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Why Some Executives Wish E.S.G. 'Just Goes Away'

The environmental, social and corporate governance investment trend is booming, but it has also become a big distraction for business leaders.

At a cocktail party this week in Davos, one executive told DealBook something he — and most of the attendees at the World Economic Forum — would most likely never say in public: “I hope E.S.G. just goes away.”

The executive, whose company is involved in the carbon industry, clarified that he still believes that it is vital to focus on climate, but that environmental, social and corporate governance — as the business approach is formally known — has become too broad and distracting. He’s just one of many executives who have talked to DealBook about coming to terms with how politically charged E.S.G. has become, and about how to deal with it.

Have executives overpromised on E.S.G.? Fixating on lofty goals, without delivering on actions, has made business leaders vulnerable to a backlash, executives said. As evidence, some point to BlackRock’s Larry Fink, one of the earliest and most vocal proponents of E.S.G., saying he’s trying to “change the narrative” after taking fire from the right, and despite the fact that the asset manager still has investments tied to fossil fuels. The elevated messaging, and the pushback to it, has also obscured what supporters of the movement say are the real financial considerations of E.S.G., like what climate change means for a real estate business.

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