

Bylined Article

Are we losing sight of what ESG is really for?

Colm McDaid, Interregional Engagement Environment Lead at Fujitsu

After a period of rapid adoption, there have been signs of ESG fatigue setting in, writes Colm McDaid, Interregional Engagement Environment Lead at Fujitsu. One reason for this, he argues, is that we may have lost sight of ESG's core role as a roadmap for transparent strategy and stakeholder assurance.

Recent agonizing over whether environmental, social and governance (ESG) concerns are good or bad seems to be causing some organizations to slow down from incorporating ESG principles in their business and reporting models.

In the US, the SEC has pushed back its deadline for ESG disclosure legislation to October 2023. There have even been signs of hesitation in Europe, considered a bastion of ESG thinking and practice. According to a report from the FIR (Forum pour l'Investissement Responsable), management-sponsored say-on-climate proposals observed globally decreased from 48 in 2022 to just 23 in 2023.

This hesitancy highlights that the current debate mixes up what ESG is for.

So, what is ESG for?

ESG is not, as some seem to imply a takeover of organizations' strategies to divert them into inappropriate and unproductive channels. It can be viewed more simply as the framework used by organizations to report to stakeholders on the performance of their business strategy.

ESG reporting impacts what they do, and how. But only to the extent that ESG commitments are legally mandated responsibilities, or essential to ensure the continuing commitment of employees and customers. In other words, ESG increasingly provides organizations' mandate to operate.

Organizations certainly cannot afford to sit back and ignore these issues. The ESG legislative landscape globally is constantly evolving. Regulators and stakeholders demand more transparency and accountability from organizations on their impacts.

ESG adoption and reporting is by no means perfect. Critics point to the subjective evaluation of the disclosures. However, companies are faced with increasing pressure to comply with new rules and standards such as the EU's CSRD, the SEC's climate disclosure rules, and various human rights due diligence laws.

Employees and customers are increasingly looking for organizations that share their values and can positively impact society and the environment. ESG reporting ensures organizations demonstrate their commitment to sustainability, ethics, and social responsibility. Also, it means they foster a culture of trust, loyalty and pride among employees and customers. ESG reporting helps organizations attract and retain talent, enhances innovation and productivity, and improves customer satisfaction and loyalty.

In all these senses, ESG is the governance and assurance about the strategy that any organization provides to its stakeholders, rather than the strategy itself.

Where is Fujitsu on ESG?

As a specific example of an organization wholly committed to ESG values, the Fujitsu Group's Purpose includes a pledge to "make the world more sustainable". Fujitsu is included in the Dow Jones Sustainability Index (DJSI), the world's leading Socially Responsible Investment (SRI) index. Fujitsu is on the CDP's A List¹ for climate change and water security. And it has CDP's highest A rating in the "Supplier Engagement Rating (SER)", which is certified as a "Supplier Engagement Leader Board".

[Our Materiality positioning](#) is based on the principles of double materiality. These consider the mutual impacts of organizations and the environment and society. We identified 18 issues under six areas where we will contribute to solving global challenges and creating value for customers and society. These issues cover outcomes set by Fujitsu, such as achieving net positives in environmental issues, digital society, and people's well-being. "Net positive" is a way of doing business that contributes more to society, the environment and the economy than it takes out – by addressing global challenges and creating value for stakeholders.

Fujitsu's Materiality also reinforces verifiable ESG reporting, aligning with international standards and frameworks such as [GRI](#), [SASB](#), [TCFD](#) and the [UNGC Principles](#). Fujitsu discloses its ESG performance and initiatives in its [Integrated Report and Sustainability Data Book](#).

Making it real

How does this (admittedly complex) framework translate on the ground? These following examples show how difficult it is to quantify and compare initiatives.

[We recently partnered with Mizuho Bank](#) to develop services for corporate customers enabling them to manage ESG and Sustainable Development Goals (SDG) data, including greenhouse gas (GHG) emissions. The new solution will enable the management of ESG data, including energy consumption, waste management, occupational health and safety, and corporate social responsibility (CSR) activities.

And in May, [we announced trials](#) leveraging Fujitsu's AI causal discovery technology — in a partnership involving Kyoto University and Chordia Therapeutics — to discover biomarkers for new cancer drugs. Fujitsu's use of AI to enhance cancer research aligns with our ESG commitments in several ways. First, it demonstrates Fujitsu's contribution to solving global challenges and creating value for society, especially in people's well-being. Second, it shows Fujitsu's innovation and leadership in applying advanced technology to improve the efficiency and effectiveness of cancer genomic medicine. Third, it reflects Fujitsu's collaboration and partnership with various stakeholders, such as medical institutions, research institutes, and customers, to achieve better outcomes for cancer patients. It is an example of how Fujitsu fulfills its ESG vision of "creating a prosperous, sustainable future through co-creation with stakeholders."

Containers and AI

As these examples show, there is no fundamental disconnect between a commitment to ESG principles and the daily business operations of a commercial IT services company — or any other organization. Quite the opposite in fact. Fujitsu's wholehearted fidelity to these principles has helped create new business partnerships and revenue opportunities.

So, let's not play semantic gymnastics with the term "ESG". Private sector organizations need to step back and ask themselves — "Why are we here??".

An organization has many stakeholders. First and foremost, employees. Without them, nothing can happen. Then, the society and planet we serve, perhaps through strategic B2B partners and customers, their customers, and throughout society. Then there's a responsibility to suppliers and their suppliers.

And, of course, there are investors. ESG reporting is hugely important for investors, delivering assurance within a transparent disclosure framework. The various legislative frameworks and standards that underpin ESG provide confidence in an organization's commitments, risk mitigation and risk elimination.

However, I believe ESG is not the driver of an organization's behavior. The core business of a Purpose-driven organization is to create sustainable value and to grow sustainably. This is why the concept of net positive is so important: it makes the term "sustainable" more tangible by driving organizations towards generating more for society than they consume.

Amid the increasing politicization of the term in some areas of the business world, let's not lose sight of what ESG is for.

ⁱ International non-profit organization CDP represents a network of institutional investors that control over \$96 trillion in assets. CDP scores over 5,000 companies throughout the world on their environmental action and identifies those that it rates highest as the "A List."

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Colm joined Fujitsu in 2008 providing Technical Design Solutions for Public Sector and Commercial clients. Inspired by Fujitsu's Purpose to "Make the world more sustainable by building trust in society through innovation" he gained expertise in a wide range of Sustainability fields.

A Chartered environmentalist he has held many leadership roles including Sustainability Lead for Europe and Leader of sustainability management, sales and consultancy.

In his role, Colm is responsible for ensuring that, as a global company, Fujitsu is unified under the framework for our sustainability management, "GRB (Global Responsible Business)". That we work in a harmonised way to promote and proactively accelerate initiatives that prioritise a positive impact upon the environment. Helping to deliver on our purpose and create valuable outcomes for People, Planet and a Prosperous future.