



WE
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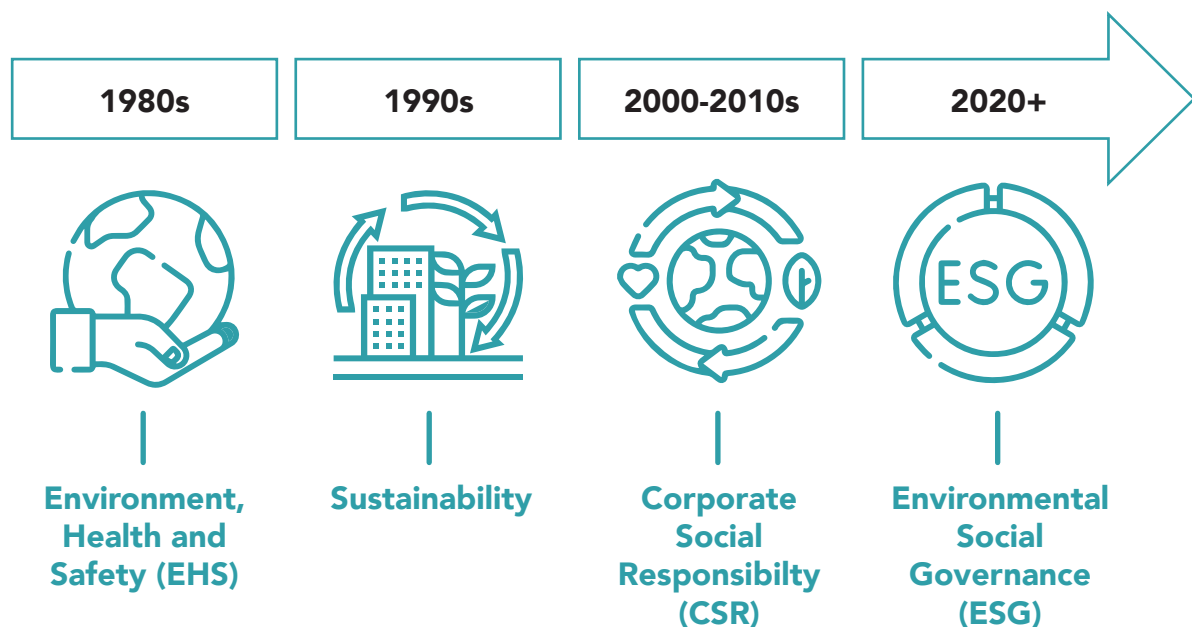
ESG

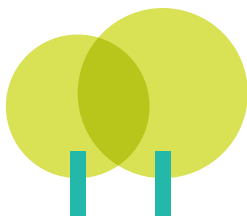


ESG IS BEST CHARACTERIZED AS A FRAMEWORK THAT HELPS STAKEHOLDERS UNDERSTAND HOW AN ORGANIZATION IS MANAGING RISKS AND OPPORTUNITIES RELATED TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CRITERIA.

Key Highlights

- ESG is a framework that helps stakeholders understand how an organization manages risks and opportunities around sustainability issues.
- ESG has evolved from other historical movements that focused on health and safety issues, pollution reduction, and corporate philanthropy.
- ESG has changed how many investment and capital allocation decisions are made.





ENVIRONMENTAL

Biodiversity loss
Climate change
Renewable energy
Reduced carbon emissions
Green building
Deforestation
Native title
Pollution
Reduced waste



SOCIAL

Diversity, inclusion, race, gender
Human rights, modern slavery
Supply chains
Anti-discrimination
Bullying, harassment
First Nations people, cultural heritage
Health and safety
Data privacy



GOVERNANCE

Risk mitigation
Shareholder activism
Anti-bribery, corruption
Accountability
Board independence, diversity
Decision making
Leadership

ESG & Investing

ESG has really gone mainstream because of how important the framework has become in the investment community. There are a growing number of ESG rating agencies and reporting frameworks, all of which have evolved to improve the transparency and the consistency of the ESG information that firms are reporting publicly.

The Capital Markets can be a powerful tool to create change. By restricting access to capital (or making the terms under which it's available less favorable), bad actors may be incentivized to improve performance across E, S, or G measures. Conversely, rewarding companies and their management teams that are performing well against ESG factors has an equally positive impact on encouraging continuous improvement.

Many ESG investment vehicles have emerged, including green bonds, mutual funds, ETFs, and index funds (among others). These publicly traded instruments make it easier for investors to align their investment decisions more closely with their own beliefs and values around E, S, or G criteria.





ESG Disclosure

Key Takeaways

- ESG disclosure is a specific type of public reporting about an organization's performance around Environmental, Social, and Governance (ESG) issues or criteria.
- In order to ensure consistency and comparability, ESG disclosure should be prepared and presented using guidelines and formats set forth in one of the major ESG reporting frameworks.
- ESG disclosures are consumed by a wide range of stakeholders, including the investment community, customers, employees, regulators, and supply chain partners.



ESG Score

Key Takeaways

- An ESG score is an evaluation of an organization's performance against various sustainability metrics (related to either environmental, social, or governance issues).
- ESG scores are generated by rating platforms where analysts evaluate corporate disclosures, conduct management interviews, and review publicly available information about an organization to provide an objective rating of the organization's performance.
- Scores are used differently by different stakeholders (i.e., investors vs. employees), and rating platforms have evolved to reflect this variety of use cases.

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