

ESG in a Post COVID-19 World

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Corporate Governance in the spotlight: Challenges lie ahead

The ability of companies to react to external and internal pressures and the role of boards in relation to socioeconomic issues has been increasingly scrutinized. A recent [survey](#) of more than 300 directors conducted by the **National Association of Corporate Directors (NACD)** reveals which governance challenges are likely to dominate directors' attention. According to the results (see graph on the right), the biggest governance challenges will be: 1) *Shaping a realistic post-crisis strategy*, 2) *Ensuring the ongoing health and safety of employees* and 3) *Getting up to speed on all the emerging risk dimensions of the crisis*. In addition, the [survey](#) identifies the highest impact trends going forward, including 1) *The changing way in which work gets done*, 2) *Reduced Global Demand*, and 3) *Acceleration of digital transformation*. [June 9th]

Please select the five (5) most significant governance challenges you expect your board to face over the next three months. (percentage of respondents)



n = 267

While ESG funds are continuously outperforming during the current crisis, the **World Economic Forum** [acknowledges](#) that, still, it will be challenging for leaders and board members to translate this positive market response into action. Managing companies, investors, media and the public alike will require two main leadership skills: communication and stakeholder management. [June 12th] According to another [article](#) by the **World Economic Forum**, “[t]he world is crying out for a new, more sustainable direction. It’s in the power of leaders across the world to deliver this future.” Leaders will be expected to put in place strong sustainability policies and lead in an environmentalist manner. [June 15th]

The ongoing, worldwide protests for equality will also intensify the expectations for corporate leaders to address issues of racism and diversity. In a [blog post](#), NACD provides some guidance on how boards can help address systemic racism. [June 4th]

As [reported](#) in **The Telegraph**, the **Black Lives Matter** movement has amplified the pressure on **FTSE 100** companies to recruit directors from ethnic minorities. The article builds on findings from a [report](#) by **EY** and **Sir John Parker** from February 2020 that revealed that more than a third of FTSE 100 boards still lack ethnic representation. [June 13th]

Company responses to protests: From words to actions

The role of the private sector in addressing systematic racism and inequalities is critical. Many CEOs and companies have responded to the **Black Lives Matter** movement with a statement or have shown their support publicly, and scrutiny of their responses is likely to increase. [AdAge](#) have published a [blog](#) tracking how brands and media companies are positioning themselves on racism and social injustice and what actions they are taking. For example, **PayPal** is “committing \$530 million to black and minority communities. The majority of the money (\$500 million) is going to minority business and startups” and PayPal is changing its internal diversity and inclusion practices. [June 15th]

Following an earlier [statement](#) from the **Business Roundtable** in which its CEOs took a stand against racial injustice, the organization’s chairman Doug McMillon, also the chairman and CEO of Walmart, has now [announced](#) the establishment of a **Special Committee** to advance racial equity and justice. The coming months will demonstrate whether this talk will translate into concrete action and outcomes. [June 5th]

JUST Capital analyzed how disclosure on workforce diversity – a key first step to addressing systemic racism – is linked to performance by looking at the practices and stock market returns of the 922 companies they rank. The results [show](#) that only 3.5% of companies publicly share information on race/ethnicity, gender and job category, but these outperformed their peers by 6.1%. Regardless of performance, disclosing diversity data can guide stakeholders when addressing diversity issues. [June 12th]

Company responses to COVID-19

Shortly after the pandemic began, **JUST Capital** launched the [COVID-19 Corporate Response Tracker](#) including America's 100 largest public employers. Earlier this month, they expanded their sample to include the 301 largest employers and added sub-metrics to assess corporate responses. They also [compared disclosure](#) between the original 100 and the additional 201 companies and found that the first group is much more likely to publicly disclose their response to COVID-19 and to take actions for most metrics. [June 11th]

In the midst of the pandemic, several companies announced that they had cut CEO or senior executive pay as a way to share their employees' pain. However, the **Financial Times** conducted an [analysis](#) of 554 companies that had announced pay cuts and reveals that extra equity grants might overcompensate for CEOs' losses. They found that 51 companies had the same CEO pay and awards program as last year, and that they "had been awarded on average 52 per cent more options or shares than in 2019." [June 10th]

Forbes Corporate Responders: #1 Verizon Communications: **Forbes** recently launched a new [ranking](#) which assesses how well the 100 largest employers among U.S. public companies reacted to COVID-19 and **Verizon** came out as the best responder with a score of 3.87/5. What has the largest U.S. wireless carrier done to rank top? The company has supported its employees, customers and communities. Actions taken by companies to protect employees have been scrutinized since the beginning of the crisis and Verizon has instituted some of the most robust protections. **Forbes** reveals that the telecoms company "has instituted one of the most expansive [sick leave policies](#) of big employers," allowing its employees to stay at home and guaranteeing 100% of pay for up to 8 weeks, 60% for up to 16 weeks, and 100% for up to 26 weeks if diagnosed with COVID-19. Verizon has also [increased](#) the limit on vacation accrual, allows working from home or offers compensation for those who can't work from home, provides protective equipment to employees and customers, and introduced other safety measures in stores and offices. The company understands the [challenges for its customers](#) and decided to refrain from charging late fees or cutting services if a customer cannot pay. In addition, they provide additional data or services to customers, nurses or teachers and free international calls in some cases. Overall, Verizon has [committed](#) over \$54 million in donations and contributions to support nonprofits, hospitals, low income families, children and healthcare workers.

Joining efforts for a sustainable future: Time for stepping up, not back

The COVID-19 crisis has certainly strengthened the need for global cooperation on the world's most pressing issues. Following the [Science-Based Target initiative](#) reported on in the last briefing, more organizations have established programs for a strong and sustainable recovery.

On World Environment Day, the **United Nations Framework Convention on Climate Change (UNFCCC)** officially launched its '[Race to Zero' campaign](#) calling for a zero carbon recovery as [reported](#) by **BusinessGreen**. The coalition's scale is significant and comprises nearly 1,000 companies (with ~\$4.7trn in annual revenues), 449 cities and 21 regions, 38 large investors and more than 500 universities. According to the UNFCCC, more than 50% of global GDP and nearly 25% of CO₂ emissions are covered by these actors. The campaign urges private and public actors to adopt net zero emissions strategies ahead of the COP26 climate conference scheduled for November 2021 in Glasgow. [June 5th]

In light of COVID-19, **The Partners for Inclusive Green Economies** recognize the interdependencies between human and environmental health and combined their efforts to develop a [paper](#) on *Ten Priority Options for Just, Green & Transformative Recovery*. [June 4th]

"It's time to step up, not step back." Under this motto, the **Ellen MacArthur Foundation** [announced](#) that more than 50 global leaders, including CEOs of the largest corporations, policymakers, philanthropists and academics as well as other influential individuals promoted the circular economy as a solution to build back better. The signatories [pledge](#) that the circular economy will create "vital opportunities for economic growth that also restore the environment, create jobs, and benefit society." Among others, signatories include representatives of the **European Parliament, IKEA, H&M, the World Economic Forum, Burberry and Barclays Bank UK**. [June 13th]

While these initiatives are encouraging and promising, we must acknowledge that there is certainly a long road ahead and that there is no "easy fix" to build a sustainable future. **Ken Pucker**, board member of High Meadows Institute, co-authored an [article](#) for **Harvard Business Review**, reminding us that in order to solve the world's largest problems, we need to step away from "magical thinking" that the world's major issues like climate change and inequality can be solved entirely with "win-win solutions." Delivering truly sustainable solutions is not only in the hands of business. We need governments to enhance regulations and policies which will go along with upfront costs, strong efforts and sacrifice. It's a call for action to us all to work harder. [June 8th]