

WHY IS ESG A BUSINESS IMPERATIVE?

Research has shown a direct correlation between embedded sustainability and improved organisational performance. Therefore, it makes plain business sense to embed ESG and sustainability into an organisation's strategy and operations.

Improving risk management

Organisations are not only exposed to ESG risks in their own operations but also in their wider supply chains. The Covid pandemic is an example of such systemic and interconnected issues affecting organisations at all levels. Incorporating ESG risks into the overall enterprise risk management enables leaders to develop robust long-term adaptive strategies.

Driving innovation

Adopting a sustainability mindset generates innovative solutions. ESG compliance has led to the development of new financial products such as green and sustainability bonds. Reuters found that US\$649 billion was invested in ESG-focused funds globally as of November 2021, more than double the 2019 level before the Covid pandemic.

Increased financial performance and access to capital

A survey by McKinsey found 83% of C-suite leaders and investment professionals believed that ESG initiatives will contribute more shareholder value in five years than today. Arabesque and the University of Oxford conducted research comprising more than 200 case studies.

They found that 90% of the case studies indicated that sound sustainability standards reduce the cost of capital of companies and organisations, and that 88% showed solid ESG practices lead to improved operational performance. Good sustainability practices resulted in higher share prices in 80% of the studies.

Strengthening reputation and good standing with stakeholders

A study of the gold mining industry found that stakeholders were pivotal to operators on the issues crucial to the profitable extraction of gold and minerals: land permits, taxation and the regulatory environment.

A 2021 Research Brief by IBM Institute for Business Value noted that in the US, public concern for environmental protection came out as the second highest policy priority. Around two in three global participants stated that environmental issues are very or extremely important to them personally.

Better employee relations

Employees are becoming more interested in the purpose, mission and vision of their employer and seeking work-life balance. Embedding sound ESG practices have a positive impact on recruitment and retention. It can also improve employee commitment, efficiency, and productivity.

The CEO Study conducted by the IBM Institute for Business Value found seven out of ten employees said they would more likely stay with an environmentally conscious employer.

