ESG & CORPORATE STRATEGY IN A CLIMATE-CONSTRAINED WORLD

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Developments in ESG Strategy and Reporting

• Attention to thresholds
• Broader swath of value chain
• Orientation to world’s needs

<table>
<thead>
<tr>
<th>No Poverty</th>
<th>Zero Hunger</th>
<th>Good Health and Well-being</th>
<th>Quality Education</th>
<th>Gender Equality</th>
<th>Clean Water and Sanitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable and Clean Energy</td>
<td>Recent Work and Economic Growth</td>
<td>Industry, Innovation and Infrastructure</td>
<td>Reduced Inequalities</td>
<td>Sustainable Cities and Communities</td>
<td>Responsible Consumption and Production</td>
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<tr>
<td>Climate Action</td>
<td>Life Below Water</td>
<td>Life on Land</td>
<td>Peace, Justice and Strong Institutions</td>
<td>Partnerships for the Goals</td>
<td></td>
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</tbody>
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Cascading Commitments:
Driving ambitious action through supply chain engagement

Written on behalf of 115 organizations representing US$3.3 trillion of procurement spend

Sources: Science Based Targets Initiative; CDP Global Supply Chain Report 2019; UN SDGs
Blind Spots in ESG Strategy and Reporting

• “Single bad actor” focus
• Misplaced confidence in metrics and ratings

Correlation of ESG ratings from 5 prominent ratings organizations is 0.61.
Correlation of credit ratings is 0.99.

(Berg, Koelbel, Rigobon, 2019)
From “Win-Win” to “Wicked Problems”

“Wicked problems” (Rittell & Weber, 1973)

- Complex causality; nonlinearity
- Difficult to forecast
- No consensus regarding what constitutes acceptable solution

- Implies need for input from many stakeholders, caution in applying fixes, and obligation to learn quickly from interventions