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# Incorporating ESG into healthcare compliance programs

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Environmental, social, and governance (ESG) is a framework or set of beliefs that are adopted by corporate entities as part of their business strategy and operations. ESG is predicated on the belief that a corporate entity can exist to simultaneously create profit or fulfill its nonprofit mission while also considering and making decisions that contemplate and account for environmental and social concerns. ESG thinking affects stakeholders—anyone that has an interest in the company (e.g., vendors, suppliers, customers, employees, subcontractors, government entities, or the community, especially for nonprofit hospitals)—of the company and holds that the stakeholders should have a say in what ESG investments the company makes.

As an example, consider an energy exploration company that has discovered a large energy reserve in a poor or undeveloped nation. The government of that nation tells the energy company that in exchange for leasing the rights to the reserve, it must build a school and water treatment facility to serve the citizens, and it must employ a certain number of local citizens. The building of the water treatment facility and the school benefits the community, and the energy reserve creates local jobs that would otherwise not exist. At the same time, the exploration company gets access to an asset that will create positive revenue that will, in turn, be shared with stockholders.[1]

ESG is neither new nor novel, but rather the result of the evolution of decades of management studies from notable experts such as Dr. Michael Porter of Harvard Business School.[2] Porter and others used the term "shared value" to argue the central premise that the competitiveness of a company and the health of the communities around it are mutually dependent.

The shared value concept has its fair share of criticism and operational challenges. It also seems to have largely skipped over the healthcare provider space. ESG, however, is now evolving and growing in popularity in not only the business world, but also in the healthcare industry. Unlike the ideas of shared value, ESG is now being discussed in the board rooms and C-suites of academic medical centers, community hospitals, and Fortune 500 companies alike. Companies and their stakeholders have an increased interest in integrating ESG programs into the culture of their organizations and various industry regulators are beginning to require ESG reporting. The overarching outcome for which ESG strives is the ability to continue to operate a business for its legal purpose, while continually considering and addressing ways to achieve desired business outcomes. Essentially, ESG incorporation allows the company to do business while being good stewards of the environment and the individuals that are affected or have a connection to the work that is done.

There are many examples of how healthcare provider organizations implement an ESG focus. Companies may incorporate environmental sustainability measures such as switching to sustainable or more efficient energy sources, limiting greenhouse gas emissions, recycling construction waste, ensuring the ethical treatment of animals, investing in community health measures and initiatives, and conserving natural resources.[3] Similarly, many companies, including healthcare providers, are implementing changes that align with the social component of ESG, including promoting diversity and inclusion, hiring senior executives into chief diversity or chief inclusion officer roles, educating staff on human rights and human trafficking concerns, promoting gender equality, excluding vendors that rely on supply chains with lax labor standards, promoting a healthy and safe workplace, and managing food insecurities. Companies exhibit desirable governance traits by ensuring that the organization is making proper tax disclosures, practicing good business ethics, not engaging in activities that involve bribery and corruption, following Foreign Corrupt Practices Act and False Claims Act regulations, having accurate accounting methods, and having good leadership and tone at the top.