

ESG Strategies for Creating a Sustainable Corporate Future

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Our futures and those of many other life forms are not assured. Unsustainable growth, lifestyles and business activities are damaging the environment, reducing biodiversity, depleting natural capital and contributing to global warming and climate change.

I have ten messages for you today:

[1] We must recognise that we are the cause of our own problems.

Individuals, organisations and communities, like the Governments that encourage and incentivise economic growth, want the benefits of development and consumerism, but without their negative consequences. We want to have our cake and eat it.

The undesirable impacts of human behaviours upon the environment and their social consequences have reached potentially catastrophic levels. There is an international scientific consensus that damaging activities and their impacts now need to be addressed by collective action at national and global level.

Transition and transformation journeys to more sustainable operations and lifestyles must be accelerated while they are still possible. We must act before tipping points are reached after which an existential challenge such as global warming becomes unstoppable.

Some people want to make hay while a metaphorical sun shines. They rebook their foreign holidays as soon as travel restrictions ease. Others, and especially those who are younger, worry about their futures.

Will they be on forced migrations looking for food or higher ground? Will they be rummaging through rubbish dumps during extreme weather events? Will they be scavenging for minerals and the basic materials needed for their survival?

What can and should those with ESG responsibilities do to prevent such scenarios? What about our own behaviours and lifestyles and those of the people with whom we work, learn and live? What about our families, communities and societies?

Could we better engage, influence and support our peers and those to whom we report or feel accountable? Could we persuade and help them to change direction?

[2] We must understand the distinction between strategic direction and operational management.

Company directors have distinct duties and responsibilities. They should think about the future and continuing corporate relevance, acceptability, success and trust. If concerned, they may need support if aspirations for sustainability are to become shared achievements.

Directors should be aware of the consequences of corporate activities, alert to developments in the business environment affecting them, and sensitive to changing stakeholder views about them. They should be both responsive and proactive.

Some ESG motivations are externally driven. They reflect legal and regulatory requirements, pressures from stakeholders and wider public aspirations, expectations and requirements..

Some directors are also inwardly driven. Rather than just react, they want to be more responsible and to actively address challenges such as climate change. They would like corporate activities to be more sustainable and to have beneficial rather than harmful impacts.

Because of their engagement with stakeholders and the increased attention being devoted to ESG issues, previous sceptics might now wish to do more. There is growing recognition of the reputational, financial and relationship benefits of responsible leadership.

Managerial responsibilities often relate to particular activities, projects, functions or business units. The responsibilities of directors are wider. They extend to the whole of a company and its networks of relationships.

The need for greater environmental and social responsibility and more responsible governance is clear. This is where you can be especially helpful.

Most, if not all, matters before a board, from corporate purpose, objectives and priorities to corporate activities and their impacts, should now be viewed through an ESG lens.

[3] We must confront the challenges of the context within which we operate.

More boards are deciding that the strategic direction they provide, and the corporate policies they establish or approve, should encompass a widening circle of arenas previously considered as ‘external’, such as the environment.

Boards find it more difficult to just focus on ‘business’ matters and avoid ‘political’ issues. Investors with ESG priorities and stakeholders in general seem increasingly concerned with the broader economic, social and environmental impacts of corporate activities.

Global warming with its climate change consequences and the Russian invasion of Ukraine with its risk of escalation are pressing international and existential challenges.

In relation to global warming, past emissions of greenhouse gasses are history. Whether or not tipping points are triggered will depend upon what we do now and future emissions.

Some boards face particular challenges in relation to international operations. Should they establish corporate foreign policies as well as those relating to net zero and UN SDGs?

The premeditated and illegal invasion of Ukraine in violation of the UN charter has caused many countries around the world to impose sanctions upon Russia. The UN Secretary-General has said that “Ukraine needs and deserves our full commitment and full support”.

Whether because of corporate values, ethical principles or the reputational damage that might arise in many markets from not backing or applying sanctions, should more boards stop corporate activities in the Russian Federation and/or withdraw from the country?

[4] We must grasp the opportunities that accompany our challenges.

Directors should ensure that corporate purpose, vision, values, goals and objectives are sustainable, aligned and consistent with the strategies, policies and behaviours to achieve them. They should check that activities and operations in pursuit of laudable objectives do not have undesirable consequences and cause negative externalities.

Environmental and social goals and objectives should be ambitious and even stretching, but they must also be affordable and attainable.

Directors should achieve a balance between measuring, monitoring and reporting on what they set out to do, and being open, receptive and flexible in relation to new opportunities and pressures for more responsible conduct.

Some capabilities required to implement strategic priorities may not be owned and available internally. They should be accessible as and when required, either from existing business partners or other collaborative arrangements with likeminded and complementary partners.

Addressing many of the challenges facing us and seizing related opportunities requires collective effort. What a company does in collaboration with other entities may be as important as its own solo activities.

Effective boards recognise the potential for corporate and stakeholder engagement and alignment around shared interests. They understand both the inter-connectedness of different existential challenges and the opportunities they create.

[5] We must use our discretion to act.

While the remits of many public bodies are limited by enabling legislation and may be subject to Ministerial influence, corporate constitutions in many jurisdictions often give directors wider discretion in terms of the activities a company can undertake.

Contributing to collective activities to confront shared challenges and seize related opportunities could be a corporate purpose. When seeking to be more responsible, as well as exercising independent judgement, directors should not forget the potential of their roles.

While many public bodies are expected or required to provide similar services to all citizens, companies can often offer alternatives, choice and bespoke responses. Collaboration with other parties can also be easier for many companies.

Corporate boards are not required to participate in an annual funding round in which they have to compete with other Government departments. Companies may additionally be able to try different approaches to suit local requirements.

Governments can and do sometimes act quickly and decisively in crisis situations. However, on other occasions the greater freedom of action of corporate boards can be more conducive of diversity, flexibility and creativity.

Directors can play a vital role as instigators, enablers and supporters of exploration, innovation and entrepreneurship. These activities are crucial for addressing existential challenges and transitioning to more sustainable operations and lifestyles.

[6] We need collaboration and collective action.

Coalitions or consortia of organisations may need to be brought together to address common requirements, such as those for climate change adaptation and more resilient infrastructures.

Engagement with stakeholders and greater awareness of their aspirations and priorities might allow conversations to be switched from price to value creation and consequences. It might enable co-creation possibilities to be explored and business partners to add further benefits.

While striving to accommodate the requirements of others, a board must not lose sight of its own purpose and priorities. It should articulate its views on what it would like to achieve.

Building a coalition of the committed, likeminded and willing may be more important for progress and impact than juggling disparate and possibly incompatible interests.

Corporate governance should be appropriate for a company's purpose, its stage of development, the particular challenges it faces and the opportunities a board is seeking to create or seize. Governance arrangements may also need to embrace supply chain and other stakeholder relationships and collaborative agreements.

Directors should pay particular attention to activities within corporate supply chains. For many companies, this may be where the bulk of particular negative externalities might arise and they be largely hidden.

Parts of a business, particular collaborations and certain ventures or major projects, might need to be governed and/or managed differently on account of the nature of their activities, the timescales required and other parties involved. Governance should recognise and accommodate diversity. It should enable rather than constrict.

[7] We must be more open and transparent

Corporate accounting and reporting policies and practices can be very revealing of the extent to which a board is aware, responsible and transparent. Those of many companies seem designed to conceal the full extent of negative externalities.

Activities that damage ecosystems, reduce bio-diversity, deplete scarce natural capital and contribute to global warming are sometimes accepted, hidden or tolerated. They may also be assessed, described and reported as 'profitable'.

Directors who approve the resulting accounts and do not challenge such practices and related investment proposals are morally responsible. At some point they may become legally liable for consequential harm to the environment and current and future generations.

Rather than hope an annual report or other corporate communications may be read by relevant parties, a board could encourage proactive approaches to those who might support or assist the implementation of a company's ESG strategy.

Rather than hide past excesses, irresponsible activities and mistakes, directors should encourage executives, and customers whose demands contributed to them, to move on and learn from them. They should seek to understand the drivers and root causes of operations and proposals that appear irresponsible or prove to be harmful so that they can be addressed.

[8] We must see ESG as an opportunity.

ESG and responsible business conduct is more than scaling back damaging activities, ending unsustainable operations and dealing with negative consequences. It also involves opportunities and positive and collective initiatives to create, enable and support operations and lifestyles that are desirable as well as sustainable.

ESG is about opportunity and responsible innovation, enterprise and capitalism. It is about creating new options and choices for stakeholders to live and operate more sustainably and in harmony with the natural world. It could involve regeneration and rewilding, social and economic inclusion, climate justice and lifestyle transformation.

ESG can engage and may excite, but it also often requires passion and courage to achieve. More directors may need to become educators, advocates and ambassadors. They may have to act more explicitly as a corporate conscience.

Creating more responsible, inclusive and sustainable corporate futures and lifestyles may require significant, if not radical, changes of priorities. Focus may need to switch from activities to the outcomes that concerned stakeholders increasingly seek and require. Our shared challenges also create unprecedented business opportunities.

[9] We must help people to make more responsible choices

As catalysts, directors can encourage exploration of why corporate offerings are purchased and consumed. Maybe the feelings and fulfilment that customers seek from manufactured offerings might be more reliably delivered by less environmentally damaging and resource intensive alternatives such as a garden centre, recycling team or life coach.

We must take people as they are rather than as we would like them to be. We should enable them to do things differently, make more responsible choices, and help them to adopt simpler, healthier, less stressful and wasteful, and more rewarding and sustainable lifestyles.

A company I co-founded and chaired won innovation awards at national and international level for support tools designed to make it easier for people to do difficult jobs. They helped average performers to emulate the approaches of superstars, supported shared learning and enabled people and organisations to simultaneously achieve multiple objectives.

Healthcare and environmental applications were designed to enable people to understand and manage their own conditions and make more responsible consumer decisions. When made

aware of the negative consequences of different purchase and consumption options, people generally selected the least environmentally damaging one.

Other tools we developed were designed to greatly speed up the understanding and acquisition of complex technology solutions. Applications enabled compliant proposals to be developed in minutes or hours rather than days or weeks.

Costly and protracted approval processes were replaced. Our tools made it easy to comply and difficult to pursue undesirable activities. They were rapidly adopted because of their benefits for users. Windows opened to explain issues, options and the reasons for certain courses of action. People became more confident and competent with each use.

We recognised the diversity of nationalities, religions, social groups, political views, cultures and beliefs that may be found within organisations, especially those that operate internationally. What could be regarded as outrageous by one community or in a certain context, might be tolerated and even considered acceptable by another or elsewhere.

Our tools were designed to increase understanding, support responsible behaviours, ensure compliance, speed up responses, reduce costs and deliver a variety of other beneficial outcomes for people, organisations, their stakeholders, and the environment.

[10] We must act now.

Our collective future and that of much of the life on our planet remain in the balance. Shared existential challenges such as global warming have created a rare opportunity to reconcile hitherto contending interests and unify around the common goal of survival.

A global pandemic and widespread experience of extreme weather events have created shared experiences. Sadly, when greater unity might have been in reach, the invasion of Ukraine has exacerbated existing fault lines and opened up new ones, at a time when we need collaboration and collective action to deal with shared existential challenges.

The skies are darkening with more than extreme weather events. Growing, liberal-illiberal, democratic-authoritarian, free and controlled media, inter-community, and other divides could be exacerbated by mass migrations caused by climate change.

You are at this event because you care. You think about consequences. You favour responsible conduct and you want to improve ESG outcomes.

Strategies for creating sustainable corporate futures are urgently required. They have to be formulated and implemented. You have never been more needed.

You could make the difference between catastrophe and survival. You have a purpose, a cause and an unprecedented opportunity. Go for it.

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