

CORPORATE GOVERNANCE

10 IDEAS TOWARDS A SUSTAINABLE ECONOMY

The planet is in crisis. The only way forward is to change how the economy operates. This starts with changing how businesses are run.

The publication 10 ideas to make corporate governance a driver of a sustainable economy identifies ways in which boards and policymakers/regulators can put sustainability at the heart of business.

BOARDS HAVE A PRIME RESPONSIBILITY TO MAKE THE ECONOMY SUSTAINABLE

1. RECOGNISE THEIR PUBLIC INTEREST RESPONSIBILITY TO MAKE BUSINESS SUSTAINABLE

All boards must put their businesses on an accelerated path toward sustainability and a circular economy. This means addressing matters such as, access to raw materials, energy efficiency, supply chain resilience, reputational risk and contingency planning.



2. TRANSFORM THE BUSINESS MODEL

The centrality of business model transformation must be reflected on the board's agenda as a number one priority. Monitoring progress on this transformation roadmap should be a standing agenda item.

3. MAKE BOARD COMPOSITION FIT FOR (RENEWED) PURPOSE

It is in boards' interest to reorganise themselves and review their roles, duties, competences, business purpose, processes and collective skill set. Increased diversity and new roles are necessary, such as a Chief Value Officer to recognise that value creation encompasses more than financial gain.



4. REGULARLY (RE)ASSESS FUNCTIONING AND PROCESSES

The board's functioning and effectiveness in delivering transformation needs to be assessed on an ongoing basis. Boards need to improve: objective director selection procedures; development programmes; sustainable reward policies; full board assessments.

5. THINK IN AN INTEGRATED WAY

Boards need to consider the full range of factors used in the value creation process with a holistic perspective. This means putting sustainability at the heart of all processes at all levels of the business.



6. TRANSCEND THE BUSINESS' BOUNDARIES

The board needs to comprehend the entire supply chain, stakeholders and ecosystems of the business, to manage reputational risk, business performance, effective sustainability and resilience.

POLICYMAKERS AND REGULATORS NEED TO BECOME ENABLERS OF CHANGE

7. RETHINK THE ROLE OF REGULATORS

It is critical that regulators closely monitor and understand market developments and the emergence of best practices. Regulators need to focus on outcomes and effective enforcement of better and simpler rules to produce results, not more regulation.



8. MOVE FROM SHAREHOLDER PROTECTION TO STAKEHOLDER PROTECTION

Regulators should now support the shift in focus to the protection of broader stakeholder interest and not only of the financial interest of investors.

9. CREATE A EUROPEAN REGULATORY FRAMEWORK FOR CORPORATE GOVERNANCE IN THE SINGLE MARKET

Corporate governance in Europe suffers from inconsistency. The time has come for consolidation. An EU corporate governance framework would better match the reality of a single market and bring coherence, legal certainty and more effective outcomes.



10. ENSURE CONSISTENT AND EFFECTIVE ENFORCEMENT

Legislation can only work as long as it is properly monitored and enforced. The Comply or Explain model could be more effective if explanations are effectively monitored and followed up. Nobody likes sanctions, but they remain indispensable and should be leveraged to ensure proper enforcement and a level playing field in business.

ACCOUNTANTS ARE CRUCIAL IN THIS JOINT EFFORT

Making our economic system sustainable is a collective responsibility. Good business decisions start with reliable information. As businesses change their benchmarks for success, accountants contribute by: measuring impacts, disclosing information, and adding credibility to what is reported.

Professional accountants are found in various roles that are all key to effective corporate governance: CEOs, Chief Financial Officers, non-executive directors, audit committee members, as well as executives in accounting, reporting, or other functions.

In public practice, professional accountants help business create value, discharge their obligations and adapt to change, including by fully integrating ESG factors into business practice and performance. As independent auditors, they play a crucial role in providing transparency and assurance to stakeholders.

CHANGE STARTS TODAY!

There is no time to lose, private and public actors need to adopt integrated thinking and must act swiftly and decisively to create a sustainable economy.

Read more about how [corporate governance can become a driver of a sustainable economy](#), see our [debate](#) on this topic and let us know your thoughts and comments on the paper by email to iryna@accountancyeurope.eu by 4 December 2019.

This document is part of Accountancy Europe's Cogito series. We set up Cogito (i.e. I think) to provide new ideas for the European accountancy profession, enhance innovation and contribute more to business and society. This document aims to stimulate debate; the views expressed thus do not reflect the official positions of Accountancy Europe or any of its 51 member bodies

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