

ESG Integration: Overcoming missteps and maximising value

Aidan Fisher | Board Advisor & ESG Consultant

Identifying ESG Missteps

Missed Opportunities in ESG Materiality

- In my extensive dealings across various global business sectors, a common shortfall stands out: leadership has not fully leveraged the potential of ESG materiality factors in their business strategy. There's a prevalent trend of doing "good" but failing to communicate these actions in economic and strategic terms that could significantly enhance share prices.

The Broader ESG Environment: Government Policy and Consumer Resistance

- Observing the broader ESG environment, government policies and bureaucratic actions are predominantly negative, introducing new costs and limiting choices, leaving consumers feeling dictated to.
- Given ESG's societal nature, such resistance is hardly surprising. For example, the UK's ban on new gas boilers from 2025, pushing for heat pumps amidst high electricity costs, and insufficient policies on rainwater capture and insulation regulation, showcase policy misalignment.

Europe, UK, and the Misaligned ESG Policies

- Looking at Europe and the UK, the decision to ban internal combustion vehicles from 2035, with exceptions for carbon-neutral fuels, raises questions about coordination and feasibility. The push for EVs, without adequate charging infrastructure or considerations for the robustness of electricity grids, underscores the misalignment in ESG policies.

The US Lead in Clean Energy and the Politics of ESG

- The US has made strides with the Inflation Reduction Act, indicating a major commitment to clean energy. However, in the US, ESG remains heavily politicized and often misunderstood, conflated with broader social issues.

Simplifying Policies for Effective Change

- Policymakers need to focus on simplifying and making regulations more pertinent. The EU's efforts with Taxonomy regs and Double Materiality are steps in the right direction but lack coordinated, common-sense thinking, which is essential for reducing resistance and moving forward with ESG integration.

Unravelling ESG Misconceptions

The Essence of ESG: More Than Just Net Zero

- ESG, often reduced to buzzwords like 'net zero', is far more encompassing. Its true essence lies in identifying materiality factors – keys to success in the boardroom and in stakeholder interactions, including with shareholders.

ESG's Role in Enhancing Business Value

- Consider the potential benefits of ESG: improved board efficiency, support for CEOs in achieving strategic goals, more contracts, higher margin products, and even a reduction in costs through well-executed net zero strategies.

The Importance of Stakeholder Engagement and Impactful Reporting

- A coherent ESG strategy also involves effective stakeholder outreach, managing shareholder proposals, and working with NGOs. Furthermore, demonstrating the impact of extensive sustainability reports is crucial in this strategy.

Embedding Economic Consequences in Sustainable Actions

- True sustainability means actions and outcomes must be tied to economic consequences, showing that altruistic benefits also lead to strategic, competitive, and ultimately positive economic outcomes for all stakeholders.

Board Advisor & ESG Consultant



Aidan Fisher, Managing Director – ESG, Wellington Management, London (2019-2023)

Successfully engaged with Boards globally to improve stakeholder engagement and investor communication while delivering strategic solutions around ESG and Sustainability policies designed to improve investability and shareholder returns with altruistic outcomes.

Managing Director – Fixed Income Credit Research, Wellington Management, London (2007-2019)

- One of two analysts responsible for starting a Global Credit Fund and growing to \$25 billion, focused on research led ideas.
- Industry research specialist for Automotive and Telecoms globally, and European Utilities directly responsible for over \$10 billion of investments in Fixed Income.
- Led Equity Research investments and provided thought leadership to the firm, developing strong relationships with corporate's C-suite.

Vice President, Wellington Management, Boston (2004-2007)

- Specialized in restructuring and growth of PE-backed portfolio companies and F500 corporations, spanning US, Europe, India, China, and Japan
- Led numerous growth transformation/ commercial excellence/ cost reduction PMOs that collectively delivered \$1.5B to top line and \$1B in cost reduction

As a Board Advisor and ESG Consultant, the subsequent recommendations are designed to integrate ESG considerations into business strategies, thereby enhancing economic performance alongside societal and environmental impact.

ESG strategy, structuring for economic returns with altruistic outcomes

Identify materially factors and align with strategy, establish/refine policies, and processes for greatest strategic advantage.

Associated Questions

- What does ESG/Sustainability mean to you, how is it impacting the business and market perception of your competitiveness as well as your societal impact?

Value

- Deeper market liquidity from improved status/ratings such as “Impact”.
- ESG factors embedded with corporate strategy used to create strategic competitive advantage while aligning reporting for sustainability/ESG qualifying contracts.

Insightful Communication

Creating and implementing ESG narrative. Outreach and education across the value chain and stakeholders. Concise market communication of competitive advantage, efficiency gains etc., along with altruistic benefits.

Associated Questions

- Is the sustainability report 200 to 300 pages, who is it targeted at, does it explain how stakeholders such as shareholders benefit, and why you are a more attractive investment?
- Do your employees understand your strategy, do they identify with ESG and Sustainability policies. What’s your outreach with stakeholders such as NGO’s are you heading off frivolous shareholder proposals.

Value

- Powerful ESG narrative improving shareholder interest, resonating with employees and clients, assisting group strategy and competitiveness.

Reporting

Deliver regulatory & aspirational reporting strategy, capitalise on Taxonomy, Double Materiality, and other emerging reporting standards to differentiate from competitor strategy and enhance ESG status with stakeholders.

Associated Questions

- Are you using ESG reporting to generate interest in your commercial strategy, acceptability as a supplier to other businesses including winning government contracts.

Value

- Achieve the greatest impact and obtain benefits from associated cost of reporting.

