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ESG's Growing Influence in the Capital Markets

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ESG integrates the dual aims of environmental stewardship and a just social mission, with governance over both

Environmental

- Climate change and related risks
- The need to reduce toxic releases and waste
- New regulation expanding the boundaries of environmental liability with regard to products and services
- Increasing pressure by civil society to improve performance, transparency and accountability, leading to reputational risks if not managed properly
- Emerging markets for environmental services and environment-friendly products

Social

- Workplace health and safety
- Community relations
- Human rights issues at company and suppliers' contractors' premises
- Government and community relations in the context of operations in developing countries
- Increasing pressure by civil society to improve performance, transparency and accountability, leading to reputational risks if not managed properly

Governance

- Board structure and accountability
- Accounting and disclosure practices
- Audit committee structure and independence of auditors
- Executive compensation
- Management of corruption and bribery issues

Source: United Nations Global Compact, *Who Cares Wins: Connecting Financial Markets to a Changing World*, June 2004, available at https://www.unepfi.org/fileadmin/events/2004/stocks/who_cares_wins_global_compact_2004.pdf.

Pros and cons regarding ESG disclosure practices

Pros	Cons
<ul style="list-style-type: none">✓ Demonstrating a commitment to ESG may help workforce recruitment efforts, especially among younger generations.	<ul style="list-style-type: none">✓ Disclosure standards are still in a nascent stage and may change over time.
<ul style="list-style-type: none">✓ For organizations considering new debt issuance, an ESG commitment may attract a broader pool of investors.	<ul style="list-style-type: none">✓ Committing to ESG also will require a commitment of resources to gather and report on ESG data.
<ul style="list-style-type: none">✓ Disclosure of ESG data aligns with the mission-driven, community-centered focus of not-for-profit healthcare.	<ul style="list-style-type: none">✓ Thus far, there have not been significant savings or “greeniums” from ESG-focused debt issuance in not-for-profit healthcare.
<ul style="list-style-type: none">✓ A leadership position on ESG issues may enable the organization to help shape emerging disclosure standards.	<ul style="list-style-type: none">✓ Once committed to ESG, it may be difficult to disengage if other priorities emerge.

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