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ESG and DEI: How to position for stakeholder success

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In recent years, environmental, social, and governance (ESG) and diversity, equity, and inclusion (DEI) have gained significant attention in the business and investment world. ESG refers to the three central factors used to evaluate the sustainability and societal impact of an investment in a company or business. On the other hand, DEI focuses on promoting fair treatment, representation, and opportunities for individuals from diverse backgrounds within an organization. This article aims to provide an understanding of ESG and DEI, their alignment, the importance of reporting, and their impact on businesses and society.

What is ESG?

ESG is a framework used by investors and stakeholders to assess the nonfinancial performance of a company or organization. It considers three main factors:

1. **Environmental** focuses on a company's impact on the natural environment. It includes factors such as carbon emissions, waste management, resource usage, pollution control, and environmental conservation.

2. **Social** evaluates a company's relationships with its employees, customers, suppliers, and communities. It includes aspects like employee welfare, human rights, labor practices, customer satisfaction, community engagement, and philanthropy.

3. **Governance** examines the structure and practices of a company's leadership and management. It includes factors like board composition, executive compensation, shareholder rights, corporate policies, transparency, and ethical decision-making.

ESG's goals include identifying relevant material issues important to a company's stakeholders, developing targets to positively address these issues, and publicly reporting and sharing metrics on a company's progress toward these targets.

What is DEI?

DEI encompasses the principles and practices that promote a fair and inclusive work environment, ensuring that

all individuals are valued, respected, and provided equitable opportunities regardless of their diverse backgrounds. It includes:

1. **Diversity** refers to representing individuals from different races, ethnicities, genders, ages, religions, sexual orientations, disabilities, and other dimensions of identity within an organization. Embracing diversity fosters a rich tapestry of perspectives and experiences.

2. **Equity** aims to create a level playing field by addressing systemic barriers and providing fair treatment and opportunities for all employees. It acknowledges that individuals may require different resources and support to thrive based on their unique circumstances.

3. **Inclusion** focuses on cultivating an environment where all individuals feel valued, respected, and included. It ensures that diverse perspectives are actively sought, listened to, and incorporated into decision-making processes.

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