

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

8.30 Registration

9.00 Welcome by Beate Sjøfjell, University of Oslo

09.15 Session 1 with:

- 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

11.00 Session 2 with:

- Jukka Mähönen, University of Oslo
- Beate Sjøfjell, University of Oslo
- Eli Rudshagen, University of Oslo
- Amanda Sonnerfeldt, Lund University

Panel 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, Heidi
Hautala MEP Greens and Zsafia Kerecsen, DG Justice

14.50 Panel on the company perspective

- 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

15.50 Coffee /tea break

16.05 Panel on the investor and stakeholder perspective

- 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

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
Zsolt Kerecsen, Policy Officer at DG Justice, European Commission
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?

Biographies of speakers



Stuart Cooper is Professor of Accounting at the University of Bristol. His research interests include issues related to the effects of organisations on environmental sustainability and social justice. He is particularly interested in accountability mechanisms and how organisations measure, manage and communicate their environmental and social impacts to their stakeholders.



Dr Katarzyna Chalackiewicz-Ladna obtained her PhD from the University of Edinburgh in 2016 on the subject of: 'The relevance of the long-term interests in the decision making processes of company directors in the UK, Delaware and Germany: critical evaluation.' She graduated from Adam Mickiewicz University in Poznan, Poland in 2007 (combined LLB and Master's Degree) and holds LLM in Commercial Law from the University of Edinburgh (2008). Currently, she is working as a Tutor at the University of Edinburgh & University of Glasgow and Research Associate at the University of Glasgow.



Koen van Bommel is Assistant Professor of Organization Theory at VU University Amsterdam. Taking an organization and management theory perspective, his research focuses in particular on corporate sustainability and on the broader relationship between business and society. He is at present particularly interested in sustainability disclosure, sustainable business models and the increasing standardization of sustainability practices. His work has appeared in journals such as *Organization Studies*, *Research in the Sociology of Organizations and Accounting*, *Auditing & Accountability Journal* as well as in several books and the *Financial Times*. Prior to his academic career, Koen van Bommel worked as a sustainability consultant.



Dr Georgina Tsagas is a Lecturer in Corporate Law at the University of Bristol and a Solicitor qualified in England and Wales, with expertise relating to all company law matters from company incorporation to sale. She has written widely on various aspects of the Companies Act 2006, UK and EU takeover regulation, as well as on the regulatory powers of the European Supervisory Authorities. She is an active member of the EU funded research project Sustainable Market Actors for Responsible Trade (SMART), sponsored by the EU's Framework programme Horizon 2020.



Jukka Mähönen is a Professor of Law at the University of Oslo, co-leader of the Research Group Companies, Markets and Sustainability and Risk Manager of the Sustainable Market Actors for Responsible Trade (SMART) project. Previously he was a Professor of Civil Law and Dean at the University of Turku. His research interests are in company and securities law, accounting and auditing law, tax law and economic analysis of law. At this moment he works with the relationships between institutional investors public entities as market actors, and sustainability.



Beate Sjøfjell is Professor Dr. Juris at the University of Oslo, Faculty of Law, Adjunct Professor at the Norwegian University of Science and Technology (NTNU), Faculty of Economics, Professorial Research Fellow at Deakin University School of Law, and the head of the Oslo Faculty's Research Group Companies, Markets and Sustainability as well as several international networks and projects, including the H2020-funded international research project Sustainable Market Actors for Responsible Trade (SMART, 2016-2010). Her publications include the edited volumes *The Greening of European Business Under EU Law* (Routledge, 2015, co-editor Anja Wiesbrock) and *Company Law and Sustainability under EU Law* (Cambridge University Press, 2016, co-editor Benjamin Richardson), *Sustainable Public Procurement under EU Law* (Cambridge University Press, 2016, co-editor Anja Wiesbrock). Many of her papers are available at ssrn.com/author=375947.



Amanda Sonnerfeldt holds a PhD in Business Law and is currently Senior Lecturer at the Department of Business Administration at the School of Economics and Management, Lund University, Sweden. Her work focuses on transnational standard setting and the regulation of corporate reporting and auditing from both historical & contemporary perspectives. Her research interests encompass regulatory issues relating to emerging corporate reporting and assurance services, and ethics of the accounting profession.



Eli Rudshagen holds a Master of Laws degree from the University of Oslo and a degree in International Marketing from BI Norwegian Business School. The topic of her master thesis was corporate reporting requirements within EU and Norwegian law. Prior to studying law, Eli held various commercial positions, including being the director of a Norwegian health food company for several years.



Richard Howitt is Chief Executive Officer of the International Integrated Reporting Council. As such he is spearheading the adoption of Integrated Reporting globally and is a major thought-leader in international debates on good corporate governance, shifting investment to the long-term and inclusive capitalism. Richard travels extensively internationally to meet with the over 1,500 global businesses who are adopting Integrated Reporting as well as with advocates of Integrated Reporting in policy and investor communities. He is a member of the B20 group of international business leaders who dialogue with G20 governments. Richard has been involved in the evolution of Integrated Reporting from the outset, as a member of HRH The Prince of Wales Annual Forum on Accounting for Sustainability, and was at the original meeting of the Forum which led to the setting up of the IIRC in 2009. He subsequently served as an Ambassador for the IIRC representing it at international meetings including the Rio +20 UN Summit for Sustainable Development before taking over as Chief Executive Officer in November 2016, succeeding the IIRC's first Chief Executive, Paul Druckman. Prior to being appointed to the IIRC, Richard served as an elected Member of the European Parliament for over twenty years and was rapporteur on corporate responsibility. In this capacity, he was key architect of the EU's non-financial information directive, one of the biggest transformations in corporate disclosure anywhere in the world.



Pavan Sukhdev, CEO of GIST; Founder and author of "Corporation 2020" is an environmental economist and founder and CEO of GIST Advisory, a specialist consultancy firm which helps governments and corporations discover, measure, value, and manage their impacts on natural and human capital. He wrote his book 'Corporation 2020' while he was a visiting Fellow at Yale University, in which he envisions tomorrow's corporation, and shows how corporations and society can work together to build a green economy. Pavan is a Goodwill Ambassador for UN Environment, a role in which he promotes TEEB implementation and Green Economy transitions to governments. He serves on the boards of Conservation International (CI), the Stockholm Resilience Centre (SRC), TEEB and the Global Reporting Initiative (GRI). His background as an international banker, as well as a Special Adviser and Head of UNEP's Green Economy Initiative lends him with a unique perspective on the role of corporations and what issues they face with implementing sustainability programmes.



Antoine Begasse, Policy Officer at DG FISMA, holds a Master in Business Administration from the Louvain School of Management and a Master in European Affairs from the College of Europe. Antoine is dealing with Accounting and Financial Reporting issues within DG FISMA (Financial Stability, Financial Services and Capital Markets Union). He is working on non-financial reporting and country-by-country reporting. Prior joining the Commission in 2014, he worked for a non-financial rating agency and the Belgian Presidency of the Council of the European Union.



Zsafia Kerecsen, Policy Officer at DG Justice, joined the European Commission in 2004. She works in the Corporate governance unit of DG Justice and Consumers. She was involved in the negotiations on the revision of the Shareholders Rights Directive and she is responsible for sustainable investment issues. Before joining DG Justice, she worked in DG FISMA.



Heidi Hautala, Member of the European Parliament Greens/EFA group, is a Finnish politician who is currently holding seat for the third time in the European Parliament. Heidi is the vice-president of the Greens/EFA group and a former minister for international development and state ownership steering in Finland. Her areas of interest include human rights, transparency, global justice and environmentally responsible legislation. She has a master's degree in agriculture and forestry.



Jo Iwasaki is Head of Corporate Governance within the Professional Insights team of ACCA, Jo has published on a wide range of corporate governance topics, including governance principles, board responsibilities, and diversity. She has lectured in front of various audiences, including directors, academics, and students. A qualified accountant, she is trained in tax and audit. In addition to corporate governance, she also has extensive experience in auditing and assurance.



Cora Olsen is employed at Novo Nordisk and is responsible for reporting on environment, social and governance (ESG) matters in the integrated annual report. Cora drives the continuous development of the integration of ESG reporting in internal and external reporting, ensuring that disclosures are material and integrated into business decision making. She is responsible for setting up and embedding internal control processes that are aligned with financial reporting to ensure a high level of data quality. Cora is also responsible for the assurance process related to ESG information. Before joining Novo Nordisk in 2008, she worked five years for Ernst & Young as a consultant within the area of sustainability.



Niny Borges, Head of Legal, New Energy Solutions and Chief Counsel Sustainability Statoil. Niny has been Head of Legal for the renewable energy and low carbon business since 2016. She is also responsible for climate related matters, including advising on reporting requirements, litigation, and representing Statoil on the Legal Task Force for the Oil and Gas Climate Initiative (OGCI). Prior to this position Niny was in the M&A team advising on transactions in Africa, Brazil and the U.K.



Lise Bergen is Corporate Affairs Director and has been responsible for communication in Cermaq for 9 years, including the launch of sustainability reports and integrated reporting. In this period Cermaq has changed from a listed to a private company. Before joining Cermaq Lise worked at Kraft Foods, in the Norwegian Ministry of Agriculture and in the Norwegian Foreign Service. She holds a master degree from the Norwegian University of Life Science.



Eleni Choidas heads ShareAction's EU Policy work in Brussels. Previously, she was a trainee in the Subcommittee on Human Rights at the European Parliament, where she worked on the Business and Human Rights and Corporate Social Responsibility files. Before that, she worked as a corporate social responsibility officer in the private sector in Greece and on business and human rights for an NGO in Brussels. She had previously worked on legal research in asylum and refugee issues in the National Commission for Human Rights in Greece and in education in Rio de Janeiro, Brazil. She holds a BA in

International Relations and Latin American Studies from Saint Louis University and an MSc in Human Rights from the London School of Economics and Political Science, where she focused on U.S. litigation against corporations for human rights violations.



Ladislav Smia, Co-head of Responsible Investment Research, MIROVA - Responsible Investing graduated from the engineering school "Les Mines de Nancy". He also graduated from HEC Paris with a MS Specialised Master in Sustainable Development. He began his career at PwC as a consultant in sustainable development for 3 years. He later joined Natixis Asset Management as an SRI analyst in 2010, focusing on Energy and Information & Communication Technologies as investment themes. Ladislav is currently deputy head of the Sustainable Investment Research department of Mirova, the

Responsible Investment division of Natixis Asset Management.



Martin Rich, Executive Director at Future Fit Business Benchmark, is an social and impact investment specialist, with over 20 years experience in both mainstream and social investment. Martin co-founded Future-Fit Foundation in 2013 as a non-profit organisation with the vision of a future in which everyone can flourish. Prior to this he spent 7 years as Sales Director at Social Finance Ltd in London, where he focused on developing the investor base for social impact investments. Before that he worked for 13 years in international investment banking on structured debt and derivative products for JP Morgan, HSBC and UBS. Martin has a passion for sustainable development and poverty relief. He

is Non-Exec Director and Chair of the Investment Committee for Access Foundation, sits on the Investment Committee

for Panahpur Foundation and the Assets & Liabilities Committee for the Social Investment Business, and is a member of Christian Aid's "In Their Lifetime" Campaign Directorate. He is also a former member of the Asset Allocation Working Group for the G7 Social Investment Task Force.



Harald Francke Lund, Senior Advisor at CICERO - Center for International Climate Research - is a Senior Climate Finance Specialist. He led the Norwegian contribution to the UNSG's AGF report on long term climate finance in 2010 and has held the positions of Deputy Chief Negotiator for Norway, Head of Emissions Trading Section at the Norwegian Environment Agency, and Advisor to the UNSG's Special Envoy on Climate Change Jens Stoltenberg. He was project leader of the Background Report on Long-term Climate Finance prepared for the German Presidency 2015. Harald has a law degree from the University of Oslo.



Jennifer Law is a member of BlackRock's Investment Stewardship (BIS) team at BlackRock, based in London. She is responsible for engaging with portfolio companies in a number of markets within Europe and Africa on behalf of BlackRock's clients globally. The BIS team actively works with BlackRock's portfolio companies to address economic risks that arise from social, environmental and governance issues, and co-ordinates the integration of corporate governance and responsible investment considerations into the investment process. In her role, Jennifer is also responsible for engaging with regulatory bodies, industry associations and other market participants on responsible investment issues, and contributing to corporate governance policy development. Jennifer's service with the firm dates back to 2007. Prior to joining BlackRock, Jennifer worked at BMO Nesbitt Burns in Canada. Jennifer holds a Bachelor in Business Administration with a specialist in finance from the University of Toronto, and a Master of Science in Diplomacy and International Strategy from the London School of Economics and Political Science.