



## ESG Discussion hosted by STJ Advisors and Two Oceans Strategy

STJ Advisors and Two Oceans Strategy hosted an ESG-themed discussion attended by business leaders from corporates and private equity firms representing a broad range of sectors. The discussion focused on two key topics:

- How management teams can navigate a rapidly changing and uncertain ESG landscape?
- How best-practice ESG companies outperform the market?

### Our key takeaways from the event:

- While undoubtedly valuable in establishing a framework for evaluation, current ESG reporting requirements (GRI, UK TCFD & US SEC) and rating agency scorecards (e.g. MSCI, S&P & Sustainalytics) may not fully capture the true value of corporate activity around ESG themes, particularly in the “S” and “G” often resorting to “box ticking” assessment.
- Certain industries may not get full credit for individual corporate actions and are subjected to a “ceiling” on rating agency ESG scores. These industries have seen abrupt shifts in government policy and investor perception around historically “ESG-unfriendly” sectors (e.g. Energy, Gaming & Defence), driven in part by rapidly changing geopolitical events and the need to score political points.
- Too much emphasis placed on the “E” currently, which tends to grab press headlines, when in fact a company’s culture and ability to empower its business and employees to “do the right thing” is rooted in strong ESG leadership in the Boardroom. The future ESG framework could benefit from being fragmented into specific “E”, “S” & “G” categories given “E” is typically measurable whereas “S” and “G” would likely benefit from more flexible framework that allowed for a more company-specific approach.
- Simply running a company well (“the G”) can create an element of ESG circularity whereby such companies see improved employee productivity (the “S”) which drives profits to invest further in both the workplace and environmental programmes which, in turn, leads to a well-run company.
- TwoOceans Strategy highlighted that the Regulatory and Societal context in which corporates are operating in is rapidly changing (e.g., automotive analysts in 2016 expected ICE to exist until 2080, then governments regulated to 2030). Looking to the future TwoOceans set out the risk for companies that fall on the wrong side and fail to navigate a rapidly changing environment quickly enough, particularly in areas such as (1) Cost and incentivisation of decarbonisation; (2) Supply chain responsibility; and (3) Understanding the respective responsibilities of international organisations, governments, business, and society.

STJ Advisors and Two Oceans Strategy can ensure that “doing the right thing” results in “Real Value” in the market. Our ESG Advisory team helps shareholders and issuers:

- **Set firm goals and targets** for ESG
- **Deliver tangible output reporting** on the targets
- Achieve **best-in-class investor engagement** with relevant investors
- **Optimise positioning** and achieve the **best possible valuation**

For further information on STJ Advisors’ ESG Advisory services, please contact Paul Sidney on [pcs@stjadvisors.com](mailto:pcs@stjadvisors.com)