

WHAT CLIENTS
really
WANT

The challenge of embedding ESG in professional services firms



ESG

Two leader's perspectives on embedding ESG

There is no doubt that Covid has accelerated the rapid rise of Environmental, Social and Governance (ESG) up the agenda.

It's accepted that ESG must be embedded in your business strategy and be an integral part of the purpose of your organisation. It's high up on every board agenda who are scrutinising every aspect of the firm from how employees are treated, how data is used and managed, supply chain credentials, right through to environmental credentials. It's clear that having a clear ESG strategy that allows you to make a positive impact on the planet and its people is a vital part of long-term success for businesses of all types.

Professional services firms are at varying stages of their ESG journey, but all are wanting to get it right, structure it properly and embed it fully.

As part of our content series called 'What Clients Really Want', we spoke to the leaders of two top professional service firms, one law and one accountancy to find out what they are doing to establish their ESG strategies. We also wanted to hear from them in terms of what their clients were asking of them and how they are responding.

We chatted with **Maureen Penfold**, Managing Partner at **Moore Kingston Smith**, a top 20 UK accountancy firm and **Sara Bailey**, Senior Partner at international law firm **Trowers & Hamlin**.

Maureen told us that central to Moore Kingston Smith's approach is aiming for sustainable, long-term growth whilst maintaining profitability and compliance within the regulatory environment. Running through all the decisions they make is considering their place as a conscious member of the global community.

Sara told us that of critical importance to the firm was recognising the potential sphere of influence they have as a firm and to impact positive change both with and for their colleagues and clients, now and in the future. They want to share their values and principles with their colleagues and clients, raising awareness about the importance of collective and individual responsibilities.



"At Moore Kingston Smith, our ESG strategy focuses on how we can make a difference to our people and our clients, as well as the communities we serve, with the understanding that we are on an ongoing journey to evolve and improve together."

MAUREEN PENFOLD, MANAGING PARTNER AT MOORE KINGSTON SMITH

What progress have you made in establishing ESG as part of your strategy and purpose for your firm?



It is truly fantastic to see ESG on the agenda, however, we recognise that ESG has limited value if it's a tick box exercise. Tokenism and doing the minimum to get you across the line doesn't go far enough. While we absolutely see ESG as a key part of our strategy, we must be mindful about greenwashing - this is about being part of the journey and while we have made good progress, we are not and won't ever be 'complete', as this is a learning journey with lots of moving parts.

As a people-first firm, the S in ESG has always been a priority. We established our Wellbeing and Diversity, Equity and Inclusion committees over recent years to take meaningful action and drive our agendas forward. We support our people to enjoy sustainable lifestyles as a real living wage employer, and pride ourselves on the continuous development of our people, with a dedicated Learning and Development team curating curricula which advocate both personal and professional growth. Through the Moore Global

network, of which we are the London based firm, we're involved in the Social Ambition programme, a global initiative that actively helps the Moore network to progress in these areas.

Our corporate mission includes aiming for sustainable, long-term growth whilst maintaining profitability and compliance within the regulatory environment, as well as considering our place as a conscious member of the global community, critical to all our decisions. We know that people are increasingly making considered decisions about who their employer is and what values they hold, and this is a further motivation for developing a strong ESG mission and strategy.

There are two sides to ESG; the quantitative side which looks at the practical and measurable steps with goals, targets and deliverables, but also the qualitative side; we are conscious of the business community that we serve, regularly talking with our clients and other professional firms, learning from what they're doing to ensure that the measures we are putting in place are meaningful.



Our new senior management team have communicated a desire to adopt a Responsible Business Strategy, embedding ESG factors into the core governance of the firm and informing our strategic direction going forward. We consulted across the business to ensure that there is buy-in about this being the direction of travel we want to be taking. There is a clear consensus that we want to embed ESG into the heart of our operations - it is the right thing to do, and we believe in it.

One of our first priorities, as part of this wider framework of activity, has been to start looking at how we can reduce our carbon emissions and, thus, the impact of our operations on the environment and communities in which we operate. We have appointed sustainability consultants to help us achieve this. The first stage of this process is to begin mapping our carbon footprint, which we will use to inform decisions and future actions.



"We are taking our time to develop a clear and impactful strategy, which works for us and our clients. We want to be honest and transparent about this, as it will allow us to shout more loudly about the progress we intend to make in the future."

SARA BAILEY, SENIOR PARTNER AT TROWERS & HAMLINS

Prominent in our vision for the future, is the placing of people and diversity at the heart of our strategy – we want to embrace true diversity of thought and opinion with our colleagues and clients. As we move to a hybrid working model, we must take additional steps to protect our values, which are intrinsic to the Trowers’ way of working. We will introduce formal policies and processes, as well as informal cultural changes to achieve this. We believe being able to clearly articulate our values is the first step in ensuring that they filter through the business.

How have you engaged with staff in the development and implementation of your ESG policies?

MP We take an inclusive approach in everything we do at Moore Kingston Smith, particularly when it comes to developing policies for all areas of the business. The input from our community is essential in shaping our strategies. Therefore, we consistently engage and listen to feedback amassed through pulse surveys and regular updates, with the understanding that ESG is a journey that we are all on together, and it will continue to evolve - meaning regular communication is key.



“As a firm we have held the values of ESG close to the heart for some time, community being a big part of what we do, and as a result we have always been careful and selective when it comes to who we work with, from our clients to our suppliers, making sure their values align with our own.”

MAUREEN PENFOLD, MANAGING PARTNER AT MOORE KINGSTON SMITH

SB We have an extensive network of sub-committees who organise activities, raise awareness and offer support. We also prioritise internal communications with internal talks and Q&A panel sessions on ESG related topics.

We are designing a new Respect at Work policy which provides a framework for all other policies around conduct and culture within the firm. We are also reviewing and redrafting these policies, where necessary, to ensure they are presented through a respectful and inclusive lens. A set of Fairness Principles also flow through all policies related to conduct and culture. This links with the social aspect of ESG, as well as the firm’s strategic priorities around people and values.

To what extent are you finding it challenging to convert ESG ‘rhetoric’ into practical realities? What example could you share with us?

MP It is undoubtedly challenging converting ESG rhetoric into reality – and that’s why it’s so important to understand that this is both a quantitative and a qualitative exercise. For example, measurement is much simpler when we are looking at things that are easy to quantify, although it can be tricky in that the data required isn’t always easy to obtain. It is not as easy to package and represent the qualitative side to ESG.

SB This is a process, and while there are quick wins which will have a positive impact for many of the changes we are planning / goals we are setting, the timeline is much longer which will be more challenging to achieve. We want to affect meaningful, significant and long-lasting change and set ambitious targets which require hard work.

We have set the direction at the top of the organisation, to ensure we have buy-in at the highest level. We are working to create an environment which supports honest discussion and encourages people to actively participate in the direction the firm is taking.

What plans do you have to form a dedicated ESG focus advisory group to deliver / manage client advisory requirements?

MP We have formed an ESG taskforce, comprised of a dedicated group of advisers. With expertise in environment, social and governance, they work collaboratively and oversee and develop the services we provide to clients in this area, as well as ensuring we are maturing our own ESG policies as a firm.

SB The principles that are integral to ESG are embedded in our responsible business strategy. Input from the partnership is vital to the development of our client offering. With this in mind, we have put together an internal working group to look at all elements of our ESG offering for our clients. This group will be made up of partners and fee earners from every part of business and will help us to identify any trends and expose the issues facing our clients from across the whole of our client base.



“Building our strategy is an opportunity for us to improve as a business, and for us to have serious conversations about the lasting impact we want to have on environment and wider society.”

SARA BAILEY, SENIOR PARTNER AT TROWERS & HAMLINS

What are your clients’ current ESG expectations of your firm as one of their professional advisors and how is this impacting on your business activities?

MP Our clients are increasingly asking about our own ESG policies and where we are on our roadmap and plans. It will continue to be important and become a frequent occurrence as they perform due diligence on their supply chains, as we are with our own.

We’re urging our clients to consider things at the earliest stage possible, because this isn’t something you can do last minute or quickly, it takes considerable time and planning. There are touchpoints in every aspect of business, from dealing with GDPR, to recruitment, to supply chain and right through to environmental impact.

It’s impacting our business activities by increasing the amount of work we are doing on ESG and we are diverting more resources to this area. We are finding that our clients are in need of support on preparing more formal ESG reporting and in obtaining the assurance, including an audit of their results.



“ESG needs to trickle down through and be evident in every aspect of your organisation.”

MAUREEN PENFOLD, MANAGING PARTNER AT MOORE KINGSTON SMITH

SB We are seeing sustainability and social value coming up more and more often in the tendering process. In the public sector we are being asked to demonstrate how we will deliver social value priorities.

We have also seen a particular emphasis on ESG in some large private sector procurements such as where our understanding and delivery of ESG credentials is very important.

We believe more guidance for local authorities and housing associations on how to embed social value in project briefs is vitally important to our clients, to help them articulate the requirements for embedding social value into projects, and what sorts of social value they should expect from different types of supplier. The ultimate objectives of social value can often get lost, and the focus can be on the financial value of supplier contributions rather than the local community outcomes of the social value delivered.

The private sector has a less structured approach and, in our experience, is looking for law firms that demonstrate similar values across the board as well as working collaboratively with their lawyers to achieve common goals. For example, we've been asked to "outline your corporate approach to sustainability including how this is managed in your own business and how it is managed on behalf of your customers" and to "consider the context in which you operate and extent to which you will work in partnership with our suppliers to ensure the external environment benefits from our relationship".

Another client asked "we know that climate change is top of our colleagues' and customers' minds, which is why we're pushing ourselves further so that we can help everyone live well today and into the future. Given this strong commitment to helping the planet, we are keen to ensure that the suppliers we partner with are like-minded. What steps towards improving carbon usage, and promoting sustainable practices generally, are your firm currently taking?"

We understand that no organisation operates in isolation and that this is why we are seeing an increased demand to demonstrate what we are doing to contribute to a sustainable future. Understanding the impact of our work with clients and other key stakeholders is critical to both our own and our supply chain's ability to deliver on the commitments we have made.

As well as working with our existing clients, we also want to win new work from organisations who are themselves committed to being and recognised as responsible businesses and/or leaders in one or more aspects of responsible business.



"In a recent survey conducted exclusively by Trowers & Hamblins over 60% of respondents made up of 150 institutional investors, private equity firms and corporate financiers agreed that ESG considerations are a part of their decision-making process when looking at a potential acquisition target."

SARA BAILEY, SENIOR PARTNER AT TROWERS & HAMBLINS

Are you seeing a shift in what you are advising clients on, influenced by the ESG agenda?



We have a high performing consultancy well known for supporting the not-for-profit industry. For some time now we have been working with those clients to develop and integrate ESG principles into their own strategies, particularly when it comes to impact reporting. We are expanding our support to clients to assist them in the management and collation of the right data, enabling them to report on and clearly monitor their progress.



External factors such as investment decisions, employee expectations and how ESG impacts on long-term profitability are all leading to a shift in how businesses are considering their ESG responsibilities. Demonstrating sustainable business credentials is now mainstream and we are actively advising clients on how to enhance their positive impact on society and the environment. We are also guiding them on what internal processes and frameworks need to be looked at to build ESG into the business's strategy and report its ESG performance for investors and its customers.

Thanks to our contributors

Moore Kingston Smith is a leading UK firm of accountants and business advisers, with over 60 partners and more than 500 staff based in and around London. They are also a leading member of the Moore Global Network, an international family made up of over 30,000 people across more than 100 countries.

Trowers & Hamblins is an international law firm with over 160 partners with more than 1000 people located across the UK, Middle East and Far East. Well known for its eclectic mix of specialisations helping businesses and governments change the way we live and work for the better. The firm is also a member of Interlaw, the 'Elite Global Law Firm network', with lawyers in more than 150 cities worldwide.

About PSFI

Understanding that professional services firms are all different, we take an expertly nuanced view, underpinned by decades of experience to be able to work alongside you to transform your business. Our clients, many of whom have been with us for more than 20 years, trust us to identify and develop talent and leaders, enhance profitability and help get the client and business strategy right.

We pride ourselves on being exceptionally well thought through. We offer evidence-based thinking combined with years of hands on experience. We help you access, navigate, understand and apply the most relevant leading edge thinking and research to help your business grow. We also have a carefully curated community of experts we can recommend.

Above all we care deeply about our clients, placing the highest possible value on our relationships with you, balancing warmth and support with challenge to get to the heart of the issue so we can help you make a real and lasting improvement to your business.



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