

CULTURE, NOT COMPLIANCE, IS THE EXECUTIVE'S ANSWER TO ESG

Effectively integrating ESG into business performance starts with culture shift and strategy alignment – not an annual report.

The Environmental and Social Governance (ESG) movement has become increasingly influential within American business and investment strategy. The factors on which leaders choose to report, or soon are required to report, will have lasting consequences for better or worse on the future of their organizations and our world. With high stakes, passionate advocates, and loud critics, ESG is on the minds of executives. And it's not going away anytime soon.

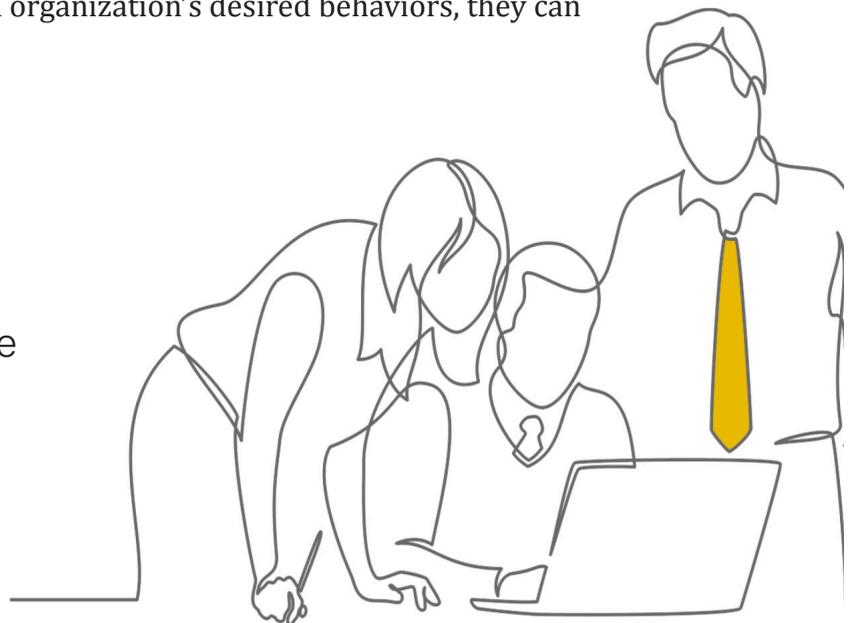
The implications of ESG measurement go far beyond an organization's carbon footprint. They include measuring how organizations treat their employees, how they are embracing diversity, equity, and inclusion, and how they are supporting the communities in which they operate. With the continuing integration of ESG standards into organizations of all sizes, stakeholders and investors are placing new expectations on organizations to truly align their behaviors, policies, and systems with their professed values and ESG commitments.

How an organization and its leaders behave, make decisions, and operate (i.e., their organizational culture) will soon be on full display. Leaders run the risk of having any gaps between their publicly stated values and commitments and their actual behaviors "exposed." How should they prepare?

Culture rewards desired behaviors and discourages undesirable behaviors; if ESG commitments are clearly included as part of an organization's desired behaviors, they can become part of the culture.

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Nearly **40%** of global C-Suite and executives report that a key area where their organization is least prepared to deliver on ESG goals is their **culture**.



So, how can your organization approach ESG not just as a compliance issue, but as an opportunity to spur your organization, and ALL its stakeholders, to grow and thrive sustainably in the future? Before investing dollars into developing an annual report or chasing new metrics, it pays to begin the conversation with leadership alignment.

Ask yourself and your leadership team these three questions.

1. What is our desired future state of environmental stewardship, social responsibility, and responsible corporate governance?

When tough choices arise, what values will we look at to help us make them? Do we have a broad, shared understanding of these values across the organization, so that all stakeholders can understand how our values relate to the decisions that we make related to ESG?

2. What is the current state of our strategy and our culture as it relates to ESG?

How aligned is our current strategy to our ESG commitments? Will our current culture be a support or barrier to ESG integration? Are our leaders ready to own the current state and enact the shifts in behaviors, policies, and systems where needed?

3. Given our current state, do we share the same level of commitment and risk tolerance on the path forward?

How important to our organization's future are these changes? What are the benefits of making these changes, and what are the consequences of not making them? Do we have a shared level of commitment across our leadership?

One thing you can count on: once ESG priorities are declared, leadership commitment will be challenged. Resource decisions, ethical choices, and old ways of working will all be tested.

Culture, not compliance, is the executive's answer to ESG.

Check your ESG “pace” against other organizations’
ESG journeys by taking our interactive poll:
thruue.com/culture-not-compliance/.
