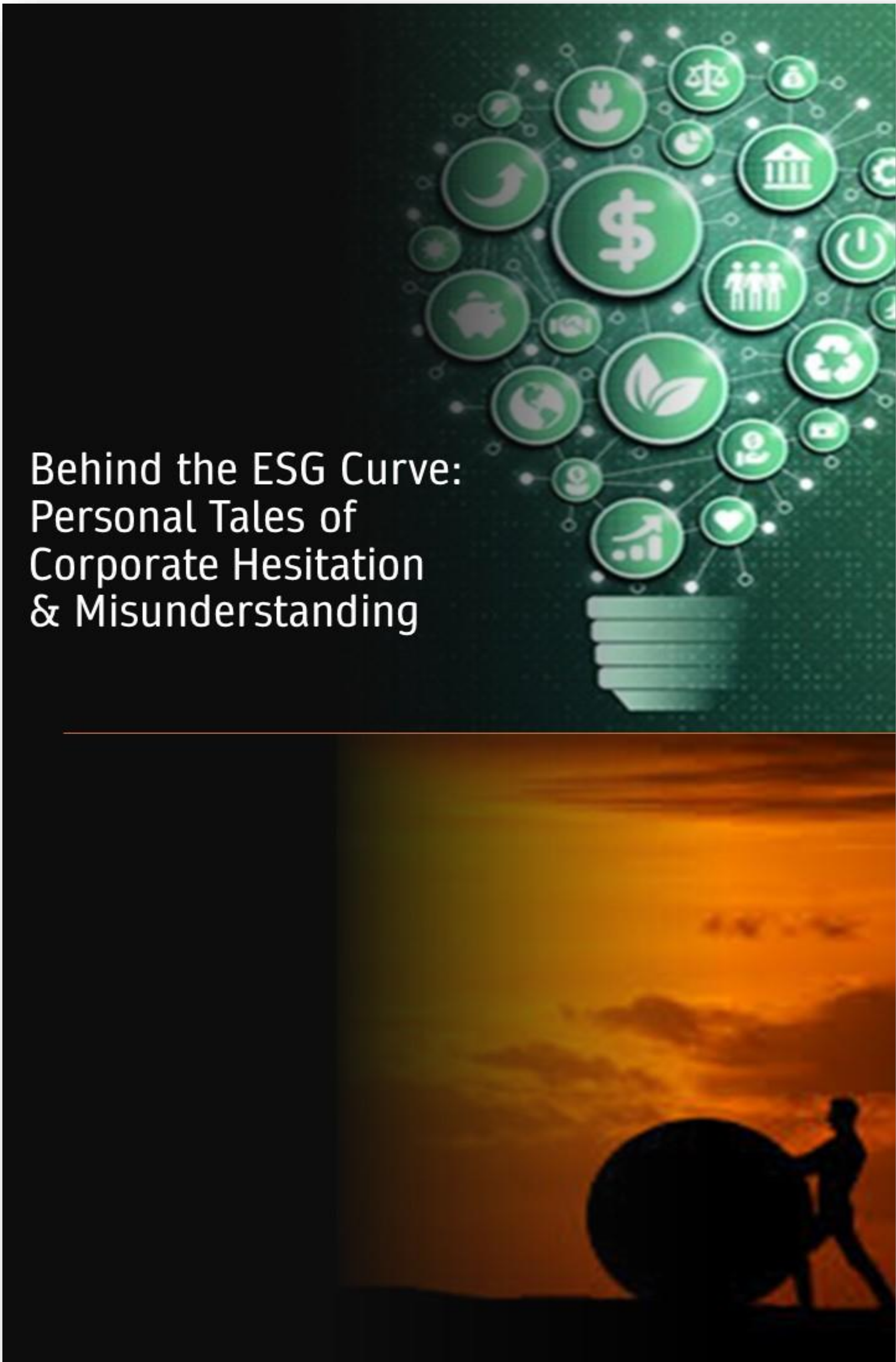
Enabling our clients to make sustainable decisions



Dr Bimal Roy Bhanu

DISCLOSE

Enabling our clients to make sustainable decisions

Amidst a backdrop of intensifying global crises—be it the existential threat of climate change, pressing issues of social justice, or the demand for transparent corporate governance—Environmental, Social, and Governance (ESG) has surged to the forefront of commercial, political, and societal discourse. However, while its relevance has never been more pronounced, many companies and business leaders struggle to fully understand and integrate ESG into their strategies and the following are some live observations from working with Business Leaders and companies on ESG:

- Historical Emphasis on Short-Term Profits: Traditionally, the primary goal of most companies was to maximise shareholder value. The focus on short-term financial results often overshadowed longer-term considerations, including environmental or social impacts.

- Misunderstanding ESG as a 'Trend': Some business leaders might view ESG as a passing trend or buzzword rather than a fundamental shift in how businesses operate and are evaluated.

- Perceived Trade-offs: There's a misconception that ESG initiatives always come at the cost of profits. For example, investing in eco-friendly technologies might be seen as a cost rather than a long-term investment in sustainable operations.

- Complexity and Lack of Standardisation: Unlike financial metrics, which have well-established standards, ESG criteria can be more varied and complex. Different organisations might have different definitions or measures for ESG, making it harder for companies to understand and benchmark their performance.
  - Example: Company A might prioritise reducing their carbon footprint while Company B focuses on diversity and inclusion. With different benchmarks, it's hard to compare their ESG performance directly.
  - Lack of Immediate Tangible Benefits: ESG benefits, particularly environmental ones, may not manifest immediately. The long-term nature of these benefits, such as reducing climate change risks, might not be easily translated into quarterly earnings or immediate returns.

- Fear of Scrutiny: Being more transparent about ESG efforts can open a company to greater scrutiny. If a company acknowledges certain ESG challenges or goals, they may fear backlash if they fail to meet those objectives.
  - Example: A company that sets a goal to achieve a zero-carbon footprint by 2030 but misses this target might face backlash from both investors and the public.

- Cultural or Organisational Inertia: Established companies, especially those that have operated in a certain way for decades, might find it challenging to change. This can be due to entrenched corporate cultures, resistance from middle management, or simply the sheer scale of the change required.

- Seeing it as Only PR or Marketing: Some companies might engage in "greenwashing" or "social washing", where they promote ESG initiatives for positive publicity without substantial actions behind the scenes. This can lead to scepticism about the sincerity of ESG efforts industry-wide.
  - Example: A company might launch a high-profile campaign about its commitment to the environment, but upon closer inspection, their actual changes might be minimal or superficial.

Over the last year, we've witnessed an unprecedented shift towards embedding ESG principles in daily business practices. Yet, true commitment by all stakeholders demands a transformative approach to how companies' function and assess success. With mounting pressure from investors, policymakers, and the public, ESG's significance will soon transcend PR stunts, becoming an indispensable pillar of ethical and sustainable business. To stay ahead, organisations must swiftly gauge their current ESG stance and address any barriers hindering advancement. Undoubtedly, the future hinges on achieving ESG goals, yet success mandates a culture rooted in transparency, honesty, and support.

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