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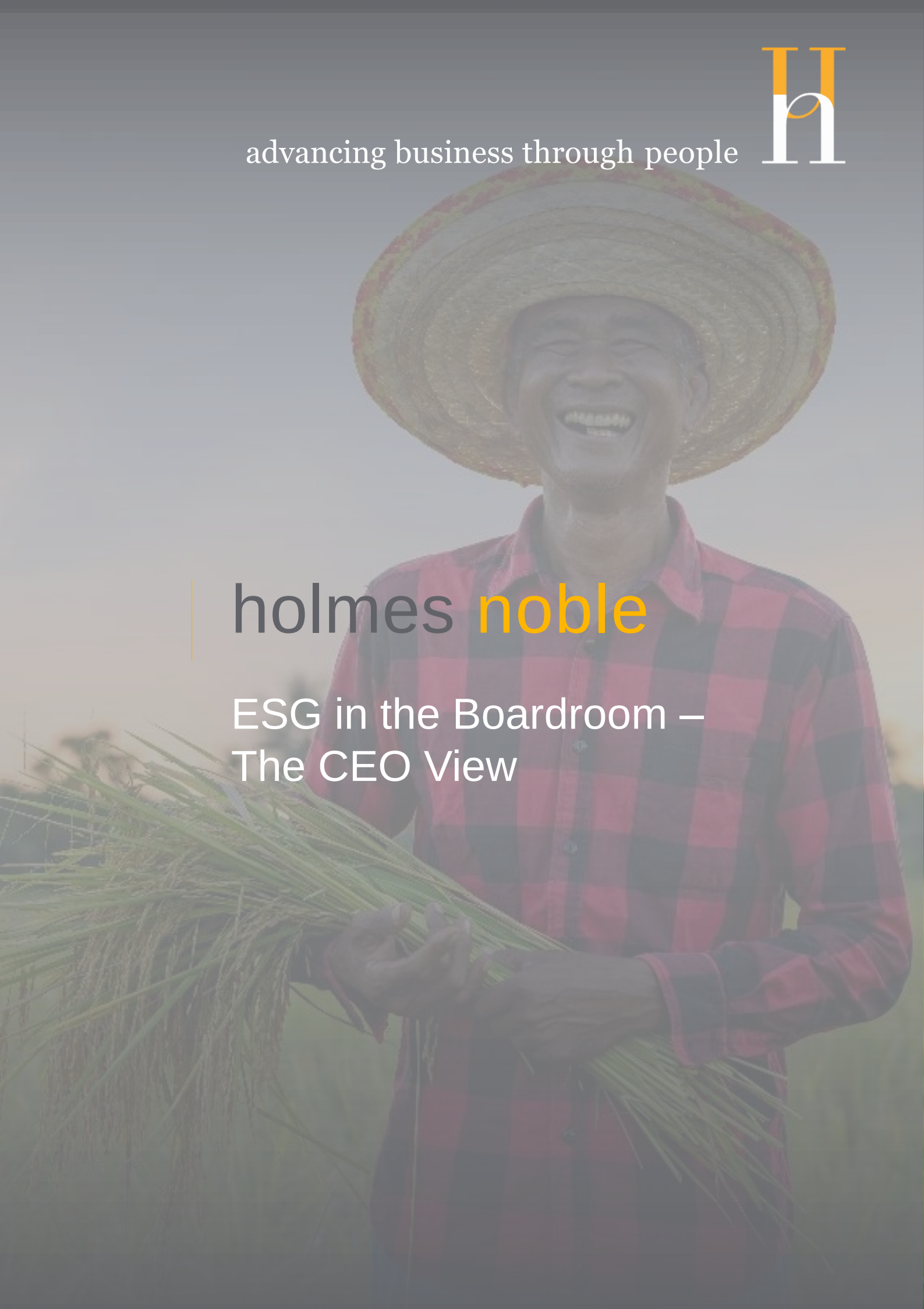

holmes noble

ESG in the Boardroom – The CEO View

Overview

ESG is today becoming an increasingly important topic for many boards across the UK, but what does it mean for CEOs and how are they striking the right balance between many competing factors?

Throughout the past two years, the topic of ESG has not been far from the lips of many conversations I am having with CEOs and senior leaders across all industries. While the focus of many leaders during the pandemic has been ensuring the survival of their businesses and support of their employees, it has also served to highlight inequalities and alter the landscape when it comes to peoples' views on the importance of their place in the world.

As a result, we have seen investors, customers, and employees all questioning the purpose of the companies they work with, and for, and the impact that those companies are having on the world around them. This has, in turn, driven changes in priorities and legislation that is having a fundamental affect on how businesses approach ESG.

While certain aspects such as governance have been clearly embedded for many decades, the environmental agenda has swiftly risen to the top of the pile and has drawn significant focus, particularly in the UK in the run-up to COP26 and beyond. There is set to be no let-up in the demands for sustainability as legislation drives further measurement and activity across entire supply chains, while customers will begin to demand sustainable long-term solutions.

However, in our view, legislation is but one aspect driving the change, and we see this none more so than in the increasing importance of the S and the impact on businesses' ability to attract and retain talent. But the S goes far beyond just focusing internally on employees and drives squarely to the purpose of an organisation and its Social Value. In the future, we believe that this will drive the next wave of change and CEOs, their Boards, and leaders across organisations will need to adapt to ensure that ESG as a whole is purpose-led, and not just there as a tick-box exercise.

This will require many changes in strategies, behaviours, and structures, requiring the consistent and regular challenge of "what is our purpose as a company?". ESG will support in driving this debate but only if management are willing to act in a congruous manner and communicate that throughout the organisation.

Leadership skills will need to continually evolve, and Boards will need to ensure they are truly acting on behalf of all stakeholders. While the future remains at times uncertain, those businesses that can clearly demonstrate the link between sustainability, purpose, strategy and culture are more likely to win out.

Written by

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Chair & Founding Partner

Background

Holmes Noble conducted interviews with CEOs from businesses across multiple sectors ranging from large multinationals to SMEs to gain an insight into the developing role that ESG is playing on the strategy, direction, and operation of the Board. The key findings of this research are presented herein, as well as Holmes Noble's views on the evolution of the Board to deliver not only talk but action when it comes to ESG.

Key findings

Throughout our research there were various views on the impact of ESG on the day-to-day running of businesses and boards but there were several key themes that emerged:

- ESG is seen as an opportunity for those who engage with it and make it core to strategy.
- Demands for ESG are being driven from all directions: investors, customers, and employees.
- The CEO has a key role to play in setting the tone, but it needs to be principles-driven.
- Few companies are yet to achieve success, the majority are at the beginning of their journey.
- There is an ESG evolution occurring in businesses and in the Boardroom.
- Social Value will increasingly become the next big focus, "S will be the next E".

Differing perspectives of the value of the elements of ESG

There were instances of a divergence of opinion with respect to the real value of the differing elements of the ES and the G. While many agreed that the governance aspect was the most embedded, there was a school of thought that argued that the cost associated with the governance aspect had ballooned out of proportion to the benefits that it provided. This was particularly so in the listed environment for small and mid-caps where the costs of providing that listing had, at times, a meaningful impact on the bottom line. In many privately owned firms, governance was seen as front and centre in ensuring that risks were being appropriately managed at all times, and that was the key remit of the management board.

Whereas Governance was seen as embedded, the environmental and social aspects were only just coming to the fore. With the sustained focus on environmental impact in the press, and increasingly in investors eyes, much more attention is being placed upon the direct impact that businesses are having upon the environment. Again, this is further developing as the boundaries with which measurements are being drawn increases to include not just Scope 1 and Scope 2 emissions, but also Scope 3 as the TCFD recommendations come into force, initially in the larger listed companies, but inevitably further down the supply chain.

Indeed, Boards are increasingly thinking no just about the direct impact of their carbon emissions from operations, but also the impact of the very products that they offer, and this is, in some circumstances, having a profound effect on future product and service strategies. While not universally the case, there is a clear trend towards reducing the harmful impact that businesses are making on the environment and some businesses are basing their entire strategy on supporting clients to decarbonise through innovative products and services.

The majority of CEOs we interviewed agreed that social aspects of ESG were the least well-developed out of the three, but in many eyes were becoming the most important. While the internal aspects of employee engagement were seen as well embedded, the wider influence of businesses on the local stakeholders were at times addressed sporadically and not well understood. Despite examples of best practice in the Social activities the typical approach will be focused on the internal measurements.

One concern across all CEOs is the lack of consistency in measurement leading to difficulty in comparing one company with an another. With multiple agencies touting multiple measures, many without even engaging with companies directly, it is a challenging time to interact with investors who are asking more and more questions about ESG.

"It's accelerated over the last 12 months for customers and business at large."

"The wider ESG piece is becoming a bigger and bigger topic, and accelerated due to the pandemic."

"Most people look at ESG from just the E perspective. Governance is almost taken as read. The S side is where the purpose is coming in and is the one that could be forgotten about. Community outreach and engagement."

"The focus on the environment is known about, but Social Value is the next 'Greta Thunberg Paradigm Shift'"

"I believe companies are going to be forced to look at what social value they're creating"

"The Environmental focus has pushed the E agenda while G was pushed by regulation. S hasn't yet had the same push – currently it's more voluntary, more visionary and linked with purpose."

"Commonality of measurement is an issue – there needs to be more rigour and consistency across the board."

"Governance aspect has been an increasing burden – simply look at size of annual reports today compared to 10-15 years ago."

"You need G because it keeps you safe but can be difficult for a commercial entity. In terms of S – no-one is talking about it."

"Can be difficult for the companies having to deal with different ESG rating providers, many of which you do not know."

"It's really about getting the company to think about the broader stakeholder base whether that is employees, community or the wider world we live in. That's really what it's about."

"Everyone focusing on the E. E is on the front page. S – people tend to focus on employees and less on how businesses can play a part in their community."

Whether ESG is a risk or opportunity depends on your willingness to embrace it

Most CEOs recognise that the risk and opportunity surrounding ESG are two sides of the same coin, driven by the business model being pursued. What is clear however, is that no Board can afford to ignore it, and to do so would place the future of the business in peril. Those who are willing to embrace the opportunities that a focus on ESG provides in bettering business operations, performance, and products, see a tremendous chance to capitalise on a period of significant disruption. However, even for these companies, being unable to keep promises made for the right reasons (though often in haste and with lofty targets) provides an element of risk if such aspirations are not met with real action.

In certain sectors where there is significant difficulty in changing the business dramatically, ESG does bring additional risk in the short-term, whether this be in hard-to-abate sectors such as transportation and energy, or those that choose not to embrace the change that ESG brings at all. These businesses risk losing out in the long-run unless they can adapt and ultimately if that is not possible they risk becoming irrelevant and overtaken by alternatives.

The Board as a whole has a duty to embrace and actively encourage debate around ESG. NEDs in particular have seen the topic rise up the agenda over the past two years, spurred on by the pandemic and increasing volume of debate surrounding sustainability culminating in COP26. They have begun to demand answers from executives with increasing gusto and are set to maintain this focus as a raft of new regulations come into force that will add E to the G.

"Is ESG new? It's the coming together of things that were already there but with a heightened focus on business criticality."

"It affects the CEO and the Group Strategy Director, Investor Relations. It is affecting strategy much more now"

"When ESG is integrated into the business then we can see it more from an opportunity perspective."

"We will be investing in people, technologies, and infrastructure to drive the agenda forward, but it will improve retention of talent and customers"

"While you may have some initial capital outlays to green the business, over time you will save money."

"If you want a licence to operate in the future then you need to be sustainable in the long-term."

"In years to come it will be vital to actually allow you to be in business."

"Many companies that are choosing to do it now because it is the right thing, and commercially it is the right thing, will find that they are ahead of the pack when it comes to the crunch."

"Whole industry shifts are occurring – e.g. more electric / all electric moves in aerospace – shift to new fuels etc. Therefore, if you have capabilities in those areas then you will have significant opportunities."

"I would say ESG is more of an opportunity. But when you look at climate change and energy, those are big risks to have on the risk register. Investors aren't going to look at companies that don't have a developed ESG strategy"

Customers will increasingly demand ESG credentials, although competitive advantage may be short-lived

Customers are at varying stages of integrating ESG into their demands, with government related tendering and other regulated industries being at the forefront. In such bidding there is now a proportion of the bidding score related to ESG activities. While we are not yet as prescriptive as US Government contracting in that regard where small businesses or female-owned businesses can get added points, we are tending to move more in that direction. Likewise, in regulated utilities the focus is rapidly shifting from purely just affordability and resilience to the much broader ESG picture and that will become a greater part of the regular pricing reviews.

Elsewhere in more commercial markets there is yet to be a consistent pull from customers. There are obvious areas where a change is coming due to the ‘greening agenda’, whether this be in the electrification of automotive or the energy transition. Even then, there is a question over whether price and service trumps ESG as the #1 criteria. Over time, that may change as these industries reach a tipping point and the ESG aspects become embedded as a right-to-play in the market. As such, any competitive advantage gained from being at the forefront of the agenda may well be short-lived, however in some markets that transition could take many decades to occur.

ESG is seen by many as a cost centre at the present time, which is only likely to increase as the reporting burden goes up; however more enlightened CEOs are seeing it as a short-term investment to win the longer-term game. If they do not invest, then they will be behind the curve when it becomes the top priority of the customer. While the capital investment is true in the round, there are clear instances when a drive to reduce factors such as carbon footprint and intensity can also drive efficiency and cost savings. Those businesses who are looking at the whole picture stand to gain the most in our view rather than those Boards who are simply looking at it from the perspective of compliance to regulations.

"It's both a push and a pull in equal measure – dialogue increasing with customers but also with the employees as well."

"On the customer side, some business is being won e.g. in the sporting arena where customers have extremely high commitments to ESG"

"Recyclability of products was one of the main things that came in as new as that environmental piece began to come in. Now the Net Zero targets are coming into much greater focus."

"…particularly government clients as part of bidding."

"There is a cost in there, but nobody has really distinguished where that cost sits. Just become "how we do things"."

"Already seeing it translate into revenue and profit as customers are making decisions based upon it that wouldn't have been awarded if hadn't moved it forward."

"As far as customers are concerned, there is a desire to see greener facilities (LED lighting, solar panels etc) as well as initial trials of low carbon transportation."

"Main interface with customers on ESG would be the large housing developers. They are keen to make sure they have got partners in their own ecosystem that are developing lower carbon solutions"

"By-product of focus on sustainability is supporting customer wins and retention, not a service offering in and by itself."

It is all in vain unless it is guided by your values / principals

ESG is something that needs to be aligned with a company's values and principals or it is destined to fail. Just talking about ESG but not living and breathing it will damage customer relationships, employee engagement, and risk the wrath of regulators as stricter measures come into force and the world turns its back on outdated and damaging business models.

The danger of greenwashing is all too evident. Whilst this may placate some stakeholders in the short-term, we believe that as investors and customers become increasingly savvy, those whose actions do not align with their stated strategies will increasingly be called out by a far more vociferous crowd as the next generation moves into employment and positions of influence. In order to survive and thrive, we believe that ESG principles will need to be embodied in the way businesses operate from tip to toe and the message and actions need to be consistent throughout the organisation.

“Impacting debates around acquisitions and some of the conversations around the Social aspects of where we are focused.”

“Driving companies to look at purpose and around environmental, sustainability and community agenda.”

“ESG has forced decisions about what we do and what we don’t do. It started properly about 18 months ago and actually kicked off from an employee asking such a question – it really highlighted that we had an unwritten rule.”

“ESG policy - some companies have everything written down but don’t live them.”

”For us, it’s all about how we get involved with the development of a community, or the transformation of a community”

“A lot of companies at the moment are Greenwashing and are playing the game. It’s not only about what you have as a product, but also how do you do it as a company.”

“In terms of values, the overarching value is to choose to do the right thing. The things we do on Governance is around risk, while on Social it’s about doing the right thing for the communities. It’s just our way of working.”

“All comes down to your vision and purpose as an organisation rather than a regulatory enforcement thing.”

“Putting ESG more front and centre of core strategy and purpose”

“The whole strategy is based on our new sustainability targets and they are constantly being assessed – we use stakeholder feedback to help set the strategy.”

“A lot of people are focused on ESG from a ‘you have to do’ perspective but the question should be ‘how does this link to the purpose of your company?’”

No clear consensus on which companies are true beacons, although some do shine

Across all our conversations, we found a diverse range of examples of companies that are seen as sitting above others with respect to ESG. While it is often difficult for outsiders to comment specifically on whether these companies are true ESG leaders or whether they are simply very good at talking about it, various sectors have individual champions who are seen as leaders in their field, whether this be the likes of MACE in Construction, Unilever in FMCG, or Salesforce in IT.

One or two companies did stand out, however, as beacons that were recognised by many from outside of their sector, and these businesses tended to be those who married their mission with their business. In particular, many CEOs highlighted Patagonia as a brand whose actions really did live up to their purpose with its entire strategy driven from the desire to do good, and its mission statement of being “in business to save our home planet”.

Likewise, there are many whose good work tends to go under the radar because, while they may act in a manner consistent with ESG principles, they may not shout about it to the same extent as others. Such firms include the likes of M&S, Boots, or even those in challenging industrial settings such as Dulux owner AkzoNobel. In addition, organisations outside of the corporate world are setting examples to be admired in areas such as D&I with the Rugby League World Cup paying the same for participation regardless of gender or disability.

What we see as consistent across all those who have been highlighted is both the desire to drive sustainable business through ESG, and also the willingness to disclose a significant amount of information on ESG performance for all to see. With many grand plans being published across many sectors, transparency of actions and progress will be key to sifting those who are true champions and those simply ticking the box.

"In terms of the E in ESG, there is a kind of arms race around commitments but then what comes along behind that will become increasingly interesting. The companies that don't have an actual plan to achieve the ambitious targets will face mounting scrutiny."

"Part of it is actually what are organisations really doing – some are very good at presenting it."

"Same names have been truly embedding ESG across their businesses as a whole package for a long time –Salesforce, Patagonia and Unilever are the obvious ones that everybody talks about."

"Some industrials take it seriously but don't get seen."

"Can I see anyone who is doing it as a true belief? Not sure. A lot being driven by shareholders or legislation."

"Unilever published their ESG detail and that is what makes the difference. It's about how much of the detail a company is willing to disclose."

"Some have put out big grand plans but then there is scepticism around how real it is behind that."

The CEO has a crucial role to play in setting the tone, but true delivery comes from the ground up

As with many things, for ESG to really take hold, the tone needs to be set by the Board and CEO in particular. It needs to form a key part of the strategic direction of the business and be seen as a priority, if it is a priority it will receive adequate funding and attention but most importantly it then needs to be actioned and mobilised throughout the business. True delivery of a sustainable ESG strategy will be delivered from the ground up within the organisation, however, if there is not the buy-in from the CEO and Board it could lead to frustration, hence both aspects are essential for a truly successful implementation.

Many businesses have tried to impose targets, but without the necessary follow-up and support. Those businesses we have spoken to that have seen success across the business have often engaged with employees on the ground and elevated actions that in many instances were already underway and amplified that for good. This has fostered greater engagement in our view between the workforce and management, leading to a more fruitful debate and a can-do culture that embraces opportunity and change.

We have seen numerous instances of businesses being challenged from within on matters of ESG and that challenge then driving upwards change. With many businesses being driven into setting top-down targets and then working out how to achieve that, we believe the combined approach has a big part to play in not only supporting strategy but also in ensuring action.

"…setting targets for 2030 / 2040 and CEOs will not be there so questions should be about what can be measured in 2025 or 2027 to show that they are going to hit those targets"

"What I've tried to do is galvanise the whole organisation – for example there's a charity champion at every site. They have raised money but also awareness."

"CEO's accountability is to sponsor it at the highest level"

"Need to create the environment and then it's for the teams to know their own customers to ensure they are aligned with their customer's needs as well."

"Key that each organisation has real targets that are applicable to itself – real change will happen when company targets are truly aligned."

"Driving local level competitions to drive innovation in sustainability agenda."

"Need to share what the business wants to do and what people can do for themselves but also ensuring it's an ongoing communication about how the business operates."

"Sustainability is very much a collaborative effort, it's important that all colleagues are part of the journey."

"Not just in the board meetings – talk about the ESG initiatives across the business regularly."

"Set tone from the top – people always watch the actions not just the words and can change very quickly with different people in charge."

"Needs to be driven from grass roots up and can't just be pushed top down."

If the next generation do not believe it is sincere, they will vote with their feet.

One thing that is clear is that employee engagement on ESG matters is at an all-time high from both an attraction and retention perspective. The combination of the Covid-19 pandemic and the climate emergency has served to accelerate this yet further and today's workforce is far greater inclined to vote with their feet if they perceive a gap between what is communicated by the CEO and Board compared to action on the ground.

We believe that the next generation will be even more focused on finding meaningful employment with a company that they can believe in and can see is doing the right thing across all aspects of ESG. It is no longer sufficient to be strong in one area to the detriment of another. Communication, openness and transparency is therefore imperative, particularly while undergoing a period of strategic change.

In response to the pandemic, many CEOs instigated regular virtual briefings to the workforce as well as driving a greater focus on mental health and wellbeing. Such methods are being carried over to drive the open communication channels forward and ensure that message from the top reaches all employees and allows a consistent vision to be shared with integrity.

"From an employee perspective it has become a recruitment issue."

"The young generation have shocked the world into this, the Blue Planet, the Greta Thunbergs"

"People who are coming to work for organisations want more purpose, more meaning, they want to work for someone who's got wider perspectives."

"The younger people coming into business now, they are tending to see more purpose and underlying good cause underneath it."

"Use it as an attraction piece for future talent – look at ways in which the business can become a place to attract both employees and customers."

"Have participated in the kick-start programme – introduced more young people into the business and they bring different perspectives."

"Next generation do not have the same level of bias – more integrated society"

"We will need a different type of individual in the future that drives forward across the whole agenda."

"Future generations are more naturally driving these things forward – only a small element of workforce now and will become bigger proportion."

"In terms of employee base in the future, we will be younger on average than today, more socially and environmentally aware."

"Can gain a competitive advantage through the work being done on the social aspects – employee retention increasing and that is translating into improved performance and business opportunities."

"A graduate within the team has stood up to drive the agenda."

"Quite a few employees are green evangelists and quite outspoken about how the business is run. That keeps you on your toes."

Diversity, Equity and Inclusion will support a greater balance and is a clear priority

While DE&I strategies have varied across each business we spoke to, there was unanimous support for inclusivity and diversity of thought. Many businesses are at vastly different stages in their diversity journey and are approaching it with varying degrees of rigour from a target setting perspective. Some have rigid quotas that are reported on as KPIs while others are starting from a position of understanding where they are at now.

The question regarding setting specific targets and quotas can be a challenging one, with pros and cons for and against it as a process. Likewise, comparing one sector to another can also prove difficult, as well as accounting for the difference between a geographically contained business versus a large multinational. What does stand true is that ensuring a fair recruitment and promotion process, ensuring the removal of unconscious bias, is largely a common practice, along with ensuring that managers understand why certain employees may be more or less likely to seek further progression.

Whilst the pandemic has been an immensely difficult period, one aspect that has benefited many businesses is the ability to open up positions to a much broader candidate pool than may have been the case previously as remote and hybrid working practices have become normalised. This has provided open-minded Boards with the opportunity to re-evaluate how specific roles have been assessed in the past and allowed for more flexible working to be offered, opening up opportunity to a more diverse workforce.

"D&I aspects and employee resource groups gaining more focus"

"Parochial mindsets don't work in the modern world"

"Have a group of employees that are leading the D&I approach and it is supported by a Board sponsor."

"There have been large debates about whether it is right or not to set specific targets."

"Currently taking stock of where we stand as an organisation from a diversity perspective and how that stacks up against the local community."

"What strategies are we going to deploy to achieve objectives for recruitment and promotion, and also operate to drive a broader and more diverse business?"

"We seek to find out why not attracting certain candidates to the business."

"How do we overcome that if not seeing a diverse management team above."

"Measure, trend, communicate and share."

"Historically, too much of time spent on gender alone and not true diversity."

"Respect – everybody, irrespective of anything – everyone is welcome – that is true diversity."

"We have set some D&I targets – every shortlist needs to have a diverse candidate. We are not setting a wider group of targets but do measure and monitor."

"Consciously set the tone from the top down on diversity."

"As people have moved to greater virtual working, this has allowed the company to widen its recruitment pool and indeed have recruited a more diverse group of people as a result."

"More diversity of thought from a science and engineering perspective helps innovation."

All businesses are learning as they go, and are open to sharing best practice

One encouraging aspect of our research was the openness and willingness of companies across numerous sectors to actively share their own experiences with one another. We are therefore seeing joint solutions being developed up and down supply chains which we believe is driven both by the need to cooperate and align developments with the need to learn as all businesses are changing at pace.

Given the rapid shift in focus towards in ESG, it is clear there is a porosity of talent across the workforce who have the appropriate skills and experience at an operational level to drive the ESG agenda in full. This challenge is also true in the boardroom, and hence, significant effort to develop fully-rounded Boards to challenge businesses throughout their journey is required. Ongoing coaching and professional development is a must to ensure Boards keep up with a rapidly shifting environment.

"…also found that many of our bigger suppliers are always coming with their own sustainability agenda"

"Seeing innovation coming from the suppliers brings the whole industry forward."

"Collaborating with a number of parties and other businesses to jointly discuss opportunities and alignment."

"Sharing opportunities across customers and suppliers to find better opportunities together."

"Customers are looking at co-investment opportunities. Not just looking at sustainability but also D&I where customers are ambitious in that space as well."

ESG teams are likely to scale up separately and then become embedded within 'business as usual'

With regulations set to drive an explosion in ESG activity, we are in a period of a rapid ramp-up of ESG teams to deal with the bow-wave of measurement, reporting and communication against targets. The mix of these teams will be diverse in nature, ranging from technical specialists, through to investor relations and increasingly senior sustainability professionals, many of whom are reaching into the higher echelons of executive management.

While this creates a boon for these professionals today, the ultimate goal of many firms is to see ESG as part of business as usual and not as a stand-alone activity driven by a team sitting on the periphery. This will provide an interesting dynamic as companies seek to integrate ESG into normal operations over time. Currently only the most senior management and direct ESG teams tend to have ESG criteria embedded into their job descriptions but we anticipate that this will start to permeate to roles of all types from top to bottom to some extent as this becomes the case.

What we may see is a rapid expansion of central teams during this significant transformative phase before such teams shrink back down once again as ESG becomes embedded within the organisation. At this stage we see this happening over a period of many years and some businesses are yet to even start the journey, but we do know that this will remain a major topic of increasing importance to the Board for the foreseeable future.

"In executive plans they have thought about how ESG factors will impact on their business and spend more time actively thinking about that, but as a core part of what they do on a day to day, not just as a stand-alone"

"We have seen a rapid development of ESG/ CR/ sustainability teams and a move to a much more science and fact-based approach, rather than historically a more philanthropic perspective. These teams no longer sit on the periphery, they've become fully integrated functions that help businesses drive their strategies."

"We have assigned a Head of ESG – previously was down to the CFO or CEO but now needs direct focus at a very senior level – reports into the Strategy Director."

"The Company Secretary who looks after governance also looks after sustainability. They have a wide remit and have a sustainability team reporting with an E person and an S person."

"Creating a cohort of colleagues that are keen to take part with responsibility to drive initiatives forward. The dialogue will change and evolve as more dedicated resources are put in place."

Boards are spending more time discussing ESG, but broken down to manageable bites

While Governance aspects of ESG have been commonplace for many years, the E&S portions have become increasingly prevalent over the past two years. As yet, we do not see a single standing item relating to ESG as a whole within the boardroom due to the sheer scale of the topic, but rather the different aspects managed in more bite-sized pieces on a rotational basis.

Typically there may well be a Board level lead for each element who will receive regular briefings from within the business and provide an element of regular challenge which will be reviewed each quarter. A more holistic view of where the business is against its ESG targets could be held on a half yearly or annual basis.

While this is the case in terms of standing agenda items, the pulse from Board conversations is that it comes up in most meetings. A significant amount of time is now spent looking at sustainability and the impact on business strategy as a whole, while employee engagement also sits high on the agenda. For many businesses they may have an executive level ESG committee that ensures progress is being made, which mainly consists of the MDs who are tasked with delivery.

"See it influencing the role – changing the role in terms of what we are talking about regarding topics to discuss at the executive committee – it's prevalent now and wasn't before."

"With shareholders, ESG is almost always the top discussion that I have now."

"It does figure as a regular item but also elements do get considered individually."

"Tend to focus on one of the aspects of ESG at the Board each time, rather than try and discuss the whole topic in one go and pay lip-service."

"Provides some worry that some of the lesser talked about areas might get left behind when there is a significant debate on only one area."

"Do have ESG as an agenda item twice a year to look at all the plans to ensure that everything is covered."

"Agenda – most important topic – sustainability and driving business growth – throughout the year. D&I is likely to come up and join it."

So, what next for ESG in the Board? Evolution or revolution?

In our view, it is important to ensure that all aspects of ESG are reviewed regularly and that one does not take over as ‘flavour of the month/year’ to the detriment of the others. In order to be a truly sustainable business the Board needs to ensure that it moves forward in lock-step across the E, S, and G and try to continually improve year on year.

Will we see a chair of the ESG committee at Board level soon as a regular appointment to Boards? Not for some time yet in our opinion, it is more likely that there will be operating ESG committees drawn from within the business that report into the Board on a regular basis. The reason being that for ESG to be truly credible and achievable it needs to be driven from the bottom up and become truly embedded in the way a business operates at all levels. Yes, the values and principals will be set at the top, but in order to be successful it needs to be reflected in business as usual.

We are in for an interesting few years as Boards grapple with the intense attention being cast on businesses with respect to ESG. We are in a phase of transition as businesses sit up and take notice of the wider world and for that, the key skills required of the Board is to be open minded, enquiring and above all adaptable to change.

"It's definitely already impacting more and more the roles of the Board, the focus on the challenge to the businesses to operate in a more socially and environmentally acceptable way is increasing for everyone."

"We've had a sustainability Board for three years now, with external people who provide real challenge. We converted that last year into a fully-fledged sub-committee of the main board"

"In the CEO's LTIP, 10% is now linked to sustainability measures and that link is replicated across the wider exec management team LTIPs."

"Have to have a constant appraisal of where we are – set a strategy and adapt on feedback."

"Typically ownership will reside with one of the Board to review monthly and then goes to the Board two or three times a year in a rotation to ensure enough focus."

"It's dominating long-term strategic planning."

"It's becoming more and more common to link wider ESG factors into long-term bonuses."

"Don't have an ESG Committee as yet – need to make sure that it is just the way that the company does things. It's a question that needs to be asked."

"Having brought an ESG Director on board, we will then create a committee with colleagues across the business feeding into that group."

"ESG feeds into the Executive Committee – MDs that sit on the exec committee will need to deliver."

"Every one of the MDs has a personal objective around ESG and respect."

About Holmes Noble

Holmes Noble is a leading executive search, interim, and talent solutions consultancy led by a team of highly experienced sector and functional experts. What drives the success of Holmes Noble is the fact that we are a genuine team, united by a way of working and a set of common values – to offer clients and candidates a commercially minded, premium service.

With the continued evolution of the ESG agenda within the boardroom and across business as a whole, Holmes Noble can support clients with a range of solutions including executive search, strategic talent consulting and horizon scanning, executive coaching, and talent pipelining.

Each of these services can be tailored to your individual stage of development on the ESG journey, from answering the question of “what should we be doing as a Board?”, through to “where can I find exceptional ESG talent in this challenging market?”.

We work hand in hand with our clients as a trusted partner and bring together an experienced team drawn from a diverse background to develop and deliver a unique solution to your pressing needs time and time again. What sets us apart is our commitment in getting to know the people we work with, ensuring sustainable trust is built.

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