

ethikos Volume 32, Number 6. November 01, 2018 Effective alignment of Environmental, Social and Governance (ESG) with sustainable growth execution

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Boards globally are increasingly recognizing the importance of addressing environmental, social and governance (ESG) concerns to ensure long-term success. A well-planned and agile strategy for ESG performance enables businesses to not only be sustainable and resilient, but also creates a global positive impact on brand value. By aligning and strengthening ESG strategy with growth, a business can have a unique source of competitive strength. Consumers, shareholders, stakeholders and investors are increasingly expecting a transparent format of ESG reporting. Growth in the current business landscape is facing continuous challenges of an ever-expanding risk universe, dynamically changing geo-political conditions, rapid pace of innovation and technology, and much more. These must not come at the cost of long-term ESG viability. The need of the hour is to leverage tools using emerging technologies to ensure that boards globally can effectively address these increased expectations from investors and stakeholders.

Business environmental changes come in many forms — from widespread drought to increased incidents of extreme weather, resource scarcity to expanding regulations, increased investor and consumer focus, expansion of clean technology, growing pressure from stakeholders and advocacy groups, and competitive positioning. This has moved sustainability issues to the top of many boardroom agendas. A piling amount of research conducted by numerous institutions and organizations worldwide has shown that investment strategies that consider ESG factors lead to better performance over the long term. Operating environments for businesses are composed of many complex variables in today's technology-dependent business processes. There is a need for a strategic framework for long-term value creation — one that is future-ready and explains how changes in an ecosystem can prompt a company to change course and identify relevant metrics that support the framework for long-term sustainability.

For directors, ESG concerns are composed of a multitude of factors, such as dealing with activists, adapting to emerging technologies, and the continuing churn of mergers and acquisitions, to name just a few. At the same time, risk of inaction on developing an effective ESG performance strategy is rising. Faced with these challenges, risks, and opportunities, boards worldwide have started to revisit their sustainability strategy.

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