

# The next frontier in ESG: race, policing and diversity

Blog post by Practice Lead Elizabeth Beall and Senior Associate Rishi Patel, 26 June 2020

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The current wave of activism around race, racial awareness and diversity is certain to impact on ESG - particularly as the 'S' aspect gains in prominence due to covid-19. The social components of ESG policies and strategies have in the past largely focused on attention to human rights and labour conditions, but the list of what is included is expanding. While diversity of gender, sexual orientation and ethnicity have been growing in focus in both the public and private sector, recent events have reframed the last of these with fresh intensity.

This is an area where companies inevitably fear being caught on the wrong side of vocal protests both with customers and employees - think Uber on the immigration ban, or Pepsi's attempts to side with Black Lives Matter in a way that ultimately provoked accusations of trivialisation. This time around, many corporates have moved fast and relatively decisively. Amazon, Zoom, JPMorgan and countless others have spoken out in condemnation of recent events and solidarity with the Black Lives Matter movement. Still, others like Ben and Jerry's are issuing statements about board composition and their workforce profile. Public sector institutions like the UK BBC have issued [new diversity benchmarks](#) for their programming.

In the wake of changes like these will inevitably come close scrutiny of such commitments quantitatively and qualitatively and new expectations on reporting and impact. In a parallel to focusing on the financing of environmentally unsustainable practices, there has already been pressure to add new scrutiny to the funding of municipalities in the US and linkages between this funding and wider policy reform. It is not improbable to suggest that we are seeing the arrival of forms of taxonomising investments against such benchmarks, just as we have on climate.

One pertinent question is whether policymakers will ultimately try to regulate with this shift. Back in March the [EU revived the possibility of mandatory requirements](#) for women on boards. California has already taken this step, as have some individual EU states. Could these ideas be widened to take in racial and ethnic diversity as well? Back in 2017, the McGregor-Smith review on addressing [Race in the Workplace](#) in the UK stopped short of recommending any mandatory requirements. Is the political ground shifting under such reticence? The collision of the BLM movement with calls to 'build back better' post covid-19 may mean the answer is not if, but when.