

Board of Directors for the Future: Summary of the event on the 9th of March 2017 in Geneva

With the adoption of the sustainable development goals (SDGs) and the Paris Climate Agreement, all actors are required to contribute to the solution of these grand challenges. The Board of Directors are of paramount importance. Their role is to ensure the future viability of the company and to recognize the opportunities and risks. The objectives of the event were to discuss the importance of Corporate Responsibility for the Board of Directors and the need for action.

Importance of Corporate Responsibility for Boards of Directors

More than 45 board members and other interested stakeholders joined the discussion about Board of Directors for the Future on March 9 organized by engageability, Global Compact Network Switzerland and RepRisk, and kindly hosted by the Mediterranean Shipping Company (MSC).

Antonio Hautle, Senior Programme Leader of the GC Network Switzerland welcomed the participants and introduced the Board Engagement Programm of the UN Global Compact. To kick off the discussion, all participants were asked to answer the following question: "To what extent are the grand challenges mentioned in the SDGs already part of strategic discussions and decision-making in your board of directors (BOD)?" All but one participant indicated that sustainability are regularly discussed or on a case by case basis (50/50).

Two input presentations should further define the role of BODs, by discussing the following thesis:

The Board must be aware of the risks and opportunities that generate or destroy value, must be 'stakeholder-capable' and assume its responsibility, as well as safeguard the future viability of the company

Prof. Rajna Gibson Brandon from the Geneva Finance Research Institute at the University of Geneva and board member of SwissRe, the keynote speaker of the evening started with a legal, economic and ethical perspective, as well as an insight into the main results of her recent study, called «The sustainability footprint of institutional investors» (Gibson Brandon and Krueger, 2017) (link [here](#)). Thereby, she concluded with the key message that proxies for the investment horizon correlate strongly with the sustainability footprint. Furthermore, she drew attention to the empirical result that institutional investors with better sustainability footprints exhibit higher risk-adjusted performance, primarily through a strong reduction in risk. According to Prof. Gibson Brandon, empirical evidence supports the "curbing short termism" hypothesis and suggests that CSR is intrinsically related to sound risk management, which is a core BOD supervisory duty! To promote change at the BOD level, she suggests to educate Board members, to change hiring policies at the BOD level and to enlarge the mandate of BOD to integrate CSR objectives into their fiduciary duties.

Raul Manjarin, Business Development Manager at RepRisk emphasized that more and more board members and managers will be held responsible/liable for possible corruption, environmental or human rights violations by a company, due to the increasing connectivity and transparency, changing stakeholder expectations and the evolution from soft law to hard law. Through the Open Source database of RepRisk, BOD members have access to potential risks. However, once they know, are they not supposed to act? As transparency pushes the information boundary, it is "time for knowledge and time for action."

Besides the focus on risks, panel members later added that "forces are coming", either through the channel of risk reduction (competition, security, etc.) or through the channel of innovation to address the most pressing societal issues, outlined in the Sustainable Development Goals (SDGs). The SDGs are a profound commitment to sustainability and elevates sustainability far beyond "green" as often is focus. SDGs provide BOD with focus and a platform for partnerships in some of the areas most relevant to business and future needs. Katrin Muff,

Dean of the Business School Lausanne, recommended turning societal challenges or SDGs more into new business opportunities: Sustainability Opportunity Strategy (SOS).

Panel Discussion on the need for action

Prof. Rajna Gibson Brandon and Katrin Muff as well as Regi Aalstad, board member of Geberit and Telenor, Martin Maximilian, Global Head of Philanthropy at Lombard Odier and Huub Savelkouls, Vice President Strategic Policy Initiatives at Philip Morris International (PMI) joined the panel and discussed the need for action, starting with the following thesis:

Even if new megatrends and social challenges are already an integral part of strategic discussions and the decision-making of Boards of Directors, there is room to strengthen corporate responsibility (CR) or the duty of care for Board of Directors.

All panel members agree that there is room to strengthen CR and the duty of care of BODs, endorsing that tackling societal challenges and integrating sustainability issues should be at the core of the board. “If we do not stay ambitious, we will not be able to solve these issues.” Panel members and participants provided concrete recommendations on how to create this change:

a) BOD selection process

- Companies should consider changing the hiring policies for BOD members & recruiting them also based on their ethical values and pro-social orientation. So far, companies mainly look at their strengths according to their CVs and examine the integrity of BOD members, without going any further.
- Furthermore, they should be open for trainings, given that the landscape of CSR and sustainability, of emerging risks and opportunities, as well as technology and innovation underlies constant change.

b) BOD role and mandate

- It should be considered to enlarge the scope of the mandates by integrating CSR objectives into their fiduciary duties. The first question for any BOD members should be how s/he can make the company more sustainable, starting with its products and services. If it is not part of the mandate, it will remain one additional point in the agenda, but will not change the company as such.
- Research showed that BOD members of the future need to have a broader sense of responsibility, meaning that they do not only feel responsible for the organization itself, but also beyond the companies' boundaries.
- Board members need to listen to stakeholder feedback and join dialogues; panel members even recommended face-to-face dialogues to sharpen the thinking and experience the impact on the ground.
- Board members should be provided with tools to be able to link issues to opportunities.
- We should not underestimate the power of capital markets, as they set hard questions. It is the BOD's role to trickle down these requirements to remain a popular player on the market.
- One participant recommended that board members should not forget about the “reality check” on the customer and investor side, at the end of the day. Otherwise, the viability of the company cannot be ensured.

c) BOD meetings / development

- Practically, if you are at the board, there is not a lot of time and you have to master many issues to discuss. Hence, it is important to get people's interests. One way to ensure this is to have a clear framework (e.g. shared value approach or SDG framework) and to focus on both risks & opportunities.
- Data is very important. It can provide solid arguments to challenge the board in BOD meetings.
- However, how can you challenge if you do not know what the challenges are. In this regards, education about CSR and its objectives is key. In practice, BOD members could join workshops or

invite experts to the BOD meeting (e.g. in a 15' slot). Before such system is installed, one could become a role model, educate him-/herself and invite others to join a workshop or peer-to-peer learning-event.

To close the discussion all participants were asked to indicate priorities in terms of next steps. Almost 90% see the greatest need in changing the hiring process, followed by workshops with board members on sustainability/ transformation issues or specific education and training (equally around 75%).

Based on the outcomes of the conference in Geneva and a similar event organized in January in Zurich, the organizers will elaborate, how to proceed to enable BOD members to ensure the future viability of their companies.

Thank you to all participants and speakers for their valuable inputs.

Organizers

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