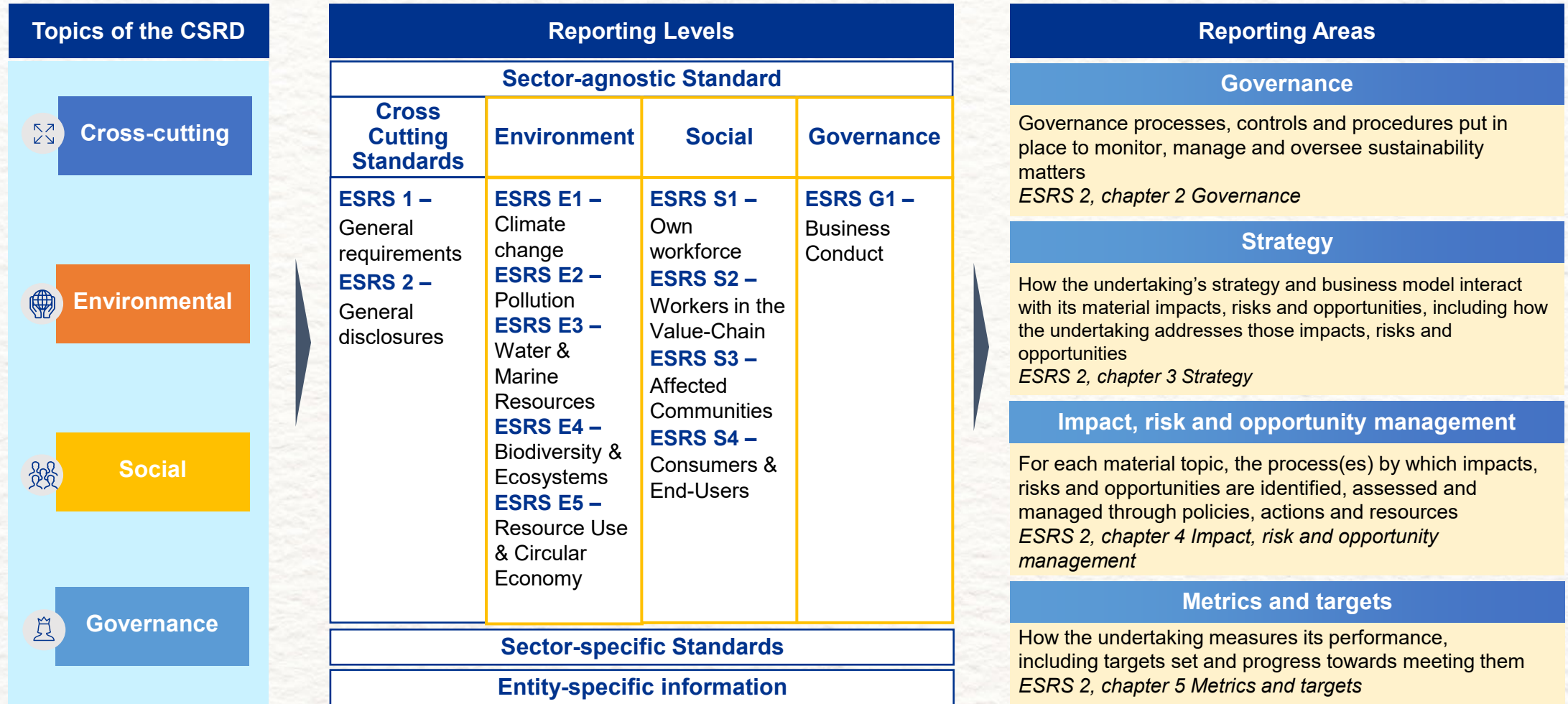
Agenda

- 01** Implications and requirements regarding governance as per CSRD and ESRS
- 02** Panel discussion
- 03** The importance of governance
- 04** Panel discussion
- 05** Best vs “to be improved” practices
- 06** Q&A

01

Implications and requirements regarding governance as per CSRD and ESRS

EU Sustainability Reporting Standards (ESRS) architecture





ESRS 2 on General Disclosures covers, amongst others, the disclosures and role of the supervisory bodies within the company in relation to sustainability matters.

01

Roles and responsibilities

Roles and responsibilities of governance bodies and management levels with regard to sustainability matter:

- Understanding of the **distribution** of sustainability-related **roles and responsibilities** throughout the undertaking's organization
- The **expertise** of governance bodies and relevant management levels on sustainability matters
- Sustainability related **criteria** applied for nominating and selecting their members.

02

Information about sustainability matters

Description how governance bodies are **informed** about sustainability matters:

- Understanding of how governance bodies and management level senior executives are **informed** about sustainability-related facts, decisions and/or concerns
- **Process** description on how governance bodies are informed about:
 - ✓ IRO
 - ✓ Perspectives of stakeholders
 - ✓ Other concern
 - ✓ Steps of due diligence processes

03

Sustainability matters addressed

Description of the sustainability matters that were **addressed** by its administrative, management and supervisory bodies during the reporting period:

- Information on whether they were **adequately informed** of the material impacts, risks and opportunities
- What information and matters it actually spent time **addressing**
- Whether it was able to fulfil its **roles and responsibilities**

04

Integration in incentive schemes

Description of the **integration** of sustainability strategies and performance in **incentive** schemes.

An understanding of how members and other employees are **incentivized** to manage the sustainability impacts, risks and opportunities and to take steps towards implementing the sustainability strategy of the undertaking

05

Statement on due diligence

Disclosure of general assessment regarding how the company **embeds** the core elements of **due diligence** in its sustainability statements

A **mapping** that reconciles the main aspects of sustainability due diligence to the relevant disclosures in its sustainability statements.

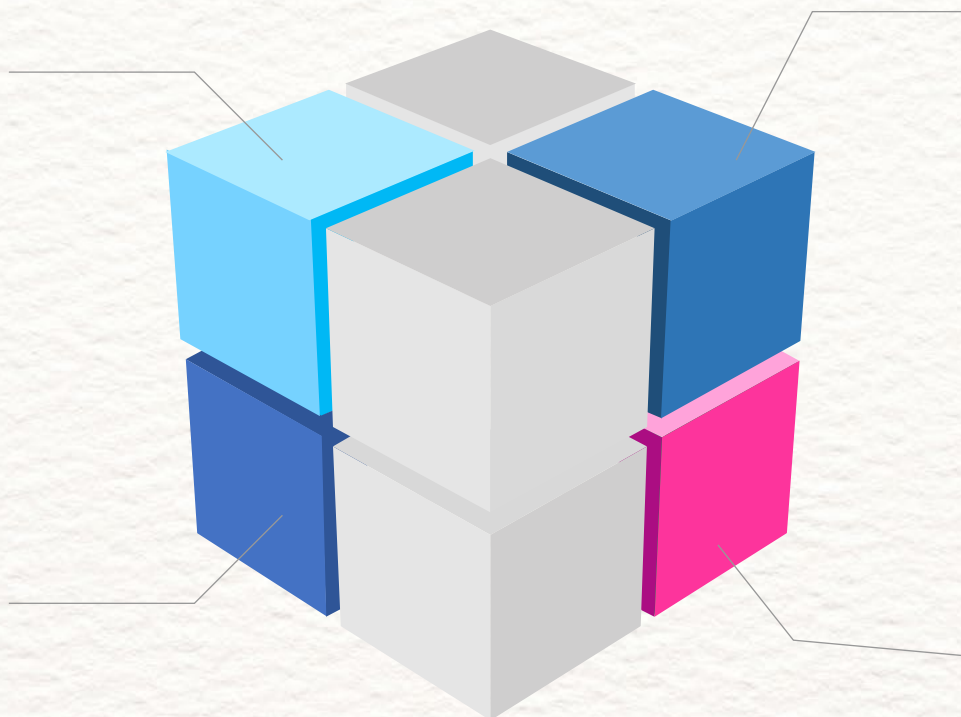
Key implications for Board members and supervisory bodies



Collective responsibility

Collective responsibility of the members of the administrative, management and supervisory bodies to ensure that the company has:

- Reported in accordance with **EU sustainability reporting standards**
- Reported in the **digital format** required
- **Marked up** the sustainability reporting



Responsible persons

Responsible persons within the company will be required to **confirm**, to the best of their knowledge, that the management report is **prepared in accordance with the sustainability reporting standards**



Management

Management shall:

- **Inform** workers' representatives
- **discuss** with them the relevant information and the means of obtaining and verifying sustainability information
- Their **opinion** should be **communicated**, where applicable, to the relevant administrative, management or supervisory bodies

Key implications for the Audit Committee

Inform & monitor assurance

- **Monitor** the assurance of annual and consolidated sustainability reporting
- **Inform** the administrative or supervisory body of the audited entity of the **outcome** of the **assurance** of sustainability reporting.

Explain contribution

Explain how the audit committee **contributed** to the **integrity** of sustainability reporting and what the **role** of the audit committee was in that process.

Monitor reporting process

Monitor the sustainability **reporting process** (including the digital reporting process and process to identify the information reported according to relevant reporting standards).



Submit recommendations

Submit recommendations or proposals to ensure the **integrity** of the sustainability information.

Monitor effectiveness

Monitor the **effectiveness** of the company's internal quality control, risk management systems and internal audit functions.

Review & monitor independence

Review and **monitor** the **independence** of the assurance providers.

02

Panel discussion

03

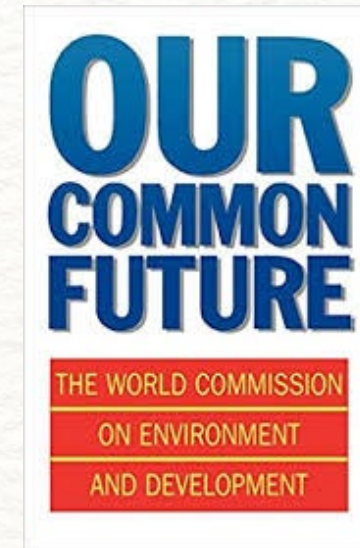
The importance of governance

From sustainability to ...

- Sustainability: Our common future
- “The limits to growth” Club of Rome (1972)
- Brundlandt (1983)
“Sustainable development must meet the needs of the present without compromising the ability of the future generations to meet their own needs”



2023...
“Degrowth?”





Regulation



Market pressure

5 main drivers

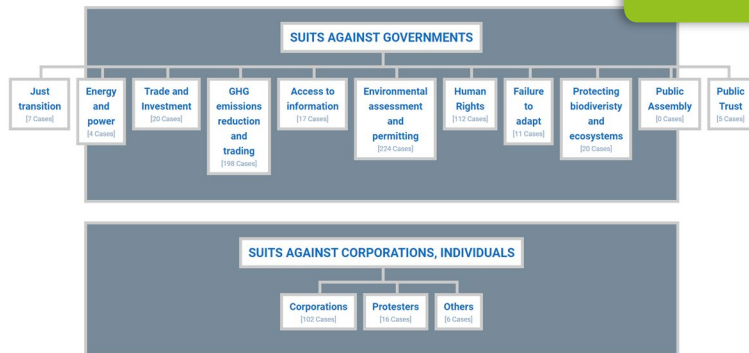


Activism

Global Climate Change Litigation

The Global Climate Change Litigation Database includes all cases except those in the U.S.

You may also browse by [Jurisdiction](#) or by [Principal Law](#).



Climate litigation

Value creation





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Code 2020

What is sustainable value creation?

The Committee defines **sustainable value creation** as a corporation's **pursuit of objectives which go beyond short- and medium-term financial metrics and share price performance** and which incorporate the needs and expectations of the broader society in which it operates as well as the legitimate interests of its shareholders **and other stakeholders**.



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How to create sustainable value?

1. Prioritising the long term
2. Appropriately defining corporate purpose
3. Integrating sustainability into corporate strategy
4. Integrating sustainability into corporate operations
5. Structured and verified reporting on ESG matters
6. Structured engagement by the board

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Six “models” for embedding ESG in corporate governance

Fully integrated into all board operations and decision making

Dedicated committee

Added to an existing committee’s responsibilities

Multiple-committee responsibility

One director assigned the role of sustainability **board champion**

Not formally embedded (apart from maybe signing off on the sustainability report)

Six “plug-ins” to use with any of the models

Updates from external experts or advisors

Permanent (or semi-permanent) external advisors

Permanent (or semi-permanent) internal advisors: executives or technical experts

Updates from sustainability management

Sustainability taskforce of board members and executives

Independent external sustainability council

04

Panel discussion

05

Best vs “to be improved” practices

Best practices: Value driven organizations

- Sustainable value creation
- Sustainability being part of the DNA of the organization
- Deliver sustainable value to stakeholders and society
- Turn sustainability into a clear competitive advantage
- Research and innovation to address key global societal challenges

Best practices: Strive to leadership in Sustainability

- Ambitious mission statement
- Strategic long-term vision setting out sustainability and broad ESG objectives
- Implementation of sustainability strategy, policies and performance related to ESG commitments in operations, projects and activities
- Oversight to ensure that organization operates in accordance with good governance / ESG principles and that ESG related risks are identified and managed
- Evolutive approach: review/update strategy and implementation, including refining matters, increasing visibility and improving communication
- Walk the talk, including reorienting investments to ethical/sustainable portfolios

Best practices: SDG as a compass -Risk management- Materiality assessment

- Consult with internal/external stakeholders on, and categorize, domains according to their impact on the organization and/or their impact as a result of the activities of the organization
- Assess these material domains in terms of their maturity/of risk or opportunity
- Risk-driven domains represent “business” risks if the organization does not address them; opportunity - driven domains create opportunities in the “market”
- An exhaustive materiality map enables the organization (a) to visualize the domains in terms of urgency and strategic focus, and (b) to enhance its disclosure and reporting on ESG related matters

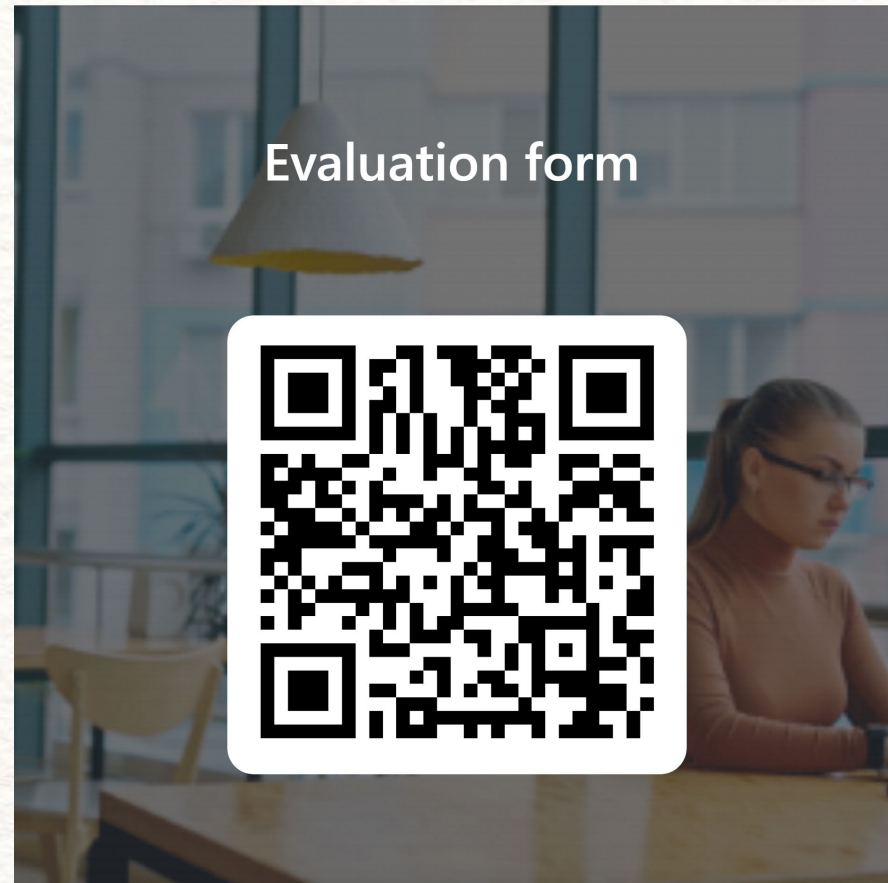
To be improved practices: Sustainability Governance Organizational – Board

- Definition of “G” objectives - KPI’s
- Allocation of responsibilities: role of boards; sustainability/audit committees; tactical boards-leads-coordinators; day-to-day responsibility;
- Board composition: criteria of gender and cultural diversity; educational backgrounds; collective experiences in disciplines relevant to the organization’s non-financial goals
- Remuneration policy: financial/non-financial indicators; monitoring of performance data; reporting
- Reporting on “G” matters: corporate governance framework, including conflict of interests; code of conduct; market manipulation and insider trading; compliance with governance codes and remuneration policies

06

Q&A

Please fill in



Next Workshops

www.sustainabilityreports.be

- **What is the role of the financial intermediaries when building a sustainable future?** – Monday 11 March 2024 (12.00-13.30)
- **Assurance on Sustainability information: requirements and how to get ready** – Tuesday 26 March 2024 (12.00-13.30)

Thank you for your attention