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FEBRUARY 3, 2021 | WEBINAR

Bridging the Divide of ESG: Linking Business and the Legal & Risk Ecosystems

On February 3, Paul, Weiss hosted a joint webinar with the NYU Stern School of Business's Center for Sustainable Business, titled "Bridging the Divide of ESG: Linking Business and the Legal & Risk Ecosystems." Paul, Weiss Chief Sustainability and ESG Officer David Curran moderated the discussion. He was joined by Tensie Whelan, Professor and Director of the NYU Stern Center for Sustainable Business; Paula Loop, Assurance Partner at PwC's Governance Insights Center; and Michael Zuckert, General Counsel of Silicon Valley Bank. The speakers explored topics that included the growing significance of ESG commitments and corporate values to stakeholders; practical ways for organizations to bridge business, ESG, legal and governance objectives; the impact of ESG commitments on reputational and legal risk, long-term value and financial performance; and strategies for furthering ESG goals and awareness.

A survey of the 250+ webinar attendees found that 64% of respondents felt they had seen interest in ESG issues rise among key stakeholders and 86% strongly believed ESG impacted their organization's long-term value. This suggests that the business case for ESG has become more widely recognized, as studies rather consistently find positive correlations between strong ESG performance, stock price, cost of capital and operational achievements. However, the majority of respondents (68%) felt that ESG issues were only somewhat being addressed cross-functionally in their organizations.

Whelan commented that in order for organizations to truly integrate ESG strategies, they should think in terms of the total ecosystem of their business rather than silos, and coordinate across the different functions within their organization. Zuckert agreed, noting that program management plays a crucial role in cross-disciplinary action when bringing together legal, business, sustainability, marketing and consulting executives. Loop also highlighted that finance teams can play an important role towards enhancing ESG initiatives and disclosure, given their sharp focus on data and verification.

ATTENDEE SURVEY

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The board no doubt plays a critical role in advancing ESG initiatives, yet research from the Center for Sustainable Business has shown that many companies with material ESG issues have very little relevant expertise on their boards, particularly with environmental and governance issues such as climate and cybersecurity. Companies should diversify the board to include people with expertise in material ESG issues in order to better manage risk and oversight of sustainability strategies through engagement with management and key stakeholders. Research has shown, Whelan noted, that organizations perform better when they manage material ESG risks.

The speakers agreed that ESG should be integrated into long-term business strategies and emphasized that companies should begin by assessing and articulating their corporate values. Understanding how a company's goals and aspirations impact its business from a risk perspective is key to coordinating effective ESG efforts. Similarly, on the topic of ESG disclosure, the speakers encouraged organizations to consider what they want to disclose and why, before they determine how. Rather than look externally to ESG standards to govern their disclosure, companies should base their disclosure on their corporate values, their understanding of material risks, the story they wish to tell and the factors that drive their ESG narrative. Based on this assessment, companies can better determine what information they should disclose and what frameworks work best to suit those needs. Engagement with all corporate stakeholders, not just investors, also serves to improve ESG disclosure.

Loop shared that she sees trust and transparency as two of the biggest issues facing companies today. "To develop and build trust, you need transparency," she noted. Employees and other key stakeholders value a company's ability to be transparent. As an example, Loop discussed the companies that have disclosed their unfavorable diversity numbers, in conjunction with their initiatives and plans for improvement. Trust is built by acknowledging that "we are not perfect today, we are still working on this, but we want to share with you where we are and where we would like to get to."

The speakers concluded by noting that the best way to match aspiration to action is to proactively engage stakeholders and build support from the ground up. Investing in training and working with employees to make sure they understand the company's objectives are practical steps towards ESG integration.

Our Sustainability and Environmental, Social and Governance (ESG) Advisory Practice helps boards and executives navigate the legal, business and political ramifications of developing and implementing sustainability and other ESG initiatives. We advise on ESG-focused stakeholder engagement, corporate governance, crisis management, corporate social responsibility, sustainability, diversity and inclusion, ethics and compliance.

For more information about Paul, Weiss's ESG Advisory Practice, please explore here:

https://www.paulweiss.com/practices/sustainability-esg
https://www.paulweiss.com/insights/esg-thought-leadership

For more from Tensie Whelan, Professor and Director of the NYU Stern Center for Sustainable Business:

https://hbr.org/2021/01/how-to-talk-to-your-cfo-about-sustainability

https://hbr.org/2021/01/boards-are-obstructing-esg-at-their-own-peril

https://hbr.org/2019/06/research-actually-consumers-do-buy-sustainable-products

For more from Paula Loop, Assurance Partner at PwC's Governance Insights Center:

https://www.pwc.com/us/en/services/governance-insights-center/library/annual-corporate-directors-survey.html

https://www.pwc.com/us/en/services/governance-insights-center/library/esg-corporate-directors-guide.html

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