

Sustainability reporting leads to better informed investment decisions

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Sustainable Development Forum

September 15, 2015



Making money and sustainability

Making money and sustainability

- Studies on the business benefits
- What is ‘corporate sustainability’
- Case studies by value driver
 - Turnover growth and innovation
 - Risk management
 - Productivity improvement
- Essentials of good reporting
 - Communicating with investors
- Conclusion

Multiple studies find ESG adds value

Review of 190 studies on economic relevance of ESG

Type of study	Proportion where ESG adds value
Cost of capital	90%
Operating performance	88%
Stock price	80%

Source: Arrabesque Partners and Oxford University
From the Stockholder to the Stakeholder, March 2015

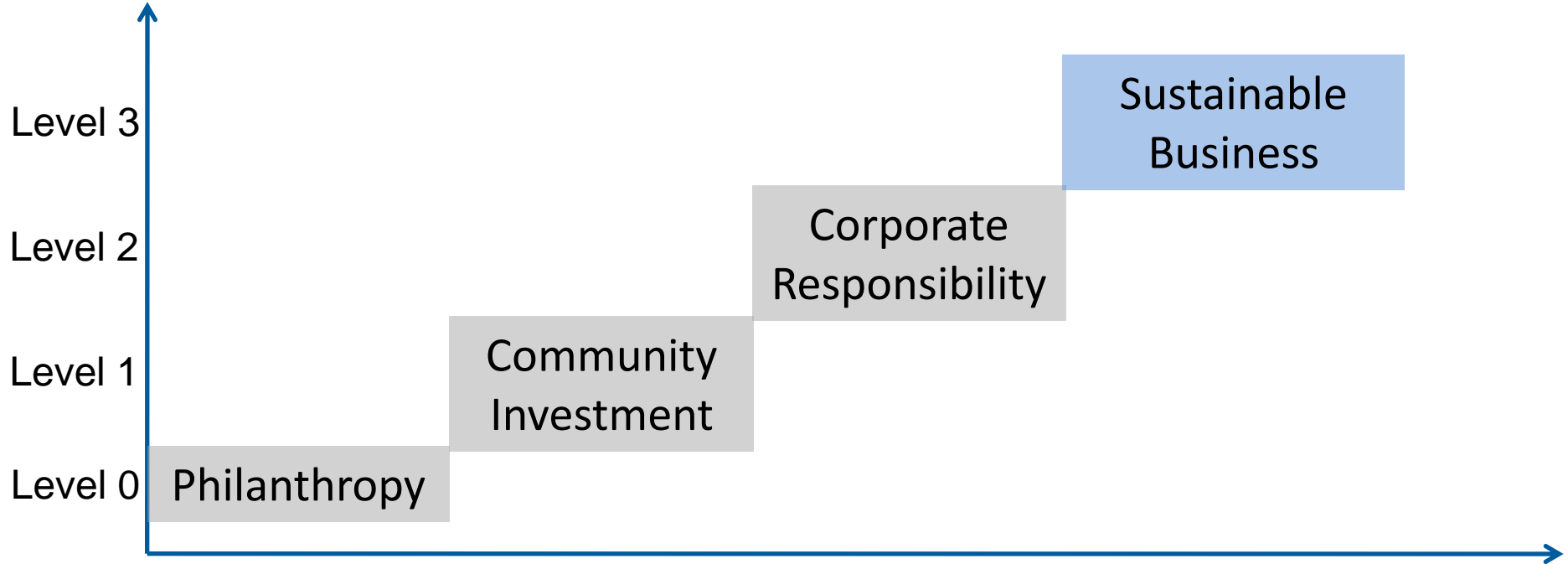
Materiality focus adds most value

Stock returns in annualised alpha (stock specific performance)

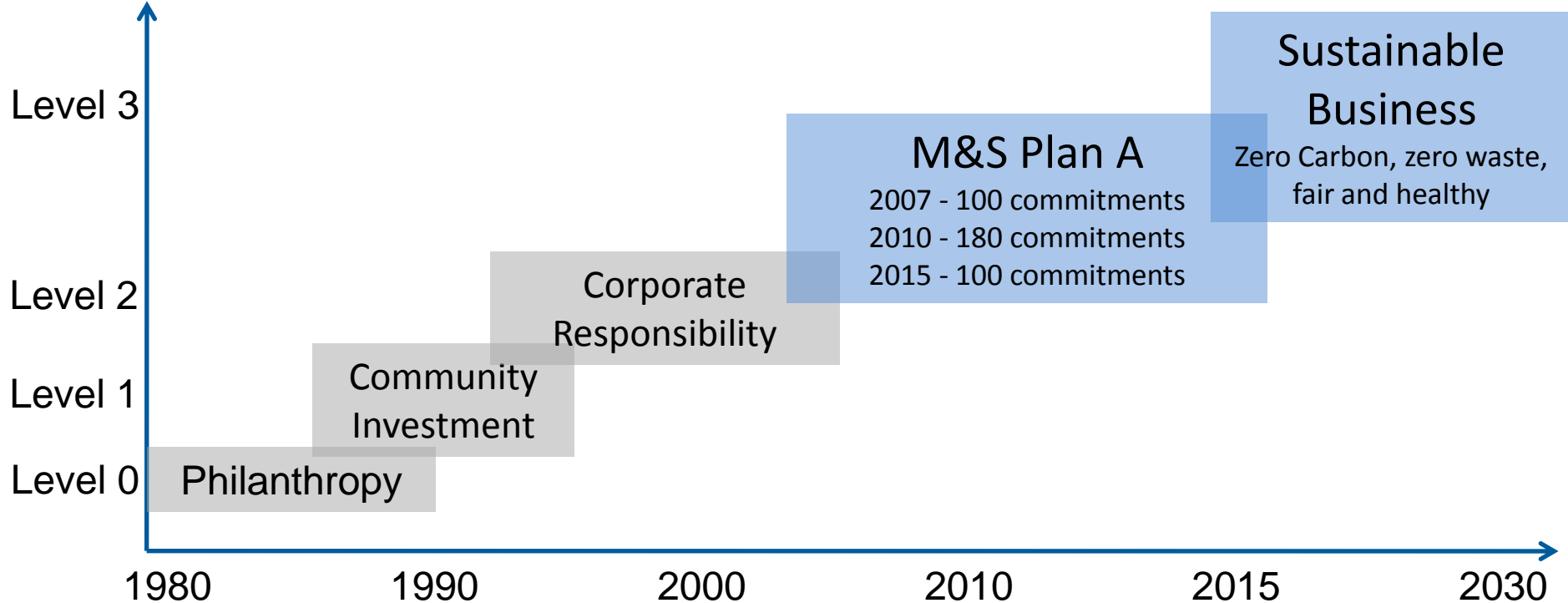
MATERIAL factor performance	High	6.01%	1.96%
	Low	-2.90%	0.60%
		Low	High
		IMMATERIAL factor performance	

What is corporate sustainability?

A sustainable business roadmap



The M&S Journey



Source: Marks and Spencer (adapted)

Turnover growth and innovation

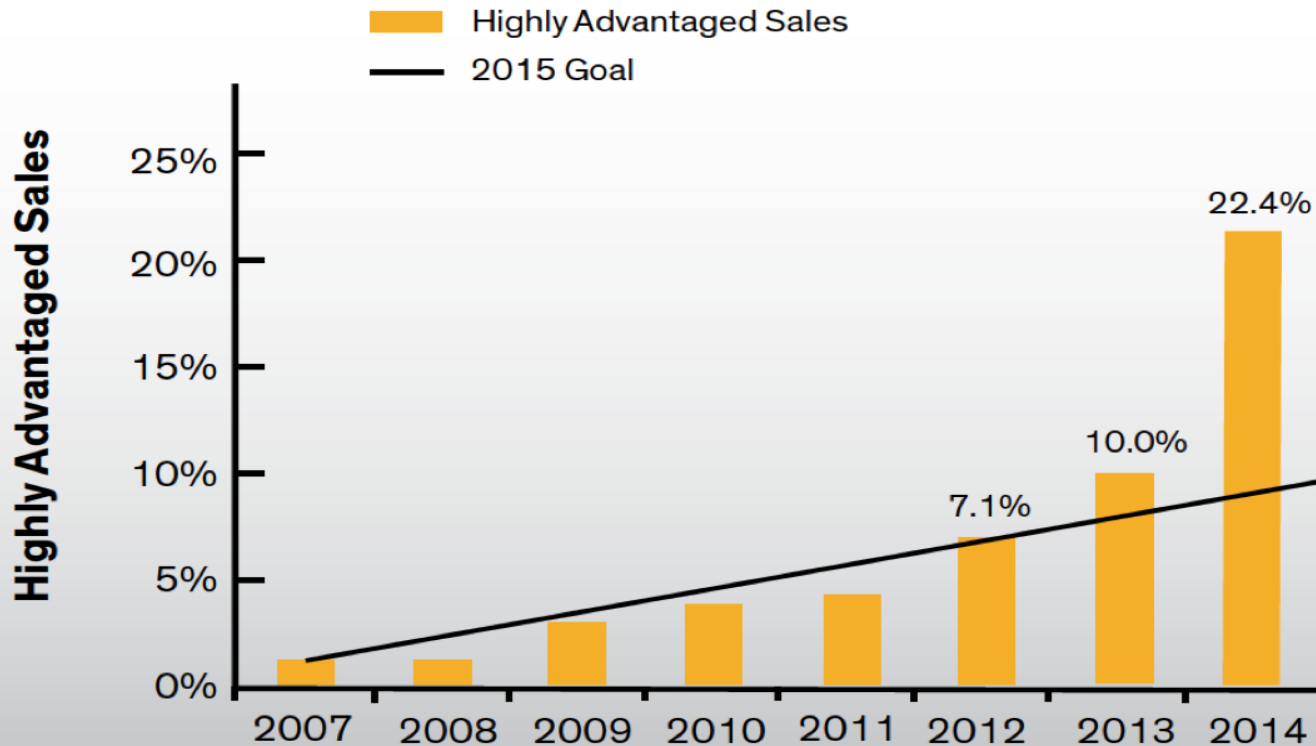
Turnover growth and innovation

Old companies, new growth

- GE – ecomagination sales of USD 200 billion in 10 years
- Philips – EUR 11.1 billion green product sales in 2014
- Dow – USD 13 billion sustainable advantaged sales in 2014
- Toyota – hybrids >40% of Japan unit sales
- BRI – microcredit is 32% of loans

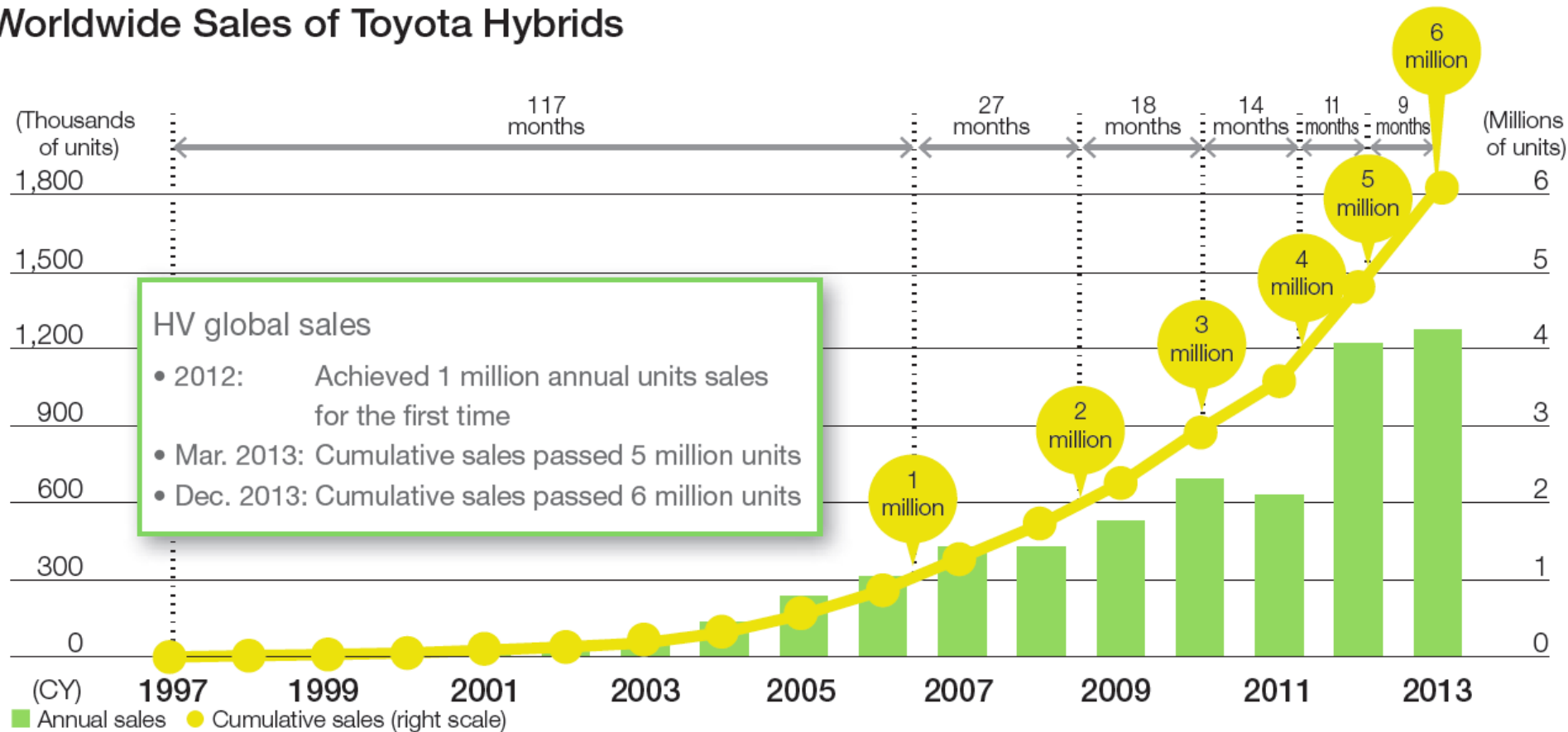
Dow – boosting sustainable sales

Highly Advantaged Sales



Toyota - hybrids go mainstream

Worldwide Sales of Toyota Hybrids



Source: Toyota 2014 Annual Report, page 11

Risk management

Risk management

Community - license to operate/ grow

- Vedanta
- Unilever

Safety (operational and product)

- Oil spill, BP, 2010
- Nuclear incident, TEPCO, 2011
- Food safety scare, Nestle India's Maggi noodles, 2015

Investment/ lending risk management

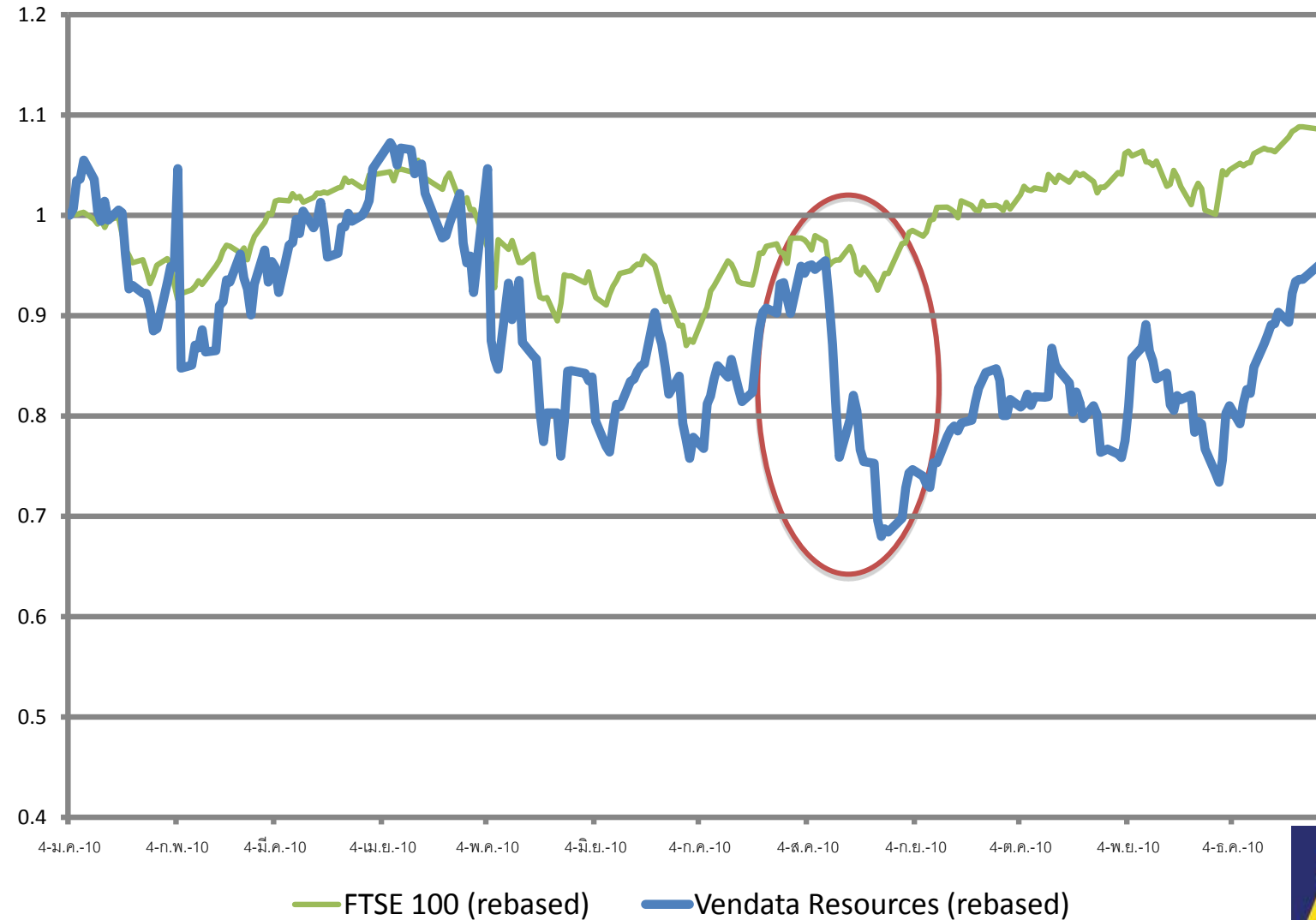
- BNI

Picking the wrong fight



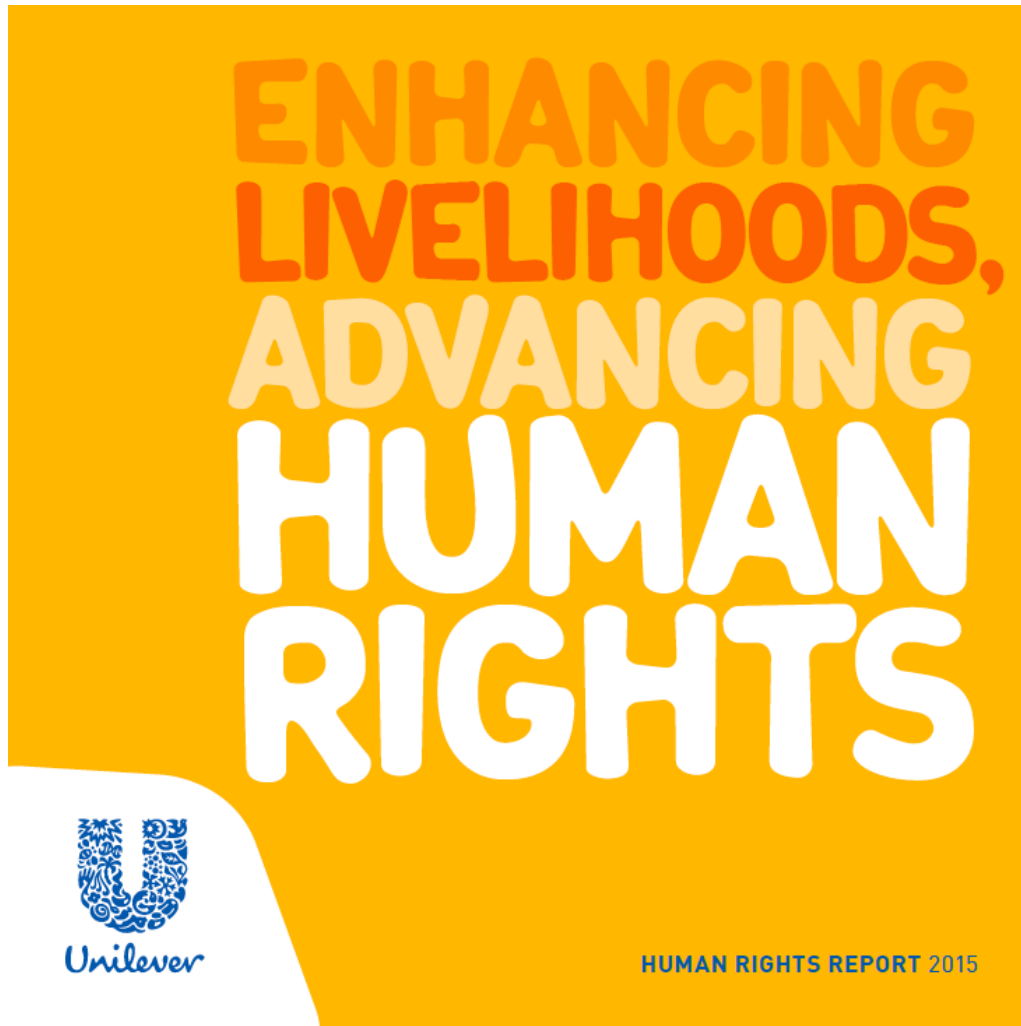
Source: Survival International

Vedanta – loses the battle



Source: yahoo finance

A new standard on human rights

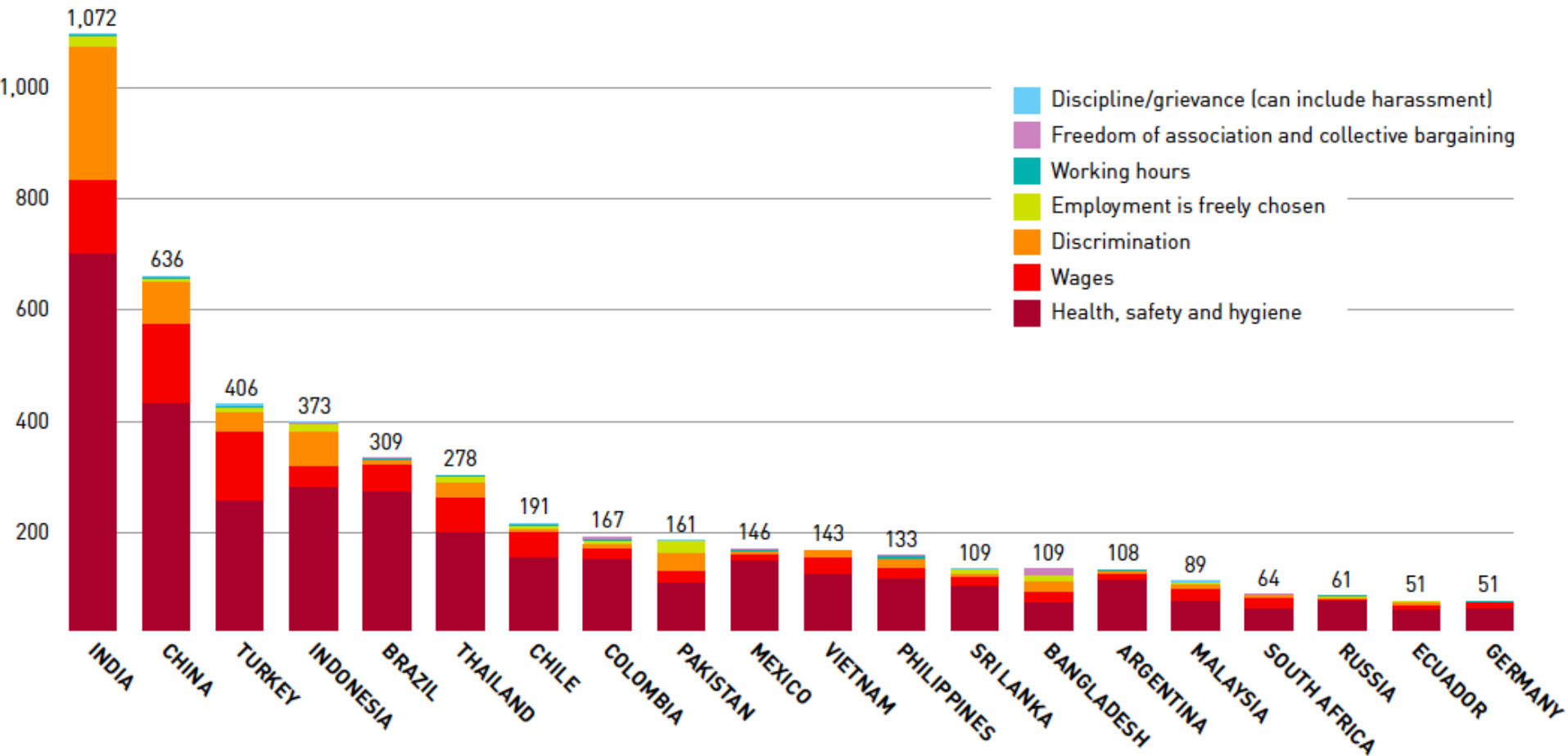


Source: Unilever Human Rights Report 2015, front cover



Unilever – transparent assessment

NON-CONFORMANCES PER COUNTRY BY SALIENT ISSUE 2013 AND 2014



Source: Unilever Human Rights Report 2014, page 55

BNI – responsible lending

Composition of Total Credit Given by BNI with PROPER Rating

	2011		2012		2013	
	Percentage	Nominal (Rp billion)	Percentage	Nominal (Rp billion)	Percentage	Nominal (Rp billion)
Gold	0%	0	20%	4,128	21%	9,448
Green	3%	737	29%	6,059	29%	12,858
Blue	69%	14,989	35%	7,183	41%	18,615
Red	25%	5,289	15%	3,054	9%	4,164
Black	3%	602	1%	135	0%	0

Productivity improvement

Productivity improvement

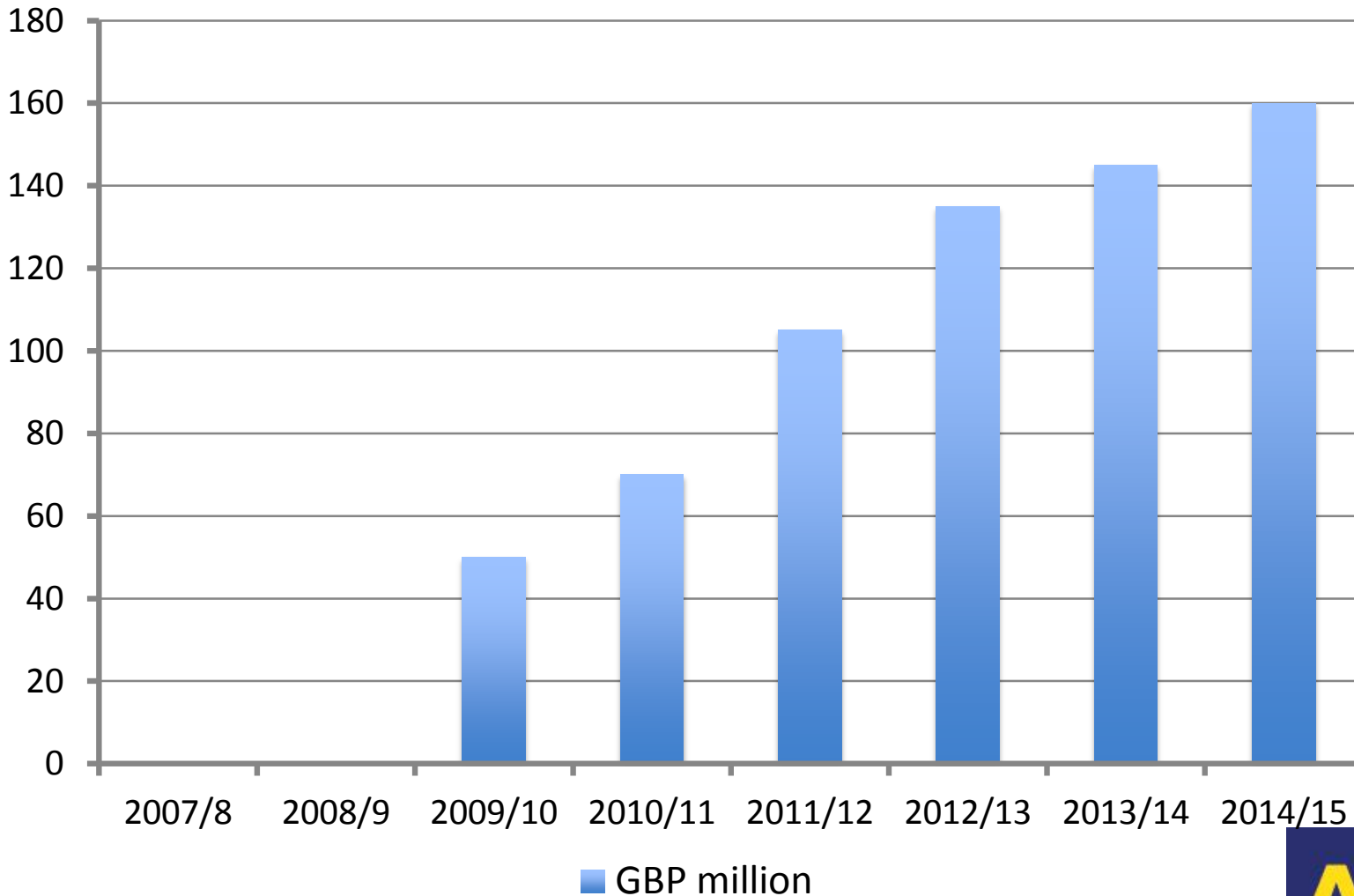
Resource efficiency

- M&S – GBP 160 million savings from Plan A
- GE – USD 350 million savings from environmental efficiency

Human capital management

- Gender balance
- Employee engagement
- Occupational health and safety

M&S – growing net benefits



Source: Marks and Spencer various reports

Essentials of good reporting

Essentials of good reporting – Step 1

The board should

- identify the material issues
- determine the management approach
 - what level of policy
 - what Key Performance Indicators (KPIs) to use
 - whether targets/ commitments are appropriate
- decide what to disclose

Essentials of good reporting – Step 2

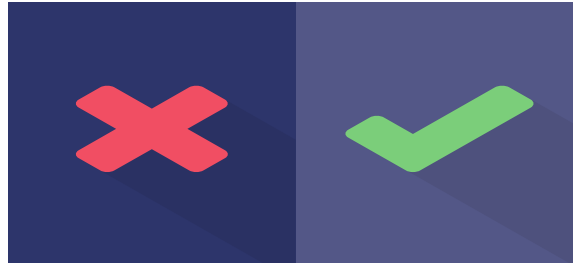
Disclosure should

- link to value drivers/ stakeholder concerns
- provide the scope and assurance levels
- include the problems as well as the good news
- allow year to year comparison
- explain context, such as KPI movements

Communicating with investors

How investors use the information

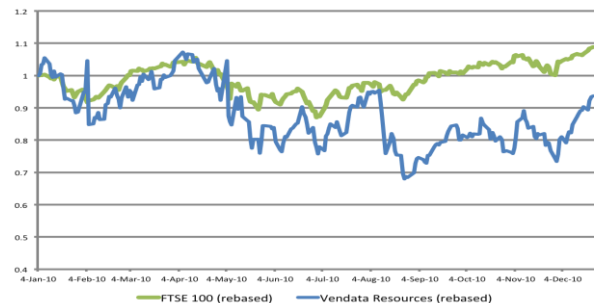
Screening



Engagement



Integration



To conclude

Corporate sustainability and reporting helps

- identify new growth areas
- improve risk management
- identify cost/ efficiency savings
- have more talented, more productive staff
- attract longer term investors

Thank you

Please ask or send me questions

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