

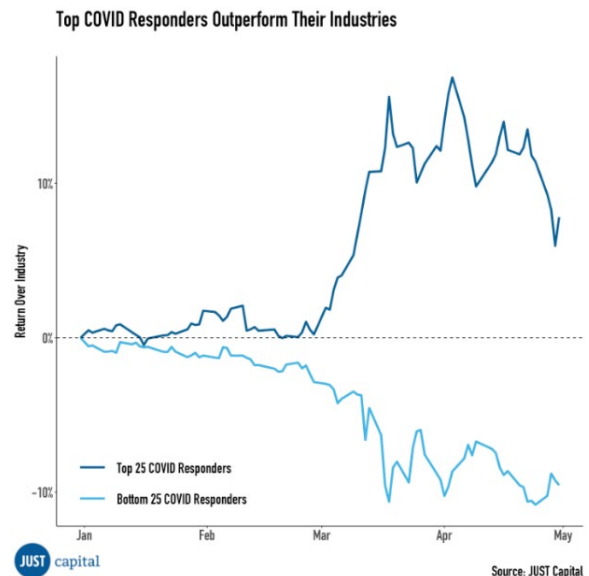
ESG in a Post COVID-19 World

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Corporate Responses and Outperformance

Forbes launched the [Forbes Corporate Responders](#): a new ranking which assesses how well the 100 largest employers among U.S. public companies reacted to COVID-19 based on [JUST Capital's COVID-19 Corporate Response Tracker](#). The top 10 companies are: Verizon, Target, AT&T, Walmart, T-Mobile, Lowe's Companies, Starbucks, Home Depot, JPMorgan Chase, and the Kroger Co. [May 26th]

JUST Capital used this ranking to [compare](#) the returns of the top 25 Corporate Responders to the bottom 25 companies' performance. They found that the top 25 saw a 7.81% return over their respective industries while the bottom 25 saw a -9.55% underperformance. [May 28th].



Protesting against racial discrimination: Company responses and social media reactions

Many of America's most prominent CEOs have issued [statements with pledges](#) regarding the death of George Floyd and the protests. For instance, **General Motors** will create an "Inclusion Advisory Board made up of leaders both inside and outside the company with the purpose of promoting inclusion and standing up against injustice," **YouTube** will give a \$1 million donation to The Center for Policing Equity, similar to **Nike's** two-to-one match of employee donations to organizations that help advance equality and **Target** has pledged assistance to communities and has signed a letter from the Children's Minnesota committing to address structural racism. Importantly, there are only four black male and zero black female Fortune 500 CEOs. [June 2nd].

CEOs in the financial sectors [published remarks](#) following the racial discrimination events of the past days. Jamie Dimon, CEO of **JPMorgan Chase**, stated "This crisis must serve as a wake-up call and a call to action for business and government to think, act and invest for the common good and confront the structural obstacles that have inhibited inclusive economic growth for years." **Blackrock's** Larry Fink also made a statement saying, "As a firm committed to racial equality, we must also consider where racial disparity exists in our own organizations and not tolerate our shortcomings." [June 1st]. John Streur, CEO of **Calvert Research and Management** stated the company will begin to call on companies to provide the information to accurately assess their [racial diversity and pay equity across race and gender](#). [June 3rd]. Other remarks included those of the CEOs of **Goldman Sachs** and **Bank of America**. [June 1st].

Moral Money mentions [four actions](#) that business can take to address systemic inequalities in practice: (1) hire more people of color, (2) equal pay, (3) invest in minority entrepreneurs and communities; and (4) use lobbying power to support policies and politicians that will advance equality and curb police brutality. [June 3rd].

Social media reactions open a debate about the influence of technology platforms on social issues. For instance, **Twitter** [hid one of President Trump's tweets](#) behind a warning that it "glorifies violence." The tweet violated rules about glorifying violence in line with Twitter's public interest exceptions policy established in June 2019 in an attempt to answer calls for better stewardship from social media platforms. However, Twitter determined that it may be in the public's interest for the tweet to remain accessible. [May 29th].

Dozens of **Facebook** employees staged a [virtual walkout](#) in a new wave of protest to CEO Mark Zuckerberg's failure to act on President Trump's "When the looting starts, the shooting starts" Twitter post relating to the protests, in a clear effort from employees for Facebook to have a clear stance on social matters and to condemn violence and discrimination. [June 2nd].

COVID-19 impact on corporate governance

According to analysts, increasing ESG [pressure on dividend payouts will continue post-COVID-19](#) as more emphasis on social impact may trump shareholder's interests. Some investors hence think dividend payments will not return to normal after the outbreak. [June 1st].

COVID-19 has placed a [premium on active directors](#) who devote time to executives and offer advice to them. According to a working paper based on a study of the response of hundreds of US firms, companies with active and advisory directors tend to have better short-term performance during a crisis than companies with more passive directors. Boards may also seek new expertise after the crisis from prominent figures that have risen during the pandemic. [May 26th].

Towards a sustainable economic recovery: More actions

The Science Based Targets initiative (SBTi) and its Business Ambition for 1.5°C campaign partners, the UN Global Compact and the We Mean Business coalition convened 155 global companies in Uniting Business and Governments to Recover Better - the largest ever UN-backed CEO-led climate advocacy effort. In a [statement](#), the signatories, representing over US\$ 2.4 trillion and over 5 million employees, urge governments to align COVID-19 aid and recovery efforts with the latest climate science. [May 19th].

Wärtsilä, in collaboration with **Greenhouse**, has launched the [Energy Transition Lab](#), a tool aimed at accelerating a global energy transition. The tool also assesses the impact of COVID-19 on Europe's energy mix. The outbreak and ensuing lockdown have caused a [decrease in energy demand](#), which has assisted renewable energy penetration. In Europe, renewables delivered almost half (47%) of electricity generation, with coal generation dropping by almost one third (32%), from mid-March to mid-April. [May 27th].

The **EU Commission** proposes the [world's greenest stimulus plan](#) to help EU member states to recover from the COVID-19 pandemic. The plan "aims to accelerate the transition to clean transport, increase energy savings and boost the production of renewable energy." To access the funds, member states will need to show that investments are in line with the ambitious objective of the Green Deal to eliminate net GHG emissions. [May 27th].

A [report](#) from the **IMF** found that equity valuations fail to capture changes in companies' physical risks and asks for mandatory climate disclosures [May 27th]. Similarly, **Ceres** has published [a report](#) that recommends steps that the Federal Reserve and each banking, commodity and securities regulator should take to address "systemic risk" as a result of global warming. These steps include integrating climate risk into the community reinvestment process to bolster the resilience of low-income communities and integrating climate change in the financial supervision process of all banking regulators. [June 1st].

Annual General Assembly season: Waves of change

Blackrock seems to begin to "[walk the climate talk](#)." At **Chevron's** recent annual meeting, Blackrock supported a non-binding resolution for more disclosures on how their lobbying coheres with the Paris agreement. As an investor of **Exxon Mobil**, it voted against the reelection of two outside directors to express dissatisfaction over Exxon's climate risk disclosures. [May 30th]. However, Blackrock refused to back landmark environmental resolutions at two big Australian oil companies, which has led to [accusations of double standards](#) and "climate washing." [May 17th].

Despite COVID-19, investors are focusing on climate change and lobbying during this [AGM season](#), as seen with **Chipotle**, **Shell**, **JLL**, **Total** and **General Electric**. On climate-related proposals that have gone to a vote, majorities have been reached at major companies like **Woodside Petroleum**, **Ovintiv** and **JB Hunt**. While major oil companies like **BP** and **Repsol** have already announced climate commitments, **Exxon Mobil** remains entrenched and will be the target of members of organizations like **Ceres** and **Climate Action 100+**, according to **Responsible Investor**. [May 26th].

Purpose-driven business during COVID-19: The Danone example

The outbreak of COVID-19 has only bolstered Danone's goal to complete the [B-Corp certification of all its subsidiaries by 2025](#), a feat that would make it the first listed company in the world to do so. Twenty of Danone's subsidiaries are already B-Corp certified, while 15 more hope to become so this year. This drive has been coupled with the company's adoption of the 'Entreprise à Mission' (Benefit Corporation) model created by French law in 2019, [the first listed company to do so](#). This will "embed the legal framework within its articles of association (including a purpose) and apply a new governance arrangement to oversee the progress of its environmental, social and societal goals." Moreover, the company has guaranteed all employees a full wage until the end of June and pledged €300 million in support for its trading partners. [May 20th].