



ESG Resilient Amid COVID-19 Crisis

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The commitment of companies and investors to environmental, social, and governance (ESG) factors has been stress-tested during the COVID-19 crisis, but has shown resilience.

Watch the video or read the recap below.

Investment demand for ESG integration has accelerated over recent years, with a special focus on environmental issues given rising risks of climate change.

What was surprising, in my view, during the COVID crisis, was the resilience that ESG demonstrated as the commitment of companies and investors were stress-tested during this period.

We expect the companies that demonstrated strong social credentials to reap the benefits of the lower turnover and highly motivated employees, stronger partnership with their suppliers, and more loyal customers—and for these benefits to have long-lasting, positive effects.

It is evident that societal changes—emphasized by the recent movement of social justice—will require companies to up their game or risk losing their license to operate.

Environmental factors logically took a back seat during the peak of the pandemic. In the meantime, reduced economic activity came along with a sharp reduction in CO₂ emissions, which are expected to drop by 6 to 8

percent in 2020. However, as economies recover, these emissions are expected to rebound, making it increasingly hard to meet the sustainable development goals for climate and health.

In some way, the COVID-19 pandemic provided a sense of the magnitude of the task on hand, as greenhouse gas emissions will need to drop by approximately the same amount as this year—so, 7.5% each year over the next 10 years—for the world to get back on track with a 1.5 temperature goal of the Paris Agreement.

Meanwhile, the economic crisis has presented a unique opportunity for governments to accelerate their environmental agenda by promoting a green recovery.

All these will create risks and opportunities for investors and will require a deeper incorporation of an ESG lens in investment decisions going forward.

Romina Graiver is a portfolio specialist on William Blair's Global Equity team.

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