



Transforming Your Business Through ESG

The environmental, social and governance issues facing business and wider society are under ever increasing scrutiny. **David Hobbs** examines what organisations should focus on

As the calls for action over environmental, social and governance (ESG) concerns become more strident – from media examination of business conduct to climate change protesters on the streets – organisations are finding they must demonstrate that what they're doing is sustainable and ethical as well as profitable.

Simon Abrams, UK&I ESG and EHS Transaction Support Head at EY, says there is a greater sense of urgency because the issues identified two decades ago, such as climate change, resource conservation and diversity, are now aligned to current societal movements.

“Today it’s not only about doing the right thing but also identifying these megatrends as real commercial drivers,” he says. “This is where the world is moving to, and we need to change our assumptions, models and frameworks to incorporate the world as it really is now.” >



And it's not only public scrutiny that businesses must contend with. For example, institutional investors are taking a close interest in order to satisfy their stakeholders that funds are being invested in the right places, and regulators are introducing policies designed to encourage the movement of capital from 'brown to green'.

Simon says that companies and investors must identify the ESG issues that are relevant to them and their sector if they are to hone in on the real risks and opportunities for value creation. "Tailor your messaging and be clear about why you are doing what you're doing and how it adds value to your different stakeholder interests," he comments.

It's a view that **Samantha Barber**, NED at Spanish electric utility company Iberdrola SA and a Criticaleye Board Mentor, agrees with, adding that any approach to ESG should be aligned with and integrated into the overall strategy.

She explains: "The many areas of ESG may seem disconnected but you can gain better strategic oversight with a single Committee encompassing all areas. This enables them to assess how ESG issues are incorporated into the business strategy and performing operationally. That's a big change from before."

A Question of Measurement

The frameworks used by agencies for ranking and rating ESG strategies remains variable. **Simon** acknowledges that while these might be useful, the information is reported unevenly. "Some fund managers are struggling to understand what to do with the ESG

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ratings they're looking at," he says, adding that he does expect greater consistency over time.

While approaches and methodology will vary, ESG presents a strong platform to make decisions which accelerate business performance. **Samantha** says: "The transition for Iberdrola to move from carbon-emitting energy generation to renewable, non-carbon-emitting energy generation, is an absolute opportunity, because the demand for clean energy is only going to increase.

"Those who [fail to look] at this through the lens of opportunity will not make the advances that they need to make."

The key for senior leaders and Boards is to understand and prioritise what's relevant for their organisation. **Tim Doubleday**, Group CFO of Burger King UK, says: "We went through the whole spectrum of ESG to pick out where we were in terms of materiality and relevance and what we thought we

could do that would make a difference. It's a journey and you need to pick out where you can actually make a step change."

Jerzy Nagorski, Relationship Manager at Criticaleye, builds on this point: "The most progressive leadership teams and Boards understand that ESG must be integrated into a forward-looking strategy if they're going to build and retain trust with their stakeholders."

For **Samantha**, it's fundamental. "You can't have complacency in your boardroom, you need to be really listening to stakeholders, customers, employees and investors. You must keep looking at the opportunities and innovation you can bring into your business to keep it dynamic, nimble and adaptable in a very challenging and changing external environment.

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Featuring Commentary From:



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