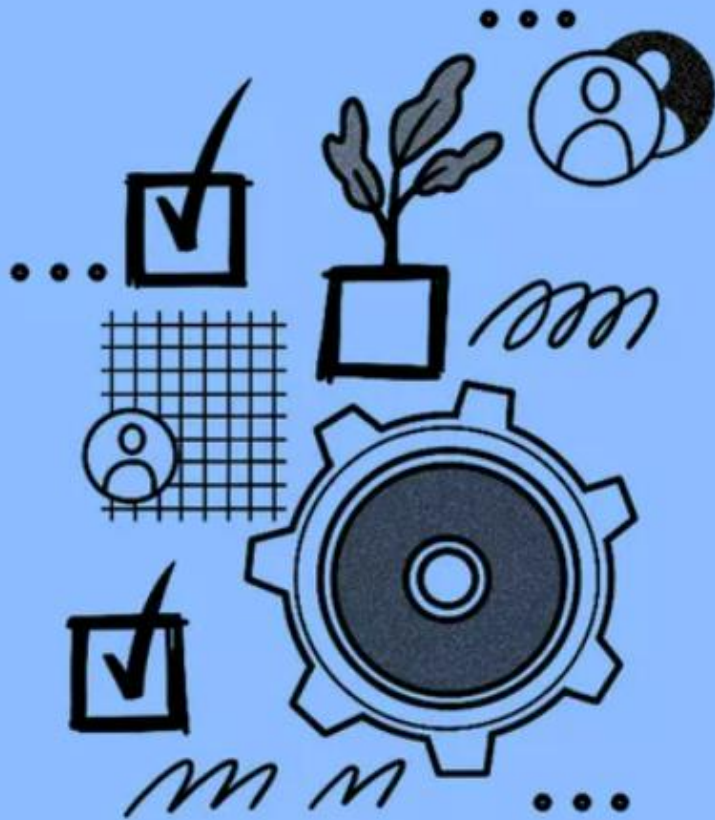


The Basics of ESG

North Carolina Economic
Development Association

December 1, 2022



Environmental, Social, and Governance (ESG) Criteria

[in-'vī-rə(n)-mənt-el 'sō-shəl ən(d) gə-vər-nən(t)s krī-'tir-ē-ə]

A set of standards for a company's behavior used by socially conscious investors to screen potential investments.

Used to be/sometimes still called Socially Responsible Investing; Corporate Social Responsibility; Impact Investing.

Began in 1960s and early 1970s with focus on South Africa and Apartheid, tobacco, and environmental issues after Silent Spring, the Cuyahoga River caught fire, and the passage of new environmental laws.

Environmental

How company
uses resources
and manages
environmental
impact

Carbon emissions

Climate impact

Energy efficiency

Green supply chain

Pollution

Renewable energy

Resource consumption

Waste management

Social

How the company fosters well-being for everyone in its circle of influence (employees, customers, communities)

Community investment

Data privacy

Diversity and inclusion

Labor standards

Pay equity

Sourcing and supply chain

Governance

How the company holds itself accountable for ethical leadership and fiduciary responsibility

Audit and oversight

Board makeup

Bribery and corruption

Executive compensation

Transparency

Whistle-blower protections

Benefits of ESG



Talent: Attract and maintain satisfied employees



Customers: customers feel better knowing company, supplier, etc. adheres to ESG principles



Risk Management: reduce regulatory and legal challenges, maintain reputation



Access and approvals: communities more likely to embrace new company with higher ESG profile



Innovation: companies seeking higher sustainability develop greater technological and process superiority



Preferred Lending/Insurance: lenders and insurers providing better rates for more sustainable companies



Better Financial performance: reducing energy, waste, costs, and risks, increase return on investment



Green
Weather &
Science

Storms, Floods and Fires Caused \$260 Billion in Losses in 2022

Hurricane Ian was the year's costliest catastrophe and the second-largest insured loss on record after Hurricane Katrina, according to reinsurer Swiss Re.

What is driving ESG Adoption?

Climate Change: crippling drought and fires out west; flooding in east and in Europe; increased intensity of storms



International upheaval: Ukraine/Russia; China; Covid



Inflation/Fuel price spikes: companies forced to being more efficient with fuel, packaging, transportation



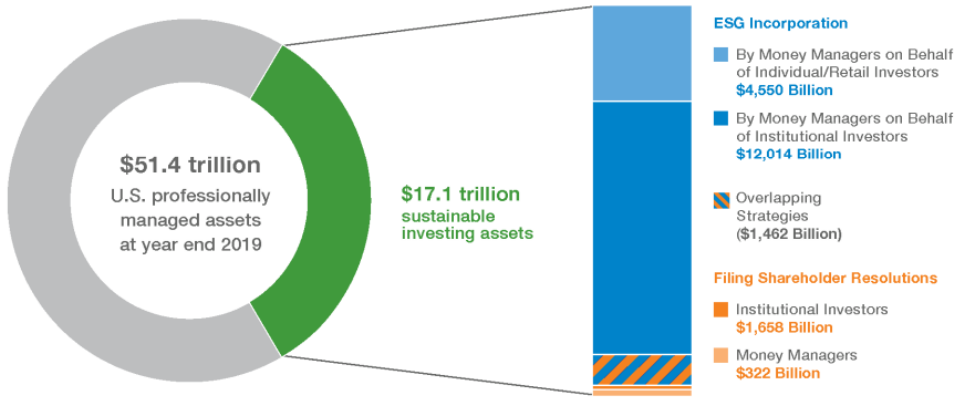
Environmental crises: PFAS in US; loss of biodiversity globally



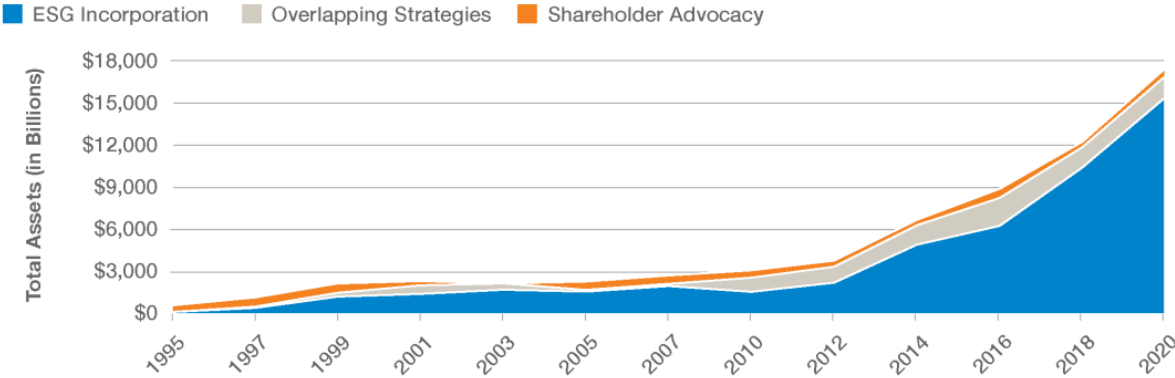
Technology and information access: customers, NGOs, investors, regulators, shareholders all know more about what companies do and can hold them accountable

ESG is no longer a fringe concept.

Size of Sustainable Investing Assets 2020



Sustainable Investing in the United States 1995-2020



Leading ESG Issues 2018-2020, by Number of Shareholder Proposals Filed

■ 2018 ■ 2019 ■ 2020

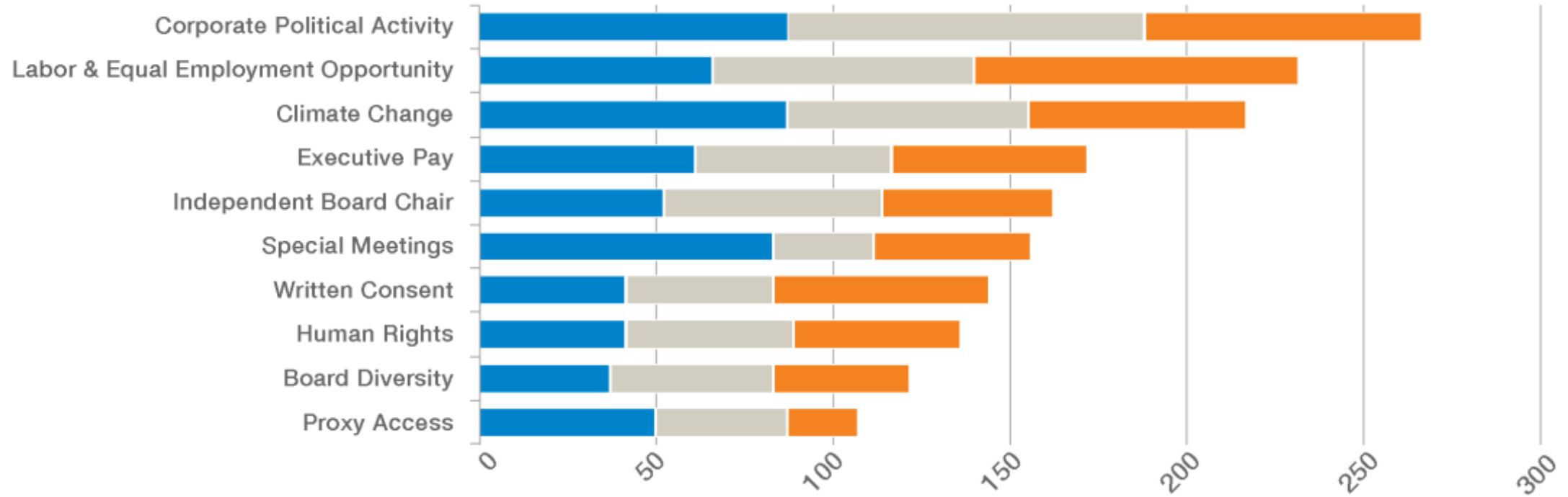


FIGURE 11

Top Specific ESG Criteria for Institutional Investors 2020











Conflict Risk (Terrorist or Repressive Regimes)	Climate Change/ Carbon	Tobacco	Board Issues	Sustainable Natural Resources/ Agriculture
 <p data-bbox="308 825 468 925"> \$2.73 Trillion </p>	 <p data-bbox="728 825 889 925"> \$2.61 Trillion </p>	 <p data-bbox="1141 825 1302 925"> \$2.47 Trillion </p>	 <p data-bbox="1556 825 1717 925"> \$2.28 Trillion </p>	 <p data-bbox="1972 825 2132 925"> • \$2.18 Trillion </p>
Percent Increase in Assets Affected since 2018				
-8%	17%	-3%	32%	95%

FIGURE E

Top Specific ESG Criteria for Money Managers 2020

Climate Change/ Carbon	Anti-Corruption	Board Issues	Sustainable Natural Resources/ Agriculture	Executive Pay
				
\$4.18 Trillion	\$2.44 Trillion	\$2.39 Trillion	\$2.38 Trillion	\$2.22 Trillion
Percent Increase in Assets Affected since 2018				
39%	10%	66%	81%	122%

Drivers in 2022-23

COP 27: 1.5 deg.
cap? Payments for
developing world?

SEC Rules on Carbon
Emissions:
Adoption/Challenges

European company
demands on US
markets

Department of Labor
Rules on ESG
investments

Inflation Reduction
Act implementation

Ukraine War

ESG: The future is now.

ESG-focused institutional investment seen soaring 84% to US\$33.9 trillion in 2026, making up 21.5% of assets under management: PwC report

10/10/22

Southeast US: A Growing Player in ESG

Sustainable Raleigh, N.C.

Raleigh, N.C., has become a pioneer of true sustainability. The city implemented a **three-pronged strategy** the focuses on: Environmental Stewardship, Social Equity and Economic Strength.

So the city is not just installing plug-in stations for hybrid and electric vehicles and reducing greenhouse gases, it's making buildings more efficient, reclaiming and recycling materials and resources, creating green jobs and improving infrastructure, transportation, storm water management and parks and recreation. In fact, Raleigh was named the #2 Fastest-Growing Clean (Green) Economy Job Growth among 100 Largest Metros by The Brookings Institution.

Sustain South Carolina



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South Carolina IS the Future of Commerce + Conservation.

We are connecting the sustainability goals of business in South Carolina with local solutions for the benefit of our economy, environment, and people.

Sustain SC Members



THE DANIEL-MICKEL
FOUNDATION



Drawdown Georgia



We're bringing
climate solutions home.

Inspired by Project Drawdown®, we are building a movement in Georgia to accelerate progress toward net zero greenhouse gas emissions.

What's Possible by 2030

If we get this right, we can cut Georgia's carbon impact by at least one-third in just 10 years, from 125 megatons (Mt) of carbon dioxide equivalent (CO₂e) to 79 Mt. This is based on emissions reductions in five, high-impact areas:

↓ 006 Mt