Businesses, beware of greenwashing away your future

Chris Blair, CEO of 21st Century, unpacked the recently released Global Governance and Executive Compensation Group (GECN) report and discussed environmental, social and governance (ESG) trends during a session at the ITWeb Governance, Risk and Compliance Conference held last week.

Chris Blair, CEO of 21st Century

Backed by the report, Blair illustrated how pre-pandemic companies were most concerned with shareholder returns and financial enrichment, but how the picture had changed dramatically and with good reason three years later. He also addressed the trends in the global ESG field and analysed concerns, trends and challenges that companies will face as they move from being principally shareholder concerned to stakeholder concerned and the "balance between people, planet and profit" (the three Ps).

The GECN study (of which 21st Century represents Africa) that Blair referenced was conducted over five continents and was a comprehensive study of ESG across the major corporations in each of those countries.

Increasing ESG concerns

Blair revealed how, around the world, 72% of companies now factored in "social concerns" among their non-financial ESG measures, and how 50% actively factor in environmental concerns, with 37% and 34% factoring in customer and governance measures respectively. More importantly, he showed how these are increasing. Of the social measures, "diversity, equity and inclusion" showed massive growth, with Blair saying, "It's entered into boardrooms in a big way."

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Merlita Kennedy, Pooja Dela, Ziyanda Sibeko, Bernadette Lötter, Jared Ishmael, Tobia Serongoane 20 Jul 2022

Unpacking the study, Blair revealed how in the short term, these ESG measures are playing off against total shareholder returns.

"The more ESG measures your company has got, the worse your total shareholder returns, but this is only in the short term," said Blair. "This makes sense. Investing in ESG things, like climate, your people, or on social conditions, for the future costs money, and you have to get the money from somewhere. So where do you get it from? The return to your shareholders."

But as Blair explained, "this is the long game, and ultimately for those companies that prepare and invest, the wheel will turn."

Investing in the future

According to Blair, companies that invest in ESG now are positioning themselves for a future where investors and shareholders are increasingly concerned about ESG goal success and project viability, and investment will depend on ESG measures being in place. He therefore recommends that the reward fraternity begin building in greater reward strategy for executives who achieve those ESG goals.

This is bad news for a high percentage of companies in South Africa who are not transforming, but who are rather greenwashing figures to claim more significant ESG benefits than they truly have. Blair explained how the study found that only 8% (STI) and 14% (LTI) of companies around the world disclose targets upfront (ex-ante). This means that many companies only report what they actually achieved and not what they hoped to achieve, thereby greenwashing their results.

The ITWeb Governance, Risk and Compliance 2023 Conference looked at re-imagined businesses and how they can manage new risks through business resilience and agility. The line-up of global experts shared their insights into new opportunities, combating risk and enhanced compliance strategies.