

Environmental, Social, and Governance



OVERVIEW

Environmental, social, and governance (ESG) principles have moved from criteria that socially conscious investors use to screen investments to a benchmark that all companies use to gauge sustainability and stewardship.

Investors and companies that value ESG are concerned not just with quarterly earnings, but whether their products, business models, and practices company-wide are equitable and sustainable over time. ESG is redefining innovation from an invention to a long-term business model. As investors are pushing the SEC to develop an ESG disclosure framework, companies need to prepare now.

With Wilson Sonsini's investment mindset, strong bench in corporate structure and governance, and deep understanding of the company life cycle, the firm's ESG Working Group is uniquely positioned to advise companies and implement sustainability plans. Our clients are at the forefront of ESG, whether it comes to reducing their carbon footprints, implementing equitable employment policies, or increasing transparency in governance and best practices for board management. Wilson Sonsini serves the ESG needs of established public and private companies, including work for Fortune 500 brands and multinational corporations. Our work with emerging companies is focused on inculcating ESG values in new enterprises to increase value.

Wilson Sonsini helps clients discover, evaluate, and implement the ESG policies that make them desirable to employees and investors. With the help of our multifaceted team, these companies are setting new standards and increasing market value for shareholders by reinventing what best practices mean in their respective industries.

What Is ESG?

Environmental:

- Climate change and carbon emissions
- Eliminating air and water pollution
- Energy and water efficiency
- Waste management

Social:

- Customer satisfaction and community relations
- Diversity and pay equity
- Human rights and international labor standards
- Data protection and privacy

Governance:

- Board composition and audit committee structure
- Executive compensation and equity
- Government relations and ethics
- Bribery, corruption, and whistleblower concerns

Important ESG Areas of Focus

Issues of concern to clients include:

- Corporate governance
- Shareholder activism
- Compliance and reporting
- Transparency and ethics
- Mergers & acquisitions
- Privacy and data security
- Renewable energy
- Energy and infrastructure
- Employment, human rights, and equity
- Diversity and inclusion
- Vendor and supply chain management

Specific ESG Factors Companies Face

Public Companies

- ESG is an evolving method of communicating value beyond the traditional balance sheet.
- Boards are increasingly measured by ESG metrics, though these reporting methodologies are evolving. An ESG mindset to managing risk and growing value is key.
- Climate-related financial disclosures are of increasing importance.
- Managing ESG dialogues with investors, shareholders, regulators, and rating agencies directly affects the short-term and long-term bottom line.

Private Companies

- Investors track and evaluate ESG metrics in their portfolios. Companies oriented toward these metrics are highly attractive, particularly as it is an indication of strong corporate oversight, controls, and a commitment to transparency.
- Public companies considering investment or acquisition look at ESG metrics when seeking partners that align with their goals and values.
- Companies that understand and embrace ESG are in a much stronger position when it comes to an IPO.

Emerging Companies

- Start-ups that embrace ESG fare better with investors, have more balanced growth, and produce more true innovation within the constraints of sustainability.
- By working with the right teams, start-ups learn to embed ESG thinking across the organization, resulting in smarter, more cohesive management.

How We Work

Often with clients, an ESG initiative will start with a renewable energy “offtake” project to reduce its carbon footprint. Then, companies see the possibility of reducing waste and energy inefficiency in their supply chains. That, in turn, can lead to improved management and practices from global vendors, and better, more humane workforce management. Those same processes can be applied domestically to increase sustainability and equity, and work to begin “climate-proofing” the organization. With the right guidance and implementation, this leads to a company-wide change in approach and a boardroom mindset that directly improves the bottom line through increased innovation, strengthened investor confidence, and improved profitability and competitiveness.