



## What is ESG? A Primer for Business Leaders

### ESG Overview

ESG stands for **Environmental, Social, Governance** and represents an approach to assessing a business or organization's performance, risk, and resilience in these three categories.

Originally a tool for business stakeholders to make long-term investment decisions, ESG has now become increasingly important for all organizations in operating **ethically, efficiently, and sustainably**.

**E: Environmental** – factors focus on an organization's environmental impact and risks in terms of energy usage, carbon footprint, resource consumption, waste, etc.

**S: Social** – factors focus on human relationships: community relations, diversity, equity & inclusion (DE&I), talent retention, work culture, stakeholder engagement, etc.

**G: Governance** – factors focus on company leadership, policies and practices, and minimizing regulatory action and risk while improving security, strategic impact, and value proposition

### Why is ESG important?

- Strong internal ESG practices benefit all kinds of stakeholders:
  - Improves customer and employee retention
  - Increases investor confidence
  - Reduces operational risks
- Data shows positive relationship between ESG and financial performance for “58% of the ‘corporate’ studies focused on operational metrics such as ROE, ROA, or stock price” ([Whelan et al.](#))

### What are the benefits of ESG reporting?

Conducting ESG reporting involves complex processes that bring together internal and external stakeholders, such as materiality assessments and data procurement. By using internal data compiled on areas, for example, where there is excess resource waste or factors that lead to loss of talent, your company can effectively target areas of loss to run operations more efficiently, while celebrating and supporting its existing strengths.