

Warren Partners webinar series.

Balancing profits and ESG post COVID...

COVID has accelerated the need for CEOs to reprioritise their strategic objectives around what will add most value and best returns. How is this having an impact on ESG? How can businesses best respond and balance the need for performance and long-term sustainability. What is the new reality CEOs are having to navigate? In November '20 we were delighted that Mike Coupe and Dr Helene Roberts joined in conversation with Joëlle Warren to explore these issues.

Set against the announcement of Boris Johnson's ten point plan and a £12 billion investment program in clean energy, transport, nature and innovative technologies, Warren Partners welcomed Mike Coupe and Dr Helene Roberts to share their experiences of balancing profitability and ESG priorities. Here are their observations on strategy, customers, shareholders, social impact, key measures, employers' brand and office patterns.

Key outtakes from the discussion:

Strategy

Joëlle opened the discussion with the observation that clients are increasingly being questioned about their ESG agenda and sustainability, in particular. How have Robinsons Packaging and J Sainsbury tackled this? Dr Helene Roberts kicked off by saying that **sustainability** is totally weaved into Robinson Packaging's strategy. *"In our pledge we have followed the definition set by the United Nations because it was important to us that all stakeholders develop a **common understanding and language**. Sustainability forms the basis of our values towards a happy and healthy culture and people thriving together in their communities. Besides giving us strong **value pillars**, it also helped us develop the **right KPI's for the business**".*

Building on Helene's points, Mike remarked that Sainsbury's has always had strong core values at its heart. The business launched its Sustainability Plan back in 2011 aiming to reduce carbon emissions by 2020, however, by the time he was appointed CEO in 2014, the plan was already running out of steam *"partly because we had achieved some of our key milestones and the industry had caught up with us - as in 'buying British' to reduce food miles, for example - but also because the goalposts had changed."* Since then, Sainsbury's have committed £1 billion over 20 years 'to become net zero', focusing on reducing carbon emissions, food waste, plastic packaging, water usage, increasing recycling, biodiversity and healthy and sustainable eating. Mike commented: *"Businesses are constantly looking at balancing the short-term shareholder objectives with long-term impact but perhaps there is no longer such divide. It is my view that **businesses are a force of good** and those that have strong values and a **strong ESG agenda** will prevail. Zero Carbon by 2040 and our significant investment to make this a reality is not some side project for us. We are also keen to measure progress and measure it **against recognisable scientific targets**."*

Customers

The general view is that Covid has **accelerated** the move towards greater ESG and responsible trading. The shift has also accelerated for hygiene reasons. What is evident, according to both Helene and Mike, is customers partnering more closely with brands to provide **new solutions**. *“Whilst there is a cost to businesses”* explained Helene, *“there has been a significant shift in 2020.”* Mike endorsed this noting that **younger customers** have very much latched onto the **climate change agenda**. *“The younger they are the more passionate they are to see changes through”*.

Helene explained that **legislation and tax** had definitely helped the transformation in customer and consumer behaviour - *“it helped reduce the use of plastic carrier bags and the sale of sugar drinks, amongst others.”* The point was supported by Mike: *“Many suppliers knew what was coming but waited for the tax to come in and it was only then that we saw drastic changes”*. Both agreed, however, that the key to success is to **be ahead of the game** and track what different stakeholders are looking for rather than wait for legislation. *“Boards need to look at what is the right thing to do whilst also making sure the business is **involved in the legislative consultation process** to ensure legislation is framed in the right way and drives the right change and the right behaviour. The quicker you can think about it, the quicker you can put the necessary plans around it”*.

Shareholders

Here too, both Mike and Helene have seen a major shift. Mike recalled that when he was appointed CEO in 2014 there were no **ESG voices** in shareholder presentations; a few years later, one person might stand up and take a minute or two to cover the subject at the end of the meeting, however, in recent years, the **ESG representative is often the very first person** now to start the meeting. *“It is important to have a program that is easy to understand for shareholders, to share what your business stands for, to report back regularly and to communicate with shareholders on a frequent basis”*. Helene agreed: *“We are seeing more and more ESG questions being put to the Board. We are constantly changing our business at Robinson to ensure we remain relevant, continue to thrive and build resilience, as well as strong values. Global **sustainable investments** have risen to over \$30 trillion in the last couple of years. Whether this number is exact or not, sustainable investment is clearly **not ‘niche’ anymore!**”*

Social Impact

During lockdown, Helene commented that she had *“taken the opportunity to look at the **social impact** and the different ways we can **engage with employees**. Not only in terms of health and safety but also in terms of their worry and **understanding** their concerns. At Robinson, for example, we found a way to provide health-care to all 350 staff and their families, **giving them access to a GP under two hours**. We also allowed them to spend more **time with the family**. This required massive planning on our part because demand for plastic packaging went through the roof, but we found a way to change the manufacturing shifts, encouraged by staff”*.

Measures

Turning to measures, Mike explained that *“**Carbon** is the measure that Sainsbury’s have tended to use. It is easy to understand; it’s a good shorthand and can be applied across the business. This is how we noted that 10% of carbon emission was produced inside the business; the rest was mostly generated outside the business along the supply chain”*.

Employer brand

Mike explained that the younger generation is more in a hurry compared to older groups. *“Kids are definitely starting to think beyond just financial performance and are looking at a business more broadly, so sustainability and social engagement could all be part of the future **employer branding proposition**”*, a comment which was fully endorsed by Helene. Mike also highlighted the need for the next generation of leaders to have a strong position on **diversity**

and inclusion. *“That is how you will be judged upon, and not only what you say but also what you do as a leader; you need to be seen to be leading from the front and show real passion for diversity and inclusion, not just say it.”* Helene added that she had seen a strong diversity and inclusion agenda helping the business **attract more talent**.

Going back to the office?

The consensus here is that, going forward, businesses will likely adopt a **hybrid system** whereby some people carry on working at home but, for specific issues, people will want to gather in the office. According to Helene: *“We will probably see a gradual return to the office but we will definitely not go back to the times where people had to be in the office 9 to 5 to show that they were working”*. Mike noted that 75% of people surveyed appear to like homeworking, though some are experiencing **lockdown fatigue**, but he is of the view that the pandemic will **change the ‘head office model’**, *“I can see businesses picking space on an ad hoc basis”*.

When working remotely however, both our speakers stressed the importance of staying in touch by picking up the phone and having impromptu chats to keep **connectivity between people at all levels**. With the current travel restrictions, this is particularly important when you have overseas operations. *“One has to work twice as hard to keep the connections going. It is important to ensure you put in your arms around staff”*, Helene explained. *“We are increasingly using **surveys** in the business to track how people are feeling and how engaged they are.”* Mike endorsed surveys as a good measure: *“We noted the impact on store management when too much change was introduced too quickly”*.

Conclusion

ESG is here to stay and is quickly becoming an intrinsic part of a business's performance matrix as a result of increasing shareholder, consumer and investor scrutiny. Mike explained that Sainsbury's had set up a **CSR committee** when he was CEO to review the different aspects of environment sustainability and governance. *“It was in fact the CSR Committee which had formulated the net zero proposals and presented them to the Board. The CSR committee had equal standing to the NomCo and RemCo. It was attended by the CEO, the Chair and our Head of CSR.”*

Helene stressed again the importance to **communicate ESG targets** both to external and internal stakeholders. *“Plan A at M&S in 2007 was definitely the result of a top down and bottom up intervention. We included staff at all levels because it is important for them to be part of our ESG agenda for them to **find pride in it.**”*

Featuring commentary from:



Joëlle Warren
Founder & Executive Chair,
Warren Partners



Mike Coupe
Former CEO
J Sainsbury plc



Dr Helene Roberts
CEO
Robinson Packaging plc