ESG & Materiality 13th Nov 2018

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The Rise of ESG in Asia: Implications for Companies and Investors



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The Sustainability Maturity Curve

Where is your organization today?

Where do you want to go?

Compliance

View sustainability as a risk management exercise. Strive to meet minimum requirements of the law and customer codes of conduct

Opportunistic

Ad Hoc "beyond compliance" activities organically form across the organization when middle management finds opportunity, but no coherent firmwide strategy

Integrated Strategy

<u>A Coherent,</u> <u>company-wide</u> <u>sustainability</u> <u>framework is defined</u> based on materiality. The framework guides core business decisions across functions such as operations, HR, procurement and marketing

Leadership & Innovation

<u>Sustainability is</u> <u>central</u> to the company's vision, and strategy and culture. Long-term commitments aligned with societal needs are set. Products, services, and technologies are designed to deliver business value in alignment with social and environmental goals

Compliance

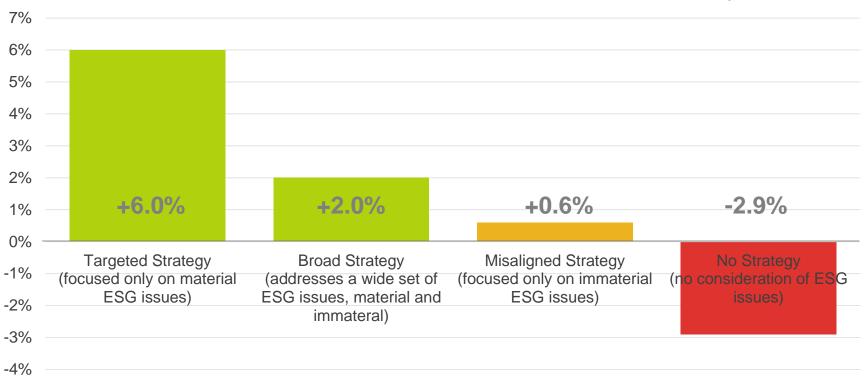
Pre -

intent



A focus on materiality matters

The greatest returns are realized through a targeted strategy focused on material issues. A 2015 study from HBS using data from 1992-2012 across 45 industries in 6 sectors found that companies focused on SASB's material issues realized a 6% bump in annualized alpha. There was at minimum no negative impact on focusing on immaterial ESG issues. Conversely companies with no focus on ESG realized a 2.9% penalty.



Effect on financial returns of a focus on material ESG issues, annualized alpha

Source: Mozaffar Khan, George Serafeim, and Aaron Yoon, Corporate Sustainability: first evidence on materiality, Harvard Business School working paper, Mar 9, 2015

Thank you!





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