Independent Women's Forum®

— TOP TAKEAWAYS —

Environment, Social, and Governance (ESG): A Primer

ESG PRINCIPLES ARE BROAD AND ILL-DEFINED

- ESG refers to taking environmental, social and corporate governance factors into consideration when making business decisions.
- While the term "ESG" is fairly new, the concept of socially responsible investing has been around since the 1950s. Today, the concept of ESG includes a myriad of issues, with a recent heavy focus on environmental issues.

IN PRACTICE, ESG TAKES MANY FORMS

- **Environment:** Some investors and firms envision a "whole of society" change to eliminate carbon emissions. Others take a more incremental approach to environmental sustainability.
- **Social:** Initiatives that fall under this umbrella can range from working to advance social justice in terms of "anti-racism" training, requiring diversity quotas on a corporate board, or trying to provide better working conditions or benefits for employees.
- **Governance:** Companies are already required to maintain checks and balances that ensure managers make decisions in the best interests of the company. But there are efforts to push for greater shareholder rights, including proxy voting.

THERE ARE MANY POTENTIAL PITFALLS AND PROBLEMS WITH ESG CONCEPTS

- Corporate diversity quotas, part of the social aspect of ESG, are well-intentioned, but they ultimately undermine the hard work of women and minorities and can create "token" members, only there to fulfill the quota.
- ESG efforts can have a selective focus on en-vogue political causes. For example, some companies work closely with Chinese entities and ignore the truly alarming human rights and environmental records of those companies.
- Companies, and investors, should not use ESG concepts to simply score political points or virtue signal that they are a part of a new "woke elite" in the U.S., but should carefully consider how their choices and business practices ultimately foster a prosperous, free and fair society.

Click HERE to read the full policy focus and learn more about ESG.