

SDGs and the contribution of independent directors to long-term strategies

How is it possible to give substance to the increasing demand for long-term strategies by companies?

Companies ask for more juridical and political certainty to put forward long-term development strategies. It is politics responsibility to draw the line for long-term strategies and to guide economic actors towards it, also by using fiscal incentives. Keynes taught us that "animal spirits" affect investments and growth.

United Nations have drawn this line of long-term development for national Governments by defining 17 objectives for sustainable development (Sustainable Development Goals) as in the picture below and by determining the reduction of CO₂ emission within COP 21 Conference in Paris.



SDGs are high and noble objectives: wealth creation together with the elimination of hunger and poverty, peace and justice, innovation in industrial activities and infrastructures, more economic and gender equality, universal access to high quality education, life below water and on land, to be preserved in their rich biodiversity.

Also Pope Francisco intervenes in the debate on climate change through his Encyclical *Laudato Sii*, published as of June 2015, by encouraging us to radically change our development model so that it does not further pollute our Mother Earth, but respects it and make it at the center of the investments and the value creation.

The idea we want to share with NED Community members is the same inspiring the Environment Mission Commission. The idea is to gather authoritative senior personalities coming from the

finance and economics field as mentors who can show with both their professional and personal skills how to generate economic value, within respect of ethical values.

With the support of Ettore Fumagalli, who involved representatives from his own entourage suitable for this task, it was possible to open the first debate on finance as a way to encourage sustainable development, with the result of contributing to both the social and political discussion. In the last decade, the finance system forgot to be a complement to real economy and often adopted predatory and speculative behaviors towards companies, the latter representing the reason for the existence of finance.

Today more than ever, enterprises need a political and administrative context that supports communication and planning of sustainable development strategies, for existing businesses and innovative startups. An inspiring setting that recognizes projects with social and environmental positive impact, which enhance local and global value within the frame of the United Nation Sustainable Development Goals.

Some examples might be investing in technologies and innovation with positive impact on environment and social needs; the commitment to big infrastructure projects which carefully consider the impact on the environment and local communities and the focus on small but virtuous projects that a number of Italian entrepreneurs are carrying on collaborating with NGOs and United Nations Agencies in the Southern Countries of the World. For example, the electrification of entire African villages through micro-grid technologies or the development of energetic policies with an increasing mix of renewables and decreasing carbon print.

In this context, financial instruments such as green or climate change bonds step in and are well rated by international institutional investors who signed the Principle for Responsible Investments promoted by the United Nations.

Investors themselves are engaging in dialogues with oil companies to obtain the commitment to carbon emission reduction. An example is provided by the resolutions raised in the US AGM and especially the Exxon case.

The general opinion is that all these topics must be driven by politics. Indeed, the purpose of politics is to give trust to economic actors through planning and organization, enforcing the infrastructural context and the legal certainty with measures that foster wealth and social equality.

However, when politics encounters difficulties nowadays with long-term planning, associations and working groups within civil society can still contribute.

We are pleased to share these thoughts with NED Community members. Independent Directors, within their limited powers, have a big responsibility when they can support and accompany the executive directors of big companies to carry on ambitious projects, like ENEL is doing by creating an Innovation and Sustainability division and has just published its "Seeding energies" Sustainability Report for the next five years.

The Environment Mission Commission has started a productive internal debate, to discuss the pros and cons of the referendum on oil and gas drilling which was held in Italy on April 17, 2016. The referendum was on the proposed repealing of a law that allows gas and oil drilling concessions extracting hydrocarbon within 12 nautical miles of the Italian coast to be prolonged until the exhaustion of the useful life of the fields. Disregarding the specific vote position of each member,

the Commission addressed the topic, stressing the need to define a long-term energetic policy based on a broad political debate within civil society, citizens and their representatives in the Parliament.

If of interest, details on the debate on *Green Bonds and Climate Change Bonds* can be provided contacting info@sustainablevalueinvestors.com
