

**Innovate  
Cities.**

**Get Ready**

**The Future of ESG**

**CIR Presentation  
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- History of the journey from the 2019 shift in corporate purpose to the current landscape of political contestation around ESG.
- As ESG became more in demand, products were developed and ESG became mainstream.



## The Mainstreaming of ESG



- ESG principles gained acceptance, backed by church groups, environmentalists, pension plans, and community organizations.
- ESG also gained support from broader societal movements – climate, human rights, environment.



## 2019 Business Roundtable Shift



- In 2019, the Business Roundtable altered its core purpose, embracing stakeholder value over just shareholder value.
- This represented the apogee of ESG's trajectory.



## From Acceptance to Controversy



- Recent years have witnessed a shift from widespread ESG acceptance to political contestation.
- ESG's universal acceptance has transformed into a divided landscape.
- Some ESG funds fell short – greenwashing, lack of transparency, poor regulatory oversight.



## From Acceptance to Controversy



- ESG proponents using shareholdings for engagement now face resistance from shareholders opposed to ESG principles.
- It is now possible for large numbers of people to buy fractional shares with small amounts of money.
- This will give those who want to mobilize for or against ESG the opportunity to amass shareholdings to make their points of view heard.



## ESG Challenges



- Large mutual funds empower retail investors to vote their shares for causes they support.
- Companies are not prepared for the emergence of openly political and partisan battles and campaigns.
- Challenges include issues of public perception, legal implications, and investor relations.



## Emerging Risks and Challenges



- The probability that shareholder meetings could become political in a partisan way is nearly certain. Are institutional investors ready for this?
- Have they considered how they will participate in the AGM process as ESG opponents or outright partisans engage at the meetings?
- Do the ESG policies contemplate partisan battles?

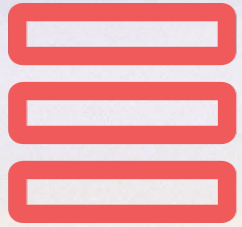




## Meeting the Challenge



- Understand the nature and potential breadth of this challenge.
- Critically evaluate your ESG policies - do they conform with the latest legal thinking?
- Evaluate your ESG performance.
- How well are you communicating your ESG policies to your sponsors and members?
- Have you considered stress-testing your response in a real-time context?



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**Thank you.**

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