

# ESG in Action: What Credit Unions Need to Know About Navigating ESGs

With Brooke Waupsh

How many of you would say that ESG awareness is some part of how your business operates?

How many of you don't know what ESG is but you hear the term thrown around?

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**It's Environmental Social Governance**



How many of you are not quite sure if it's right for your institution?

# Our Focus Today

1. **Understanding the ESG landscape**
2. **The Root Objective, Opportunity, and Alternatives**
3. **A Breakdown of the ESG, CSR, and SDG**
4. **Q&A Session**



- Thought-Leader in CSR, ESG, the Future of Work, and Employee and Community Engagement
- Award-Winning Marketer
- ~15 years in FinTech supporting CFI's
- Nonprofit Leadership
- Community Advocate and Change Maker
- Founder and CEO of Swoovy
- Network of over 170,000 nonprofits

# About Me: Brooke Waupsh



Founding CEO  
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- Featured in Texas CEO Magazine
- “Female Disruptor” by Authority Magazine
- Dell Technologies DWEN Monthly “Woman on the Rise”
- “Rising Star” by Voyage Magazine
- Mentor for the Young Women’s Alliance

# The Roots and Evolution of ESG

**Introduced almost 20 years ago, ESG became the social responsibility yardstick of choice for money managers worldwide.**

**ESG set out a fairly simple idea:**  
Rate companies on their ability to identify and respond to risks in environmental, social and corporate governance matters



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# The Roots and Evolution of ESG

As ESG awareness grows among members, investors, and the public, **financial institutions may face increasing pressure to align their investment practices with ESG values.**



# The Roots and Evolution of ESG



**Today:** With this pressure, came controversy in finance.

Has been called a scam, a failure, and attack on fossil fuels, an example of “woke” capitalism, a mix of greenwashing and corporate deception, a declaration of fiduciary duty....



# Disagreement over ESG principles



## Top Criticisms of ESG:

- Companies that devise ESG ratings keep their methodologies proprietary, making the process impossible to understand or evaluate.
- Because of self-reporting, ESG is rife with greenwashing and false claims of social responsibility.
- ESG investing doesn't go far enough in addressing key environmental and social problems
- It's a way to generate revenues for ratings companies.

There are reportedly 600 frameworks and standards globally, and more than 140 firms that provide ESG scores in the US alone.

Source: Explorer AAPG

64% of Americans say that government and corporations bear responsibility to address climate change. Source: CNBC

**92%**

of consumers are more likely to trust a company that supports social or environmental issues

—WILLIS TOWERS WATSON

**55%**

of employees would choose to work for a socially responsible company, even if the salary offered was lower

—WILLIS TOWERS WATSON

**68%**

of investors have integrated ESG into their investment decision-making

—WILLIS TOWERS WATSON

FORBES > LEADERSHIP > LEADERSHIP STRATEGY

# ESG Should Bring Us Together Not Tear Us Apart

David Hessekiel Contributor 

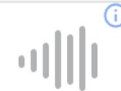
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Mar 29, 2023, 07:57am EDT



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At it's essence, ESG is a wonky acronym for evaluating companies based on environmental, social and governance factors.



But depending on whom you are talking with these days, ESG is either a horrible “woke” concept endangering our society or a helpful tool in assessing how companies take into account societal issues that can impact their and our futures.

## Harvard Business Review

ESG initiatives today must rely on fundamental drivers.

**The era of ESG ‘box checking and window dressing’ is over.**

**Fundamental Question:** Do your members want social values interconnected with fiduciary responsibility?

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**How many members will actually leave due to ESG concerns or be attracted to sustainability focused organizations, versus how many will join?**



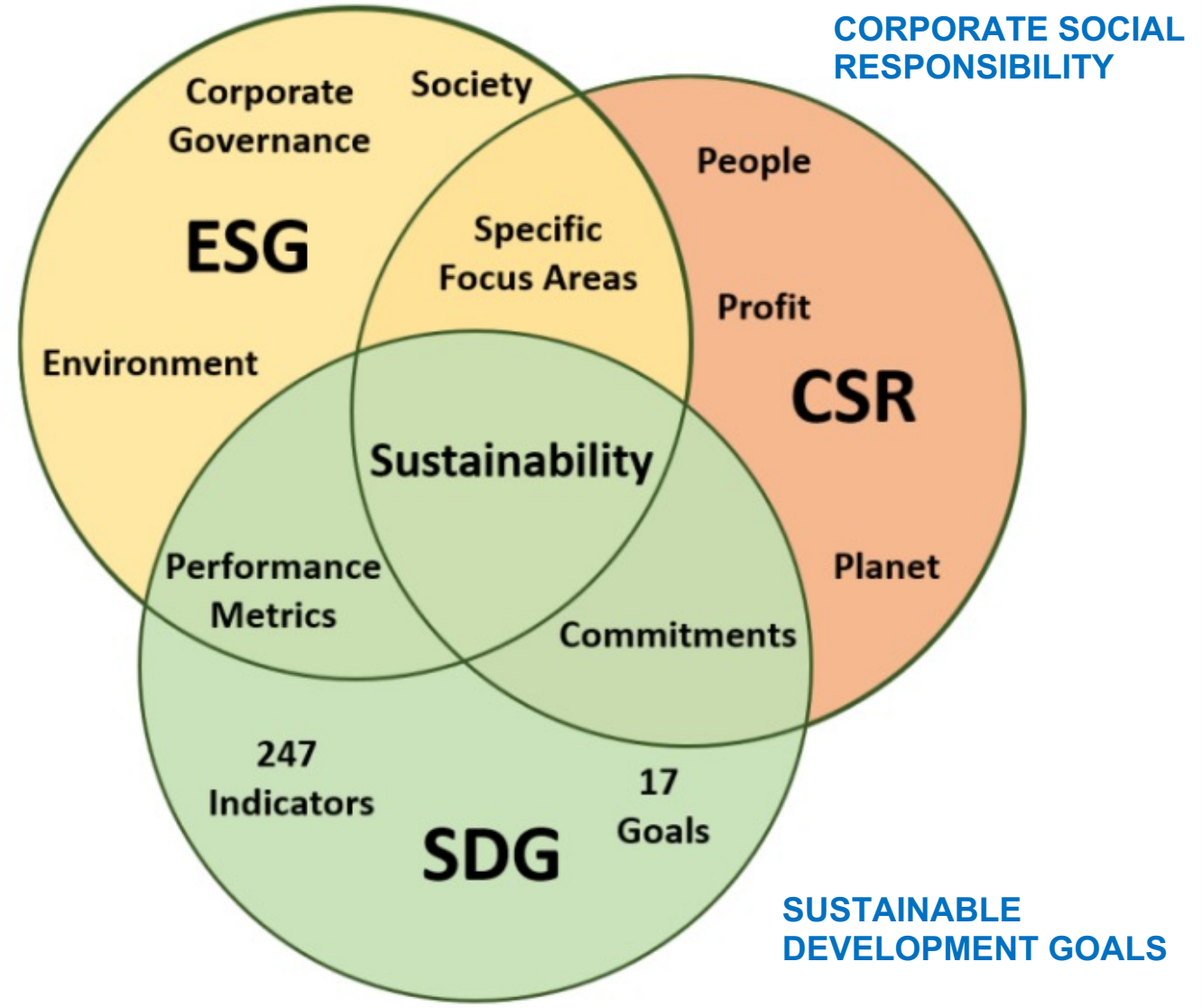
**Fundamental Question:** Do you care about the community and our world and is that part of your institution's values?



# Strategic Options to Integrate Impact As a Core Value

Your People | The Community  
Around Us

ECONOMIC, SOCIAL, GOVERNANCE



# CSR





# SUSTAINABLE DEVELOPMENT GOALS

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	 <b>SUSTAINABLE DEVELOPMENT GOALS</b>



## ENVIRONMENT



## SOCIAL



## GOVERNANCE



## Key Parts of the Conversation





# Millennials & Gen Z Are Switching To Impact-Driven Financial Institutions



The Millennial generation is scheduled to receive \$68 trillion in inheritable wealth by 2030



Millennials and Gen Z are more than **twice as likely** to invest in a fund with social responsibility

96% of Americans aged 27-45 struggle with 'climate anxiety'



# ESG-Related Risks on FI's Financial Stability Being Discussed

## 1. Climate Change

- **Physical Risks:** More frequent severe weather events can damage CU properties and affect well-being of members in affected regions.
- **Transition Risks:** As governments and industries transition to low-carbon economies, CU's may face risks related to stranded assets, reduced demand for high-carbon investments, and write-downs.

## 2. Reputation Risk

- **Being Associated With ESG Controversies:** Such as investing in industries with poor environmental or social records can damage the CU's reputation and lead to member attrition.

## 3. Credit Risk

- **Borrower ESG Performance:** If CU's lend to businesses or individuals whose financial health is effected by ESG issues. Ex.: Borrowers in industries vulnerable to climate risks may struggle to repay loans.



\$1.2 trillion in credit union assets are at physical risk due to climate change

# Demand For ‘Green Lending’ Is Growing Fast

- **Inflation Reduction Act**
  - Tens of billions in grants and loans to households
- **Tax Credits For:**
  - Previously owned clean vehicle
  - Energy-efficient home improvement
  - Residential clean energy



As U.S. households take advantage of this new source of government funding, they'll need financing to cover the full costs of these systems. Many credit unions are already responding by offering low-interest green lending options.



# Top 10 ESG-Related Risks on FI's Financial Stability Being Discussed

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## 4. Operational Risk

- **Disruptions:** ESG-related events, such as national disasters or social unrest can impact operations causing losses.

## 5. Regulatory and Compliance

- **Regulatory Changes:** Evolving ESG regulations can affect CU operations and investments. Non-compliance can lead to fines and legal liabilities.

## 6. Market Risk

- **Changing Investor Preferences:** Shifts toward ESG-focused investments may influence the CU's ability to raise capital or manage investment portfolios effectively.

## 7. Member Expectations

- **Member Demand:** Looking to invest or save with FI's that align with their values. Could result in attrition and reduced business. Generational differences.

## 8. Supply Chain & Vendor Risk

- **Third-Party Relationships:** If vendors have poor ESG practices, it can reflect negatively on the CU.

## 9. Social and Governance

- **Workplace Issues:** Can include issues related to employee relations, ethics, diversity and inclusion, and executive compensation. Poor practices can lead to operational disruptions and legal issues.

## 10. Long-Term Planning

- **Short-Term Focus:** ESG considerations can sometimes create tensions between short-term financial performance and long-term sustainability goals. Need to strike a balance.

# Are you talking about sustainable finance? (Environment / Planet / Community)

Provide services to individuals and businesses that are a boon to environmental concerns:

**Providing a line of credit supporting sustainable enterprises, agricultural loans**

**Reward consumers who provide little impact to the environmental footprint.**





## Environmental

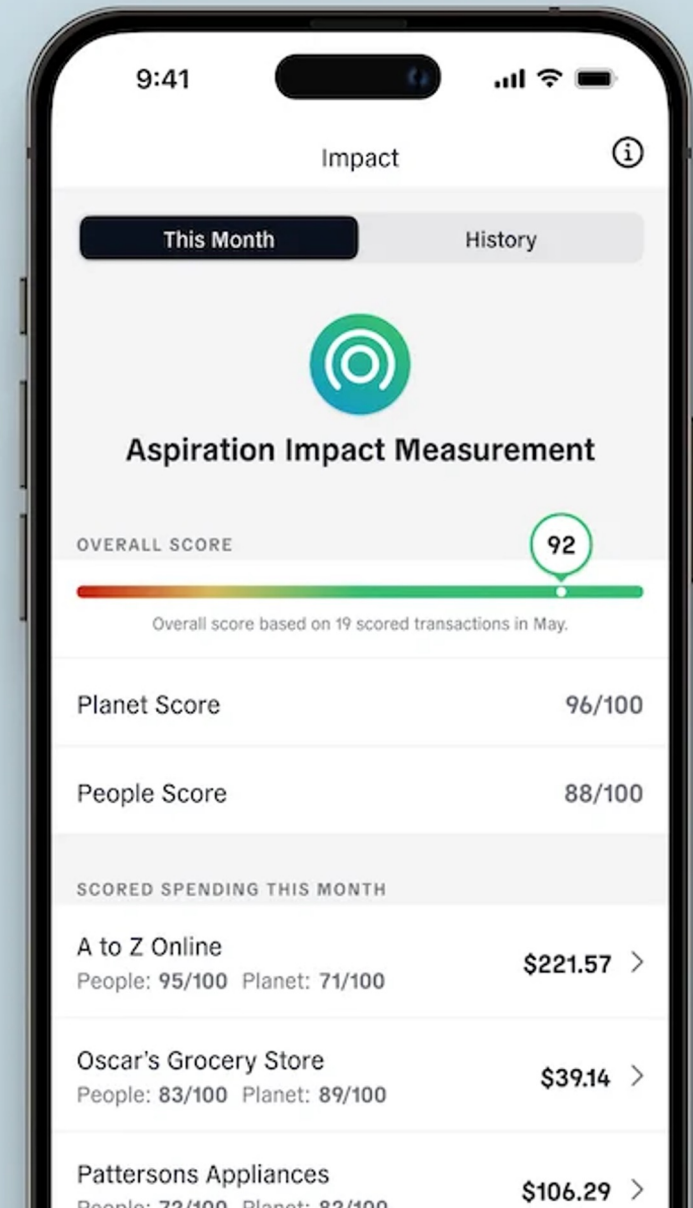
- Energy use • Carbon Footprint
- Climate Change • Waste Management
  - Pollution Monitoring
- Natural Resource Conservation

# Aspiration



# Save the planet, earn up to 3.00% APY

-  Up to 10% cash back on debit card purchases with Aspiration Plus\*
-  Plant a tree with every roundup
-  Unlimited fee-free withdrawals at over 55,000 ATMs (other account fees may apply)
-  Deposits are FDIC insured up to \$2M per depositor †

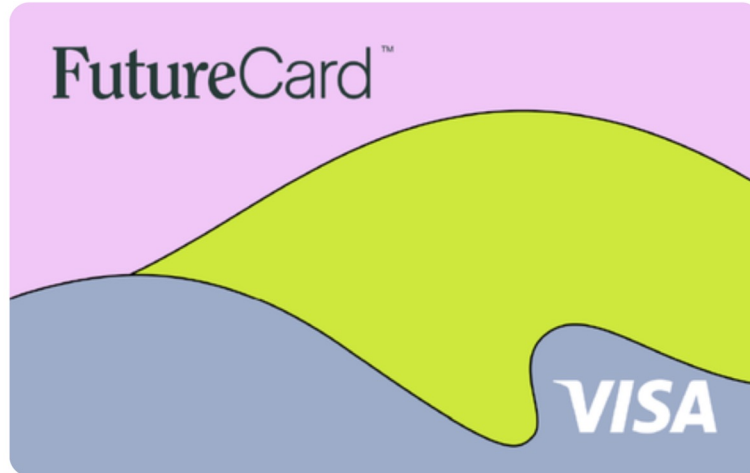


Source: aspiration.com



# Climate-Conscious Cards Are The New Norm

- 5% cash back on public transport, electric charging, secondhand clothes, etc.
- "FutureScore that tracks carbon footprint
- Sustainability-oriented nonprofits are advertised to receive a portion of the transactions made with the card.



- Reputation for sustainability.
- Offers pro-green products, including solar and bike loan programs
- Maintains B.Corp status and GABV membership, indicating its dedication to social values and sustainability.



## For millennials, social issues matter most

Most important factor in deciding to do business with a company:



Source: Allianz ESG Investor Sentiment Study, 2018





# Social Responsibility Builds Community



## Your Local Community

- Engage with local groups outside of a professional setting
- Build your reputation through social initiative PR
- Visibility from volunteerism drives word of mouth referrals
- Enhance financial inclusion and accessibility

# Your People



OVER  
**70%**

of employees say it's imperative or very important to work where culture is supportive of giving and volunteering.<sup>1</sup>

**64%**

of employees nationwide said that volunteering strengthened work relations.<sup>2</sup>

1. America's Charities Snapshot Employee Research
2. National Center for Charitable Solutions



# Volunteering Boosts Morale, Loyalty, Productivity—And Your Impact



Employees are **21% more productive** at work.

Employees are **87% more loyal** to the company.

- **Attract and Retain Top Talent**
- **Drive Measurable Impact** 1 Hour of Volunteer Time is Worth An Avg. of \$31.80 to a Nonprofit;  
(Source: Independent Sector)



# What are **you** doing?

Who are you already partnered with in your community? Could you make a larger impact?

Do you have a volunteer day? Or do you promote volunteering year round?

Is your philanthropy tied to DEI initiatives?

Are you empowering your employees to support causes they care about?

- Empower your people to find opportunities that are meaningful to them.
- Create and feature team-building volunteer events.
- Connect colleagues through shared-interests and community.
- Track your impact and value.

Welcome back, Ashley!

At a Glance

Volunteer hours completed this year **115**

Member Registration **73%**

Community Impact **\$3,128**

Today's Highlights

Invite members to platform

Feature an event

Events

Highest Interest  Past Featured View All

Event Name	Details	Status	Open Spots	Featured	Hours	Impact
<b>American Cancer Society</b> A nationwide health organization dedicated to eliminating cancer	<b>2/20/21 at 5:45 PM CT</b> 11000 N Mopec Expy #100, Austin, TX 78759	106 Registered	65/90		140	\$3,232
<b>Habitat for Humanity</b> Make an impact in your community by building houses for the homeless	<b>1/31/2021 at 6:30 PM CT</b> St. Edwards • Austin, TX	54 Registered	115/123		130	\$1,341
<b>Feeding America</b> Support your neighbors by collecting and distributing donations	<b>2/11/21 at 11:00 AM CT</b> Colorado Crossing • Austin, TX	115 Registered	75/75		120	\$2,503

Member Cause Interest Categories



Sustainable Development Goal Interest



Impact at a Glance



Governance frameworks can often be overlooked; however, they are the bedrock of how a company/organization is governed and should be designed to ensure:

Effective boards

Transparency around roles and responsibilities

Accountability to, and engagement with,  
stakeholders

Driving sustainable business practices

Corporate communication strategy on reporting

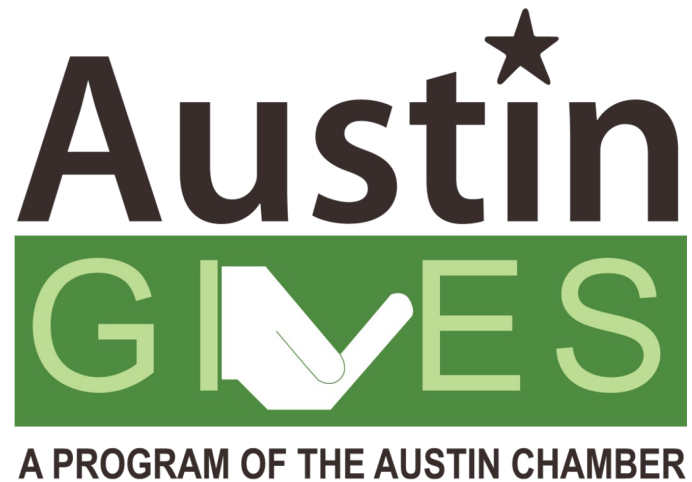
# At The Core: Risk & Culture Oversight



Deloitte Framework:

- **Risk intelligence** allows boards to focus on growth rather than setbacks
- **Culture of engagement and employee buy-in** factors into all 10 aspects of the corporate governance infrastructure

## Other Notable Social Commitment Initiatives





# Leadership Drives Engagement & Impact

1. Establish and formalize strategies demonstrating commitment to it from the top down.
2. Empower your employees to take action in a way that's meaningful to them.
3. Integrate key metrics into stakeholder reports and share publicly via your website, social media, newsletters, etc. as part of brand reputation.



# Considerations for Navigating ESG (or other impact strategy)

## 1. Understand the Fundamentals

- **Learn the Basics:** Start by understanding what ESG stands for and what each component entails.
- **Relevance to Credit Unions:** Recognize how they can impact your CU, including risks and opportunities.

## 2. Assessing Materiality

- **Identify Relevant Factors:** Determine which ESG factors are most material to your CU's operations and members.
- **Risk Assessment:** Assess potential ESG-related risks, such as climate change, regulatory changes, or social issues that may arise.

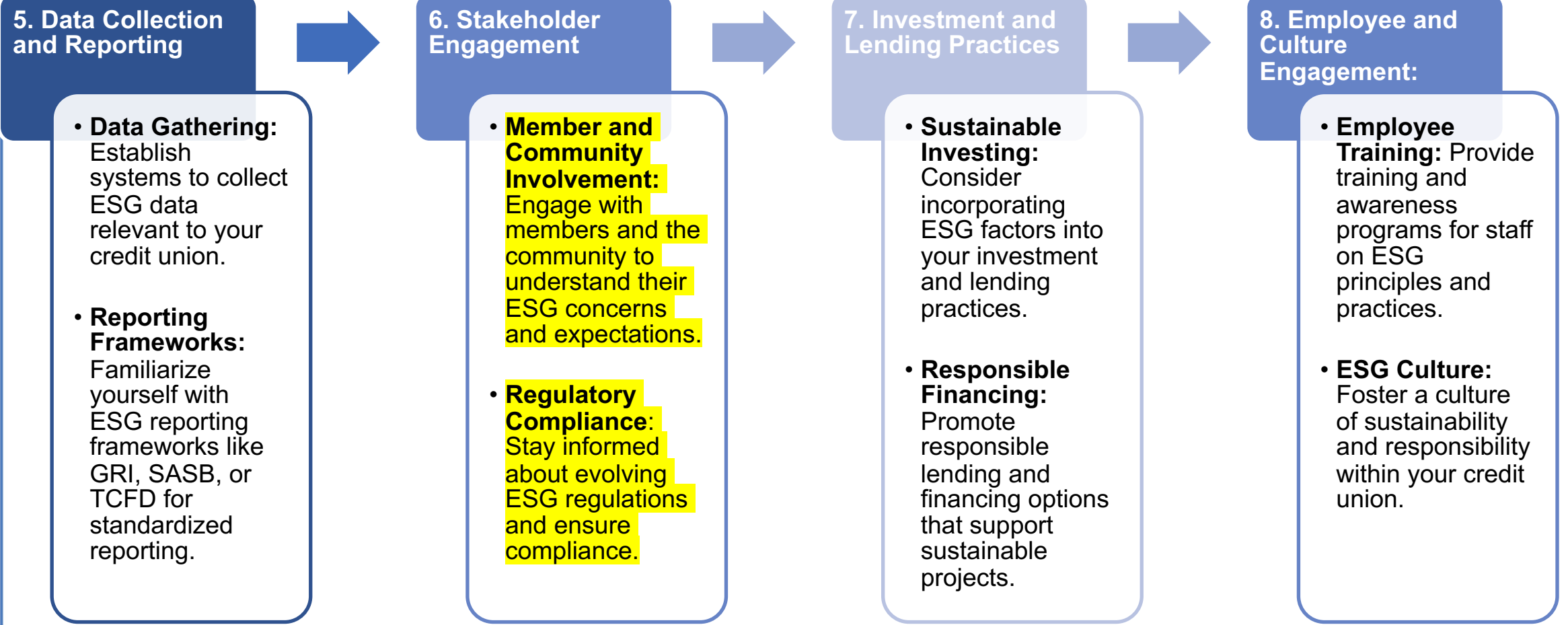
## 3. Integration into Strategy

- **Align with Mission:** Ensure the ESG efforts align with your CU's mission and values.
- **Incorporate ESG into Business Strategy:** Integrate ESG considerations into strategic planning and decision-making process.

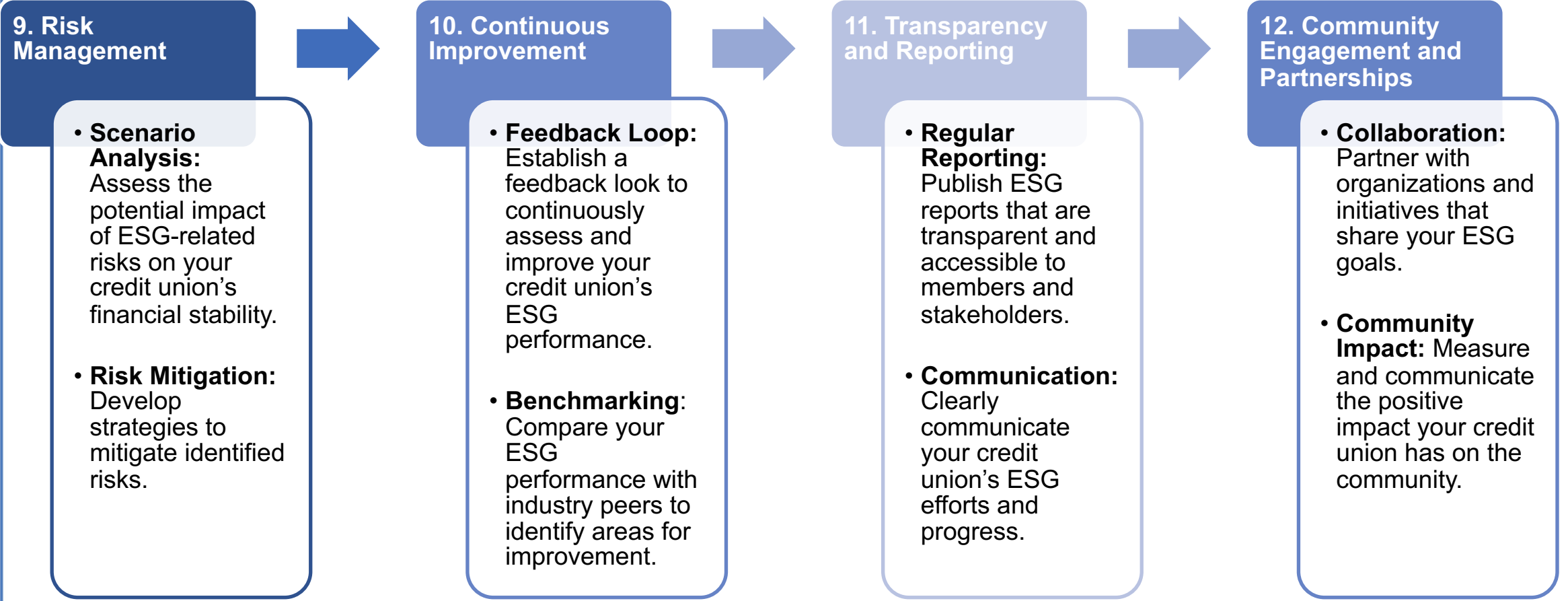
## 4. Governance and Accountability

- **Board Involvement:** Engage your board of directors in ESG oversight and decision-making.
- **Accountability:** Appoint individuals or teams responsible for ESG integration and reporting.

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## **Start with the right questions:**

- What impact topics are stakeholders most interested in?
- In what part of the organization can we make the largest impact?
- How can we integrate ESG and / or CSR into the value identification and measurement processes?
- Do you possess the required data and reporting capabilities to track and report ESG impacts, including measuring successes and identifying gaps?

**Next, utilize the appropriate tools to report ESG.**



# The Why

01 Your members care about ESG



02 Millennials are moving their funds to ESG



03 Your assets are vulnerable to natural disasters



04 Demand for green lending is growing



05 It's the right thing to do



# The How

Environmental stewardship builds trust 06



Social responsibility fosters community 07



Effective governance enables growth 08



Reporting is key, and the tools are available 09



Leadership through promotion 10



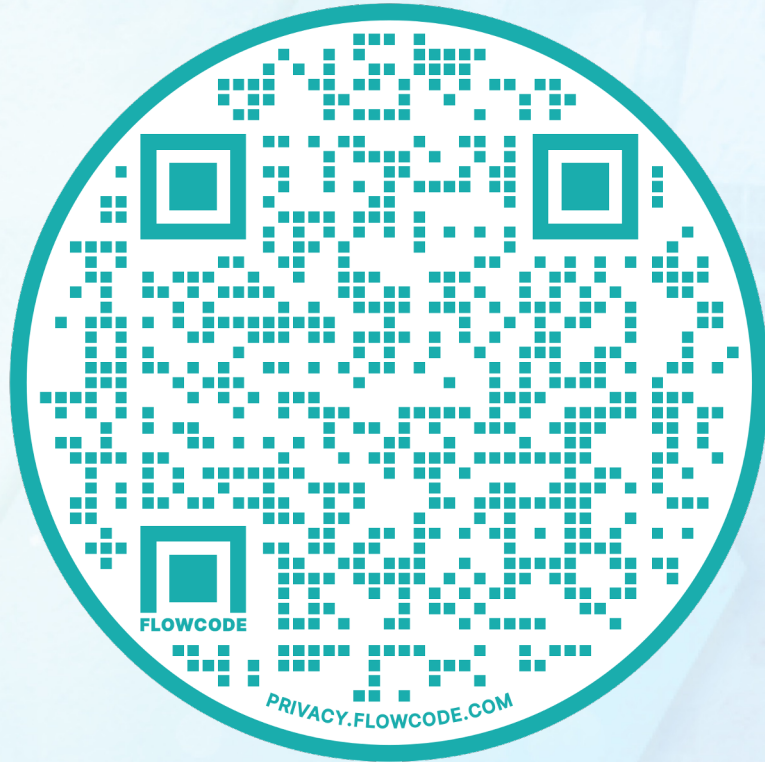
## Sustainable Business Practices: A Path to Success and Impact

# Q&A Session



# Happy to Have A Conversation

#LetsGetTogetherForGood



[www.swoovy.com/brooke](http://www.swoovy.com/brooke)



[in/bwaupsh](https://www.linkedin.com/in/bwaupsh)