

URL: <https://ecorner.stanford.edu/clips/the-promise-and-peril-of-esg/>

Nicole Diaz, Global Head of Integrity & Compliance Legal at Snap Inc., describes the pros and cons of the recent surge of interest in the ESG (environmental, social, and governance) framework. While ESG reporting can help companies gain awareness of ethical blind spots and take their commitments more seriously, she finds, it can end up amounting to little more than “greenwashing” if it’s not integrated into business strategy.



Transcript

- I think that there's promise and danger to ESG.. 00:00:07,180 I think the promise is, it is a rigorous system for helping companies become aware of their social and environmental impact, which is great.. It is occupying the field, you know how I said it can take a while for the law and the regulators catch up.. So this is sort of the voluntary stop gap saying we need some way to hold businesses accountable and we can't wait for the law to do it.. So we're going to create a reporting structure where businesses have to go through and really, you know, conduct an analysis of their impact on all their different stakeholders.. And I think it helps generate awareness.. It helps generate accountability.. I think that there's leverage there and it is creating a sense of businesses, hey, this hits your bottom line, which as I said, you need to have at some level for businesses to take ethics seriously as part of their strategy and not sort of, you know, engage in unethical acts as a way to get ahead.. I think the downfall and the danger of ESG is if it simply is still treated as a separate add on to the business, like oh right, there's a reporting structure called ESG and every year we gather up all the good things we did and we make it look really nice, and then we tell that to the investment community.. But our primary business strategy and the primary way we think about things is still very much the Milton Friedman approach, right? And so I think if you have that disconnect, it still kind of, there's the term for it, greenwashing, that perpetuates, kind of, well, they don't really take this seriously..

And so I think, you know, if businesses, if ESG is done in a really integrated way where it really drives business strategies integrated with the way the business is already thinking, then I think it's great...