

ILA

The voice of corporate governance
in Luxembourg

15
Years ⁺¹

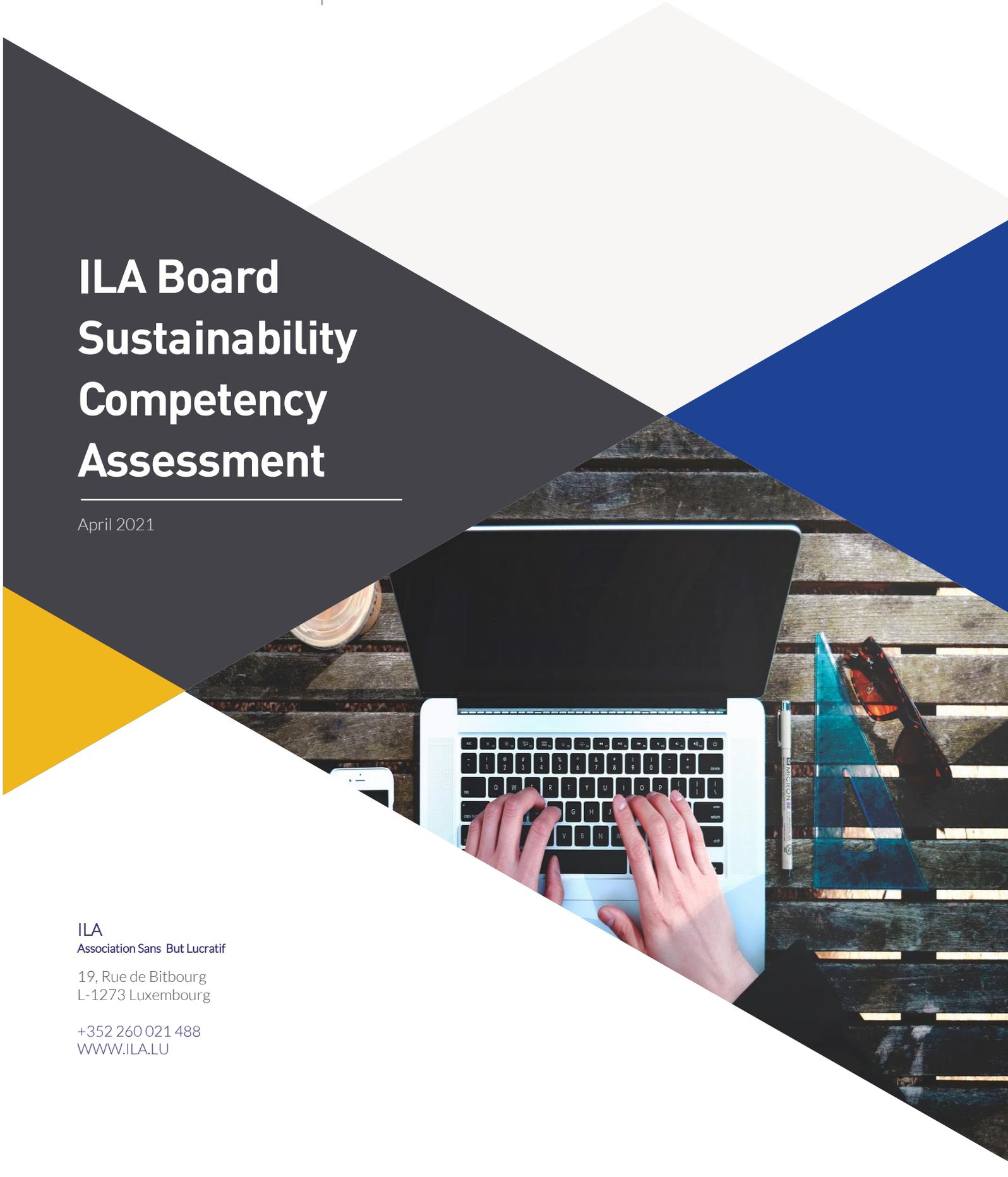
ILA Board Sustainability Competency Assessment

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ILA advocates embedding sustainability at every level within a company as best practice and key for businesses to thrive, important in these rapidly changing times.

In ILA's view, boards have three main areas of responsibility: strategy; challenging and supporting management; and monitoring performance. Formulation of an effective strategy is fundamental for a company's success and essential for navigation in uncertain times where the only constant is change. Sustainability should be integral to strategy.

ILA is committed to helping boards drive the sustainability agenda forward, offering insights and practical support, including providing clarity when interpreting EU guidelines. ILA envisages competent Boards, able to support the design and execution of the sustainability strategy, whilst skilfully holding senior management team to account. The Board holds the responsibility for the company's position for all the stakeholders, including the shareholders.



LUXEMBOURG SUSTAINABLE FINANCE ROADMAP – THE DETAIL

The LSF Roadmap delivery is co-ordinated by the LSFI; ILA is tasked with delivering the action that sustainability should be an integral part of professional training.

The LSF Roadmap recommends raising awareness and integrating sustainability into education and professional training. It suggests that this can be done through:

1. Organising regular events, conferences and meeting points on sustainable finance to raise awareness and showcase sustainable finance initiatives and products
2. Integrating sustainability into national branding, in order to promote it across the whole ecosystem: sustainable development is a creator of social cohesion, an economic opportunity and a differentiating factor
3. Integrating financial literacy and sustainable finance into school curricula and tertiary education
4. Integrating sustainable finance into all financial sector training
5. Considering criteria for ESG fitness assessment of Board members. The assessment of the ESG “fitness” of Board members will be a natural consequence and should become part of their overall “fitness assessment”.



SUSTAINABILITY COMPETENCY ASSESSMENT TOOL

To support Boards in their responsibilities, ILA has developed a Sustainability Competency Assessment to help Boards to provide guidance. This is a reflective tool supporting Board members – both individually and collectively – to think about and articulate their views and develop a shared understanding of sustainability. This groundwork will provide a solid foundation for when the Board is ready to move forward.

How to use this tool

The ILA Board Sustainability Competency Assessment tool is designed to complement [ILA's Board Evaluations – Enhancing Board Effectiveness tool](#). Indeed, they should be used in tandem as part of a wider ongoing Board training and development programme.

Divided into three sections, each with its own set of targeted questions, Board members are invited to complete all sections on their own.

- *Section #1 – For Individual Directors* - responding to the questions from their own perspective around the concept of sustainability, their understanding of it and what it means to them.
- *Section #2 – Your Company's Sustainability Strategy* – focuses on the Team/Company's perspective
- *Section #3 – Your Board's Sustainability Competence* - focuses on the Board's Sustainability Competence.

Once the Board members have completed all three sections, then the Board reconvenes as a group to open the discussion, preferably with a dedicated slot on the Agenda. The value of this tool is in helping the Board to structure and facilitate this discussion. The starting point is each Board member's individual views, knowledge, learning, challenges and how that applies to the wider company. In ILA's experience, individual reflection followed by group dialogue will lead to some useful insights, alignment, opportunities where gaps and blind spots can be identified that need to be addressed.

In the knowledge that Boards are operating in a rapidly changing landscape, ILA expects to regularly update this tool to ensure its relevance. ILA invites the Director community to share feedback on how they use this tool within their own contexts. All learnings, gaps and tips will be welcome and can contribute to future revisions of the tool.

Please direct your feedback on this tool to any of these members of ILA's Sustainability Strategy for Boards Working Committee.

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Question	Comments
As an individual director	
What is your definition of Sustainability?	
Do you see sustainability as an opportunity or a risk?	
Does the company's sustainability strategy align with business strategy and activities?	
Does the company have ESG obligations to external stakeholders? If so, please list.	
Is the board regularly briefed on relevant Sustainability trends?	
Do you feel adequately informed about the sustainability issues relevant to the company?	
If so, how have you kept up to date on these topics?	



<p>If not, how would you like to be informed about relevant sustainability trends? i.e. Establish a Sustainability Advisory Committee, invite external subject matter experts to brief the Board, etc.?</p>	
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Question	Comments
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Your Company Sustainability Strategy

Does the objective of the company in its articles of association include positive environmental and / or social impact or the creation of value for stakeholders other than shareholders?	
Does the company have a sustainability strategy?	
Does the company's sustainability strategy align with business strategy and activities?	
Is the Executive Team's compensation linked to company's Environmental and Social performance?	
Have sustainability KPI's been identified for the business?	
Does the company communicate its sustainability strategy and activities with its stakeholders? How?	
Is there a regular opportunity during Board meetings to reflect upon and discuss Sustainability opportunities and risks?	
Did the Board establish an explicit process or structure that identifies sustainability related risks and opportunities (both short-term and long-term)?	
Did the Board of Directors establish an explicit reference to Sustainability in a Committee charter?	
Are suppliers assessed and selected based upon their social and / or environmental performance?	

Your Board Sustainability Competency



Does the Board have a Director with broad sustainability competency or experience?	
What specific fields of sustainability competency are present in the Board? Does at least one of your Directors have knowledge or experience in a specific field of sustainability? If yes, which impact area(s) are covered?	
Does the Board have the relevant sustainability competencies to develop and oversee the Sustainability Strategy of the company?	
Do you have access to external subject matter expertise when a specific sustainability competency is not present in the Board?	
For all Governance related competencies, see ILA's Board Evaluations - Enhancing Board Effectiveness tool .	



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