

Non-Financial Reporting for a Sustainable Circular Economy

Towards Greater Policy Coherence?

Information Pack

In the context of social and environmental challenges we face as a society, there is a growing interest in the long-term possibilities and risks of corporate strategy by investors and boards.

In response to the interim recommendations of the High Level Expert Group on Sustainable Finance and the European Commission's 2018 review of the Non-financial Reporting Directive, this conference will gather European academics, businesses, civil society experts and regulators to identify best practices for non-financial reporting and corporate governance. Building on the latest developments, including the French Energy Transition for Green Growth Act, Integrated Reporting, and Doughnut Economics, the conference will identify how non-financial reporting and corporate governance can contribute to a shift to more sustainable business practices.

The conference will be divided into a morning session with academic presentations and an afternoon roundtable of selected participants from academia, business, finance and policy-making. It will address the most important challenges in the area of non-financial reporting: harmonisation, development of accounting standards, and internalisation in corporate governance.

Programme

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|-------|---|-------|--|
| 8.30 | Registration | 14:50 | Panel on the company perspective <ul style="list-style-type: none">• Jo Iwasaki, Head of Corporate Governance at ACCA (moderator)• Cora Olsen, Global Lead TBL Reporting at NovoNordisk• Niny Borgen, Head of Legal, New Energy Solutions and Chief Counsel Sustainability Statoil• Lise Bergan, Corporate Affairs Director at Cermaq Discussion |
| 9.00 | Welcome by Beate Sjøfjell, University of Oslo | | |
| 09.15 | Session 1 with: <ul style="list-style-type: none">• Keynote speaker: Stuart Cooper, University of Bristol• Katarzyna Chalackiewicz-Ladna, University of Glasgow• Koen van Bommel, VU Amsterdam• Georgina Tsagas, University of Bristol Panel discussion | | |
| 10.45 | Coffee / tea break | 15:50 | Coffee / tea break |
| 11.00 | Session 2 with: <ul style="list-style-type: none">• Jukka Mähönen, University of Oslo• Beate Sjøfjell, University of Oslo• Eli Rudshagen, University of Oslo• Amanda Sonnerfeldt, Lund University Panel discussion | 16:05 | Panel on the investor and stakeholder perspective <ul style="list-style-type: none">• Eleni Choidas, European Policy Officer at ShareAction (moderator)• Ladislav Smia, Co-head of Responsible Investment Research, MIROVA - Responsible Investing• Martin Rich, Executive Director at Future Fit Business Benchmark• Harald Francke Lund, Senior Advisor at CICERO – Center for International Climate Research• Jennifer Law, Vice President at BlackRock - Investment Stewardship team Discussion |
| 12.40 | Keynote speech by Richard Howitt, CEO of the IIRC | | |
| 13.00 | Lunch | | |
| 14.00 | Keynote speech by Pavan Sukhdev, CEO of GIST; Founder and author of "Corporation 2020" | | |
| 14.20 | Reflections by Antoine Begasse, DG FISMA, Zsofia Kerecsen, DG Justice and Heidi Hautala, MEP Greens | 17:00 | Drinks Reception |

When:

September 19, 2017

Where:

Norway House
Rue Archimède 17, 1000
Brussels

Organisers:



UiO : SMART



Stuart Cooper, University of Bristol: The devil is in the detail: EU Non-Financial Reporting Directive as a potential catalyst for change

This paper argues that stated desire in Directive 2014/95/EU for improved disclosure of social and environmental information to be sufficiently comparable so that it “meets the needs of investors and other stakeholders”, whilst laudable, is a significant challenge. Obstacles to such comparability are the subjectivity in selecting content, a lack of consistency in methods and frameworks used and the underlying complexity of the social and environmental issues. Whilst a positive development, further guidance requiring entities to provide more in-depth disclosures, which recognise and articulate the underlying complexities, may increase the Directive’s potential to enhance understanding and so further enable change.

Katarzyna Chalaczkiewicz-Ladna, University of Glasgow: The role of strategic reports in reporting on s 172 Companies Act 2006: An empirical study

This project empirically analyses the impact of the strategic report in the UK on shareholders and especially, other stakeholders (e.g. employees, customers, suppliers, environmental considerations, social, community and human rights bodies). The strategic reports of the FTSE 100 companies from 2015 and 2016 are scrutinised here using a methodology inspired by the leximetric approach (i.e. a quantitative measurement of law), called by the authors compliance coding. This study is significant, as the practical implications of non-financial issues have not been discussed in depth in prior literature.

Koen van Bommel, VU Amsterdam: An exploration of integrated reporting in South Africa: Towards Resolving the Paradoxical

Integrated reporting is riddled with complexity, contradictions and tensions as the previously considered disparate domains of financial and non-financial values need to be reconciled. Moreover, reporting takes place in a heterogeneous and complex environment in which divergent demands, values and interests are at work. Still, few studies have empirically examined how firms and their stakeholders try to come to terms with these challenging aspects of integrated reporting. In order to better understand how organizations try to manage and resolve the tensions around integrated reporting and the notions of value (creation), we conducted 37 interviews with representatives of key external stakeholders of the mining sector in South Africa. We find that firms and their stakeholders are struggling with various challenges and we identify various strategies organizations utilize to cope with them. We discuss the implications of these strategies for integrated reporting and what this form of reporting is actually achieving in terms of its potential to drive change towards a more financially stable and sustainable society.

Georgina Tsagas, University of Bristol: Making sense of Non-Financial Reporting and its contribution to Sustainability: A call for a ‘Clean Up’ of varied initiatives (presentation of paper by Georgina Tsagas and Charlotte Villiers)

What is the utility of the Non-Financial Reporting Directive for the purposes of contributing to sustainable development? How does the Directive complement other reporting initiatives? Are market players (financial advisors, shareholders, stakeholders, managers, regulators) clear on what needs to be reported, how reporting need be undertaken and what their role is in this reporting activity respectively? The paper explores some of these questions and offers suggestions for the future direction of this increasingly important activity of reporting by making a call for a “clean-up” of what has become an area cluttered with different initiatives.

Jukka Mähönen, University of Oslo: Integrated reporting and sustainable corporate governance

The leading normative framework for integrated reporting, the International Integrated Reporting Council’s International <IR> Framework is based on an idea of ‘shared value creation’ by providers of the ‘six capitals’. The purpose of this paper is to test (1) what kind of stakeholder model, if any, integrated reporting and especially International <IR> Framework represents, (2) what is the impact, if any, of integrated reporting to material corporate governance in the codes it is included in, and (3) if yes, does an integrated view represent a genuine ‘corporate sustainability’ business model based on policy coherence for a life-cycle based sustainable circular economy, to operationalise the planetary boundaries and to integrate the UN Sustainability Development Goals as entity based sustainable value creation, or is it only a view to encourage organisations to take care of the profits of the specific capital providers.

Beate Sjøfjell, University of Oslo: The Horse before the Cart: A Sustainable Governance Model for Meaningful Sustainability Reporting

For sustainability reporting to be meaningful, it has to be relevant and reliable. One of the reasons that sustainability reporting has tended to be neither is the chasm between the perceived duty of the corporate board to maximize returns for investors, and the environmental and social reporting requirements. This paper proposes a research-based Sustainable Governance Model, which through a holistic approach integrates sustainability in the governance of the corporation and provides a basis for meaningful sustainability reporting.

Eli Rudshagen, University of Oslo: Setting the standard for corporate sustainability: Towards greater policy coherence between financial and non-financial reporting requirements

This paper identifies weaknesses in the current environmental reporting requirements in light of the objectives for financial and non-financial reporting as set out in the Accounting Directive. It goes on to discuss whether the EMAS Regulation can serve as a model framework for environmental reporting which 1) meets the requirements of the Accounting Directive, and 2) contributes to the overarching policy goal of more sustainable companies. Finally I make some recommendations on how the findings can be used to develop similar reporting frameworks for other sustainability issues.

Amanda Sonnerfeldt, Lund University: (Re)conceptualising assurance: Opening up debates and a research agenda

This paper highlights the deep-rooted challenges of assurance practices within the context of an increasingly complex and fragmented corporate reporting regulatory landscape. It contributes to the discussion and contemporary debates on whether assurance can strengthen the role of non-financial reporting as an agent of change to encourage more sustainable companies.

Keynote and policy speakers

Pavan Sukhdev, CEO of GIST; Founder and author of “Corporation 2020”
Antoine Begasse, Policy Officer at DG FISMA, European Commission
Zsofia Kerecsen, Policy Officer at DG Justice, European Commission
Heidi Hautala, MEP Greens / EFA
Richard Howitt, CEO of the International Integrated Reporting Council

Panel on the company perspective

Moderator: Jo Iwasaki, Head of Corporate Governance
Cora Olsen, Global Lead TBL Reporting at NovoNordisk
Hans Henrik Klouman, General Counsel and SVP Legal in Statoil
Lise Bergan, Corporate Affairs Director at Cermaq

Description

The purpose of corporate reporting is to have a record of pertinent information in relation to the business. The process of corporate reporting brings together diverse corporate functions that articulate and define how value is created and the annual report provides a platform for the board and senior management to express their views on the company today and tomorrow. In comparison with strictly financial information, non-financial information is capable of telling a story beyond a snap shot of the position and performance of the company. For these reasons, a number of reporting frameworks have been developed, including Integrated Reporting that provides a useful conceptual tool for incorporating non-financial capitals and discussing their role for the company.

The main challenge for non-financial reporting framework, including Integrated Reporting, is how the non-financial aspects of a triple bottom line approach can be measured and related to a company's financial performance in a way that can provide the basis for both short-term and long-term success of the company. In terms of standardisation, a move toward reporting framework that captures a company comprehensively means that we may need to reconceive accounting principles to incorporate a triple bottom line approach; to develop guidance on how to analyse non-financial information in relation to the context of viability and success of the company; and to specify how concrete information related to systemic risks and salient ESG issues can be adequately measured and reported upon.

In this session, we would like to ask panelists to share their experience in using non-financial reporting to advance the goal of long-term prosperity, as well as using it for the purpose of communication.

Guiding Questions:

- What is the role and benefit of integrated reporting (or equivalent) for (i) directing and managing a company and (ii) communicating with stakeholders? Please think of some examples related to these points.
- Who/what are driving your businesses for short- and long term success? How can a corporate reporting and governance framework contribute to that?
- Would you like to tell us what you have done in one (or more) of following areas in terms of driving long-term success and what impact it has had on the business?
 - a. The evaluation and appreciation of non-financial capitals from a company's perspective;
 - b. The internalisation of externalities in reporting;
 - c. ESG metrics standardisation;
 - d. Due diligence and risk assessment in relation to integrated reporting?
- What do you think should happen in the next 5 years to make non-financial reporting truly beneficial for businesses? What are the challenges?

Panel on the investor and stakeholder perspective

Moderator: Eleni Choidas, European Policy Officer at ShareAction
Ladislav Smia, Co-head of Responsible Investment Research, MIROVA - Responsible Investing
Martin Rich, Co-Founder and Executive Director of Future-Fit Business
Harald Francke Lund, Senior Advisor at CICERO - Center for International Climate Research
Jennifer Law, Vice President at BlackRock - Investment Stewardship

Description

High-quality ESG information is important for enabling responsible investment decisions and engagement. Producing such information requires a reporting and accounting framework that facilitates the integration of information on ESG risks and allows the evaluation of the comprehensiveness and cohesiveness of this information in relation to the company's strategy. Ideally, institutional investors should also inform their end beneficiaries on their own strategy and considerations. Apart from investors, reporting on ESG performance is also important for other actors like policy-makers, trade unions, and NGOs.

The question is, what information and in what form these actors need and how proper disclosure can be ensured. Answering these questions requires an understanding of ESG factors and Integrated Reporting, as well as of how corporate governance norms interact with capital markets, notably with regard to the pressures toward short-term financial results in strategic decision-making.

Guiding questions:

- What would you consider as the main contribution, limits, and risks of sustainable finance in regard to driving a transformation to sustainable business practices?
- What do investors and stakeholders need from a reporting framework and its broader embedding in corporate governance to effectively engage corporations on sustainability?
- What would you consider best practice for investors with respect to ESG considerations and transparency?
- What do you think should happen in next 5 years to maximise the potential of non-financial reporting?