INSIGHT

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An Orient Capital interview with FairSupply

In the seventh of Orient Capital's Insight series, we provide a quick fire interview with Kimberley Randle, CEO of FairSupply, a sought-after expert and speaker in the field of modern slavery and ESG.

In this interview, Alison Owers (Global CEO, Orient Capital) explores some key topics including ESG, the shape of the modern AGM and corporate governance trends.

“Kim, thank you for agreeing to speak with me. To kick off – for those who haven't come across you, tell us what does FairSupply do? How did it come into being? And how is it supporting the ESG ecosystem and who are your touchpoints within an issuer?

FairSupply is a leading ESG data provider and technology provider and consultancy set up to help businesses identify modern slavery risks within supply chains.

When I launched FairSupply, I quickly became aware that there was no other technology provider that had the ability to map the global supply chain of an investment or supplier, and identify modern slavery risk within that supply chain. Having worked previously with the largest antislavery NGO in the world I knew that modern slavery is usually hidden deep within the supply chain and that for entities to adequately identify risk, visibility over the supply chain was necessary.

In the last three years our business has scaled rapidly and expanded our offering to Scope 3 GHG Emissions, biodiversity impact, water and land use.

A bug bear of the ESG ecosystem has been a lack of reliable, objective, comparable data particularly along value chains. It's a big claim, but we've solved that.

“Which are the key trends to keep in mind among the many ratings and standards out there?

I would start with the challenge of standardisation. A recent MIT report revealed the divergent nature of ESG ratings among rating providers. The report identified this as an obstacle to their efficacy in guiding companies forward in their ESG engagement.

Secondly the rise of TCFD reporting and the uptake of TCFD. The number of supporters of the TCFD framework has increased by 445% since 2018 and TCFD supporters represent a market coverage of

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over US$29tn in AUM. Mandatory climate reporting is gathering pace globally and in 2021, G7 countries committed to mandating climate reporting in line with TCFD.

“In your view, what are the drivers on investor scrutiny on company’s ESG policies?

ESG issues such as climate change are no longer fringe concerns. Risk mitigation is at the core of investor scrutiny of a company’s ESG policies e.g. viability of the asset going forward, reputational risk etc.

In addition I would point to the regulatory environment, as seen in the increased prevalence across markets of mandatory climate and human rights related reporting.

Finally millennial investors are a generational driver that is emerging. Millennials have a strong preference for sustainable investing and many fund managers are working hard to capture that client segment.

“If you had to name just one, what widespread governance practice do you see as most concerning from an ESG risk point of view?”

That’s easy, only paying attention to an ESG risk when its mandatory.

“Are boards generally managing systemic risks better than a decade ago?

Perhaps. It’s hard to speak definitively here. In some respects you could argue the climate crisis is forcing systemic thinking upon stakeholders including governments and to a degree, therefore, upon Boards.

In Australia, we’re seeing businesses moving faster than government around, for example, climate. Have we witnessed that sort of situation in other domains historically? I don’t know. It does seem like a moment where Boards are addressing these systemic risks more willingly than perhaps before.

“How easy is it to get access to consistent and reliable ESG data which allows you to evaluate your investment risk?”

I refer to my earlier comments around the challenge of ESG rating standardisation. Speaking as the founder and CEO of an ESG data provider this issue of providing consistent and reliable ESG data to our clients is front and centre. I believe deeply in our platform’s capacity to deliver excellent ESG data. Our methodology is rigorous and we provide comparable, objective, ESG risk data. That rigour is not commonplace within the market. The ESG data market is still the Wild West in many respects.

“Do you focus at the top line ESG scores or dig down into the underlying data to fully understand investment risk?”

There’s a tension here around ease of use and speed and due diligence. Our contention is that within the industry there has been a push to be reductionist around ESG scores. The drivers around this reductionism are understandable.

However, as an industry we need to resist this, what you could call, simplification. ESG is by its nature broad in its considerations. Currently there is no one size fits all approach. Digging down into the underlying data, understanding what the companies has included in its ESG framework and why is key.

“Which areas of disclosure do you believe companies have to improve on?”

Following my earlier comments, companies need to move faster and not wait until disclosure in a certain ESG domain is mandatory.

What is needed is an appreciation of the intersectionality of ESG domains. This demands wholistic rather than piecemeal approaches to disclosure. To speak plainly, we need to see how one affects the other. Solar panel production and human rights violations are an obvious example.

There are numerous materials required for renewable energy which, while lowering the carbon intensity have a higher modern slavery risk. The ability to measure ESG risks using the same methodology becomes increasingly important.

Of course data quality and reliability has held companies back from disclosing. This is changing. E.g. FairSupply has just launched a way for companies map and address their value chain’s impact on biodiversity loss.

“What are your views on where ESG will go from here?”

I think that we can expect to see increased regulation of ESG issues combined with a higher expectation that the accounting of ESG issues becomes incorporated into every business decision and investment.

Our societies continue to evolve with regards to what matters. When we decide that something is important – such as limitations to working hours, Occupation Health and Safety, anti-money laundering – we create legislation that in some circumstances spurs and in others enshrines these priorities. In some respects, ESG has evolved and broadened and matured out of the CSR movement.

Given all that is happening with regards to the acceleration of concerns around the planet and people, I can only imagine ESG will follow a similar path toward Business As Usual for companies.

Meet the expert

As founder and CEO of FairSupply, Kimberly is an experienced and innovative human rights advocate specialising in modern slavery. Kimberly has over 15 years' experience working in law and human rights for top tier firms in Australia and the United States, previously holding the role of Senior Director of Corporate and Legal for International Justice Mission Australia. Kimberly is a sought-after expert and speaker in the field of modern slavery and has been called upon to provide evidence for both the NSW and Commonwealth Parliamentary Inquiries into Human Trafficking. Kim received her Bachelor of Law from Macquarie University. In July 2022, FairSupply was named among the AFR's Sustainability Leaders and awarded a particular distinction as Category Innovator: Professional Services, Engineering & Advisory.

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