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Spotlight Article

Sustainability

Social-Impact Efforts That Create Real Value

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Spotlight

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SOCIAL-IMPACT EFFORTS THAT CREATE REAL VALUE

They must be woven into your strategy and differentiate your company.

UNTIL THE MID-2010S few investors paid attention to environmental, social, and governance (ESG) data—information about companies' carbon footprints, labor policies, board makeup, and so forth. Today the data is widely used by investors. Some screen out poor ESG performers, assuming that the factors that cause companies to receive low ESG ratings will result in weak financial results. Some seek out high ESG performers, expecting exemplary ESG behaviors to drive superior financial results, or wishing, for ethical reasons, to invest only in "green funds." Other investors incorporate ESG data into fundamental analysis. And some use the data as activists, investing and then urging companies to clean up their acts.

It's an open question whether ESG issues will remain as salient to investors during a global pandemic and the associated economic downturn—but my bet is that they will. That's because companies are likely to be more resilient in the face of unexpected shocks and hardships if they are managed for the long term and in line with societal megatrends, such as inclusion and climate change. Indeed, in the opening weeks of global

Photographs by MARLIES PLANK

bear markets following the spread of Covid-19, most ESG funds outperformed their benchmarks. And when colleagues and I looked at data for more than 3,000 firms between late February and late March 2020—when global financial markets were collapsing—we found that the ones the public perceived as behaving more responsibly had less-negative stock returns than their competitors. I believe that longer term, the crisis is likely to increase awareness that companies must consider societal needs, not just short-term profits. The recent prominence of the Black Lives Matter movement, too, is creating a groundswell of support for strong diversity policies and fair employment practices. It seems clear that companies will be under growing pressure to improve their performance on ESG dimensions in the future.

The challenge for many corporate leaders is that they aren't sure how to do that. They lack understanding of exactly where they should be focusing their attention and how they should be communicating their ESG efforts. Many executives incorrectly believe that simple actions will suffice: improving ESG disclosures, releasing a sustainability report, or holding a sustainability-focused investor relations event. Some companies take those actions, fail to see a benefit, and grow disappointed or frustrated. In some cases they face criticism and negative reactions from investors.

It's easy to see why this has happened. Too many companies have embraced a "box-ticking" culture that encourages the adoption of increasingly standardized ESG activities, many of them created by analysts and consultants who rely on industry benchmarks and best practices. Those activities may well be good for society and the bottom line. Firms reap clear benefits in the form of operational efficiencies: After all, ESG measures such as reducing waste, strengthening relationships with external stakeholders, and improving risk management and compliance are good business hygiene. In many industries such efforts are now table stakes for enterprises wishing to remain competitive.

But they're not enough. Companies must move beyond box checking and window dressing. In a world that increasingly judges them on their ESG performance, they must look to more-fundamental drivers—particularly strategy—to achieve real results and be rewarded for them. Over the past two decades various colleagues and I have analyzed more than 10,000 companies, conducting 30 field studies and publishing more than 15 empirical papers. Our collective research points to the need for a new management paradigm for corporate leaders—one in which ESG considerations are embedded in both strategy and operations.

In this article I describe a five-pronged approach to help companies achieve superior performance through attention to environmental sustainability, social responsibility, and good governance. Pursuing this work isn't about ESG ratings per se—it's about using ESG integration to create new forms of competitive advantage. And since it involves fundamental strategic and operational choices, it can't be left entirely to the investor relations team or the sustainability department. Instead it must be a priority for the CEO and top executives and become central to the firm's culture.

IDEA IN BRIEF

THE SITUATION

Many CEOs feel as if they're doing everything that's asked of them in terms of improving environmental, social, and governance (ESG) practices. Yet their firms aren't being rewarded by capital markets.

THE INSIGHT

Following the crowd on ESG activities is not the answer. To gain a competitive advantage, firms should instead focus on the ESG issues that are financially material for them and pursue those in distinctive ways.

THE ACTIONS

Management should take fi e steps: Adopt strategic ESG practices; create accountability structures for ESG integration; identify a corporate purpose and build a culture around it; make operational changes to ensure that the ESG strategy is successfully executed; and commit to transparency and relationship building with investors.

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Why ESG Issues Matter

The most fundamental reason to try to raise your company's ESG performance is that all human beings—in and out of corporate settings—have an obligation to behave in prosocial ways. But apart from the moral case, there are very real payoffs for focusing on ESG issues. And those extend beyond the benefits companies might enjoy because of productivity increases due to higher employee engagement, or sales increases due to more loyal and satisfied customers.

First, an ESG focus can help management reduce capital costs and improve the firm's valuation. That's because as more investors look to put money into companies with stronger ESG performance, larger pools of capital will be available to those companies. My research colleagues and I have found this happening not only in equity markets but also in loan markets, where some banks are linking interest rates on loans to ESG performance. ING, for example, did just that in 2017 when it made a $1.2 billion loan to Philips, an innovator in health technology and consumer products.

Second, positive action and transparency on ESG matters can help companies protect their valuations as more global regulators and governments mandate ESG disclosures. My research with Jody Grewal of the University of Toronto and Edward Riedl of Boston University showed that after the European Union announced broader disclosure requirements, the stock market reacted positively to firms with strong ESG disclosure and negatively to those with weak disclosure. And it's not only developed countries that are adopting and enforcing disclosure regulations; so are many emerging markets, including South Africa, Brazil, India, and China.

Third, efforts to ensure sustainable practices will help maintain shareholder satisfaction with board leadership. As more investors with more assets under management commit to ESG investing, they will have more voting power to effect changes. Shareholders in a growing number of companies have already put forward proposals to improve gender diversity on the boards, garnering a level of support that was unimaginable even 10 years ago. For example, nearly 63% of voting shareholders at Cognex, a maker of machine vision products, approved a proposal to diversify the board, while a similar measure at the real estate company Hudson Pacific Properties received 85% support. To avoid votes against directors, challenges to executive-pay initiatives, and the like, management needs to be proactive about addressing ESG issues.

Finally, and perhaps most importantly, ESG practices are part of long-term strategy, and every company needs investors who support management's vision and plans for the future. When Paul Polman became the CEO of Unilever, then an underperforming consumer goods giant, he immediately ended quarterly earnings guidance and was explicit about his commitment to long-term strategy rather than short-term profits. That led to an exodus of short-term-focused investors, thereby attracting more-patient capital.

So how can companies get ahead of the trends and realize tangible financial benefits from their ESG programs? In my experience studying and advising companies with strong programs, I have identified five actions that management can take: Adopt strategic ESG practices; create accountability structures for ESG integration; identify a corporate purpose and build a culture around it; make operational changes to ensure that the ESG strategy is successfully executed; and commit to transparency and relationship building with investors.

A Strategic ESG Program

To date, most companies have been treating ESG efforts like a cell phone case—something added for protection (in this case, protection of the firm's reputation). Corporate leaders need to replace this mentality with an ambitious and differentiated ESG strategy if they want to see real financial dividends.

In his seminal article "What Is Strategy?" (HBR, November–December 1996), Michael Porter draws a distinction between operational effectiveness and strategy. The former, he writes, "means performing similar activities better than rivals"; the latter "is about being different." Following Porter's distinction, an ESG program may deliver efficiencies and other operational improvements—maybe even some that are necessary for corporate survival—but it will boost long-term financial performance only if it provides strategic differentiation from competitors.

For example, some companies implement environmental-, water-, or waste-management systems in order to operate more efficiently. Although such systems would be included in ESG ratings, few if any companies would expect to establish a competitive advantage

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simply by adopting them. Typically, competitors can quickly follow suit and acquire similar systems. My research with Ioannis Ioannou of London Business School suggests that this is indeed what has happened. Analyzing data from close to 4,000 companies globally, we found that within most industries, ESG practices converged over the eight years from 2012 through 2019. In other words, firms are increasingly engaging in the same sorts of sustainability and governance activities—and thus failing to differentiate themselves strategically.

To outperform their competitors, companies need to find approaches that are more difficult to imitate. In our study we identified the ESG activities in each industry that have become widespread, which we termed *common* practices, and those that have not, which we termed *strategic*. As an example of the latter, think of Airbnb's creation of a peer-to-peer network and a "circular economy" business model (one involving the reuse of existing assets), or Google's unconventional approach to employee recruitment, engagement, and retention. Those distinctive practices have helped Airbnb and Google occupy competitive positions that cannot be easily replicated—and the companies have been rewarded by capital markets as a result. Indeed, our research confirms that the adoption of strategic ESG practices is significantly and positively associated with both return on capital and market valuation multiples, even after accounting for a firm's past financial performance.

So how can companies identify strategic ESG initiatives? As with any strategy, the way to start is by determining where to play and how to win. The

ABOUT THE ART

Marlies Plank is fascinated by the surreal effect of large soap bubbles fl ating through landscapes. She has photographed around the world, in locations such as Austria, Morocco, Spain, Italy, and Slovenia.

former is particularly vital because not all ESG issues are created equal—some matter more, depending on the industry. In the energy and transportation sectors, for instance, investing to make the transition to a low-carbon economy is becoming increasingly important, affecting companies' costs and margins. In the technology sector, however, carbon-footprint reduction is not as relevant as building a diverse organization, which can bolster a brand's reputation and lead to increased revenue.

My research with Aaron Yoon of Northwestern University and Mozaffar Khan, a former colleague at HBS, has shown that targeting the right issues brings financial benefits: In analyzing the performance of more than 2,000 U.S. companies over 21 years, we found that those firms that improved on *material* ESG issues significantly outperformed their competitors. (Materiality was identified by the Sustainability Accounting Standards Board, or SASB, which offers a list of salient issues for 77 industries. I served as an unpaid member of SASB's Standards Council from 2012 to 2014.) Interestingly, companies that outperformed on *immaterial* ESG issues slightly underperformed their competitors. This suggests that investors are becoming sophisticated enough to tell the difference between greenwashing and value creation.

Of course, materiality is not a static concept. The strategic challenge for corporate leaders is to be foresighted about the ESG themes that are emerging as important industry drivers—to identify them before their competitors do (and in some cases ahead of SASB too). This requires leaders to conceptualize the various actors in the system, their incentives, and the interventions that could drive change. Although that may sound straightforward, it is not. But my research with Jean Rogers, the founder and former CEO of SASB, revealed that an ESG issue is likely to become financially material under certain conditions:

- when it becomes easier for management and external stakeholders to gain insight into a company's environmental or social impact (consider how technological advances now make it possible to trace the raw materials in electronic products and discern those that have been unsustainably mined)
- when the media and NGOs have more power and politicians are more responsive to it (such scenarios have prompted the creation and enforcement of anticorruption laws and other new regulations)
- when companies lack the ability to effectively self-regulate (for instance, this is the case in the palm oil industry, where a misalignment of incentives for farmers leads to deforestation)
- when a company develops a differentiated service or product that replaces a "dirty" or unsustainable way of doing business (think of Tesla, with its potential to disrupt the market for gasoline-powered cars)

IKEA is one company that has mapped out a strategic ESG program, transforming itself in response to accelerating environmental degradation. It has introduced various product, service, and process innovations to move away from its traditional retailing of inexpensive furniture that customers often discard quickly. It recently entered the home solar and energy-storage business, which grew by 29% in 2019. And while most competitors are focusing on using materials more efficiently or trying to find ways to recycle products *after* they have been designed, IKEA has launched an effort to completely rethink product design. The aim is to create products that can be reused, refurbished, remanufactured, or recycled, thereby extending their lifespan. Moreover, IKEA products will be modularized to make them easy to dismantle and reuse as raw materials when they're no longer functional. Although this process will take years, the firm will most likely emerge as a circular-economy leader as more regulatory, consumer, and brand pressures force companies to compete on products with better environmental credentials.

While IKEA's strategy involves moving away from wasteful practices, other firms have found that strategic reviews can identify ways to differentiate by leaning in to positive impact. When senior leaders at Vaseline interviewed medical professionals at the Centers for Disease Control, Doctors Without Borders, and the UN Refugee Agency, they learned that Vaseline jelly was an indispensable part of emergency first-aid kits, particularly in developing countries. They also learned that preventable skin conditions, such as deeply cracked hands and burns from cooking on gas stoves or using kerosene lamps, were keeping people from working, going to school, and engaging in other basic activities—a situation that Vaseline could help alleviate. That insight led to a new social-impact strategy to help heal the skin of 5 million people living in crisis or conflict. The strategy connected business goals with societal needs and

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differentiated the brand from competitors while increasing revenue.

Accountability Mechanisms

The implementation of an ESG strategy involves large operational and strategic changes. It must start at the top with the board and be diffused through the entire organization. (See "The Board's Role in Sustainability" in this issue.) Yet my research shows that in most companies the board of directors is far removed from the firm's ESG efforts. This is a mistake. The board should be the entity that ensures that ESG metrics are properly considered in executive compensation and are adequately measured and disclosed as part of the audit committee's work. Indeed, my colleagues and I have found that one of the characteristics of organizations with high ESG performance is a process that deeply embeds ESG issues in the board's work and in executive pay.

Although most large global companies say that their boards oversee sustainability, that generally happens in a piecemeal fashion. There are exceptions. BNP Paribas is a global financial company taking a systematic approach to sustainability governance. The company has directors who are active participants in sustainable-finance forums, including a chair who was formerly the president of the European Bank for Reconstruction and Development. Large polluters, such as BHP, Royal Dutch Shell, and Eskom, have linked executive incentives to their carbon emissions, motivating management to act as it faces increased risk of regulation and competition from new technologies. Microsoft and other technology firms have tied executive compensation to workforce diversity targets, an ESG issue that's critical for an industry in which competitiveness requires innovation, fresh ideas, and creative thinking.

The Power of Purpose

A top-down approach to sustainability and good governance is not effective if it is not supported from the bottom up by a culture that rallies around ESG initiatives. Many strategic efforts fail because people further down in the organizational hierarchy don't believe there is a true commitment to ESG goals or they lack clear direction for achieving them. Skepticism, even cynicism, leads such efforts to be sidelined or inconsistently implemented across functions, divisions, and business lines.

To remedy this problem, organizations must identify a corporate purpose and build a culture around it. When Claudine Gartenberg of the Wharton School, Andrea Prat of Columbia University, and I analyzed data from more than 1,000 U.S. companies and 1.5 million employees, we found that clarity about a sense of purpose declines from senior management to middle management and then to lower-level employees. We also found that firms able to flatten the hierarchy and diffuse a sense of purpose through the ranks outperformed their competitors.

In recent years a lot has been written about purpose, but not much consensus exists about what the term actually means. The most high-profile articulation of the concept came from Larry Fink, the CEO of BlackRock, the largest asset management firm in the world. He wrote that "a company cannot achieve long-term profits without embracing purpose" because "a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society." In August 2019, CEOs from 181 of the world's largest companies—as part of the lobbying group Business Roundtable (BRT)—modified a position that the group had held since 1977 by declaring that the purpose of a corporation is not just to serve shareholders but to create value for all stakeholders.

Neither Fink's nor BRT's assertion explains exactly what purpose is, of course. But we definitely know what it is not: words you see on a wall when you enter company headquarters, mission statements posted on websites, or grandiose speeches by CEOs in town halls. Research has shown those to be "cheap talk" that is unrelated to real outcomes in the organization.

My colleagues and I have defined purpose as how employees—the people who know the organization best—perceive the meaning and impact of their work. To measure employees' sense of purpose in three of our recent studies, we used questions from surveys by the Great Place to Work Institute, asking participants to rate their level of agreement with statements such as "My work has special meaning; it's not just a job," "I feel proud of the ways that we contribute to the community," and "Management has a clear view of where the organization is going and how to get there."

Investors seem to be paying increasing attention to companies that are effective at linking strategy to purpose. The Strategic Investor Initiative, an outgrowth of the Chief Executives for Corporate Purpose coalition, recently collaborated with KKS Advisors (which I cofounded) to analyze 20 CEO presentations on long-term strategic plans. We found that when CEOs did well at communicating corporate purpose, stock prices and trade volume rose in the following days. The implication is that investors find value in information about purpose. In one of the presentations we studied, Kenneth Frazier, the CEO of Merck, told shareholders: "Our purpose is very clear to us and all of our people, and that is to discover and develop lifesaving medicines for society." He added, "That's what makes our people come to work every day. It's what makes them make the tremendous commitment that gives them the willingness to make the discretionary effort."

For some companies, defining their purpose means leaving money on the table, at least in the short term. This is the case with automakers that are transitioning away from carbon-emitting gas-powered cars and moving toward electric vehicles, which are more eco-friendly but less profitable. The good news, though, is that we're seeing more examples proving that a long-term trade-off between profits and sustainability is not necessary, given that companies can redesign how they generate revenue. Consider Philips Lighting, which has shifted from selling light bulb products with limited lifespans to selling lighting as a sustainable service. Customers pay for the light they use rather than investing in the physical assets, while Philips retains ownership of all lighting equipment and takes it back when it's suitable for recycling or upgrading.

Commitment to a purpose will also push companies to sometimes undertake initiatives that might not pencil out in P&L terms. Frazier described such an initiative when he spoke about Merck's effort to develop an Ebola vaccine: "It would have been impossible to say…'We won't go there, because we don't see a robust commercial market.' And I think that's part of what [we are] talking about in terms of having a purpose-driven organization."

As more companies work to articulate their purpose and build a culture that fully embraces it, we will learn more about what ensures success. However, my research with Gartenberg already points to three key conditions: an intentional strategy to grow leaders within the organization, resulting in the promotion of internal candidates to the CEO role; fair compensation structures (in which the ratio of CEO pay to median worker pay is not extreme for the industry); and careful execution of mergers and acquisitions to avoid culture clashes. Though the reasons aren't fully understood, the research suggests that externally hired CEOs and companies with more acquisitions need to work harder to create a sense of purpose.

Operational Changes

In studying firms that have successfully implemented an ESG strategy, I've noticed that they tend to pass through three phases: efforts to reduce risk and ensure compliance with environmental regulations and other laws; efforts to improve operating efficiency; and efforts to innovate and grow. To achieve this evolution, exemplary firms usually start by centralizing ESG activities, which is helpful for moving from a focus on risk and compliance to a focus on operating efficiency. But to reach the innovation and growth stage, companies need to decentralize ESG activities and empower corporate functions to take responsibility for them. This is true in terms of distributing power from the C-suite to middle management, but it's also true at the board level. Initially a board needs to set up a separate sustainability committee. But at the third stage it will typically reallocate responsibilities to preexisting board committees (audit, nomination, and so forth).

Of course, decentralization requires appropriate support mechanisms. For example, the chemicals company Solvay developed a tool to assess the environmental impact of each of its product applications. This has enabled decision-makers in separate functions to take environmental considerations into account when discharging their respective responsibilities—for apportioning the R&D budget, underwriting risks during the due diligence phase of acquisitions, or optimizing plant manufacturing operations as regulations change. From 2016 to 2018 Solvay saw 4% annual growth in sales of products that have low environmental impact, while sales of more-damaging products declined by 5%.

As the ESG field continues to mature, investors will be looking at how organizations are structured to deliver on their stated purpose. To increase the odds of success, winning companies will make sure that the people who manage the

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most important determinants of ESG performance have the capabilities and resources needed to get the job done.

A first step is to ensure that the chief sustainability officer, or the senior executive charged with ESG responsibilities, is the person closest to the company's most material ESG issues. If brands are critical assets (as they are for consumer goods companies), this individual might be the chief marketing or chief brand officer. If risk management is a central concern for the enterprise (as is the case for financial institutions), this person could be the chief risk or chief investment officer. If human capital issues matter most, the responsibility for ESG activities might fall to the head of human resources. At Tyson Foods, the former chief sustainability officer also served as the executive vice president of corporate strategy and led continuous-improvement efforts. Additionally, he managed Tyson's venture fund, which is investing in plant-based protein and cultured meat as more-sustainable alternatives to traditional meat products.

Goal setting can be useful in helping companies progress from centralization to decentralization of ESG activities. Although top leaders should set ESG targets, unit heads and middle management should be empowered to figure out how to hit them. Paradoxically, audacious targets are more likely to be met than modest ones are. That was the finding that emerged when Ioannou and I, along with Shelley Xin Li of the University of Southern California, analyzed more than 800 corporate targets related to climate change. And a separate study—one I did with Grewal and my Harvard Business School colleague David Freiberg—confirmed the benefits of aiming high: We looked at more than 1,000 firms and discovered that those with relatively ambitious targets relating to climate change invested more than their peers, made significant operating changes, and, in the process, drove innovation.

Communicate with the (Right) Investors

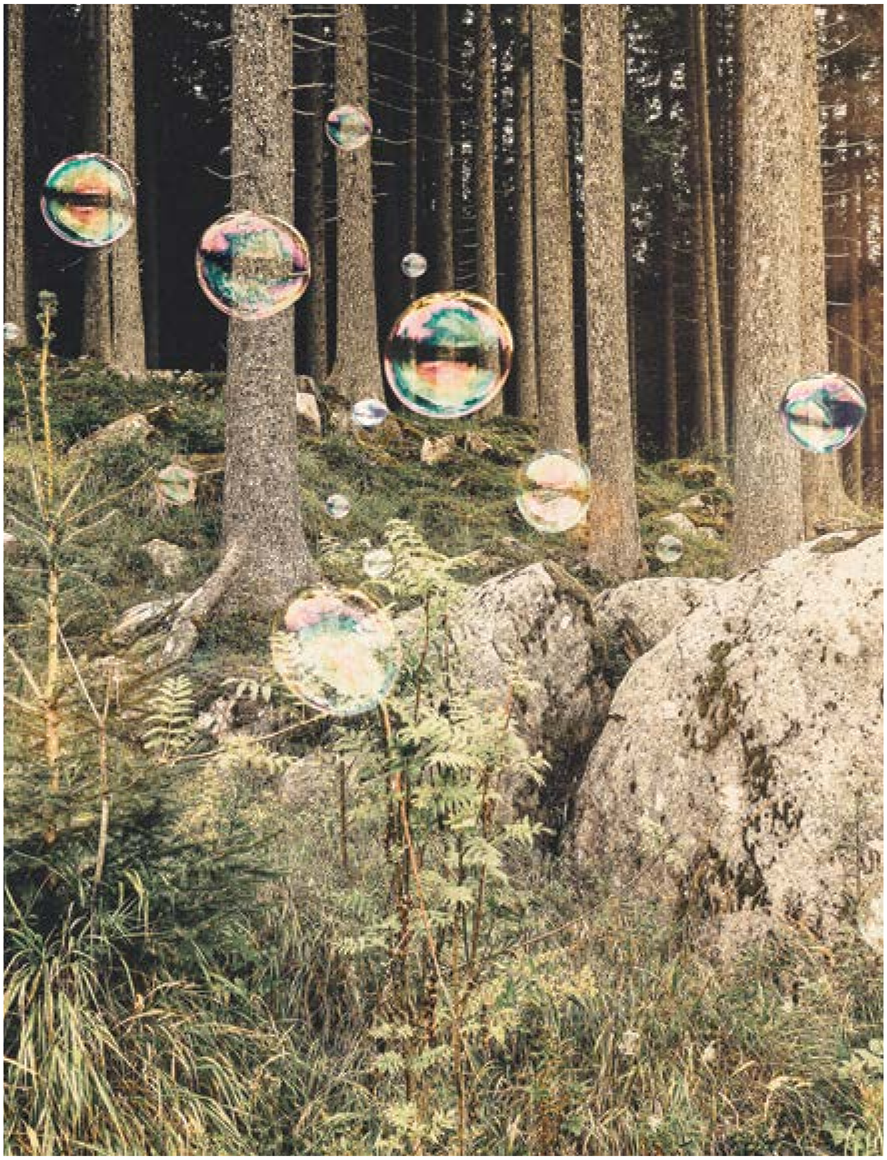
Companies must avoid slavishly focusing on improving their ESG ratings, but communication with the investor community is nevertheless important. Often, however, decisions about what to measure and how to keep investors informed are clouded by misconceptions.

The first is the belief among many corporate leaders that a firm's investor base is not subject to influence or control by management. In reality, a company *can* influence who buys its stock and, if necessary, change the base of shareholders. It's not as easy as shaping one's customer or employee base, but it's possible. For example, before Shire was acquired by Takeda Pharmaceuticals, it significantly altered its investor base from 2006 to 2012 by committing to integrating financially material ESG issues into its strategy and reporting on them to its shareholders. Dedicated long-term investors (including Aviva Investors, Scottish Widows, and the Norwegian sovereign wealth fund) initially owned a small fraction of Shire's stock, but their holdings increased steadily and eventually became greater than those of transient investors—a highly uncommon phenomenon for a publicly listed company.

The second misconception is that the demands of sell-side analysts employed by big brokerage houses should determine what must be communicated. Most companies still emphasize mostly short-term information in their investor communications. That's because they view the sell side as the traditional "customer" of investor relations. That needs to change; the focus should be on communicating directly with the buy side—the large institutional asset managers that hold the company's stock.

The third misconception is that ESG metrics are sufficient for investors to integrate ESG considerations into their business analysis, valuation, and modeling. In fact, investors struggle to embed those metrics in financial models because it's not clear what they mean or how they can affect the financials. One solution might be the creation of a system of impact-weighted accounting that could measure a firm's environmental and social impacts (both positive and negative), convert them to monetary terms, and then reflect them in financial statements. Though the science to do this has yet to be perfected, such a system holds great promise for three reasons: It would translate impacts into units of measurement that business managers and investors understand; it would allow for the use of financial and business analysis tools to consider those impacts; and it would enable an aggregation and comparison of analyses across types of impact that would not be possible without standardized units of measurement.

At the Impact-Weighted Accounts Initiative (a Harvard Business School project that I lead), we are collaborating with



the Global Steering Group for Impact Investing and the Impact Management Project on a simple approach: adjusting traditional accounting measures to consider the various types of impact that ESG actions might have. These include *product* impact, which affects revenue numbers; *employment* impact, which affects employee expenditures on the income statement; and *environmental* impact, which affects the cost of goods sold. For example, positive product impact could mean more revenue for a company and potentially higher growth. Positive employment impact (measured by, say, resources spent on employee training) would send investors a strong signal that management views employee expenditures as investments that lead to future profitability and not merely as expenses. Negative environmental impact might raise the cost of goods sold, by triggering new and restrictive regulations.

Valuing a company's effects on people and the planet—and integrating that into traditional financial analysis—will offer a more comprehensive picture of actual corporate performance. Some companies, such as the science-oriented DSM and the pharmaceutical giant Novartis, are already experimenting with impact-weighted accounting. Novartis estimated its employment impact for 2017—including benefits derived from employee development, occupational safety efforts, and payment of a living wage—at $7 billion. Its environmental impact, as measured by carbon emissions and water and waste impacts, was calculated at $4.7 billion. Positive product impact, something that has been largely missing from most ESG investment frameworks, was estimated at $72 billion.

A final, fundamental misconception about investor relations is the idea that ESG disclosure is transaction-based and can happen intermittently. Companies need to instead see it as an opportunity for continual reputation and relationship building. It used to be that most communication with investors (the buy side) was happening through Wall Street analysts (the sell side). Increasingly, investors want a direct line of communication, and they appreciate proactive information sharing, which has the added benefit of extending investor patience. Performance declines may occur. But if CEOs come to investors with an excuse after the fact, without having built trust, they are unlikely to be given the leeway or the time they need to reverse the decline.

The Path Forward

Many companies have failed to recognize that the functional role of ESG data has changed over time. Initially such data was used to judge a company's willingness to avoid harm and do good. As a result, it was primarily an input to help form policies that signaled a firm's commitment to achieving positive outcomes for the environment and society.

However, investors are increasingly asking a different question: not whether a company has good intentions but whether it has the strategic vision and capabilities to achieve and maintain strong ESG performance. That means companies need to start measuring and reporting the results of their initiatives. Instead of communicating their *policies* for improving data privacy, water management, climate change mitigation, diversity, and other issues, they must communicate *outcome metrics* such as the number of customer accounts hacked, liters of water consumed per unit of product produced, carbon emissions saved, and percentage of women and people of color promoted internally to management positions.

Moving from intention to results is the next evolution that investors are looking for. The only way to outperform in this new era will be for companies to make material ESG issues central to their strategy and operations, to go above and beyond their competitors, and then to measure and communicate their superior performance. Global society faces enormous challenges. But if companies are bold and strategic with their ESG activities, they will be rewarded.

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