ESG -Environmental Social Governance : Leading a Sustainable School

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Module 1

Environmental education has long been established in many schools. As ESG gathers momentum in the business world, it makes sense to take School governance to another level.

The pandemic of the Coronavirus 19 has made us more aware how vital it is to safeguard our planet.

The webinar ESG Environmental Social Governance Leading Sustainable Schools- looks at the value of ESG for businesses and organizations as well as at good governance in schools and what it entails to lead a sustainable school.

What does ESG stand for and what does it mean?

- **ESG stands for Environmental, Social Governance.**

- ***'ESG means using Environmental, Social and Governance factors to evaluate companies and countries on how far advanced they are with sustainability'* according to Robeco Institutional Asset Management B.V**

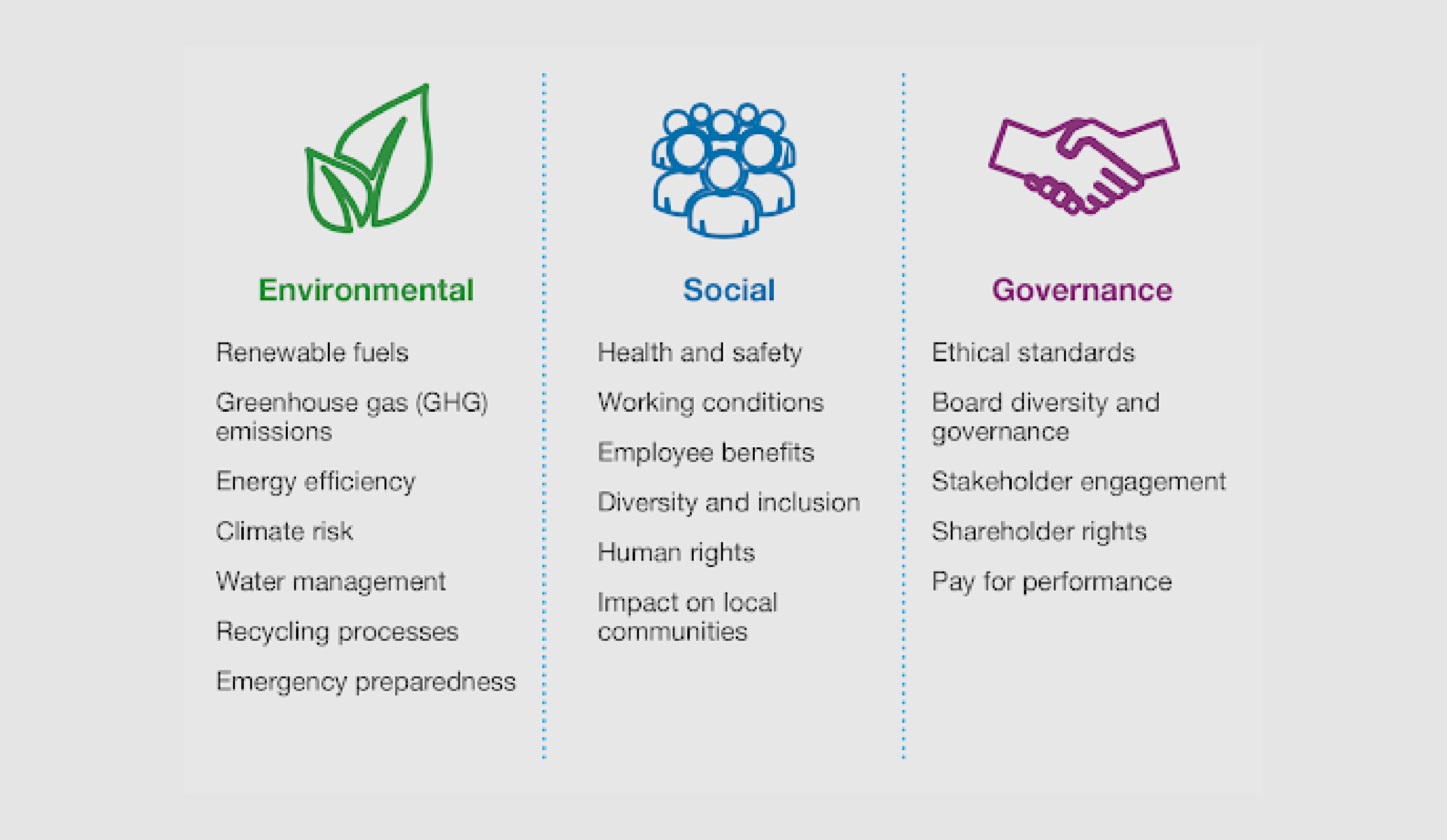
- **Data is then collected on these three metrics, and then are integrated into the investment process of the company or country.**

- **Furthermore, according to Sphera (2021) – "The terms "ESG" and "sustainability" are used interchangeably, especially when it comes to benchmarking and disclosing data."**

What is the significance of ESG?

- ESG is voluntary for most countries so far, ESG is increasingly being included and regarded globally in data reporting.
- Future oriented and pro-active companies are voluntarily providing their ESG data in their annual reporting.
- This kind of reporting demonstrates to the investors what improvements and risk mitigation procedures are being implemented to generate long term sustainable financial returns.
- Companies that do not provide such reports, may tend to be overlooked, by potential investors, due to lack of transparency.
- Companies with strong ESG performance have demonstrated higher returns on their investments, lower risks, and better resiliency during a crisis. (Sphera 2021)

What are the criteria/objectives of ESG at a glance?



- (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments against environmental, social and governance

The Objectives of ESG

- **ESG factors: Environmental**
- A company or a country are evaluated for *Environmental factors* by looking at how and to what extent a company or country are contributing to climate change through greenhouse gas emissions, as well as waste management and energy efficiency.

What is negative screening?

- Those companies that do not manage environmental risks, face increasing costs as well as damage their reputation in the event that there are incidents caused by pollution, by catching unwanted media attention as well as risk *negative screening.*

ESG factors: Social

- **Social factors – the S in ESG refers to Social Sustainability**

- include human rights,
- labour standards,
- exposure to illegal child labour
- as well as health and safety measures at the workplace.

‘Social licence’

- A company that scores well on social issues and takes an interest in the local stakeholders wins the approval of the local communities and stakeholders and so acquires a ‘social license to operate’.

ESG factors Governance

- Governance refers to a set of rules or principles defining rights, responsibilities, and expectations between different stakeholders in the governance of corporations.
- A well-defined corporate governance system can be used to balance or align interests between stakeholders and can work as a tool to support a company's long-term strategy.

What is good Governance?

- **According to the Council of Europe –**
- **Good Governance is –** "the responsible conduct of public affairs and management of public resources – is encapsulated in the Council of Europe 12 Principles of Good Governance."
- The 12 principles cover issues such as:
- Ethical conduct
- Rule of law
- Efficiency and effectiveness
- Transparency
- Sound financial management
- accountability

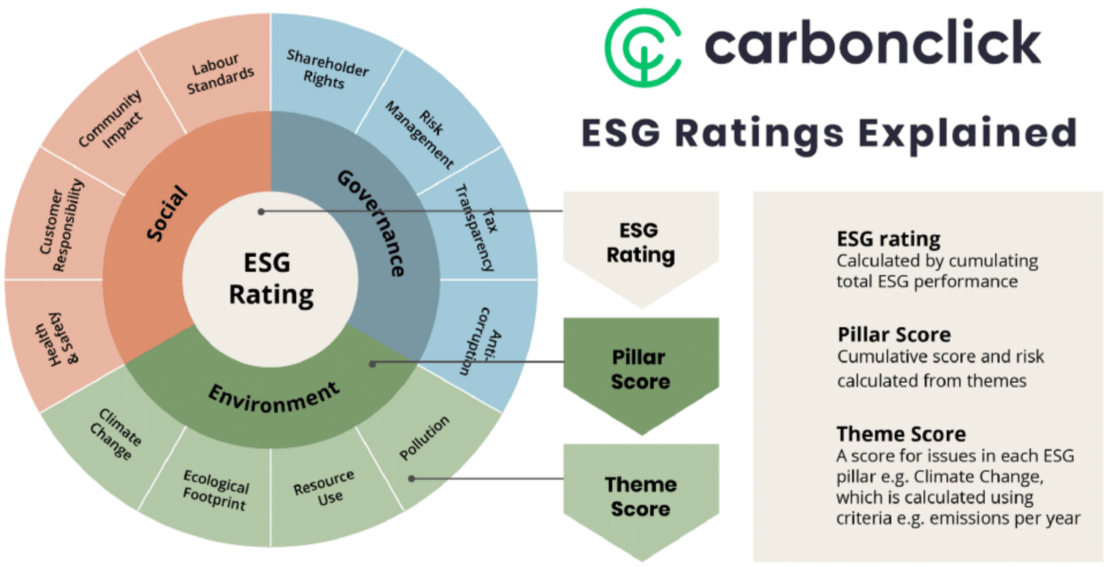
What is ESG Rating?

- ESG rating is when a company is measured for its resilience to long-term industry material, environmental, social and governance (ESG) risks and then rated.
- Different rating systems set up by different rating agencies – some are performance based and some are risk based(Deloitte 2021).

Examples of ESG rating

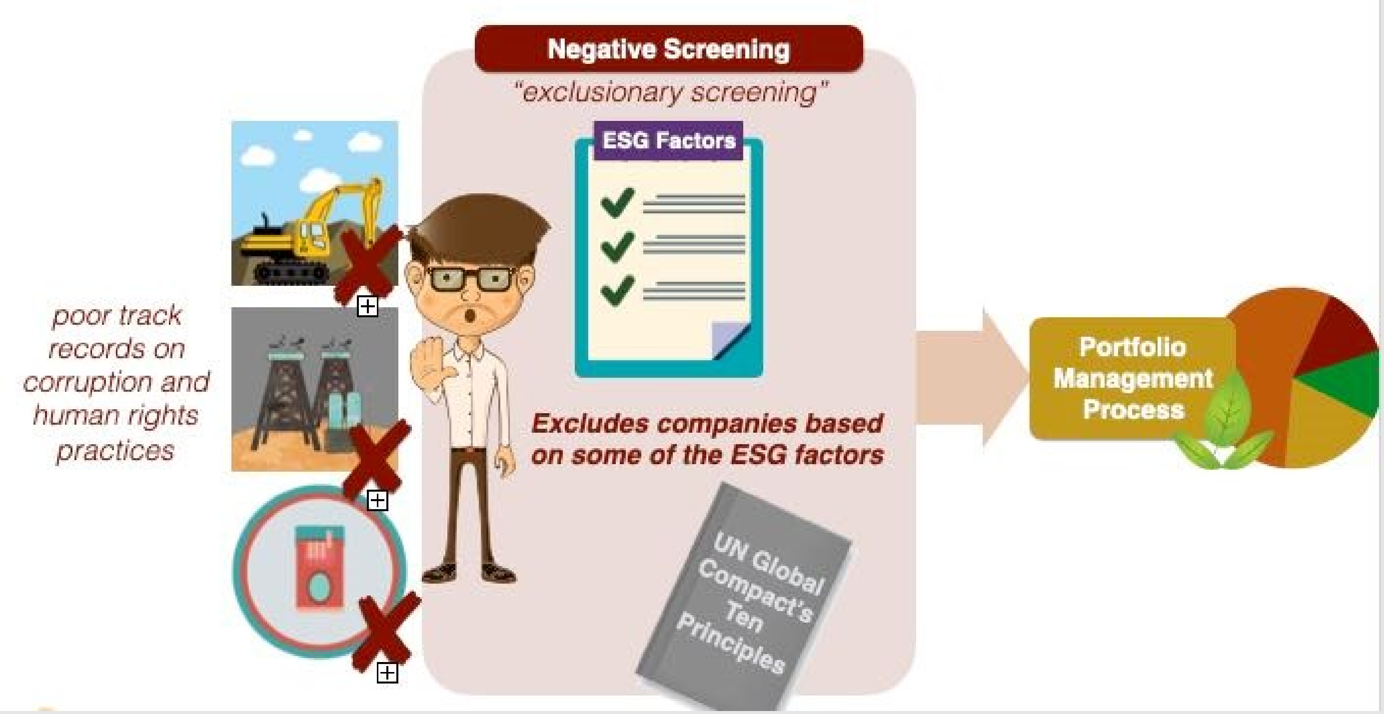
- MSCI ESG Rating would rate a company in the following way:
- From Leader (AAA, AA) to average (A, BBB, BB) to laggard (B, CCC).

How is data collected?



- ESG agency collects data from various sources;
- including the company's publication,
- Government data bank
- media
- NGOs, and other stakeholders
- The data is then measured against ESG policies
- The company's performance is also scored against its peers.
- A universal rating is obtained.

Negative Screening



- The process of finding companies that have scored poorly on ESG factors in relation to their peers.
- The screening process looks at high carbon footprints, poor waste, and energy management as well as poor governance and poor labour relations including lack of diversity.

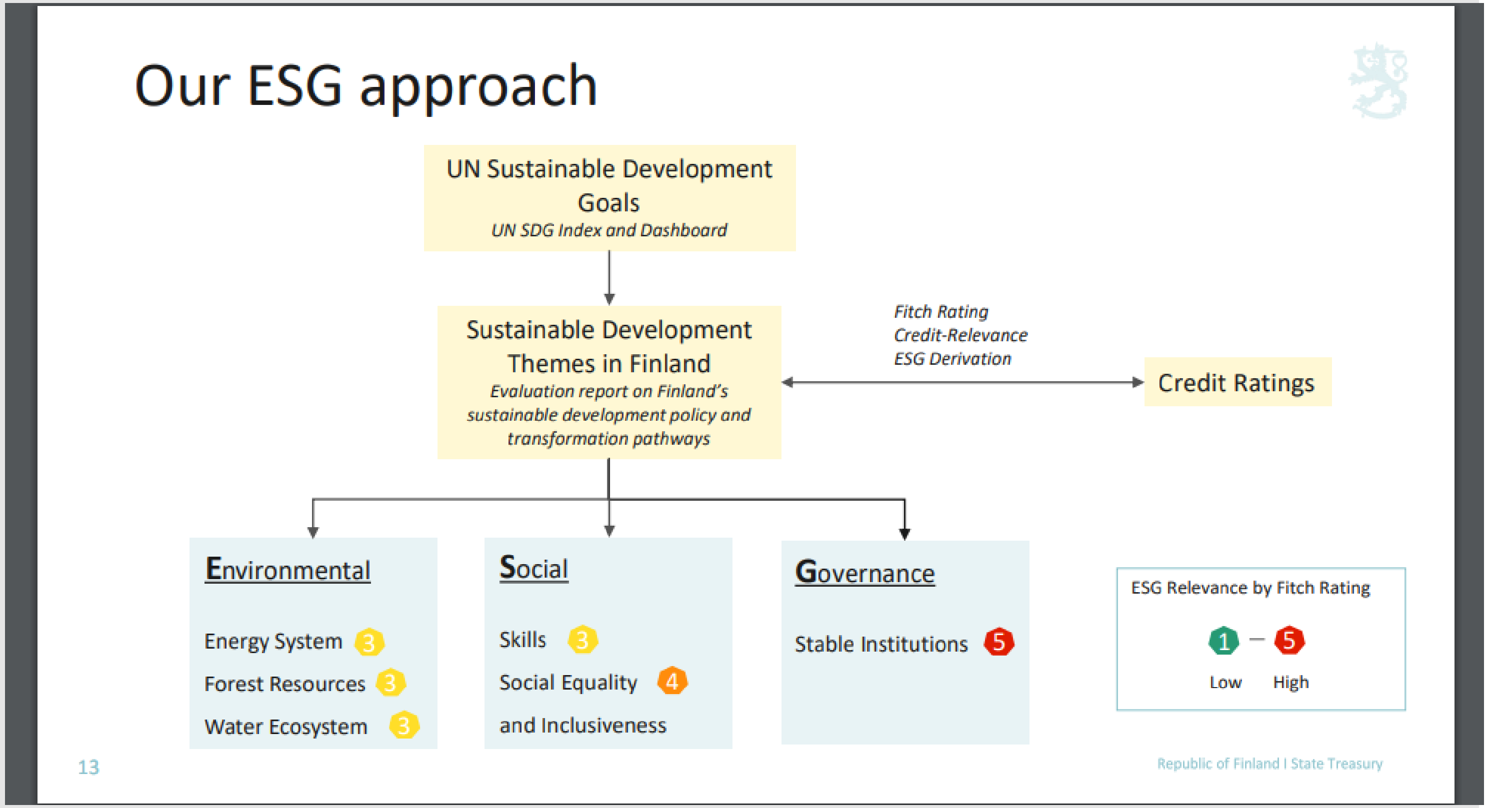
What is ESG transparency?

- “ESG transparency Initiative ESGTI is a human rights organization and grass roots advocacy movement for a more transparent equitable and sustainable economic order”
- This transparency initiative stems from the conviction that transparency is the key to accountability

- Transparency became more important during COVID-19 as the pandemic brought to light social inequalities and raised sharp questions about how to deal with climate change according to Chalmers and Picard (Jan 2021)

e·s·g transparency initiative

The Relevance of ESG in financial decisions



- Investors want to know their risks and are increasingly interested in investing responsibly factoring in ESG issues before they commit, even more so in the current economic scenario post 2020.

- The State Treasury of the Republic of Finland, for example is also taking the ESG approach as highlighted in slide 13 in Sustainable development and Finland – ESG for Fixed Income-Investor Workshop, Washington, April 10,2019.

Key Factors

- ESG criteria refer to **environmental, social, and corporate governance factors that are considered when investing in a company.**

- Many mutual funds, brokerage firms, and robo-advisors now offer products that employ ESG criteria.

- ESG criteria can also help investors avoid companies that might pose a greater financial risk due to their environmental or other practices.

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