DÉJÀ VU

The economy's Covid-19 struggles feel all too familiar. How can ESG help in making sure that this doesn't happen again?

MARK D. SLOSS
CHIEF EXECUTIVE,
REGENERATIVE
INVESTMENT STRATEGIES

DÉJÀ VU

For those of us who have been in this business for a few decades, there is a punch-drunk feeling to this bout with the new strain of coronavirus, Covid-19. Wind back the clock seven years or so – we were dealing with Superstorm Sandy. Before that, the financial crisis. Seven years before that, the tech collapse and 9/11 back to back. Those are just the standout lowlights over 20 years, and each had lasting consequences for society, infrastructure and markets.

Where does ESG fit in all of this?

Two key recurring themes throughout sustainable and responsible investing are the concepts of mitigation and resilience. How do you prevent or at least attenuate problems or full-blown crises and how do you bounce back when presented with the unavoidable?

What usually gets the press these days are 'Big-E' environmental mitigation and resilience. The climate change discussion starts with businesses and communities, and their ability to mitigate the causes and effects of climate change. That may be reducing consumption of carbon-based fuels to slow the rise in atmospheric CO2, which leads to more violent weather, rising sea level, and desertification of fertile land.

It ends with examining resilience. Accepting that a certain amount of damage has already been done, forward-thinking companies and communities take steps to protect from the effects of climate change or even invent new products or services to upgrade resilience. When neither element is addressed, the consequences can be dire, like Puerto Rico's experience since Hurricane Maria in 2017.

Covid-19 is similar to climate change in that our collective inclination is to neither address mitigation nor resilience until the threat is immediate. Public health is a social challenge: social in the sense that the system relies on the assumption that every participant in the system is doing something to keep it functioning. But what we discover in such moments is that the failure of companies and communities to address key themes like economic inequality and access to healthcare leaves the entire system vulnerable.

BE PREPARED

This moment is neither unprecedented nor totally unexpected. Sars, which we can think of as coronavirus version one, was a shock to the global system, even though we ended up by several estimates with fewer than 10,000 known cases.

H1N1, or swine flu, landed on our doorstep hot on the heels of the financial crisis and may have infected more than a billion people globally. Companies and communities did little in the way of either mitigating the risk of an outbreak from future pandemics both to society and to commerce and markets, despite observable and quantifiable consequences.

Large portions of the working population still do not have the ability to stand down in a pandemic scenario because they themselves do not have sufficient economic resilience. Lack of access to a living wage, healthcare services, and paid sick leave mean workers are driven to make choices in their immediate economic self-interest but not in the interest of personal, family or community health.

Compounding that, in the US, public and private healthcare is built on a just-in-time business model. There is slightly more capacity than the statistical norm demands, but no elasticity when extraordinary events create an aberrant surge of demand.

We are operating a system that, at least in the short term, has proven itself unprepared for this magnitude of public health crisis, and the lack of will to address social challenges across companies and community – something that can be catalyzed through the deployment of capital, is now costing wealth, health, quality of life, and life itself. ■

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