

Governance PIVOTs to Sustainability

We are at a pivotal point in human history. The time is now to build on the momentum to embed Environment Social and Governance (ESG) factors and focus on sustainability.

Fair, proportionate and incentivised ... for the greater, long-term and common good.



Our response

On 26 October 2020, the European Commission launched a public Consultation on Sustainable Corporate Governance as part of its initiative to embed sustainability, environmental and social interests in companies' corporate governance frameworks and business strategies.

ILA supports broader emphasis on ESG matters as a core element of good governance. For ILA, sustainability as part of corporate governance is a prosperity enabler. It calls for an appreciation of financial and non-financial opportunities and risks, and avoiding short-termism. It is noteworthy that companies, in setting their strategy, are increasingly taking into consideration their shareholders as well as their stakeholders.

In a nutshell

ILA's feedback to the EU consultation was that the application of sustainability needs to be:

1. **Principles-based guidelines** (rather than strict legislation) → Easy to adopt and apply.
2. **Proportional** (rather than one size fits all reporting) → Tailored to company size and sector.
3. **Practical, incentivised and adaptable** (rather than cemented legislation) → Flexible for a changing world.
4. **Involving all stakeholders** (rather than just shareholders) → For balanced decision making.
5. **Transparency** → For informed stakeholder engagement.

Directors, as part of their duty of care and codes of conduct, take into account the interests of relevant stakeholders in addition to those of shareholders. ILA considers the scope of this **duty of care** should be clarified, to be clear about considering financial factors and non-financial opportunities and risks.

It is also important not to mix the role of an executive versus the role of a director.

Rather than increasing director liabilities, focus should be on encouraging and assisting Boards to focus more on ESG matters.

You are key to setting the corporate agenda.

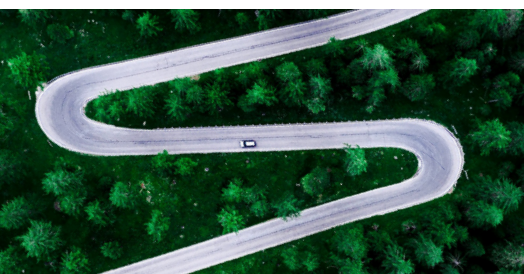
- As a director of a parent / holding company.
- As a director of a subsidiary.

You are an influential change agent for adapting and applying EU sustainability guidelines to governance. Be prepared. Complete the individual section of the [ILA Sustainability Assessment Tool](#).



PIVOT to get on board

- P**lan to get ESG on your board agenda.
- I**nvestigate and increase awareness. Share and get the word out.
- V**erify and validate the ESG-related changes needed and implemented.
- O**versee to optimise ESG-related adoption and adaptation.
- T**imely embrace ESG, get on board, the time is now.





Directors are key and well-placed instruments of change. They can pave the way to ensuring organisations are stakeholder inclusive and place People, Planet, Prosperity and Purpose on their agendas.

In recognition of this important shift, ILA has launched a number of initiatives.

Training

Sustainable Governance has a strong focus in our training curriculum. We have launched:

- Aspiring Directors Programme
- ILA Sustainability Programme
- 21st Century Board Leadership Model Masterclass

Each of them designed to prepare directors for the sustainability discussion.

To support our members in the transition, ILA has created a Sustainability Assessment Tool which provides a framework for directors, boards and companies to assess readiness.

ILA will continue to strengthen ESG awareness as part of its mission to promote the profession of Directorship and support its members as highly qualified, effective and respected 21st Century Directors.

Discussing

Several forums for Member discussion; from Sustainability Talks to Coffee Chats. Topics range from the Green Deal to Walking the Talk with local leaders on their approaches to the challenges of ESG.

Sustainable governance is also an aspect of all ILA's activities & programmes.

Engaging

Researching and raising our voice with the EU on the recent EC study on Directors' Duties and sustainable corporate governance (September 2020) and the Consultation on Sustainable Governance (February 2021).

This engagement will continue as the topic evolves.

The European Commission

To support a focus on climate and to deliver on the UN Sustainable Development Goals, several initiatives have been launched.

The European Commission has made a number of major steps towards building a more sustainable Europe including issuing its Action Plan on Financing Sustainable Growth as well as presenting the European Green Deal – a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all.

In 2019 several regulations and guidelines were issued supporting the implementation of the Action Plan including guidelines on reporting of climate-related information for corporates as a complement to the non-financial reporting directive (NFRD) as well as regulations defining European Paris-aligned and Climate-transition benchmarks and a regulation implementing mandatory sustainable finance disclosures for financial organisations and financial products (SFDR).

In 2020, the EU published its taxonomy and launched the European Platform on Sustainable Finance.

The Luxembourg Government

The Luxembourg Government similarly recognises the importance of sustainability.

In 2018, together with the United Nations Environment Program (UNEP), the Luxembourg Government published the Luxembourg Sustainable Finance Roadmap. This was followed up in 2021 with the publishing of the Luxembourg Sustainable Finance Strategy.

In 2019, the Ministry of the Economy integrated the Circular Economy in its Data-driven Innovation Strategy as a key-sector for innovation in the years to come.

In 2020 the Luxembourg government issued a revised National Action Plan on Business and Human Rights and is conducting research on related vigilance on supply chain due diligence.

In 2020, the Luxembourg Government, Luxembourg for Finance and the High Council for Sustainable Development (Conseil Supérieur du Développement Durable) founded the Luxembourg Sustainable Finance Initiative (LSFI).

ILA's Mission

To be the premier interlocutor in Luxembourg on issues affecting Directors

Document links

For links and additional resources on this topic, please scan the QR code

