When it comes to ESG, it's Rule Brittania

written by Melissa (Mel) Sanderson | September 12, 2022

The world is writing about the passing of Queen Elizabeth II, and indirectly so am I. What does her death have to do with ESG? I'll answer that question in a moment, but here's a clue: it has to do with policy and direct and indirect influence on corporate behavior.

First, let's set the stage. A couple of recent surveys highlight disparities in ESG performance metrics among US companies and between US companies and the world, indicating that particularly US companies still have room to improve.

A 2021 study by Navex indicated strong ESG adoption across public and private companies, with 81% of participants saying their company had ESG programs in place while 63% of companies had increased focus and spending on ESG over 2020. But when asked to evaluate the effectiveness of corporate programs by focus, the results dropped precipitously. Only 50% of participants rated their corporate programs as very effective in the environmental arena, 39% highly effective in governance, and 37% effective in social matters. Despite these results (or perhaps due to them), 87% said their brand reputation was or is impacted by the company's ESG performance.

European companies, however, are out-performing US counterparts both in voluntarily initiated ESG programs and in formal program implementation with 86% of French and German companies scoring well, 82% of UK companies and only 74% of US companies.

In additional to the operational level, European companies also lead in providing strategic guidance on ESG by forming dedicated

Board committees to oversee policies and operations. Although the UK's governance code, for instance, requires FTSE 100 companies to have audit, remuneration and nomination committees, there is no such stipulation for environmental, social and governance practices. Nonetheless, according to a recent Bloomberg article, 54% of FTSE 100 companies voluntarily have structured Board committees on ESG, while (according to Deloitte) only 13% of S&P 500 companies have done so. What this suggests is that European companies have embraced the strategic importance of ESG much more fulsomely than have US counterparts.

Or, as Maria Hughes, director at UK-based Mattison Public Relations said: "If you are a FTSE 100 company without an ESG committee at board level, then you are now in a shrinking minority."

So, with all that said, what about the passing of Queen Elizabeth II and the accession to the throne of King Charles III? Well, as Prince of Wales, Charles was ahead of the global wave supporting and advocating for sustainable development and ESG principles. For over 50 years he developed and launched several important international initiatives, often in cooperation with organizations such as the United Nations. One such group, the Sustainable Market Initiative, has had broad but relatively shallow corporate support. According to their website 500+ CEOs pledged support for the so-called Terra Carta (a Bill of Rights for the Earth); 15+ CEO-led Task Forces have been established with 150+ global CEO members, and 47 global organizations have been awarded the Terra Carta Seal. Sadly, so far no mining companies are on that list.

Now that Charles is King, he is likely to redouble his efforts to advance sustainability and ESG, using one of the most important bully pits in the world – the British monarchy. And now that he is King, those efforts might attract broader and deeper support including – hopefully – from the global mining industry.

As for the US, companies have been improving but have a way to go. Particularly given new incentives from the USG and increasing scrutiny from investors and the public, US companies may rise to the challenge.