Vortex Energy Group LLC's View of Environmental / Social / Governance (ESG)

Vortex Energy Group LLC
www.VortexEnergyGroup.com

Environmental, Social, Governance (ESG)

ESG began in 2004 with the UN's adaptation of the concept in which investors would look at how socially responsible a company was, helping them to steer clear of companies that were involved with tobacco, weapons, gambling, and other areas of concern. Rising out of the idea that investors would look at things like values, they began focusing on factors not directly related to a company and it's bottom line.

The following pages offer a review of ESG, and how companies strive for getting a good "scorecard" that will describe their stance on various issues. In the early 2000s, the concept began growing from a simple idea that investors would rather put their money into companies that were value-driven, and developed into companies getting grades based on their practices in climate change, social engineering, DEI – Diversity, Equity, and Inclusion, and other progressive issues. Critics began referring to it as "woke capitalism," and efforts began that fought against many of the rules that were established.

As with so many other ideas, ESG began as a guide to help investors pick value-driven companies to put their funding in, but soon was taken over and developed into a means of almost threatening companies to conform to certain progressive standards.

Some companies, like ours, are very pleased to be able to say that we are a values-driven and faith-based group of companies, as well as promoting an eco-friendly solution to a lot of the world's problems. Between our work in developing innovative solutions to waste management and production of energy to our non-profit company that will set up humanitarian aid in conjunction with WtE facilities, we already fit within the original concepts of climate and values.

Our waste-to-energy (WtE) programs eliminate a wide range of waste materials, and produce clean energy. In addition, we are developing programs in areas like Puerto Rico, where we will offer energy security, destruction of invasive seaweed called sargassum, elimination of overwhelming volumes of landfill waste, and offering energy rates that are half of the currently 2nd highest electricity costs in the U.S.

Finally, we are proud to have a diverse team, made up of numerous women as well as various racial backgrounds, and Veterans. We have chosen Team members based on their qualifications, with an eye towards how well they fit into our "family."

Environmental | *Social* | *Governance* (ESG)

1. What is ESG?

ESG = Environmental, Social, Governance, a framework used by investors, lenders, regulators, and companies to evaluate how an organization manages:

- **E – Environmental:**
  Climate impact, greenhouse-gas emissions, energy use, pollution, waste, water, biodiversity, etc.
- **S – Social:**
  Labor practices, workplace safety, diversity and inclusion, human rights in the supply chain, product safety, community impact, data privacy, etc.
- **G – Governance:**
  Board structure and independence, executive pay, shareholder rights, internal controls, anti-corruption, transparency, etc.

ESG is **most commonly used in finance** as a way to screen or select investments (e.g., "ESG funds"), but the same concepts are now built into corporate strategy and reporting: sustainability reports, climate-risk disclosures, diversity metrics, etc. Wikipedia

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2. Brief history: from ethics to mainstream finance

Very compressed timeline:

- **Pre-2000s – "Ethical / Socially Responsible Investing (SRI)"**
  Faith-based and values-driven investors exclude things like tobacco, weapons, or gambling. Not really "ESG" yet, but similar spirit.
- **Early 2000s – ESG as a term**
  The phrase "ESG" appears in a 2004 UN-backed report *"Who Cares Wins,"* which argued that environmental, social, and governance factors can be financially material and should be integrated into investment analysis. IBM
- **2010s – Explosive growth**
  Big asset managers, rating agencies, and index providers roll out ESG ratings and ESG-branded funds. By 2023, ESG-type strategies cover tens of trillions of dollars of assets under management globally. Wikipedia
- **2020s – Regulation + backlash**
  - Europe pushes mandatory sustainability reporting (e.g., EU Taxonomy, SFDR, CSRD). financialregulationcourses.com
  - In the U.S., the SEC proposes climate disclosure rules, then faces heavy legal and political pushback; by late 2025, the climate-disclosure rule is effectively stalled. EY
  - At the same time, some politicians attack ESG as "woke capitalism," while others say it doesn't go far enough to address climate and social harms. Wikipedia

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3. The three pillars in a bit more detail

3.1 Environmental (E)

Typical metrics:

- Carbon footprint (Scope 1, 2, and sometimes 3 emissions).
- Energy mix (renewables vs fossil).
- Pollution and waste management.
- Water use and stress.
- Deforestation, biodiversity impacts, land use.

How it affects society and finance:

- **Risk management:** Companies exposed to extreme weather, carbon pricing, or resource scarcity may face higher costs or stranded assets (e.g., coal plants).
- **Opportunities:** Efficiency, renewables, circular-economy models, and "green" products can open new markets and lower long-term operating costs. Corporate Finance Institute

3.2 Social (S)

Typical metrics:

- Worker safety, wages, unions, benefits.
- Diversity, equity, and inclusion (DEI).
- Customer privacy and data protection.
- Product safety and responsible marketing.
- Community impact and human rights in supply chains.

Societal and financial angle:

- **Reputation & license to operate:** Poor working conditions, harassment scandals, or data breaches can trigger boycotts, lawsuits, and regulatory action.
- **Productivity:** Better workplace conditions can reduce turnover and improve innovation, although it's hard to measure cleanly.

3.3 Governance (G)

Typical metrics:

- Board independence and expertise.
- Separation of CEO and chair roles.
- Audit quality and financial transparency.
- Anti-corruption controls, whistleblower protections.
- Executive compensation alignment with performance.

Societal and financial angle:

- Good governance is strongly linked to **lower fraud risk and better capital allocation**.
- Many corporate collapses (fraud, corruption, cooked books) are essentially governance failures, not "bad luck."

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4. How ESG is implemented in practice

4.1 ESG investing strategies

Common approaches:

1. **Negative/exclusionary screening**
   Excluding certain sectors (e.g., tobacco, thermal coal, controversial weapons).

2. **Positive/best-in-class screening**
   Choosing firms with top ESG scores within each sector.
3. **ESG integration**
   Incorporating ESG metrics into traditional financial analysis, without necessarily excluding sectors.
4. **Thematic strategies**
   Focusing on specific issues: clean energy, gender diversity, water, etc.
5. **Impact investing**
   Targeting measurable social/environmental outcomes *and* financial return (e.g., microfinance, affordable housing).

4.2 Corporate ESG programs

Companies may:

- Set climate targets (net-zero goals, renewable-energy commitments).
- Publish sustainability or integrated reports.
- Establish ESG/CSR committees, sometimes at board level (though a few firms are now folding stand-alone ESG committees back into mainstream governance). The Times
- Tie executive pay partly to ESG KPIs (safety, emissions, diversity, etc.).

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5. What does the research say about ESG and financial performance?

Overall, the academic evidence is **mixed but leans mildly positive**, especially where ESG factors are "material" to the industry.

5.1 Aggregate findings

Two big literature reviews/meta-analyses:

- A 2021 NYU Stern & Rockefeller Asset Management review of >1,000 ESG–performance studies found that
  - The majority show a **non-negative** relationship;
  - A large subset find a **positive** link (better ESG linked to better risk-adjusted returns or lower cost of capital), especially over longer time horizons and when focusing on financially material ESG issues. Stern School of Business
- A 2012–2022 bibliometric/meta-analysis similarly finds that ESG disclosure and performance are often associated with **improved firm performance**, but results vary by region, sector, and measurement methods. ScienceDirect

Key mechanisms proposed:

- Lower downside risk (fewer catastrophic events, fines, scandals).
- Cheaper capital (investors willing to pay more for "safer" firms).
- Operational efficiencies (energy, waste).
- Attracting/retaining customers and employees who care about values.

5.2 Important caveats

- **Data quality and inconsistency:**
  ESG ratings from different providers often diverge significantly for the same company. Wikipedia
- **Greenwashing:**
  High-profile enforcement actions (e.g., DWS's greenwashing fines in Germany and the U.S.) show that some ESG claims have been misleading. Reuters

- **Fund labeling vs reality:**
  Investigations have shown “sustainable” funds holding shares of heavy polluters within permissive criteria, raising questions about what ESG labels really mean. The Guardian
- **Selection bias:**
  Better-managed, profitable firms might *also* score higher on ESG; disentangling cause and effect is tricky.

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6. Societal and financial impacts (big picture)

6.1 Potential positive impacts

1. **Capital reallocation over time**
   ESG frameworks can help redirect capital toward lower-carbon and more responsible businesses, at least gradually, by affecting cost of capital and investor demand.
2. **Improved transparency and data**
   Mandatory ESG disclosure rules (e.g., EU CSRD, proposed SEC rules) push companies to measure emissions, social impacts, and governance structures more rigorously, improving information for investors and the public. financialregulationcourses.com
3. **Risk awareness**
   ESG encourages long-term thinking about climate risk, supply-chain fragility, labor unrest, and regulatory shifts that traditional quarterly-focused metrics may underplay.
4. **Innovation and new markets**
   Demand for low-carbon technologies, inclusive products, and responsible supply chains has spurred innovation in renewables, green buildings, electric transport, etc.

6.2 Potential negative or ambiguous impacts

1. **Greenwashing and misallocation**
   - If ESG data are weak, inconsistent, or manipulated, capital may flow to companies with the best marketing rather than the best actual performance. 2future.co
   - Investors may feel they are “saving the planet” when the portfolio is not very different from conventional benchmarks.
2. **Complexity and cost**
   - ESG reporting can be expensive and complex, especially for smaller firms.
   - Some critics argue that ESG is overcomplicated and unstandardized, making it hard to compare companies and creating room for arbitrary judgments. University of the Built Environment
3. **Political polarization**
   - In some jurisdictions, ESG has become a culture-war issue. States have sued or restricted asset managers over alleged “ESG agendas,” while others mandate climate or diversity disclosure. New York Post
   - This can create regulatory whiplash and uncertainty for businesses and investors.
4. **Overstated expectations**
   - Some analysts argue that ESG investing, as typically practiced, is **not designed to solve systemic problems like climate change**, but mainly to manage portfolio risk or reputational issues; expecting it to “save the planet” creates inevitable disappointment. Harvard Business Review
5. **Unintended consequences**

  - Real-world trade-offs can be messy. There are cases where "eco-friendlier" materials or practices created new problems (e.g., equipment with biodegradable components performing poorly in harsh conditions). Wikipedia

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7. Main lines of criticism (from multiple sides)

To keep it balanced, here are critiques from different directions:

7.1 From skeptics of ESG's effectiveness

- ESG is **too fuzzy**: wide variety of definitions, metrics, and rating methodologies; ratings often disagree. University of the Built Environment
- **Data are weak:** inconsistent, backward-looking, and sparse, especially for smaller firms and emerging markets. Financial Times
- It mostly influences **disclosure and branding**, not real-world emissions or social outcomes.

7.2 From political or ideological critics

- Some see ESG as a **politicized tool** that forces companies and asset managers to pursue social or environmental goals that shareholders or citizens didn't democratically choose.
- Others argue ESG has been **"weaponized" on both sides**:
  - One side accuses companies of pushing "woke" agendas;
  - The other side says ESG allows companies to avoid tougher regulation by making voluntary commitments instead. Wikipedia

7.3 From environmental & social advocates

- ESG is **too soft**:
  - It may allow significant fossil-fuel or harmful activities as long as certain thresholds are met (e.g., coal caps based on revenue rather than absolute emissions). The Guardian
  - Labels like "sustainable" or "Paris-aligned" can be misleading if underlying methodologies are lenient.
- They argue real climate and social progress require **hard policy** (carbon pricing, regulation, labor standards), not just investor preferences.

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8. Current regulatory and market trends

- **Europe**
  - Strongest push for mandatory ESG reporting and "green" finance frameworks: SFDR, EU Taxonomy, and CSRD require detailed sustainability reporting and attempt to reduce greenwashing. financialregulationcourses.com
- **United States**
  - SEC climate disclosure efforts have met significant legal resistance; as of October 2025, the flagship climate rule appears to be stalled, though some climate and ESG-related disclosures still occur via existing securities law. EY
  - Meanwhile, several states either promote or restrict ESG investing, depending on political orientation.
- **Global**
  - The International Sustainability Standards Board (ISSB) is trying to create a **global baseline** for sustainability reporting, to reduce fragmentation and improve comparability of ESG data. financialregulationcourses.com

- Overall, ESG disclosure quality and quantity are improving worldwide, though gaps remain.

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9. A neutral synthesis

Putting it all together:

- **What ESG *is***
  A broad framework for evaluating how companies manage environmental, social, and governance issues that may affect both society and financial performance.
- **What ESG seems to do reasonably well**
  - Encourage more disclosure and transparency around non-financial risks.
  - Push some capital toward companies and projects that manage sustainability risks better.
  - Support better risk management and, in many cases, slightly better financial outcomes, particularly over the long term and on material issues.
- **Where ESG clearly struggles**
  - Standardization and data quality; ratings often conflict.
  - Greenwashing and inconsistent fund labelling.
  - Political and ideological crossfire, with both "too much" and "not enough" criticism.
  - Limited ability, on its own, to resolve systemic problems like global climate change or inequality.
- **How it impacts society**
  - Indirectly, by shaping how companies report, plan, and sometimes behave (e.g., emissions targets, human-rights policies).
  - Directly, when capital flows change the cost of capital for different types of projects or industries.
  - Ambiguously, when ESG becomes more about marketing than substance — potentially dulling the urgency for stronger, binding regulation.

ESG: Side-by-Side Comparison Table

Key Claims in Favor vs. Key Critiques

Aspect	Arguments in Favor of ESG	Critiques / Concerns About ESG
Purpose & Core Idea	ESG helps evaluate companies' environmental, social, and governance risks beyond traditional financial metrics. It encourages responsible long-term thinking.	ESG definitions vary widely, making it a vague umbrella concept. Critics say it tries to cover too many unrelated topics at once.
Financial Performance	Many long-term studies show ESG-focused companies may have lower risk, fewer scandals, and sometimes better long-term returns.	Evidence is mixed; ESG scores often correlate with already successful companies rather than causing success. Some studies show no clear performance boost.
Risk Management	ESG highlights hidden risks (climate exposure, labor issues, supply-chain vulnerabilities) that traditional models may overlook.	Critics argue companies overstretch to meet ESG metrics that do not materially impact operations, wasting resources on box-checking.

Aspect	Arguments in Favor of ESG	Critiques / Concerns About ESG
Cost of Capital	Firms with strong ESG metrics may access cheaper financing, because investors perceive them as lower risk.	If ESG ratings are inconsistent or flawed, capital may flow to “good scores” rather than truly responsible or financially sound firms.
Environmental Impact	Can encourage reductions in emissions, waste, and pollution; supports the shift toward cleaner technologies.	ESG funds sometimes still hold fossil fuels or polluting industries, causing accusations of greenwashing. Environmental impact can be superficial or overstated.
Social Impact	Encourages better labor practices, fair wages, safer workplaces, inclusive hiring, and respect for human rights.	Companies may focus on “performative” social measures (e.g., marketing DEI statements) without implementing meaningful reforms.
Governance Quality	ESG can strengthen board oversight, transparency, and anti-corruption systems. This can reduce fraud and major corporate failures.	Some argue governance metrics should exist independently of “ESG,” and combining E + S + G leads to confusion and politicization.
Investor Demand	Many investors want investments aligned with values or long-term sustainability, and ESG frameworks help screen options.	Critics say ESG pushes non-financial political goals onto financial markets, sometimes conflicting with fiduciary duty.
Regulatory & Reporting Benefits	Encourages better disclosure of environmental and social risks; can improve data transparency for all stakeholders.	Reporting burdens can be costly, especially for smaller businesses; different jurisdictions impose conflicting rules.
Market Innovation	ESG accelerates growth of renewable energy, green technology, ethical supply chains, and impact-driven models.	Some innovations are “forced” by regulatory pressure and may be expensive, inefficient, or technologically premature.
Public Trust & Reputation	Firms with strong ESG profiles often gain consumer loyalty, reduced legal risks, and stronger brands.	Companies may use ESG as a marketing tool without substantive change, hurting trust when inconsistencies surface.
Climate Leadership	Supporters see ESG as a transition tool to help industries lower carbon exposure and adapt to climate risk.	Opponents argue ESG is ineffective for systemic issues like climate change and distracts from real policy solutions.
Political Dimension	ESG supporters believe businesses must consider societal impacts, not just quarterly profits.	Critics say ESG has become politicized (“woke capitalism” vs. “anti-ESG laws”) and may distort free-market principles.
Standardization & Data Quality	Global efforts (ISSB, EU Taxonomy, CSRD) aim to standardize metrics for clarity and comparability.	Even standardized metrics can be subjective, inconsistent across rating agencies, or based on incomplete information.
Overall Societal Impact	ESG can strengthen long-term corporate responsibility, reduce harm, and improve sustainability in markets.	Critics say ESG’s real-world impact is limited, diluted, or misleading — with benefits often overstated in marketing.

The inventors of ESG: 'Critics have a point—here's the new global reporting system that will address it'

BY **SANDA OJIAMBO** **FORTUNE**
October 18, 2022 at 8:01 AM EDT

A firefighter battles a brush fire on June 17 in California's Jurupa Valley.
QIAN WEIZHONG—VCG/GETTY IMAGES

Environment, social and governance (ESG) reporting is undergoing its biggest stress test since the concept was first coined by the UN Global Compact (UNGC) in 2005, during the tenure of late United Nations Secretary-General Kofi Annan. The concept is under fire from a growing chorus of critics, who argue that ESG is a pointless distraction in a world riven by conflict, energy shortages, rising inflation, and the threat of recession.

No idea is worth its salt unless it can withstand scrutiny–and critics have a point. We are losing ground on a long list of indicators–carbon emissions, absolute levels of poverty, basic healthcare, access to clean and affordable energy, the preservation of our natural environment. This despite a boom in ESG-labeled investment products, which will likely be worth an astonishing $41 trillion by the end of this year, according to industry estimates. That's almost one-third of global managed funds.

It is time to acknowledge that on a broad range of issues, from runaway climate change to widening social and economic inequalities, our actions do not match the ambition and pace needed to achieve the UN's Sustainable Development Goals (SDGs) by 2030. It's also important to admit that the 17 SDGs sometimes present difficult choices for governments. Will Europe burn more coal this winter to heat homes? And how will this affect the continent's aim to slash emissions by 55% by 2030?

While the goals embedded in the initials ESG may not always align with each other, the core reasoning behind the interconnectedness of ESG remains sound–and it's more relevant today than it was 20 years ago. Back then, the UN Global Compact's seminal report *Who Cares Wins* argued that companies and financial institutions could significantly enhance their performance and create more value for shareholders if they became better at managing a broad range of environmental, social and governance risks.

By these measures, ESG is succeeding. On the risk management side, at least, the evidence shows ESG works. Of more than 2,000 academic studies, according to management consultants McKinsey, around

70% found a positive correlation between ESG scores and financial returns–whether measured by equity returns, profitability, or valuation multiples. Increasingly, too, companies with good ESG frameworks are being rewarded with lower borrowing costs. Lenders reason that companies with healthy ESG scores have better governance and risk management processes, and therefore represent a lower lending risk.

The UN also had an underlying motive in rallying businesses to ESG: the expectation that well-run companies respectful of UN Principles would make a fundamental contribution to sustainable development.

For a while now, the UNGC, the world's largest corporate sustainability initiative, has been urging companies to adopt measurable goals and targets. Stakeholders are increasingly skeptical of wooly goals and misleading claims. In Europe, regulators have struck off 1,000 European funds from the sustainable universe after imposing stricter rules to define what can be labeled a sustainable fund.

The UN Global Compact's 15,000 members in 161 countries have already pledged to uphold the UN Ten Principles on human rights, labor, environment, and the fight against corruption, and to take action to advance social development. Now we are asking them to demonstrate tangible progress on these commitments by reporting to our new enhanced and digitized Communication on Progress reports. They will be asked to leave if they fail to show progress. We do not want the UNGC to be a soft touch for greenwashers.

The advantages of making real progress on ESG are manifold. Companies can build credibility and brand value by showing their commitment to the Ten Principles and the Sustainable Development Goals. The reports will measure and demonstrate progress to stakeholders in a consistent and harmonized way. The system will enable our members to assess themselves against their peers and learn from each other. The UNGC will be able to learn from the feedback it gets to assess and track by industry, sector, and principle area. The new enhanced system goes live early next year.

ESG belongs in the real world–with its advances, setbacks, messiness, difficult choices, and balancing acts. COVID, climate change, conflicts, and their many repercussions have shown that ESG is by no means perfect–but it is still the best way we have found to gauge the progress and impact of our corporate citizens.

Sanda Ojiambo is the assistant secretary-general, executive director, and CEO of the UN Global Compact.

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Environmental sustainability: A commitment to a better future

Keep reading to learn more about environmental sustainability, why it's important, and how individuals and organizations across the globe are making a commitment to this critical cause.

Learn more

- **What is environmental sustainability?**
- **History**
- **Importance**
- **Reducing your footprint**
- **What is ESG**
- **Benefits of ESG**
- **Get started**

What is environmental sustainability?

Environmental sustainability is about ecological balance. For nearly two millennia, humans have been carbonizing our planet, which has contributed to global climate change. According to the Intergovernmental Panel on Climate Change (IPCC), the United Nations body for assessing the science related to climate change, it is undeniable that human actions have impacted the planet, resulting in the warming of the atmosphere, ocean, and land.

As we continue to see the negative impacts of climate change, an increasing number of governments, organizations, and individuals are embracing and promoting environmental sustainability. These various groups are working towards the lofty goal of decarbonizing our world to protect our global ecosystems for the sake of future generations.

Environmental sustainability definition

Environmental sustainability is the ability to maintain an ecological balance in our planet's natural environment and conserve natural resources to support the wellbeing of current and future generations.

The three pillars of sustainability

Sustainability is about meeting the needs of present generations without compromising the ability of future generations to meet their own needs. There are three main pillars of sustainability that many organizations strive to achieve:

Social sustainability

For businesses, social sustainability includes important workplace and employee issues like health and safety, inclusion, empowerment, professional development opportunities, and work-life balance.

Economic sustainability

While it may seem like this pillar is focused on an organization's ability to remain profitable throughout its lifetime, economic sustainability isn't just about money. An economically sustainable organization is one that can drive revenue and maintain long-term business growth without negatively impacting the community, environment, or health and wellbeing of its employees.

Environmental sustainability

This pillar is all about protecting the environment for future generations. Environmentally sustainable organizations take steps to enhance efficiencies, reduce resource consumption and waste, and measure and monitor carbon emissions across the entire supply chain. Today, many organizations are amping up their environmental efforts by adopting sophisticated technology, including cloud and IoT sustainability solutions, that allow them to track and reduce their environmental impact.

A brief history of environmental sustainability

The United States first made a national commitment to environmental sustainability in 1969, with the enactment of the National Environmental Policy Act (NEPA). According to the United States Environmental Protection Agency (EPA), under NEPA, the U.S. made it a national policy "to create and maintain conditions under which humans and nature can exist in productive harmony, that permit fulfilling the social, economic, and other requirements of present and future generations."

In the decades following the passing of NEPA, public interest in environmental sustainability has continued to grow worldwide, as countries across the globe face mounting climate change challenges. In 2015, 196 parties adopted the Paris Agreement at an international climate summit known as COP (Conference of the Parties.) According to the United Nations, the Paris Agreement is a legally binding international treaty, which was adopted by almost every nation in the world in an effort to tackle climate change. The goal of the agreement is to reduce carbon emissions enough to limit the global temperature rise to no more than 2 degrees Celsius above pre-industrial levels—with an aim to keep the increase lower than 1.5 degrees Celsius.

In more recent years, many organizations have made environmental sustainability a priority, expanding their efforts to decrease carbon emissions, reduce and eliminate waste, and consume less water.

Why is environmental sustainability important?

Environmental sustainability is important for the wellbeing of current and future generations. Climate change presents a variety of complex environmental, social, and economic challenges for countries across the globe. In recent decades, the consequences of climate change have become increasingly apparent—from rising global temperatures and more extreme droughts to strengthening tropical storms, destructive wildfires, and devasting floods.

As humans and ecosystems across the planet are suffering from the damaging impacts of climate change, many individuals, communities, and organizations worldwide are embracing environmental sustainability and making this critical cause a priority. These efforts will allow us to decarbonize our planet and conserve natural resources to support the health and wellbeing of future generations.

For organizations, environmental sustainability isn't just good for the environment—it's also good for business. By advocating for sustainability and launching programs that support a healthier environment, organizations across all industries can build brand trust, boost customer loyalty, and enhance employee satisfaction. Environmental sustainability is no longer a luxury for organizations—it's now a corporate social responsibility.

Environmental sustainability examples: 6 ways to reduce your footprint

While organizations across the globe want to accelerate their sustainability efforts, many don't know where to begin. If you're looking for ways to reduce your organization's environmental impact, here are a few environmental sustainability examples and tips to help you get started:

- ### Switch to renewable energy

  In an effort to reduce their environmental footprint, many organizations are shifting to renewable energy sources like solar, hydro, geothermal, and wind. Projections show that 50 percent of total power generation after 2035 will be renewables—mainly wind, solar, and hydroelectric.

- ### Commit to a zero-waste future

  Each year, people consume 100 billion tons of materials—and in 2020, only 8.6 percent of those materials were cycled back into the economy after use . To help reduce waste, some organizations are taking an increasingly circular approach to materials management. This not only means increasing the use of recycled content, but also responsibly sourcing materials for operations, products, and packaging.

- ### Reduce your organization's carbon emissions

  Innovative environmental sustainability solutions allow organizations to measure, record, and report carbon emissions across their supply chain. This allows organizations to reduce their impact, gain efficiencies, and make lasting changes.

- **Protect ecosystems**

  Healthy ecosystems are essential for a healthy planet. According to research by the United Nations, the health of the world's ecosystems us deteriorating more rapidly than we previously realized. That's why environmentally conscious organizations are looking for ways to manage their impact on ecosystems and taking steps to help preserve natural resources for a climate-stable future.

- **Conserve water**

  Many organizations that are committed to environmental sustainability are working to reduce their overall water consumption—and some have set goals to be water positive within the next decade. Due to population growth, economic development, and ever-increasing consumption, there's a global increase in water demand. If we don't take action, projections show that there will be a 56 percent deficit in water supply relative to demand by 2030.

- **Advocate for sustainability policies**

  Another way organizations can increase their sustainability efforts is by advocating for policies that support the cause. This includes policies designed to help reduce carbon emissions, advance zero-carbon energy, effectively manage ecosystems, and increase water access, availability, and quality. By pushing for greater sustainability action across your community, country and the world, your organization can make a substantial difference.

What is ESG?

ESG, which stands for environmental, social, and governance, is a set of standards that organizations follow as they strive to be more socially responsible. ESG is important because this is the criteria investors evaluate as they determine whether or not to invest in a company.

Every organization has a direct impact on environmental, social, and governance concerns. Today, the way businesses approach ESG is more important than ever as environmental and social responsibility has become a focus for a wide range of stakeholders—from communities and customers to shareholders and suppliers.

Plus, when an organization commits to strong ESG standards, it can help them attract and retain top talent. That's because an increasing number of employees are drawn to companies that care about bigger issues beyond profitability and take steps to address environmental, social, and governance concerns.

Here’s how ESG breaks down for organizations:

E = Environmental concerns

This is focused on how an organization approaches environmental sustainability issues, including waste management, use of renewable energy sources, carbon emissions, deforestation, water consumption, air or water pollution, natural resource management, as well as the company’s general attitudes towards climate change and sustainability.

S = Social concerns

In the ESG formula, social criteria focus on the impact an organization has on its customers, employees, and the surrounding community and the entire world. This includes important employee issues like labor relations, diversity and inclusion, workplace health and safety, basic wages or salary, employee training and education programs, employee engagement and turnover, and work-life balance. This area also covers the important customer issues, such as the quality of customer service, customer relations, and consumer protection issues. Stakeholders may also consider whether an organization donates time and money to charitable causes, takes a stance on human rights issues, or is beneficial to society.

G = Governance concerns

Corporate governance in ESG is about how well an organization regulates or governs itself. This includes issues like accounting transparency, financial reporting, tax strategies, corporate donations, corruption or bribery, political lobbying, board diversity and structure, environmental compliance, and executive compensation.

Understanding the difference between ESG and CSR

Corporate Social Responsibility (CSR) is a model that pre-dates ESG. CSR is a general set of standards or policies in which organizations consider their impact on employees, shareholders, and society as a whole. A much broader concept than ESG, CSR has more to do with an organization's general intentions to make socially responsible decisions. Many critics have pointed out that CSR is more of public relations effort than an actual commitment to change or reporting process.

On the other hand, ESG includes more concrete policies and specific criteria that can be analyzed and measured using ESG ratings. Organizations in some parts of the world, including the European Union, are required to comply with specific ESG regulations. The U.S. is also considering introducing similar reporting requirements. Unlike CSR, ESG provides actual data that can be evaluated to provide a clear picture of a company's social responsibility and sustainability efforts. Organizations can then tap into these insights to improve their ESG efforts.

The benefits of ESG

Organizations that commit to environmental, social, and governance concerns enjoy a range of valuable benefits. For example, a strong ESG proposition can help an organization:

- Drive business growth by attracting more customers with sustainable products.
- Reduce operating costs through lower energy and water consumption.
- Increase employee satisfaction and productivity—and in turn, decrease employee turnover.
- Attract more employees and customers with social credibility and brand trust.
- Reduce the risk of regulation and government intervention and prompt government support.