

Take on Board Podcast – Episode 186

Transcript – Derryn Heilbuth



Helga Svendsen 0:00

Today on the take on board podcast, I'm speaking with Derryn Heilbuth bus about ESG considerations for boards. First, let me tell you about Derryn. Derryn is the Executive Chair of BWD, which she founded over 30 years ago, and which now has offices in Sydney, Brisbane, New York Penang and Raglan in New Zealand. When Darren founded BWD, she understood then, as now, that communicating strategy requires an ability to think strategically tell a compelling story, and write, design, illustrate or animate messages in a way that connects intellectually and emotionally. studying French in Paris and English literature under author J.M. Coetzee installed a love of language covering women's issues as a newspaper journalist in apartheid, South Africa, taught her to question orthodoxies, working on magazines and in television, bought an appreciation of how each communication medium requires similar fundamentals. Well expressed engaging content and running Westpac publications team introduced her to corporate storytelling. So you can tell why I thought Derryn would be a great person to have on the podcast today to share her stories with the take o nboard community. So welcome to the take on board podcast. Derryn.

Derryn Heilbuth 1:22

Thank you so much. Helga, lovely to be here.

Helga Svendsen 1:25

Oh, it is so good to have you. And I can't wait to get into our conversation about ESG for boards. However, as always, before we get started on that topic, I would love to dig a little bit deeper about you. Can you tell me something that you're proud of from the last month or so?

Derryn Heilbuth 1:41

I can actually and I was when you asked me this question. I was thinking, Well, what should I talk about. But the other night, I was sitting on zoom at midnight, welcoming our team in New York to their first ever us strategy day. And I opened my welcome address by saying when I established BWD on a desk next to my bed in November 1990. I never imagined for a moment that this little business would grow out of a home office into a big old Heritage House in a neighbouring suburb, where the

roof leaked, and possum slipped in the stationery cupboard, to an office in Sydney, central district. And then finally to New York. It's just been the most extraordinary journey.

Helga Svendsen 2:31

Amazing. And I was even reflecting as you were saying that from your little home office to the bigger office to the bigger office. And then of course for the last couple of years, probably back to home office. But how incredible. So getting the whole New York team together for Yeah, like what incredible growth over that period? How many are in your New York office?

Derryn Heilbuth 2:55

For now? And we 26 to 28? All over, you know, all the officers? Yes. Yeah.

Helga Svendsen 3:03

How fabulous and in fact, just out of interest, you know, with a global team, it's always a bit tricky to get people together. See, isn't this even me saying that? I was thinking via zoom? Actually, I'm so out of touch with getting people together face to face, because we haven't been able to do it for the last few years. But yeah, I'm wondering, do you get the team together the whole team together the global team via zoom or other means as well. So they all come together?

Derryn Heilbuth 3:29

Yes, actually, we have always had a few remote workers, permanent employees who, through kind of life circumstances or choices, wanted to go and live elsewhere, but wanted to carry on working with us. So we had actually gotten used to working remotely before as COVID happened. But when COVID started, we actually made the decision that every morning, we would have a Zoom meeting at nine o'clock. And that was actually coming to work. It was compulsory. And so our New York team do try and, you know, be at that nine o'clock meeting. But then we do plan a sort of get togethers at times that are more friendly to everyone around the world. It's it's difficult, but we do it.

Helga Svendsen 4:17

Absolutely. It's interesting. I'm working with another organization that also has a global team. For the Australian chapter, including me, in this instance, we always get together. It's either 7pm to 9pm or 8pm to 10pm depending daylight savings or not. And yeah, it's always interesting seeing the European team just getting started first thing in the morning and and through to the Australian team, end of day and everybody in between.

Derryn Heilbuth 4:43

Well, actually just picking on that we do have a work from anywhere policy. So and because we do have a team that really comes from a lot of different places. So for instance, one of our young European strategy team members recently worked for two months from Europe. I think COVID has actually done us quite a few favors in terms of kind of really opening our minds to different ways of working.

Helga Svendsen 5:07

Yes could not agree more than flexibilities for some those of us that can work virtually has been incredible. So I agree. So today, we're talking about ESG, in the boardroom. And it's interesting, and I'm reflecting on even your introduction, which is, I hope I'm not simplifying too greatly, but it's almost about communications and messaging, and storytelling and strategy, which is not often I think, what people think about when they think of ESG. So, you know, I'm guessing you've got a slightly different angle on this than maybe some of the other guests that we've talked to ESG about. So for you, where should we start with ESG for board members?

Derryn Heilbuth 5:46

Well, it's probably worthwhile starting as to how we came to be in ESG. Because, as you said, in the intro, my background was journalism. And then I went into the corporate world, and I started the business. But the business always did a lot of executive speech writing, sort of for chairs, and CEOs, and then their messages and the sort of editorial section of annual report. So of course, when sustainability reporting started, we were one of the first agencies to do so because by that stage, I'd also built a design team, because the CEOs would say, oh, please contribute the design, I don't want to have to deal with two agencies. So reporting has always been very much in our DNA. And you know, we did AGLs first IGS, first, will versus first, you know, a lot of the big corporates have their first sustainability reports. And so we did that for a number of years. But we realized that actually what was happening was that we were reporting on sustainability, and often retrofitting things into a sustainability narrative, instead of actually really doing the hard work that you need to do with ESG or sustainability, which is why we then pivoted to a full sustainability consultancy and brought in the requisite skills so that we could really start from the beginning. So you know, we do the materiality assessment where we help executive teams identify and prioritize their material issues. We understand the standards and what the rating agencies will be looking at in terms of how they raised companies, and then we still do the reporting. And in more recent times, we're looking at how we operationalize ESG. Because obviously, that's really important, too.

Helga Svendsen 7:34

So it sounds like you've come in through the E part of ESG, the environmental side, I'm interested in how organizations, you know, really focus on that, rather than just having to report but really focus on which I think I heard that's why you started getting involved in it. So it's not just a report. So what's really happening for boards, what should they be thinking about to make sure it is really happening in their organization and not greenwashing?

Derryn Heilbuth 7:59

Okay, well, I think the way to sort of start that conversation is, and I think it's really worthwhile pointing this out, because it's something that is disturbing me a little at the moment, is that there is an emerging critique of ESG. Emerging, you know, it became the flavor. And we were delighted because we've been doing it for so long, everybody was talking about ESG. But recently, I've noticed that they are the sort of critiques of ESG. And they can probably be categorized in four ways. One is that it's a distraction, particularly in light of what's currently happening with you know, energy security and geopolitical uncertainty with the Ukraine war, etc. The second, as you say, is that ESG, FSI sometimes cost is greenwashing. The third is that it's not really feasible because it's intrinsically too difficult. And you can't really measure it in a way, at least in a practicable way. And then the fourth is that there is even when it is measured, there is no meaningful relationship to financial performance. And I would argue that these criticisms demonstrate an absolutely fundamental misunderstanding of ESG. So I think that what's really important for boards is to really understand that ESG is essentially about how you build a business that will be sustainable in the long term. It's about understanding how you deploy your purpose, your vision and your mission to create value, and for whom it's about identifying the externalities that will preserve or erode that long term value. And finally, it's about how you address and manage the topics that arise out of those externalities. Let me give you a few examples. Supply chain disruptions, for instance caused by COVID. And the war in Ukraine. A good ESG strategy would have identified a sustainable supply chain as a topic of material importance to the business. And given that they would have identified that as a material topic, they would have considered scenarios and responses. So for instance, what are the risks associated with a single source supplier? If you have to suddenly start sourcing from multiple suppliers? What are the Human Rights risks in that supply chain? What alternative shipping routes are available? Should the country block a particular supply route, these issues would fall under the gene of your ESG. Another example would be decarbonisation. So now standard setters and increasingly, regulators are forcing companies to account for their emissions through their entire value chain, which means now that boards and executive teams do really have to understand scope three emissions, as well as scope one and two, which are those that they own and control.

Helga Svendsen 11:16

Give us the the scope 123 If you can for those Yeah,

Derryn Heilbuth 11:19

yeah, so So scope, one and two are those that you own and control scope, three are those that are in your supply chain. So you are now having to account for the emissions that are in your supply chain. And so monitoring and measuring this falls under the EA of your ESG strategy. And let me give you one final example, which would be the s in your ESG. And that's changing employee expectations. So if you had a good ESG strategy, you would understand the policies and procedures that you need to have in place to cope with the new attitudes to work, which now call for flexibility, hybrid workplaces, mental health days, purpose led workplaces. So again, you know, this is what good ESG strategy does, to counter the criticisms that it's, you know, something sitting at the side or it's not relevant, or it's not relevant to financial performance is an absolute nonsense.

Helga Svendsen 12:26

Like even on that financial, I'm not sure where to start with it. But my understanding is, there's quite a bit of evidence about the financial performance of those organizations that treat their ESG considerations seriously, because it's that long term sustainability in all ways there is, as I understand it, evidence that absolutely supports that those organizations perform better financially. Is that right?

Derryn Heilbuth 12:51

There is some evidence that they do, it's still not conclusive. But really, it's more about how you're going to be here in the long term. And if you want to be here, in the long term, you have to be aware of Horizon issues that are going to impact your business and how you're going to address them. So I think that that is really sort of fundamental to ESG, because how does your business needs to pivot to meet new challenges? I think just to get back to your question about communication, I think that that is one of the issues that befuddles people working in sustainability and ESG, clarity, you know, taking something really complex, and finding a way to explain it in a clear way, is extraordinarily important. And I think that that's actually, in a way what has bedeviled the progress of sustainability. I mean, there's such an alphabet soup that surrounds the various standards and the names that people talk about ESG or sustainability, that I think people just get exhausted by it. So

Helga Svendsen 14:06

yes, it is it is sometimes like reading another language. And I'm on the Finance Committee of a couple of my boards. I'm not an accountant. And when I sit down and stare at the finance reports, I can read them, but it takes me a little longer than some others because it's not the language that I'm used to using. And I think ESG can sometimes be a bit similar. And it probably doesn't need to be using all of the the acronyms and so on says I haven't used ESG a number of times in this conversation. So I noticed the irony of me saying this, but using all of the you know, technical conversations doesn't help us at all. So what's your advice to the boards in understanding this story? And also to people reporting up to the boards? How should they present it so that it is digestible for people?

Derryn Heilbuth 14:52

Again, I think we have to go back to what we really are trying to do with ESG and it's just not just a communication exercise. Sighs because I think that again, there are a number of trends that are driving ESG at the moment. And they are, for instance, new disclosure standards that are about to be released next year. And this is as a result of a push for a more consolidated way to report on ESG. And I think that's really important. So boards really need to understand that this is not a kind of a nice to have any more, they are going to have to report and report in a meaningful way. And so it's really important that to answer your question that those who are reporting to boards truly understand the new disclosure regime that is coming their way. One of another concept that people working in ESG and reporting to boards need to get is what we calling double materiality. Double materiality actually expands the traditional ESG, materiality lens, you know, identifying what are the material issues for your business. And it goes beyond looking at sustainability topics just from an impact point of view. But it also looks at sustainability topics from a financially material point of view. So double materiality would say, okay, these material topics are the ones that impact people, the environment, the economy, etc. And these are financially material to your business, for instance, decarbonisation would be a material, material financial issue, a sustainable supply chain would be a material financial topic.

Helga Svendsen 16:43

So those are some examples of what it would be, can you give us an example of an organization that you might have either observed or worked with, you don't need to name them if you don't wish to, but feel free to if it's showcasing their work, but what they did and how they worked through this.

Derryn Heilbuth 16:57

One example that I can give because they constantly are nominated as one of their the way they do materiality is world class is actually CLP in Hong Kong, which is a major energy company, which also owns energy Australia, but owns a whole lot of energy assets across Asia. And we've worked with them for the last five or six years on their materiality assessment. And it's consistently nominated as one of the best, you know, materiality processes. So that is a very sophisticated way of doing materiality. So if your listeners would like to have a look at CLP, that's probably one to look at. There are many that we've done here inserted, pivot is another one that we've done. Yeah.

Helga Svendsen 17:42

Are you able to talk us through that process?

Derryn Heilbuth 17:44

Sure. So you know, what we do is we start with this materiality assessment, we do a big piece of research on megatrends. And we look at the the major mega trends that are on the horizon. And it's really important for boards and executive teams to understand that a mega trend is something that you can't control. It's just there, it's coming at you. So therefore, you need to decide how to respond to it. For instance, climate change, or decarbonisation is a mega trend. Once we'd identified the mega trends, we would look at how they're going to impact your sector. And then we would look at how they will impact your organization. And we would give you a whole list of material topics that you need to therefore address, we hold a workshop with a CEO and executive team, because obviously, if you can't address all of them, so which ones are you going to prioritize in the sort of given two to three years, we then look at the way the rating agencies and the investment community or the standards or how you're going to be judged, and then we do the reporting. In more recent times, as I said, earlier, we are looking at how we, you know, operationalize ESG, because that is just such an important part of who is going to own ESG in a business, you know, who is going to take responsibility and accountability for these extremely important issues. Because you really need to do that. And you really need to build it into your corporate strategy.

Helga Svendsen 19:19

In terms of embedding ESG. You know, like I say, you've given us a few hints there, but what should boards be on the lookout for in their organizations to really know that these sorts of things are embedded,

Derryn Heilbuth 19:31

basically, which roles and which responsibilities? Who is going to own ESG in the business? Also, you know, you need to establish really clear objectives that are related to the material issues. These clear objectives would be a mix of policies and procedures and initiatives that would be aligned to your strategic objectives. It has to be an integral part of your corporate strategy, and it has to be word to your purpose. And also I think we do this exercise called a value creation model, where we work with, again, the executive teams on how do you create value and for whom. And it's almost like a strategy on a page. And it sort of looks at, you know, what inputs do you need to what is your business model? What are your strategies? What are your the initiatives? What are your outcomes? And who are these outcomes for? And then, you know, what is the evidence of these outcomes? It's a very, very useful strategic tool. And we are doing that more and more in terms of kind of communicating the importance of ESG,

Helga Svendsen 20:42

which would be an incredibly valuable tool, both for internal and external audiences, I'm guessing, you know, oh, as always, so many things that we have touched on here. What should I have asked

you that I haven't yet asked you. Let's see if we can go there. And then I'll get you to do the key points for us.

Derryn Heilbuth 21:02

Well, maybe it's me going back to you in terms of your question about communication, which I don't think I answered, really well have this analogy that I rather like. And I recently attended a webinar, where one of the panelists was doing a doctorate in cultural geography. I've never heard of that before. But so this was what was so interesting. And he was inspired to pursue this topic, when he first thought about the cultural narratives that attach to people's front and back yards. And the front is what is presented to the outside world. And it's often neat and sterile and interesting. It's what goes on in the back yard, where life is lived, and where the real and the important issues are. And I love that analogy for BW D, and what we're doing because what in essence we're doing is we are going and we are uncovering the hidden and emerging risks and opportunities in our clients backyards. We're helping them to understand, we advise them on how to measure and monitor them. And then we through our reporting and our fabulous design, I have to give a shout out to our wonderful design team, bring them into the front garden for everyone to see.

Helga Svendsen 22:18

Oh, I love that. I love it. And it's somebody who's just been through an overhaul of our backyard. Okay, so then what are the key points you want people to take away from the conversation that we've had today?

Derryn Heilbuth 22:30

I want boards and executive teams to really rethink ESG. To understand that it is not a peripheral issue that sits on the side, it's actually core, not only to their business and corporate strategy, but to their long term value. It provides a real understanding on how you can either preserve or erode value in the long term, if you get it right.

Helga Svendsen 22:58

And is there a results you would like to share with the take on board community?

Derryn Heilbuth 23:02

There is actually my very favorite podcast is Sam Harris's making sense. I listen to it almost every day when I walk. And what I really like about Sam is that he's not in either a kind of a right or left camp, he makes decisions on the issues which I really appreciate. And he has a very broad range of

interview subjects that he brings along again from different parts of disciplines, you know, different ideas. He's just fabulous. So that's one mark pushes the next billion seconds is another brilliant podcast, Geraldine Dooge's foreign affairs program, Saturday extra on Radio National, I never ever miss that. Language and writing is hugely important to me. So if you want to look at what really good business writing is your read The Economist, and finally, any Writers Festival in the country to ensure that you stay tapped into good books and writing and ideas.

Helga Svendsen 24:08

What a great reminder, I think I'm based in Melbourne. I think the Melbourne Writers Festival is coming up soon. Actually, I better get online and do some bookings. Ah, Derryn, thank you so much. There is so much in here for the way people can think about ESG and apply it in their boardrooms as well. So, thank you so much for sharing your wisdom with the take on board community today.

Derryn Heilbuth 24:29

Thanks so much for having me. I really enjoy this

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