

## ESG INCLUSIVE OF 'I'

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The alphabet soup of contemporary corporate management is incomplete. It turns out there is an 'I' in 'company' - or there certainly should be.

For good and important reasons, Canadians are rethinking some of the most fundamental aspects of business and the economy. Environmental concerns have moved front and centre. Every alert and competitive company now pays close attention to the diversity of their workforce and the inclusiveness of recruitment and retention activities. Good governance attracts sustained commitment from larger corporations. Social responsibility is integral to business plans, not a small adjunct to the main enterprise.



Environmental, social and governance (ESG) requirements were greeted with skepticism a few years ago, just as the push to expand Indigenous engagement within companies is viewed these days. However, companies quickly discovered something quite remarkable: adopting ESG principles was not a gratuitous attack on the corporate bottom line but rather a key element in building competitive, sustainable, and innovative companies. Government continues to push these principles hard, through moral and regulatory efforts, not always recognizing the differential challenges and opportunities facing the country's various economic sectors. This one-size-fits-all approach particularly applies to Indigenous affairs, where official rhetoric and policy are not always well-connected to commercial realities.

### Why 'I' belongs with ESG

It is time to formally add 'I' for Indigenous to the business equation. This is not a "tick-the-box" exercise, but a recognition of the largely untapped potential of Indigenous businesses and workers, and acknowledgment that Canada's economic future will be built in partnership with First Nations, Métis and Inuit people.

My fellow Indigenous colleague's debate whether the 'I' needs to hold its own space or whether there is an 'I' within each element of ESG. I am solidly on the side of not creating its own space. History will show that placing Indigenous off to the side, like how our governments hold an Indigenous ministry, only serves to ghettoize Indigenous issues. The lazy thing to do is label something an Indigenous issue and put it in the corner, often where it will be inadequately addressed due to a significant lack of financial or political resources.

Holding space for the conversation in 'Environment' clearly makes sense. As the earth's original stewards, who else would you prefer to have oversight? The 'Social' challenges within many Indigenous nations is surely a black eye on Canada's face. If we can address and solve for the most challenged communities, surely we can drive better socioeconomic outcomes through corporate decisions and governance. Lastly, 'Governance.' Indigenous shareholders in an economic development corporation are the community members themselves, held in trust by the Chief and Council. Community members are not focused on quarterly results, but rather on Seven Generation Thinking – a principle based on the Indigenous philosophy that the decisions we make today should result in a sustainable world seven generations into the future. Now, it is not palatable to wait seven generations for a quarterly report; however, the broader shareholders are keenly interested in the long-term viability of a corporation. There are governance lessons to learn on both sides of the ledger. Moving through the rest of this piece, know that when ESG is mentioned, it is inclusive of 'I.'

### **Making ESG make business sense**

When ESG and 'I' requirements were undertaken as a tip of the hat to political correctness, they could be dealt with through a small addition to the budget and occasional C-Suite missives. As companies realized these fields were integral to business success, they were folded into general business operations and no longer seen as a token gesture. ESG requirements must be built on solid commerce and economics. If the business cases are not viable, virtue-signalling initiatives will harm the company and undermine support for future endeavours.

ESG initiatives must be based on clear targets, accurate reporting, and full transparency. But these commitments must be undertaken with a full appraisal of risk and, equally, opportunity, with a corporate determination to build the firm's long-term viability. The goal is to move beyond fulfilling a new and externally imposed obligation to realizing that Indigenous engagement is now a key building block for strong and highly motivated companies.

Meeting national and international requirements, such as the drive to net zero, takes real leadership, both to identify realistic targets and steer company actions. For those in the C-suites of this country, the obligation extends to inspiring the organization, building trust with shareholders, and developing strong connections with the communities served. Doing this requires a leader to create cohorts within the company, groups that can translate the corporation's ESG vision into practical, affordable, and sustainable initiatives that accelerate and broaden company engagement in all areas.

## **Growing Indigenous participation**

On the Indigenous file – still at a formative stage in most companies and organizations – a commitment to economic reconciliation can transform the firm and surrounding communities. Getting there requires engagement with Indigenous leaders and participation with traditional knowledge-holders. An openness to being led by Indigenous peoples is central to creating real and lasting partnerships.

Recognize, too, how rapidly the world is changing. The idea of “land back” is gaining traction across Canadian society, as governments, private landholders and companies recognize the collective value of empowering Indigenous peoples by returning control of traditional lands. Where this has happened, as with modern northern treaties, all peoples have benefitted greatly.

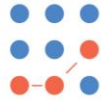
Tokenism and symbolic actions will not bring Indigenous communities on board. Dramatic innovations are required: including local Indigenous peoples from the start of a project, providing for Indigenous equity investments in the company, including Indigenous representatives on governing boards, and seeking Indigenous input into project design. Real partnership goes further and involves hiring Indigenous subcontractors to work on construction and to fulfill supply chains, and recruiting Indigenous personnel to serve in management and the C-Suite.

The best projects and the most successful companies avoid short-term accommodations and look to long-term partnerships. Project planning is built around Seven Generation Thinking, involving Indigenous peoples from concept through to decommissioning, and building Indigenous oversight, where appropriate, into monitoring the firm’s operation and the use and care of the lands.

Until recently, the core elements of ESG, and most importantly, ‘I,’ operated in isolation. ESG inclusive of ‘I’ has become much stronger as the different themes converge to become a powerful, multi-pronged force for societal change.

Consider the developments on the international stage. COP15 and COP27 included substantial Indigenous participation, both through environmental advocacy and Indigenous support for carefully planned development. Indigenous people, long relegated to looking in the windows from outside, now have a seat at the table.

Adding Indigenous participants has had positive effects. Climate change conversations and the biodiversity protection have been strengthened through Indigenous leadership and participation in elements such as the National Protected Areas Strategy, as well as countless local and regional Indigenous collaborations.



## Board action

Corporate boards play a vital role in ensuring that firms explore the possibilities and responsibilities of how the I in ESG will be framed. Time is short at the committee and board meetings, and the pressures on the firm are complex and often contradictory. With change occurring at the speed of the 21<sup>st</sup> century, and with agitators and critics lining up to demand corporate reorientation, companies adjust or decline.

For board members, tackling Indigenous and ESG issues is perhaps one of the most complex, difficult and pressing parts of their responsibilities. These fields are marked by constant change and frequent interventions by outsiders. Society and governments demand more and more, leaving it to board members to navigate complex regulations, shifting expectations and public attention. Boardrooms may be closed and confidential, but they are not immune to or separate from the demands of an ever-vigilant society, government and media.

Boards must move forward with courage, speed, and conviction. They must assess the risk of acting against the potentially greater risks of refusing to innovate. They must develop inclusive and comprehensive strategies that have been tested against the expectations of affected parties and best practices in the corporate world. Taking a sensitive, careful approach, one connected equally to the firm's financial well-being and the desire for social and environmental justice, is not just a good way of advancing ESG and Indigenous priorities. It is the right thing to do.

This is not easy work – but it is critically important. Each person must ask themselves and fellow board members how they plan to chart the future, defining the trail markers and the benchmarks of a new corporate trajectory.

The ship-building metaphor works here. The traveller knows something about the journey ahead. They know there are shoals to navigate and storms to weather. With this information, the traveller designs and builds a ship to take them to their destination. So, it is with the inclusivity of 'I' in ESG – a strong vessel, navigation charts, a skilled crew, and the courage to sail into the unknown are all core requirements.

Experience provides guidance and warning. Even if people publicly agree with Indigenous issues and environment, social and governance principles, there will be resistance, sometimes aggressive and confrontational, occasionally subterranean, and secretive. Boards should plan for and encourage dissenting conversations. It is vital that people's concerns be addressed and answered in a non-combative manner. Each board member will need the courage to speak up and, equally, to listen respectfully to people with ideas opposed to yours. Out of painful, honest dialogue can come vital learnings and real

progress. Within the board and the company, it is critical to maintain safe and open spaces for important conversations to occur.

The inclusivity of 'I' lends itself to value statements and declarations of high principles. For boards, it is vital to move quickly from promises to planning, from planning to action, and from action to results. Companies and organizations thrive or languish based on performance. It is time for Canadian companies to place ESG targets and commitments with a focus on 'I' on par with financial metrics in corporate operations. Board members are required to act in the best interests of their companies. Experience has shown decisively that ESG benefits both the firm and the country. One of the great discoveries of our time is that doing what is ethical and right is also the foundation for a highly successful firm or organization.