

## Video Segment 6: The Power of Data to Support the Economics of ESG

*“Can we build a case that addressing racial justice and environmental justice for a municipality or county actually pays?”*  
– Dr. Witold Henisz, the Wharton School

### NOTE-TAKING GUIDE

As a Wharton professor, Dr. Henisz conducts academic research in his field of expertise, which includes ESG. Jot down some notes that reflect your understanding of his research in the following areas and how it applies to the social factor in ESG:

**Goldmining Companies**

**Municipal Finance**

How does this statement from Dr. Henisz help explain the fundamental mission of his years of research? **“ESG isn’t about ideology, it’s about economics.”**

List three measures that might help to track how well companies are doing with the social factors of ESG.

1.

2.

3.

## THE LANGUAGE OF BUSINESS

<a href="#">Assets</a>	<a href="#">New York Stock Exchange</a>
<a href="#">Company</a>	<a href="#">Public Company</a>
<a href="#">Corporation</a>	<a href="#">Public Policy</a>
<a href="#">Data</a>	<a href="#">Stock Market</a>
<a href="#">Economics</a>	<a href="#">Fixed Cost</a>
<a href="#">Executive Team</a>	<a href="#">Marginal Cost</a>
<a href="#">Inclusion</a>	<a href="#">Valuation</a>
<a href="#">Industry</a>	
<a href="#">Media</a>	

**Academic Research:** Higher-education faculty, like Wharton School professors, examine problems and situations to gather data and insight that might help shed light on subjects and arrive at important solutions – as well as guide public and company policies.

**Business Case:** A justification for a proposed project or operational change that is based on solid data and its benefit to a company's financial health and success.

**Business Measures:** Also referred to as metrics, a business measure is a quantifiable means for tracking, monitoring and assessing the success or failure of certain processes and decisions.

**The Calvert Institute for Responsible Investing:** Part of Calvert Research and Management (led by panelist John Streur) that conducts ESG research and seeks to advance responsible investing.

**Capital:** Money or other assets owned by someone that are used to start a company or make an investment.

**Disclosure:** When a business is completely honest and open with what it reports to the public, like full disclosure of its factory emissions and its environmental impact. Disclosure in documents like annual reports and 10Ks allow investors to make informed decisions about their investment decisions because they know a company's authentic story.

**Empirical Case:** A case for something that is supported by Data that is gathered by experimentation and/or observation.

**Environmental Justice:** The belief that no one should be subjected to significantly greater risks from environmentally harmful activity, especially business activity, just because they're, for example, poor or a member of a minority population.

**Erika H. James:** Dean of the Wharton School of the University of Pennsylvania, she is the first woman and African-American to lead Wharton in its history.

**ESG:** ESG stands for **Environmental, Social and Governance** and refers to a system for how to measure the sustainability of a company. It is an evaluation of a firm's beliefs and attitudes about social and environmental factors. Companies and all their stakeholders are thinking hard about how to incorporate ESG criteria effectively and intentionally into business strategies. And investors are turning to ESG rating firms and others to screen their investments on these various factors.

**ESG Analytics Lab:** A center at the Wharton School that generates rigorous but practically relevant analysis on the financial importance of ESG factors.

**Executives:** Top leaders in an organization.

**Firm:** Another word for company.

**Fiscal Health:** The ability to plan, manage and pay for critical services.

**Goldmining Company:** A company that mines for gold or extracts it from the earth.

**Grievances:** Complaints or protests, often against unfair treatment.

**Ideology:** A set of beliefs or philosophies (political, religious, cultural) attributed to an individual or a group. You might believe in the power of ESG factors and take a stand to defend them – but this is not necessarily based on data.

**Infrastructure Projects:** Projects that focus on the maintenance and development of services, facilities and systems – for example, building and maintaining bridges.

**Materiality:** A concept in business that defines why or how an issue is important for a company because of its impact on its finances, reputation or other factors.

**Municipal Finance:** The revenue and expenditure decisions of municipal governments, such as the governments of cities.

**Municipality:** A city or town with a local government.

**Racial Justice:** Being just, impartial and fair and providing equal opportunities across different races of people.

**Single-purpose Entity:** An entity (in this case, a goldmining company) that exists for only one person (in this case, to mine gold).

**Social Justice:** Just distribution of wealth, opportunities and privileges within a society.

**Social Factors:** The “S” in ESG that companies think about, which refers to the issues faced by different groups of people, including employees, customers and the community.

**Stakeholder:** A person with an interest or stake in something, especially a business. Investors are stakeholders, as are employees, managers and even customers.

**Stock Price:** The price of every share issued by a publicly traded company that is meant to reflect the value of the company. Stock prices rise and fall in response to external and internal factors

**Toronto Stock Exchange:** A stock exchange where securities (stocks) are bought and sold that is located in Toronto, Canada.

**Traded at a Discount:** Trading stocks or other securities below their current market value, which is the price they would get in the stock market, for example.

**Transparency:** Transparency in business is the basis for trust between a company and its customers, investors – all stakeholders. When a company is transparent, it is open and honest about communicating what happens behind the scenes with its operations, management and other business functions.

**Wage Distribution by Companies:** How much people are earning at all levels of a company, from the top executives to the various levels of employees.

**Wages:** The distribution of payment from an employer to an employee.

**EXPLORE MORE IN OUR ONLINE BUSINESS JOURNAL**

**[Study Finds That Stakeholder-Oriented Companies Yield Higher Returns](#)**