A Sustainable Environment: Our Obligation to Protect God's Gift

by
George P. Nassos

How Sustainability Has Advanced Over Last Twenty Years

In 1997, I attended the 4th annual BELL (Business Environment Learning & Leadership) Conference sponsored by the World Resources Institute (WRI). The meeting focused on sustainability, and it was my first exposure to sustainability as I had never heard of the word being used it this context. I found it very interesting, and after attending the 5th annual BELL Conference, I was convinced that this concept would be extremely important in the future of our planet. The following year, I embedded this concept in most of the courses offered in the MS in Environmental Management program where I was the director and added "and Sustainability" to the program title.

The word "sustainability" was actually a shortened version of "sustainable development", a concept developed at the 1987 meeting of the World Commission on Environment and Development, later known as the Brundtland Commission since it was chaired by Gro Harlem Brundtland, the then Prime Minister of Norway. The purpose of the meeting was to assist the developing countries in reducing poverty and environmental pressures. The meeting resulted in in a report titled "Our Common Future", and is best known for the Brundtland definition of sustainable development, or sustainability, which is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

A few years later in 1994, John Elkington coined the term "Triple Bottom Line" referring to sustainability consisting of the environment, society and profitability. For a process or a company to be sustainable, it must minimize its impact on the environment, and it must have a positive impact on human capital, while showing a profit for the shareholders and the broader community. Consequently, it has also been called the three Ps, "Planet, People and Profit".

The emphasis on profit has been primarily the result of University of Chicago professor Milton Friedman's epic article published 50 years ago in New York Time magazine when he stated that a corporation's sole purpose is to generate profit for its shareholders. Moreover, he maintained, companies that did adopt responsible attitudes would be faced with more binding constraint than companies that did not, rendering them less competitive. Ironically, he was opposed to corporate social responsibility because it distorted the economic freedom of the corporation when the shareholders are not able to decide how their money should be spent.

For the past ten years, another term has also been used to described sustainability, that of ESG. This refers to the environmental, social, and governance factors of a corporation. More specifically, environmental refers to the company's activities to reduce climate change, minimize the depletion of our natural resources, reduce pollution and waste, advance the circular economy, and other environmental activities. The social concerns of a corporation may include diversity, human rights, consumer protection, community outreach, and animal welfare. Corporate governance covers the responsibilities of the management of a company including its board, shareholders, and the various stakeholders. This may include the management structure, employee relations, executive compensation, employee compensation, audits, anti-corruption measures, and other internal controls.

Going from the triple-bottom line to ESG is truly an improvement on how to identify whether a corporation is operating with a sustainability strategy. If a company follows the principles of ESG, the profits for the shareholders will also follow. Because the terms of ESG do not include any mention of economics, this does not mean that the profitability of a company is not important. Statistics have shown that companies that operate following the ESG principles are more profitable than those that don't. A good example of the importance of ESG is that of BlackRock, the largest global investment company managing over $7.4 trillion in assets. Its CEO, Larry Fink, sends a letter every year to the CEOs of all the companies whose assets are managed by BlackRock. His most recent letters emphasize the requirement that the companies whose assets are managed by BlackRock must operate with sustainability strategies or else BlackRock will reconsider whether to manage their assets. Basically, BlackRock is one of many companies that are now focusing on ESG investing.

Reports are now showing that companies focusing on ESG are also better at managing their risks which also leads to higher valuations. So looking at the ESG scores of companies can give you a better idea of those that are truly sustainable and will, in general, outperform the market. So it is very important for more companies to focus on ESG.