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, and includes work for Fortune 500 brands and multi-national 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 are 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 & community relations
- Diversity & pay equity
- Human rights & international labor standards
- Data protection & privacy

Governance:

- Board composition & 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
- Merger & 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 bottom-line, short term and long-term.

**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**

- Startups 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, startups 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 to reduce 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.