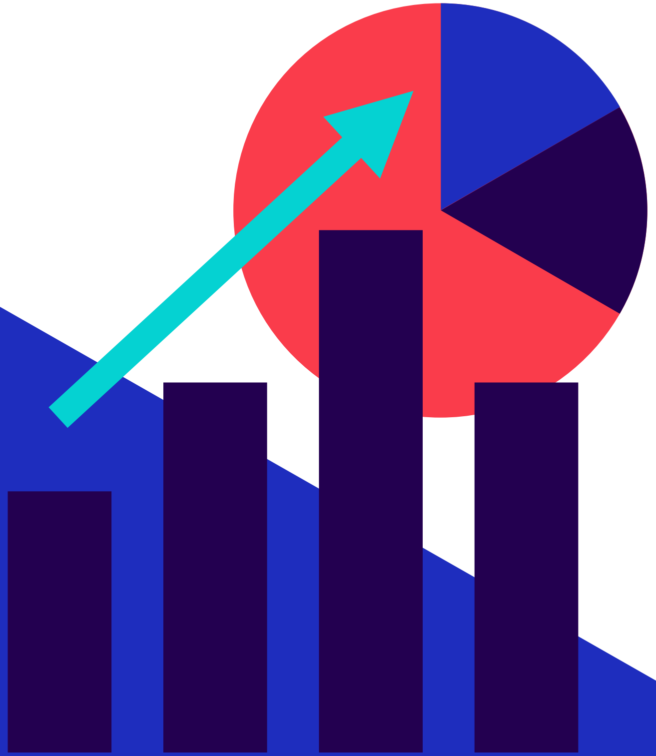
International Labour Organization

Module 3: The business case for ESG



Learning objectives

To understand:

- Why ESG is increasingly in the spotlight.
- Which stakeholders are pushing for its adoption.
- The business benefits of embracing ESG.
- Which ESG risks are most urgent.

ESG is on the rise

- 8/10 EBMOs say that member demand for ESG services has risen in the past 5 years.
- 4/5 EBMOs expect demand for ESG services to grow in the next 1-3 years.

Why?
- Climate change
- Social inequality
- Corporate ethics

Businesses that embrace ESG increase social, environmental AND financial performance

Business benefits of ESG

- Reduce costs
- Improve risk management
- Win consumers
- Improve company reputation
- Avoid compliance costs
- Access finance and other funding
- Attract and keep top talent
- Drive innovation
- Build strong community and government relations

Real-life example: The business benefits of ESG

Please consider including a short case study of a relevant enterprise that has experienced (some of) the business benefits on the last slide after adopting ESG standards.

ESG risks and opportunities

Internal factors

- Organizational culture
- Operations
- Supply chains
- Geographic footprint

External factors

- Regulations
- Market trends
- Stakeholder expectations
- Macroeconomic conditions

ADDRESSING RISKS ➡ NEW OPPORTUNITIES

! ENVIRONMENTAL RISKS
! INEQUALITY

Top 10 Global ESG risks (WEF)

Short-term

- Misinformation and disinformation
- Extreme weather events
- State-based armed conflict
- Cyber espionage and warfare
- Pollution
- Inequality
- Involuntary migration or displacement
- Geoeconomic confrontation
- Erosion of human rights and/or civic freedoms

Long-term

- Extreme weather events
- Biodiversity loss and ecosystem collapse
- Critical change to earth systems
- Natural resource shortages
- Misinformation and disinformation
- Adverse outcomes of AI technologies
- Inequality
- Societal polarization
- Cyber espionage and warfare
- Pollution

Sector-specific risks

Some ESG risks are more common in some sectors

- Energy
- Manufacturing
- Retail
- Finance
- Healthcare

Final thought on ESG risks

"One of the biggest business risks on the horizon is a changing climate. In Queensland, we've just had a cyclone. We currently have floods. We also have bushfires and droughts. That impacts our primary production, which is also our food bowl. But it also impacts our entire supply chain. We cannot move goods if supply chains are cut, so it affects trade too. And of course, this all impacts our workforce. But there are opportunities, not just risks, for businesses preparing for these changes. Rethinking your business model to deal with some of those climate risks might actually give you a leg up on your competitor."

Cara Westerman
General Manager, Business Sustainability
Business Chamber Queensland, Australia