Anne Finucane

Vice Chairman, Bank of America
and Chairman, Bank of America Europe

Introductory remarks on global ESG standards

Hello. I am happy to be with all of you virtually to share my thoughts with you around ESG global metrics and the need for convergence. We have seen an exponential growth of the ESG market, with extensive research from our own research team and from others, indicating that you are not giving up returns when you subscribe to ESG behaviour. Research has found that companies that apply ESG – and I mean that broadly – are more profitable, less risky, have lower client attrition and have higher employee and customer satisfaction. Their profitability also seems to consistently be better. I would add that of the $100 trillion of assets that are professionally managed globally today, about 40% of those have some ESG quality.

There is an increasing expectation for companies to integrate ESG considerations and impact into their core purpose, strategy and operations. This is being driven by three big dynamics. One is the widespread understanding and agreement that there are large, systematic global issues that we must address urgently. Two: the growing belief, which we certainly share, that corporations have a role and a responsibility to address these issues, often referred to as stakeholder capitalism. Three: an increased understanding that companies that manage ESG well will perform better, prompting investors to shift their money to those ESG leaders. However, we need to make sure that we have a common language across the globe on ESG, that we can measure these ESG characteristics and the long-term value creation of business in a comparable way, and that we all talk about the same things using the same nomenclature.

That is why we are closely involved in the work on universal disclosure metrics that the World Economic Forum, along with the Big Four accounting firms, and in collaboration with all stakeholders, are leading to help drive a convergence among global non-financial ESG reporting standards. The International Business Council of the WEF, the IBC, chaired by our CEO, Brian Moynihan, has issued stakeholder capitalism metrics that provide a very useful contribution to this process. We are working with dozens of global companies, asset owners and asset managers, the standard-setters themselves, and regulators in the US and elsewhere to help spur convergence towards a single global standard for ESG reporting. This is an important body of work. The Big Four and IBC stakeholder capitalism metrics show that we can draw from existing, well-known standards to create a foundational set of existing metrics and disclosures deemed most critical for sustainable value creation, and with the purpose of demonstrating corporate leadership in areas our stakeholders want to see.

We also support the work that the International Financial Reporting Standards Foundation is doing to consolidate and reduce fragmentation in sustainability reporting standards. The work of the IBC has been recognised by the IFRS and others as an important contribution to the non-financial disclosure movement. Having one global sustainable reporting standard will allow comparison across companies, but will also increase transparency. While the E is quite developed, with the EU having written its taxonomy and other jurisdictions following the same lead, the S and the G are still in the making. It is critical that we should make progress on these items, and with transparency that will be the leading factor. Transparency is the key to governance. Over time it will make clear that those who govern effectively will succeed in the long run. That effectively means looking at your value creation and looking at how your business goals are aligned with the SDGs.

If progress is to be made on ESG, we need a fully-fledged universal transparency reporting framework. The EU is also in the process of introducing its own sustainability reporting, but to address the challenge of climate change we must reach ambitious international solutions and an internationally accepted common reporting framework, embedding non-financial and financial considerations. That will lead to a better allocation of capital. For any transparency framework to work, effective principles of governance should be set up to ensure companies are really integrating ESG into their operations. Stewardship and accountability are key.

As one of the world's largest financial institutions we are committed to working to address some of society's most critical ESG challenges using our scale, innovation, talent, and financial capabilities, but as you know, climate change requires collective responsibility. Making bold commitments to net zero requires actions and honesty. Sustainability and ESG reporting is the way to demonstrate actions. I am looking forward to hearing more from this panel on the prospects for global and EU ESG standards converging, and I believe the discussion will show not only how much we need converging standards, but also how big a challenge this really is.