IMpact: An investment management podcast series

Episode 5: Navigating the ESG landscape in investment management: The future of responsible investing

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Reese Blair: *Hello, everyone. I'm Reese Blair, your host of IMpact, the new investment management podcast series from Deloitte. IMpact brings you hot takes and fresh perspectives from top experts in the industry. Whether we're discussing issues like regulation, recession, or resiliency, we'll take a deep dive into the latest news, trends, and challenges facing investment management professionals. So, tune in, learn something new, and walk away with insights that will help you make an impact on the IM industry and the world around you.*

Reese Blair: Hello, IMpact podcast listeners. We are thrilled to have you join us once again as we dive into the fifth installment of our series. In this episode, we'll explore a widely discussed subject: environmental, social, and governance, or what's commonly referred to as ESG. Now, to guide us through this intriguing topic, we are absolutely honored to have Eugenia Jackson, who serves as a global head of ESG at PGIM. That's a lot of acronyms, Eugenia. But we're honored to have you as our special guest today. Welcome.

Eugenia: Thanks, Reese. I'm so excited to be joining you today.

Reese: Absolutely. Now listen, before we officially dive in, I'd like to learn a little bit something interesting that you may or may not be able to find a quick internet search on our guest. With that said, let's go back in time, Eugenia. As a child, what did you want to be when you grew up?

Eugenia: Oh, my. The two professions that I really remember wanting to be were astronaut and ballerina. And as you can see, none of them have worked out. [laughs]

Reese: I wasn't expecting that. You definitely pivoted, no pun intended, with the ballerina there. So, wow, that is fascinating. So, clearly no moonwalks or pirouettes for you, for that matter. But I would argue that you certainly made some impressive career moves in ESG. So, maybe let's dive into that. You're PGIM's global head of environmental, social, and governance. Tell us a little about your role, your team, maybe the mission within the company.

Eugenia: Sure. So, as you know, PGIM is a large investment manager. We're a global investment manager, and we have a multi-manager model, which means that each of our investment businesses (and we have five investment businesses) have their own ESG teams, which are focused on their ESG implementation within their investment process and on meeting their clients' needs. And my role and my team's role—and I sit in PGIM center—is to steer, coordinate, and guide ESG effort across PGIM. And to make sure that we all stay true to our common philosophy on ESG, that we have high-quality implementation, and that we are laser-focused on our clients' needs.

Reese: I love that. In fact, that's really impressive how your team essentially collaborates across the organization to stay focused on those client needs. So let's maybe talk a little bit about what drives your passion for ESG, Eugenia. You do this for a living. [laughs] So, maybe can you pinpoint a defining moment or maybe even an experience that steered you towards your current position?

Eugenia: Well, I mean, how long do we have? But actually, I was fortunate enough to come across the concept of ESG at the very beginning of my career. And maybe unusually, for my current profession, I actually started my career on a pipeline construction project in my home country of Georgia. And this is where I came across the concept of environmental and social impact assessments, so-called ESIAs, and I spent a lot of time working with the engineering team, with our clients on those. And then I moved on from that to the first, first role. I moved to work on governance topics in the public sector. I have a degree in public administration, I spent a lot of time within the public-sector bodies, incorporating the good governance principles. So, that was the foundation. When I moved to the UK—and I moved because I married a British man, and he convinced me that was going to be the best place for us [laughs] and for our future family. So, I moved to the UK, and this is where I came truly against they call it across the concept of "corporate governance." So, I was super interested in that. And in the governance topic, I sought for employment opportunities that allowed me to develop the knowledge of that. And gradually, sort of as I developed my career in the governance, I also extended my interest and knowledge and kind of the skills into the environmental and social topics. So, now I can talk about all three. I know all three equally well, but for me, it was more of a G-E-S than E-S-G.

Reese: [laughs] Well, it's like our "vu jadé" concept here at the podcast. [laughs] It's a different take on it. And it's not lost on me, Eugenia, that they always say that your passion is what lights you up, and your purpose is how you use your passion to light others up. And so it's clear that you've had a fascinating journey, and it's also fascinating how your journey has led you to this point. And so that is not lost on me at all. You have a unique background. Sounds like you've lived in a bunch of different places. That is absolutely amazing. And so, with that unique background, I would imagine that it brings a fresh perspective to the field. Speaking of ESG, it is a rapidly evolving landscape, let's be clear. And I'm curious, because we are here on an IMpact (investment management) podcast, I'm curious to get your take on the current state of ESG in the investment management space. How do you see practitioners pushing for innovation and growth specifically?

Eugenia: Yes, thanks, Reese. Well, it's actually quite a complex space at the moment. So, firstly, of course, I can see there's a great enthusiasm among ESG professionals, among general investment industry professionals because there's interest in sustainability; interest in ESG is growing all over the world. But at the same time, there is a concern because after stellar growth over the last three to five years, we're now seeing some anti-ESG sentiment coming through in certain markets, in certain geographies. So, we are in a situation where there is huge enthusiasm, but at the same time, there's more concern than there was even like five years ago. There is also great uncertainty in the industry, and a lot of this uncertainty is coming from the regulation because there's a lot of regulation, but it's developing, it's changing, and nobody really knows where they're going to land, maybe a year or two down the line. So, the biggest challenge that we are facing, and I think it will take time to resolve it, is that ESG—this term "environmental, social, governance"—means so many different things to different people. And it gets a lot of people very confused. And if you think about why ESG has reached such a scale and has gained such a momentum over the last 20 years, there are mainly two factors behind it. The first one is that ESG factors are material for company's performance and are actually going to only grow in materiality because the world is facing more and more environmental and social issues. And the second major factor is that very many investors want their investment to at least—at the very least—avoid inflicting harm on the environment and society. And at best, many actually want their money to do something good. So this trend is only increasing. So, to me, that means that ESG is going to continue to expand, is going to continue to mature. And as it does so, we will see that a lot of issues that we are seeing today will become less pronounced. So, we are moving in a positive direction towards more clarity of ESG investment objectives, more understanding of what it means to implement ESG properly and the costs associated with it, to greater standardization and, importantly, to more transparency and to greater professionalism. So, I'm quite optimistic, but as you can see, it's a mixture of feelings. [laughs]

Reese: And to say that it's a dynamic space, I'd be Captain Obvious at that point. I mean, wow, it is clearly a dynamic and involving space. And wow, it's a lot of things to certainly keep everyone busy and thinking about this and have it top of mind, certainly. I maybe characterize it as perhaps enthusiasm mixed with challenges—that would probably be how I would characterize what I heard. And with that said, I'm curious about what's on the horizon. One of the things I'm always curious about, and I'm sure a lot of our listeners are curious about, is what's coming around the corner. And Eugenia, I wanted to get your take on, where do you see the next wave of disruption or perhaps breakthroughs impacting ESG in the next five years?

Eugenia: Wow, that's a difficult question given the uncertainty that I've just described. [laughs] But I would say maybe four areas I can highlight here. So, the first one, I think we will see the concept of so-called double materiality finally taking hold. And if you know it, double materiality means that ESG … So you're not only considering how environmental, social, and governance factors impact the value of our investments, but also how our investments—the companies that we invest in, the assets that we invest in—impact the environment and society itself. So, this is why it's called double materiality: the financial materiality and the environmental and social materiality. I think there's been a lot of debate over last few months around these two concepts. But I think that the world will finally accept that in order to truly distinguish between managing investment risk and investing for environmental or social change, we need to accept the concept of double materiality. I think it will happen, but there will be a lot of debate before that. The second point is regulation. I think we have a lot of new disclosure-labeling regimes coming up all over the world, and they will require greater transparency; but also, for many investors, they will require a change of processes, a change of investment approaches, and that will be disruptive. The third point is data availability. So, here, I'm a lot more positive because as we see more information, more data becoming available from issuers—and this is partly driven by regulation, partly driven by self-interest, because the companies want to attract investors—and that will mean that investors will be working with much broader and much more accurate datasets. And that will, in turn, lead to greater impact of ESG analysis on investment decisions. So, a lot of breakthroughs as a result of this increased availability and quality of data. And finally, I think artificial intelligence [AI] will play its role because at the moment, we are still very much focusing on the information that we are, as investors, getting from companies or from, say, the owners or operators of certain assets. I think in the future, we'll start spending a lot more time and getting a lot more information about companies from other sources, about assets from other sources. AI will be very instrumental in this.

Reese: You know, Eugenia, I don't think a conversation can be had without the topic of AI coming up. [laughs] So, that's interesting. But let me just make sure I'm tracking here. So, I heard double materiality, I heard the concept of—well, which by the way, as an auditor, that that got me excited because I was like, "Wow, that's interesting." [laughs] Double materiality—a world where we're basically taking the difference between investment management risk and investing from an ESG perspective—that was fascinating. So, we've got double materiality, we have increased regulation, is what I heard you say. We've got the availability of data, and then, of course, the ever-present, the ubiquitous AI. I mean, these are four fascinating topics that I certainly think make sense about what's going to be coming down the pike over the next five years. And it all sounds very exciting to me. Let's maybe double-click—double materiality—see what I did there? *Double-click/double materiality?* [laughs] Let's double-click on maybe talking about advancements. In your experience, where have you seen the most significant progress in ESG, particularly again, in the investment management industry?

Eugenia: Wow. Well, I think definitely the most significant progress has been in accepting that integration of financial material—environmental, social, and governance factors—into the investment analysis is necessary for prudent investors. And this embedding of ESG analysis in the investment process, that's where we've seen a huge change, a positive change in the last few years. What's also really positive that the specialist ESG teams, ESG analysts are seeing a much increased role within their businesses as a result of the greater emphasis on ESG integration. Another area, I know I talk about data and how much more data, we need more accurate, better quality data. However, I think in terms of the data availability today compared to 18 years ago, 19 years ago when I started in this industry, it's just incomparable. We have a lot more data, we have much higher, much greater coverage. There is a lot more quantity. I would say that the quality is not necessarily quite as improved as the quantity, but it does help. I mean, we can do a lot more today compared to even 10 years ago. And then finally, I think the very important progress that we've made—going back to the double materiality concept—is that there is a growing acceptance that investing for environmental and social change, for positive environmental and social impacts alongside financial returns, is not some kind of outlandish idea. It's not reserved to a very small niche part of the market, but that it is legitimately wanted by many of our clients, by many investors all over the world. So, it's becoming more accepted, whereas even five years ago, it was such a sort of narrow view that this is only for certain very, very specific type of investors—it's not.

Reese: Fascinating. So, what I'm hearing you say is that it's becoming essentially more ingrained in the industry. It's becoming sort of status quo as to how people think about investing in general. And certainly just sort of, this is what we do as a core element of our strategy, our investment strategy—is that fair?

Eugenia: It is. And also, that we are able to serve different clients based on what they want us to achieve for them, including from the sustainability perspective.

Reese: Fascinating. Clearly, it's a positive sign for the future, Eugenia—that trajectory of where we will be—not only where we are currently, but where we will be several years out. I mean, that's really refreshing. And you touched on the fact that this is what folks want for their clients. These are what the fiduciaries are asking for their clients. And the clients are also asking for it. So, there's a mutually symbiotic relationship that's happening here. Let's maybe touch on that connection between ESG and being an effective fiduciary for clients. How do you think sustainability ties into maybe fiduciary duty, from your perspective?

Eugenia: I think it can tie in very directly into the fiduciary duty. Again, talking about sort of double materiality. If we want to deliver long-term, attractive investment returns to our clients, we have to understand the risks and opportunities that are arising from different aspects of investment—and environmental, social, and governance risks or opportunities are a part of that analysis. That's really important. If we ignore climate risk in an industry, which is significantly affected, for example, by carbon pricing or other types of transition risks; if we ignore physical climate risks in a geography, which is likely to face a lot of impacts of changing climates, floods, hurricanes, wildfires, you name them—we are not going to be doing our job well, we are not going to be performing our investment analysis well. That's why we need to look at all the risk factors that we know of that can impact the investment performance. And we also need to look on the opportunity side, on the positive side, to identify the right investment opportunities for our clients. So, that type of ESG analysis, which is focused on enhancing investment, sort of enriching investment analysis, with the view of enhancing investment returns, that's directly linked to our fiduciary duty to our clients, and we should be doing it for all of our clients. Now, I talked about clients who really want to achieve additional returns on their investments. Not just financial returns on their investments, but some sustainability objectives that they have that they want to be facilitated through their investments. For those clients, it's very, very important. So, when they give us a mandate that involves this additional investment objective, additional return that they want to generate, we have to be able to deliver on that. And that's also part of our fiduciary responsibility to our clients. And each client, it's up to the client to decide whether they want to be, whether they want to just focus on financial returns, and then we'll use ESG as appropriate to help enrich the investment analysis and enhance their investment returns, or they want to do more and actually have an ESG-related investment objective. And if they have that, then we have to have the tools, and we have to have the capabilities and knowledge to facilitate that.

Reese: That makes a lot of sense.

Eugenia: Well, we have to be very clear where our clients are.

Reese: Yeah, Eugenia. I mean, really at the end of the day, it's about listening to your clients. It's about making sure that you tailor your approach to what you heard. I mean, that makes the most sense to me. And certainly, I think that's what you just described. And certainly, it's a key point of what you're doing. And as an asset manager, sustainability, obviously, we've touched on this, encompasses a wide range of topics. And again, with my accounting brain, I think about two sides of a ledger. And you touched on opportunities a short while ago, and now, I want to think about … Well, maybe we could go at it from both sides. Why don't we go at it from what challenges—specific challenges or untapped opportunities—within sustainability are you particularly focused on? So, maybe talk about it from both sides of the ledger. Untapped opportunities as well as specific challenges around sustainability.

Eugenia: We look at the world very much holistically because our clients invest all over the world—the different asset classes—and they invest across different time horizons. So, there are tons of different topics that we could be focusing on. But what we tend to do is we focus on detailed analysis in relation to each individual investment. So, we make individual assessment of risks or opportunities or impact as appropriate for the asset class and investment strategy. And a lot of ESG issues are actually interconnected. And clients are seeking this interconnectedness and connections and ties between many ESG issues. Thematically, though, we would focus on the topics that our clients are focused on because we deliver against their investment objectives. In terms of what they are, at the moment, the big ones are decarbonization and Paris Alignment of portfolios. It's identification of opportunities, how to make money on low-carbon transition and other sustainability trends such as in health care, for example, in food and other areas. Affordable housing is a big topic of interest for us, but also such instruments as green social, sustainable bonds and loans. These are something that we research a lot because of our client interest. What is interesting and becoming increasingly a part of our role and our responsibilities is that our clients are not only interested, say, in decarbonization of their own portfolios, but they want a smooth and orderly global transition, and they want it to be done in a way that is just, equitable, and beneficial for the entire economy, for the entire market. So, that requires a lot more holistic understanding of issues, of unintended consequences, of the associated impacts on the world—and they're looking for this type of knowledge, expertise, advice, guidance from us. So, we have to increasingly—although there are lots of topics and lots of themes—we have to almost stand above those and take a view and look at more of the systemic, more of a holistic perspective.

Reese: So, Eugenia, that makes a lot of sense. And I realize that everything that you're saying is obviously informed by what you do day in and day out, and I certainly appreciate that. And I'm just curious, as you had conversations in your, nearly two-decade career of being immersed in this space, what have you seen, what have you heard from clients with regards to whether or not they are supportive of what they're facing with regards to implementing ESG? Do they understand some of the factors that would be relevant to maybe getting performance and making wise decisions and trusting fiduciary to make wise decisions on their behalf? Are they troubled by some of the challenges that you just touched on? Maybe unpack some of what you're seeing and hearing from clients or just individuals that you come in contact with, again, on your journey of being in this space for, like I said, nearly two decades.

Eugenia: Absolutely. So I think most clients understand that ESG factors can be material for investment performance, and therefore, what they seek to ensure is that we have robust processes in place to be able to identify those material, financial material, ESG risks and opportunities, and that we can incorporate them into our analysis and decision-making. They want to know that we are doing it and that we are doing it well. But then I would say that I talked about the increased scrutiny over ESG in the past couple of years, and I think the most important and helpful outcome of this scrutiny has been the growing focus among our clients on what they want us to use our ESG toolkit for. So, do they want us to use for managing of risks, to identify and invest in opportunities provided by sustainability trends? Do they want us to invest on the basis of so-called do no significant harm principle, like avoid most harmful industries and issuers? Or do they want us to invest with the view of contributing positively to environmental or social outcomes via impact strategies or positive alignment strategies? So, as a manager, we can do all of the above, but we need to make sure, as I said before, that our approach is fully aligned with our clients' investment objectives and their expectations. So, the fact that our clients are focusing more on this, that we can have more informed, more open discussions with them, and can get a greater guidance from them through these discussions, actually is really working well for us. So, these are good things. What we see as a headwind, as a challenge, is the politicization of ESG and the fact that this term is so poorly defined. So, in many cases, because it's so poorly defined, investors have to justify the use of any ESG tools, even if they use them purely to deliver greater risk-adjusted financial returns. So, the good news is that the clients are becoming a lot more discerning, that ESG products are becoming a lot more transparent. And both transparent in terms of financial outcomes that they aim to deliver and the sustainability objectives that they have. So, hopefully, there will be less confusion about ESG going forward. But I would say that the final point I'll make is we have another big issue, which is this focus on decarbonization of portfolios. But the big question around it is whether the reduction in portfolio emissions actually leads to reduction of emissions in the real world. So, it can be a disconnect between what you're doing at the portfolio level and what impact it has in the real world. And I think that's where, again, a lot more investors are understanding this disconnect and recognizing it. And it makes sort of it easier to explain to clients what are the different options, different ways of investing in low-carbon transition and work with them to achieve their specific objectives. The biggest opportunity really is the fact that we are so much more knowledgeable today—there is a lot more focus, a lot more knowledge, a lot more understanding, and a lot more determination to choose the right route when it comes to using ESG toolkits.

Reese: That makes sense. And at the end of the day, the punchline here is, I think, investors are becoming more informed, and by being a more informed investor, you're becoming more increasingly discerning. And ultimately, you're looking as an investor to align the investments that you're making or having your fiduciary make on your behalf with your values and objectives. I mean, that's really my takeaway from that. And the challenging landscape of ESG presents both challenges and opportunities. I think that that's very clear on everything that you shared, Eugenia. And I'll pivot a little bit now to moving away from challenges and opportunities to maybe talking about, again, in my accounting brain, metrics, the numbers—numbers don't lie! [laughs] And so, I'm curious to get your perspective on what are some of the important metrics to look at when one is measuring ESG? Where should companies be focused in the upcoming year when they're trying to maybe measure their ESG growth?

Eugenia: Well, to be honest, I think measuring ESG is very difficult because it is very broad. But when we talk about companies, my advice to companies actually has been unchanged for the last 10 years, maybe 15 years. And this is sort of to do ESG well and to measure yourself on ESG well, you need to do three things. The first one, you need to identify most material risks to your business arising from environmental, social, and governance factors. I say five as a rule of thumb, but can be 10, can be three. It doesn't matter. [laughs] Just identify what are the most material risks arising from these factors, and then consider them and then report measures that you have either taken or planned to address to mitigate these risks—that's number one. Number two, see whether your business in the industry that you are in, based on your business model, whether you have strong commercial opportunities arising from ESG factors, and it could be based on the changes in regulation or changes in consumer preferences or sort of other sustainability trends. If yes, identify those and focus on those. The third one is impact. So, identify what are your most material impacts of your economic activities, of your products, of your services, of your operations on the environment and society. Again, choose five, 10, whatever you want. So, when you've done all this, the final step is, do the impacts of your economic activities, do they overlap with risks and opportunities? If the negative impacts overlap with risks and positive impacts overlap with opportunities, that's fantastic. Then you need to start focusing on how you basically address both. But then if you see that no, actually, risks and opportunities and impacts, there's no overlap between them, you have to ask why not? Is it because if you have negative impacts, they're not being priced in today? But if no, can they be priced in at some point in future? Or if they're opportunities, something you're doing really well, positive impacts, but they cannot be converted into competitive advantage, why is that? So, are they being overlooked or there are other reasons? I think investors really want to understand that companies actually can look at themselves from the risk opportunity and impact perspective when it comes to sustainability or ESG, and actually then explain to the outside world what they do, how, and why. I think, sort of, that's for companies. From the investor perspective, I think we really need to understand how risks, opportunities, and impacts play out in relation to each individual case, investment case. And this is because not all companies are the same. Not all issues impact them equally, and not all of them are well placed to address even certain, well-known issues. And investment strategies are different. So, some will focus purely on risks and opportunities. Others will take impacts into account because of the extra sustainability objectives. So, for investors, in my view, the key measurements would remain, do you have robust ESG integration practices? And how broad is your asset coverage? The second one would be, are you able to address clients' needs, particularly as they seek a combination of desired investment returns and sustainability objectives? The third one would be, do you have high-quality stewardship engagement, proxy voting, other types of stewardship activities? And the fourth one is becoming increasingly important in the context of the systemic risks: how active are you in participating in this public policy discussions and protecting the interest of your clients? So, they're not specific "metrics," as you ask, but these I think, are the measures of how good you are on ESG for both companies and investors.

Reese: Well, Eugenia, you may not think they were specific, but those were very prescriptive. [laughs] I thought that those were certainly key measurements, and you laid out four of them that I thought were brilliant. So, thank you for sharing that. And I think we framed that question, and obviously, your brilliant response to that in the context of an upcoming year. But I'm curious, given everything that you just unpacked (I mean, that was a lot), is that timeline too short? I'm wondering, I would love to get your perspective or your point of view on what would be an optimal timeline for tracking all of these trends, these key measurements, that you just outlined.

Eugenia: I would say a year is a very short timeline. I mean, if you start from scratch, you won't be able to achieve it within a year. I would say three to five years is probably a more realistic one. And definitely, sort of depending on what the actual risks are, what the opportunities are, what the impacts are. Some impacts are really truly difficult to mitigate. Even for some, the technologies do not exist today, so it might take 10 years. The important thing is that this understanding that you have as a company—if we're talking from a company perspective—that you have this impact, that you are taking steps to understand whether there are mitigation measures and whether it is even economic to implement those mitigation measures today. But also, that you are working yourself with the industry peers and with the governments and policymakers to actually help address those impacts. We cannot do it alone. No company, no investor can achieve this alone. It has to be some kind of joined-up effort. But the joined-up effort really needs to focus on what is most important for each company, for each investor, for their clients, or their customers etc.
So one year is a very short timeline. Usually, these changes happen over three, five, sometimes, longer, but it's the incremental step towards the achievement of this ultimate goal that are important. As long as you're making those steps, you're getting closer and closer and closer.

Reese: Absolutely. So, nothing to be solved in a year, and collaboration is key, is what I heard loud and clear. So, that's really important and helpful. Let's pivot. You juggle a lot, you deal with a lot of challenges, a lot of complex issues and questions that come up. And so, I am curious, maybe zooming into your world a little bit more and understanding, sort of, on a daily basis, what are just some of the challenges you face [laughs] in your role on a daily basis? What are some of the biggest hurdles that maybe you encounter?

Eugenia: I would say that the biggest challenges … I mean, I have to repeat myself, but regulation, that's a big challenge because it is changing. I think good regulation is really good. However, the constant changes and developments and the disconnect between what's happening in different markets, and we are global investors, so it's important for us to know and to respond to what's happening all over the world—I think that's a big challenge in my day-to-day role.
I would say also the confusion about ESG. It's very clear to a lot of my colleagues and counterparts who work in the industry, but it's definitely not clear as much for many people outside of our kind of this circle. [laughs] And therefore, we spend a lot of time on education, explanation, information, and I mean, it's a big job and you have to spend a lot of time on it. It's essential, so I'm not complaining, but I'm just saying that you asked what the challenge is, yes—there's a lot of work happening on actually explaining what happens today, what we're doing, rather than focusing on future things. And I think the kind of more technical challenge is the real shortage or real scarcity of data and disclosures coming from private markets, like, in particular, private companies. Public company reporting, as I said, has been improving over years, and there's more data than we've ever had, although we always want more. But then on the private company side … I think that's where we have a real massive gap, which is not good for companies and not good for investors, and that's creating quite a lot of headaches in my day-to-day life.

Reese: Yeah, that makes sense. No, that makes perfect sense. I'd say regulations and sentiment certainly keep things interesting to be sure. [laughs] So I'm always focused on what's next. So, if we may, Eugenia, let's shift our focus to the future. And clearly, you have a vision for what excellence and/or leadership looks like in the ESG space, but I'd be curious to get your take. How do you envision maybe redefining what excellence or leadership in ESG over the next few years, what that looks like?

Eugenia: I think for me, and that's for me—excellence in ESG has always been, is, and will be this willingness and ability to serve your clients' needs. Not to pursue some big goals, not to pursue some personal objectives or passions, but really to serve your clients' needs day in, day out. And that means delivering on their investment objectives and using ESG to do so. And whether these are purely focused on financial for financial return, or whether they have more specific sustainability goals alongside financial returns, the excellence in ESG means delivering on those objectives and doing so well.

Reese: I love the fact that your response is so focused on client service. Literally thinking about it from client-centric excellence, that's how you're defining that. And I really love that. Let's bring this plane in for a landing, and no carbon emission intended with that pun. [laughs] So, bear with me! But as we wrap up, let's get your most impactful piece of advice for maybe someone listening in who's starting their journey in the ESG space. We'd be curious to get your most impactful advice to that listener.

Eugenia: Well, I'll give two. The first one is always listen to your clients' needs. That's by far the most important advice. The second one, I would say that think about ESG as not an investment philosophy, not an investment strategy, and not an investment style. Think about ESG as an investment tool that you can use to help your clients achieve their investment objectives. And they can be purely financial returns or broader sustainability goals. Use ESG as a tool, and you'll always be serving your clients' needs.

Reese: Outstanding advice. Keep the clients' needs at the forefront, really, of your ESG journey. Well, Eugenia, I keep saying this when I talk to my guests, and it's just because I think the team does such a fantastic job of curating such amazing guests, but I could literally talk to you for hours on this topic, but unfortunately, we can't. [laughs] And so, literally, as we close out, I'm curious, I know we covered a lot of things. We really touched on a lot, a broad array of topics, and I just want to make sure we're not leaving anything on the table here. I want to make sure we close out and I give you one more, we'll call it final word. Is there anything else that maybe I've not asked you about or anything else that may be top of mind for you? Anything else that you'd like to add on the topic of ESG before we finally and officially conclude today's podcast?

Eugenia: Well, thanks, Reese. And I would say that we spend a lot of time explaining what ESG means to us, but I think it's time for everyone to focus on creating some global alignments. For example, agreeing on global disclosure standards in ESG, which are proposed by ISSB [International Sustainability Standards Board]. It's so important that we have the global baseline, and I really think that investors should put the disagreements aside and agree on something that everyone can use, and then move from that point forward.

Reese: Perfect way to wrap it up. So to our listeners, thank you for joining us on this journey into the world of ESG investing. Whether you're an investment professional, a concerned citizen, or somewhere in between, we hope today's episode has offered valuable insights and inspired you to consider the broader impact of your investment choices. Remember, the field of ESG is rapidly evolving, and staying informed is key. With that, I want to thank you, Eugenia, for your time today. Thank you, listeners, for tuning in to another episode of the IMpact podcast, where we look to not just spend time together, but invest time wisely with the best and brightest in our industry. Eugenia, again, thank you for facilitating a return on the investment of our listeners' time today.

Eugenia: Thank you.

Reese Blair: *Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on deloitte.com, Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.*