# The ESG tipping point: Are we there yet?

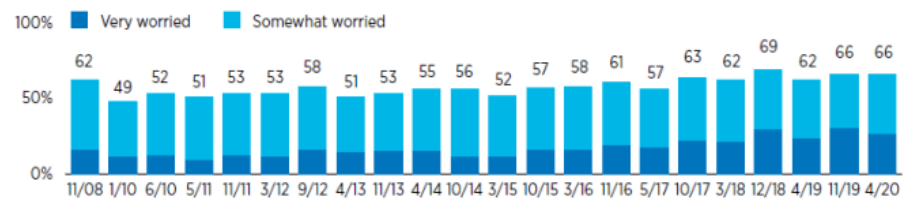
*By: John Streur | June 10, 2020*

**Washington -** During the course of the past few weeks, markets have been volatile, and across our industry many asset classes have experienced outflows. However, some environmental, social and governance (ESG) strategies have continued to experience net inflows. Observing this, many investment consultants and members of the media have been asking us, "Have we reached the tipping point for ESG investing?" Incongruously, we have also been asked if the pandemic will derail ESG momentum.

As we have said in the past, we believe a tipping point for investors has already been reached and we see ESG increasingly embedded in the corporate and public psyche. Even an event as tragic and massive as the pandemic will not derail this trend, for at least three important reasons:

First, the majority of Americans believe that climate change is a problem. The Yale Program on Climate Change Communication released survey results from April showing that 73% of Americans think climate change is happening and 66% are at least "somewhat worried" about it.[1] These are high levels, and come despite the pandemic dominating concerns at the time of the survey. Climate change is definitely here to stay, but for that to really matter to companies and investors, lots of people have to care about it. They do.

**Two in three Americans are at least "somewhat worried" about global warming**




Source: Yale Program on Climate Change Communication and George Mason University Center for Climate Change Communication report, "Climate Change in the American Mind: April 2020."

Second, most corporations are measuring, managing and even beginning to compete on their ability to reduce environmental impact while also attending to the societal needs of multiple stakeholders. Companies are driven to do this for two main reasons: 1) they have figured out how to reduce operational costs by being more energy and resource efficient, and 2) their employees and customers care about how they treat the planet and how they treat all people.

Finally, asset owners and many investment management firms have realized that it is possible for certain companies to perform well enough — or poorly enough — on environmental and social performance factors that it impacts the stock or bond price. This linkage is part of the massive, industry-wide ESG integration effort that Eaton Vance and Calvert are helping to lead.

**Pandemic escalates ESG awareness**

It has become evident that the pandemic has escalated numerous financially material ESG risks across every industry. All of us have learned about the character of many companies based on how they have responded to these risks, as reported in the media every day. The pandemic is now understood by investors through the lens of ESG analysis.

**Bottom line:** Notably, in my view, a desire to save the planet or to make the world a better place for all inhabitants are not the direct reasons for this tipping point — though Calvert is working toward both objectives. Rather, we think ESG challenges like public health and income inequality — so starkly highlighted during the COVID-19 crisis — are now seen as irrefutable by the majority of Americans. For corporations, it has become clear that their responses to ESG issues matter to their financial outcomes. The pandemic adds to this case and intensifies the urgency and the impact not only from the human perspective, but in view of cold, hard capitalist consequences.

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*1. Yale Program on Climate Change Communication, Climate Change in the American Mind: April 2020. https://climatecommunication.yale.edu/publications/climate-change-in-the-american-mind-april-2020/*

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