

The Inseparable Pair: Strategy & Disclosure





The inseparable pair of sustainability: strategy and disclosure

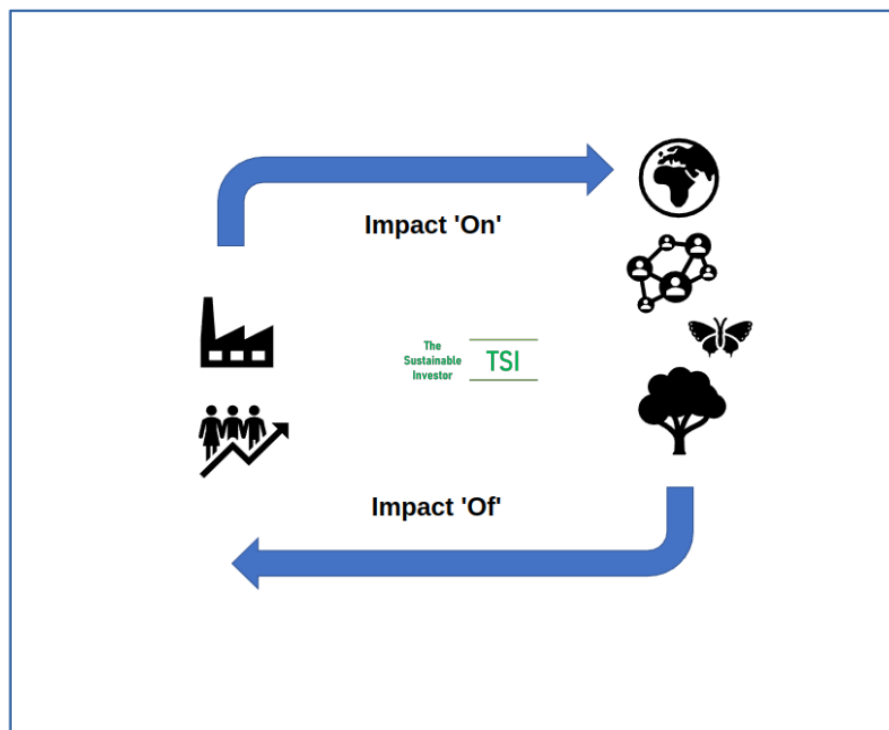
ESG and sustainability themes are complex, intersecting and continually evolving. They cut across industries and geographies. There is so much to track. There is so much to learn. This presents a challenge for organisations and management teams as they need to view ESG and sustainability from two highly interdependent perspectives: Strategy and Disclosure. Embedding sustainability in your core strategy can help reduce risk but also act as a source of value. Crucial to that is having a coordinated approach to strategy, measurement and disclosure.

There has been more focus on disclosure as recent years have seen an acceleration in the implementation of frameworks and standards requiring management and operational teams to provide new disclosures. ISSB S1 and S2, CSRD, SFDR, TCFD and Nasdaq's Board Diversity Rules are just a few examples of requirements that have either been finalised or became mandatory just in 2023.

Disclosure is important so that stakeholders, be they investors, employees or customers can clearly understand how you are being sustainable and compare you with their other interests and has acted as a catalyst for action. However, there must be a business strategy too. That may seem obvious, but with the concepts behind ESG and sustainability being new to many, there has been a tendency to lean towards "What's the minimum that I need to do?"

As an individual business why should I care about ESG and sustainability beyond the immediate legal and disclosure requirements? I like to think about 'sustainability' using the Cambridge Dictionary definition: "the quality of being able to continue over a period of time" - so I need to consider ALL themes and issues that can impact the business. That considers the business as part of a broader ecosystem that includes people and planet. Frankly, it goes beyond ethics. It makes good business sense.

Rather than 'Enterprise Value' or 'EV' we should be thinking about the bigger picture, the whole pie. The shift from an Enterprise Value (EV) approach (what are the risks 'of' X to the business and can the business manage these material risks and opportunities?) to the '[double materiality](#)' approach where we need to understand the impact of the environment on the business AND the impact of the business on the environment more broadly.

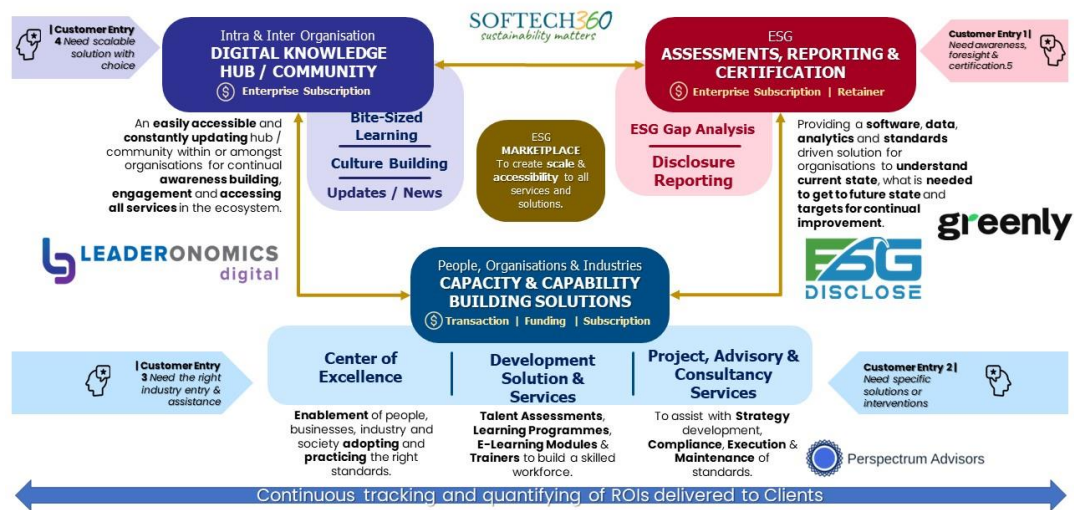


As Professor Alex Edmans espouses in his seminal book '[Grow the Pie](#)', the primary goal of a company should be to serve society rather than generate profits. This approach "[enables investments to be made that end up delivering substantial, long-term pay-offs.](#)" It's not to say that profits don't matter, it's more that by focusing on meeting the wider needs of society, profits are a result, not an objective. In other words, it is not just worthy, it is good business. Thinking about that bigger picture is good business.

So, sustainability needs to be part of an organisation's strategy. But what does this mean in practice? Two main areas:

- **Sustainability as risk reduction:** anticipating change including stranded assets, reducing future legal risks and shifts in markets that could turn competitive advantage into competitive disadvantage.
- **Sustainability as a growth and value driver:** building new sources of competitive advantage including supply chains and value propositions, competing with, and beating incumbents, innovation, and DEI as a value creator.

ESG Disclose: More Than Just Software, Its An Ecosystem of ESG Solutions



Services such as those provided by ESG Disclose can be invaluable in navigating changing requirements - from collecting data, managing it appropriately and reporting according to regulatory requirements. But strong reporting on and tracking of ESG initiatives also improves risk reduction and value creation feeding back into the strategic plan. The two go side-by-side.

For sustainability professionals, understanding that [transition is a series of steps](#) and what those steps are for a particular area or industry will be crucial in engaging investors and other providers of capital as well as those running businesses both strategically and operationally. Anticipating change, and series of changes, can help with risk reduction and the delicate balance of keeping 'the lights on' during the transition. It can also help to plot the best path to reach the end goal. For example, building a culture of diversity and inclusion is not simply a case of hiring people from different backgrounds and stirring! It is a sequence of steps to build a culture of inclusion that gets the best out of everyone. A transition.

ESG Disclose recognises that the use of its software alone may not provide all the support that clients require. They have therefore created a Marketplace to provide services and support beyond their AI technology, enabling clients in all aspects of their ESG journey including classroom education to get your base knowledge level up.

- Given the changing nature of themes, at Perspectrum we can help your knowledge development in between your classroom learning. The Sustainable Investor which is an associate publication of Perspectrum Advisors, and its insightful articles are designed to help you think differently, see nuances and have more informed conversations.
- We can help you understand how to pitch sustainability ideas in a way that finance and operational people will buy in to as well as external stakeholders providing support to your investor relations and communications function.
- For example, for TCFD (and ultimately TNFD) reporting, it will be important to track and understand themes relevant to your business and frame them in the context of the TCFD

transition risks and timeframes. That often involves understanding and tracking developments outside of your own industry and geography. We help you think holistically, laterally and see new insights.

- We can also provide advice and analysis of your business to help you understand the key ESG and sustainability themes impacting your business. This will help you better utilise the ESG Disclose offering.
- Ensuring that your strategy has sustainability at its core and the 360° feedback loop between strategy, measurement and disclosure is seamless will help you not just continue but thrive over a long period of time.



Perspectrum Advisors

By employing lateral thinking, evaluating methods and an ability to communicate complex topics in a concise, relevant and understandable way, we enable organisations to find new perspectives, garner new insights and make better informed decisions. You may be looking to engage with sustainability for the first time but do not know where to start. You may already be engaged but are seeking to translate your values into impact in the most efficient and effective way. We can provide benchmarking, advice and help you engage with your stakeholders.

Sandy Jayaraj - CEO

Sandy had a 25-year career in global financial markets at PricewaterhouseCoopers and Morgan Stanley enhanced by four years as COO, then CEO building Curation Corp into a trusted sustainability intelligence enterprise, before founding Perspectrum Advisors. Sandy is a published journalist having written on emerging themes and sustainability for various publications including IR Magazine, Illuminem and Energy World, a publication of the Energy Institute. Sandy is a Fellow of the Royal Society of Arts and studied Engineering and Management Studies at Queens' College, Cambridge University. Sandy is a director of Point Rider Group (UK) and co-founder of The Sustainable Investor.



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