PESA
PETROLEUM EQUIPMENT & SERVICES ASSOCIATION

WHAT IS ESG?

AND WHY SHOULD IT MATTER TO YOUR COMPANY?

WHAT IS ESG?

Environmental, Social and Governance is the criteria used by investors and lenders to evaluate a company's business practices.

WHAT IS CSR?

Corporate Social Responsibility describes a company's commitment to stakeholders and socially responsible practices.

WHAT IS SRI?

Sustainable, Responsible and Impact Investing is an actual investment strategy where ESG and CSR come into play.

Environmental, Social and Governance criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments.

ESG criteria include a company's impact on climate change or carbon emissions, water use or conservation efforts, anti-corruption policies, board member diversity, human rights efforts and community development.

- **Environmental** criteria determine how a company performs as a steward of nature through the company's energy use, waste, pollution, natural resource conservation and animal treatment.
- **Social** criteria look at a company's business relationships with employees, suppliers, customers and communities where it operates.
- **Governance** criteria include a company's leadership, executive pay, audits, internal controls and shareholder rights.

What constitutes an acceptable set of ESG criteria? It's subjective. Investors must do the research to find companies that match their own values.

Corporate Social Responsibility refers to a corporation's initiatives to evaluate and accept responsibility for their effect on all stakeholders. CSR goes beyond the law. It is about self-regulation and reveals itself in a company's guiding principles, operating philosophy and behaviors towards all stakeholders. The goal is to ensure a company's actions positively impact all stakeholders. CSR includes programs, policies and practices related to employees, suppliers, customers and society.

The return on investment for CSR is the positive impact a focus on stakeholders can have on the retention, loyalty and recruitment of employees and customers, due to its effect on reputation. This delivers strong returns due to reducing the costs associated with employee and customer turnover on bottom line performance.

Sustainable, Responsible and Impact Investing criteria are used to make investment decisions. SRI refers to evaluating the long-term sustainability of a company's performance due to the evolving importance of good corporate citizenship on business drivers such as reputation, employment, purchasing decisions and more.

An SRI investment strategy is based on the belief that a commitment to the principles of CSR generates long-term competitive financial returns as well as positively impacts society. For investors and lenders, reducing the risks associated with the sustainability of performance is immensely important.

Interested in joining PESA's ESG Committee? Contact Vice President Government Affairs Tim Tarpley at ttarpley@pesa.org.