



**Governance and Sustainability**  
**Sustainable Corporate Governance**

# What is the Agenda for Sustainable Corporate Governance?

Kathrin Ankele



Organised by:  
Institute for Ecological Economy Research (IOEW) Berlin  
Friedrich-Ebert-Stiftung,(FES) Berlin

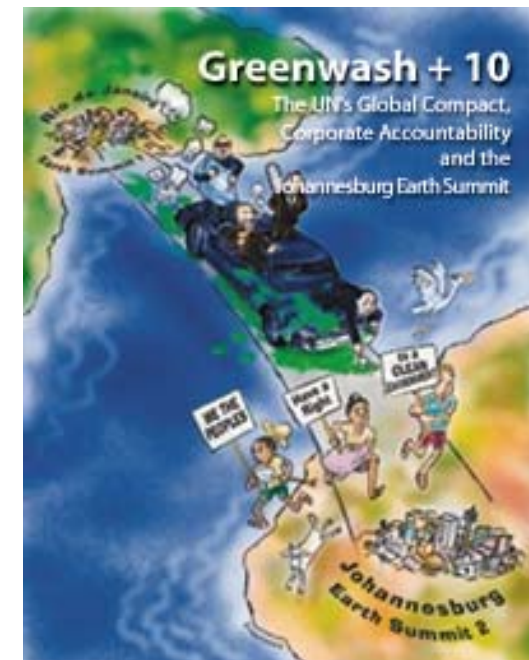
# Agenda for Sustainable Corporate Governance

---

- Why „Sustainable Corporate Governance“?
- Background and references
- Challenges: Tackling stagnation or rollback
- Corporate Governance as a promising framework
- Programme and objectives of the Summer Academy

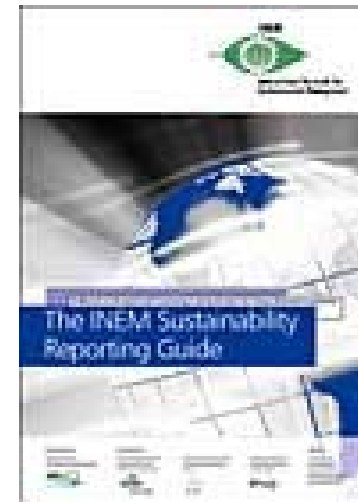
# Why „Sustainable Corporate Governance?“

- Starting points
  - ▶ Growing corporate power and scope
  - ▶ Broader requirements with regard to ecological and social issues
  - ▶ Governance crisis (corporate scandals, societal mistrust)
- Benchmarks for Good Corporate Governance
  - ▶ Economic growth, financial stability
- Benchmarks for Sustainable Corporate Governance
  - ▶ Ecologic and societal responsibility and accountability



## Background and References

- More than 20 twenty years of corporate initiatives going beyond profit maximisation
  - ▶ From single or end-of-pipe measures to systematic management approaches
  - ▶ From site-specific measures to product stewardship and supply chain activities
  - ▶ From environmental issues to Corporate Social Responsibility (CSR) and Sustainability
  - ▶ From monologue to communication and dialogue (e.g. environmental and sustainability reporting, stakeholder engagement)



## Background and References, II

---

- 20 years of research on corporate initiatives covering
  - ▶ Motives and incentives
    - “Green by nature” (ecology as core strategy and competence)
    - Eco-efficiency (saving resources and costs)
    - Image, public pressure or customer demand
    - Different strategies: from reactive to proactive
  - ▶ Approaches and instruments
    - Eco-Balance, LCA, Integrated Product Policy (IPP)
    - Environmental Management Systems (EMAS, ISO 14001) and Cost Accounting, Sustainability Management, Corporate Citizenship and CSR
    - Performance measurement: Indicators, benchmarking, rating, ranking

## Background and References, III

---

- ▶ **Scope and effectiveness**
  - Various success stories, but
  - Participation still restricted to a minority within the industrial community
  - Lack of orientation among corporate participants
    - unclear goal setting
    - un-appropriate selection of measures
    - missing link between measures and environmental impacts (bringing together environmental goals and data)
  - Surfing on current waves or achieving a sustaining policy
  - Corporate misuse of sustainability in terms of marketing
  - Dominating win-win-rhetoric

## Challenges: Tackling stagnation or rollback

---

- Findings: Erosion of corporate initiatives due to
  - ▶ Weak economy and missing returns
  - ▶ Decreasing public interest
  - ▶ Retreat of politics to selective, less integrative issues (e.g. energy policy)
- Persistent sustainability policy needed, due to longstanding problems
- Consequences 1: Corporate Governance needs a broader frame of reference to restore societal trust
- Consequences 2: Sustainability must be integrated into core strategies and decisions in order to persist short-term rationalities and “trade cycles”

# Corporate Governance as a promising framework

---

- OECD principles on Corporate Governance in six key areas
  - ▶ 1) Ensuring the basis for an effective corporate governance framework
  - ▶ 2) Rights of shareholders and key ownership functions
  - ▶ 3) Equitable treatment of stakeholders
  - ▶ 4) Role of stakeholders in corporate governance
  - ▶ 5) Disclosure and transparency
  - ▶ 6) Responsibilities of the board



# Corporate Governance as a promising framework, II

- Core requirements for Sustainable Corporate Governance
  - ▶ Key area 6: Responsibilities of the board
    - Strategic guidance
    - Long-term goals
  - ▶ Key area 4: Role of stakeholders in corporate governance
    - Stakeholders to be considered: those who are providing relevant resources (society with e.g. educational and transport infrastructure, social consensus, health care, nature with natural resources and stability)
  - ▶ Key area 5: Disclosure and transparency
    - Equal terms of competition through mandatory reporting on key sustainability indicators
    - Investment sector: responsible investment and voting policy
    - Banking sector: mandatory integration of the sustainability dimension in investment consultancy

# Programme and Objectives of the Summer Academy

---

- Preliminary conclusion: substantial progress towards sustainability requires activity at three levels
  - ▶ Corporate self-regulation
  - ▶ Control by civil society
  - ▶ Background control by the state
- The three layers need to be integrated in a new way: Focus on interfaces and governance mechanisms
- Institutionalisation as means for sustaining implementation of such corporate governance