

Environmental, Social, and Governance (ESG)

As of 2019, McKinsey reported a global sustainable investment of \$30 trillion, an increase of 68% since 2014.





Difference between Corporate social responsibility (CSR) & ESG

- ❑ Corporate social responsibility addresses the corporate intention to contribute to society. That takes care of the social aspect with no financial gains.
- ❑ ESG, on the other hand, is an integral part of the organization's value creation and risk management strategy.

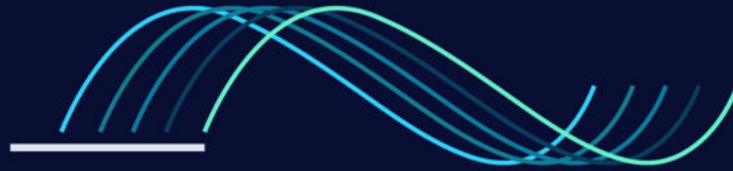
Examples of successful ESG initiatives

- ① 3M is considered one of the pioneers in environmental causes and has grown into one of its advantages. The company saved \$2.2 billion since it introduced its “Pollution Prevention Pays (3Ps) program in 1975. It prevented pollution by redesigning and reformulating its products, manufacturing processes, and equipment and recycling and reusing waste from production.
- ① FedEx aims to convert its fleet of vehicles to electric or hybrid engines, with 20% already achieved. This shift in policy has reduced fuel consumption by more than 50 million gallons.
- ① China’s aggressive strategy to combat air pollution has created investment opportunities of over \$3 trillion through 2030.

In Conclusion

As of 2020, a quarter of assets under management in the United States (\$12 trillion) was ESG related.

- ❖ The numbers speak for themselves. A McKinsey analysis of more than 2,000 academic studies finds that around 70% find a positive correlation between strong ESG and financial returns.
- ❖ It comes as no surprise that investors, regulators, and policymakers have a vested interest in corporate ESG, as they are increasingly relying on the corporate sector to help solve social problems like environmental pollution, workspace diversity, etc.
- ❖ In recent years, consumers have shown interest in ESG, not just in increased demands but in acceptance of increased prices in exchange for high standards of sustainability and quality of employment from organizations.



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