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WHERE TO BEGIN WITH INVESTOR GRADE ESG COMMUNICATIONS? START HERE.

When Blackrock, the world's largest investor, takes a stand on an issue that was previously considered "non-financial," the corporate world listens. With that we can confirm that seeing Environmental, Social, and Governance (ESG) issues as critical business imperatives is not a passing ideology. ESG is here to stay.

27 Апреля 2018 EQS Group Новости партнеров

In BlackRock's 2018 letter to shareholders, Larry Fink signaled a turning of the corporate tide:

"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society (…) Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders."

ESG policies can have real business impacts.

Of course, Blackrock is not alone. Global investor heavyweights such as Vanguard, State Street Global Advisors, and Fidelity Investments, are also demanding increased ESG transparency. Sweden's SEB goes further with a blacklist of companies who do not perform to certain ESG standards.

Investors See ESG as a Win for All

ESG encompasses a broad category of topics with wide implications for how companies and industries manage and disclose on these topics. Many teams grapple with the issues of when to start, where to start, what to prioritize, and even the simple question of "why are we doing this?". Do all the components of "Environmental, Social, and Governance" matter equally? How do you measure success? How do you measure progress?

Today, the presence (or lack) of ESG policies has real business impacts – ESG management is not simply a social values school of thought or a brand marketing strategy. Over 2,000 studies have found a positive correlation between high ESG performance and positive returns. Some key findings and corollary considerations for management include:

- ESG policies affect financial health prognoses:
  Has your company's management taken stock of pre-financial ESG indicators that can improve or diminish future returns?
- ESG management directly affects long-term cost of capital:
  Do you have strong governance practices that can decrease risk per unit of cash flow?
- Lack of strong ESG performance often foreshadows investor activism:
  Are your strategies in line with long-term shareholder interests, or are you being perceived as "inexperienced", "not transparent", or "misallocating capital"?

The Dimson et al. Active Ownership academic study notes, "environmental, social, and governance activism (…) improves social welfare to the extent that it increases stakeholder value when engagements are successful and does not destroy firm value even when engagements are unsuccessful".

So, basically: it's a risk-free win.

Preparation is everything if you want to establish ESG policies.

Proactive Steps Earn Investor Confidence: Get Started

What actionable steps can you take now to be proactive, rather than reactive, when establishing ESG policies and engendering better disclosure? Wrangling management, rallying stakeholders, and elevating internal discussions about ESG is, to use a cliché, a journey.

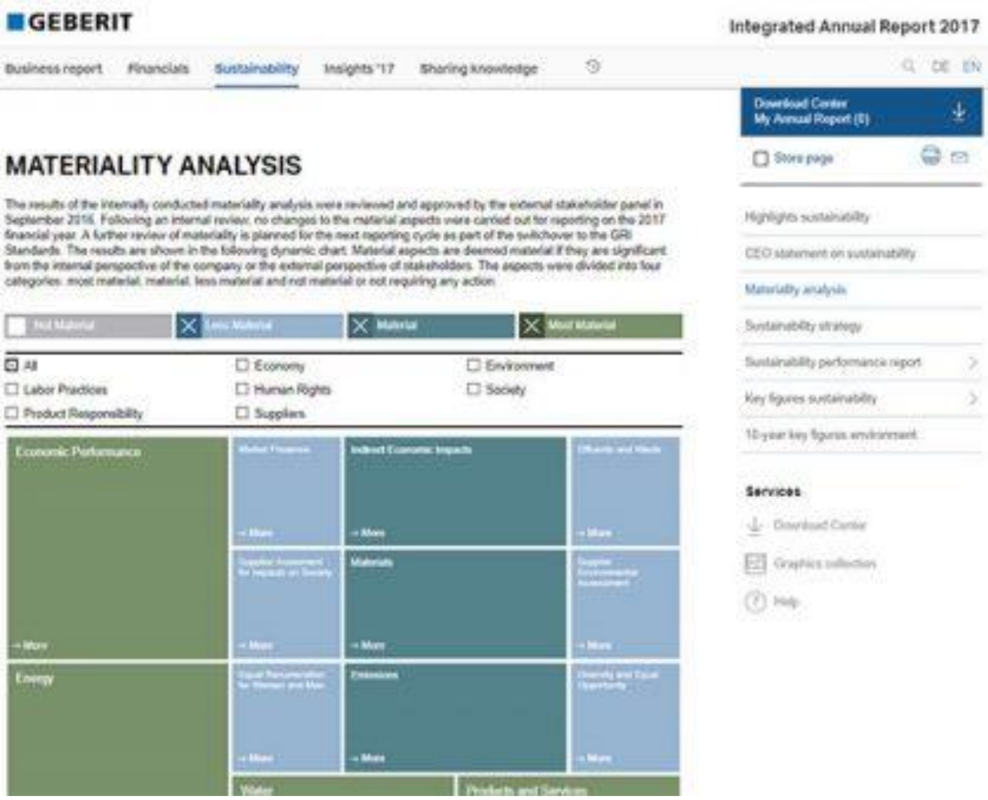
ESG Starts in EHS

Assemble the team you need by leveraging the team you have. For starters, where does your company stand in terms of EHS? Surprisingly, many executives overlook the Environmental, Health & Safety department when it comes to mapping out how their different types of operations affect the bottom line. However, this area is actually the foundation of reportable ESG activities.

This oversight may be due to the fact that EHS compliance tasks produce KPIs that often don't translate directly into dollars or map to standard sustainability/CSR frameworks as an example data required for reporting on OSHA compliance and storm water or hazardous waste reports. Yet, Environmental, Health & Safety compliance management is interconnected to every other part of your business and can be an initial bridge to bring all your various operations together within your ESG landscape. It can be an entry point into getting ESG reporting and communicating underway within your company.

Get to know your compliance landscape. EHS issues are linked to multiple regulatory and compliance requirements, which have wide-ranging reporting schedules and vary in their scope. Unlike other departments, EHS deals with a wide range of metrics that measure business performance. Often, teams are intimidated by the aggregation of data – it is seen as time consuming, process-heavy, or difficult to access. However, many operational data points are already being collected and processed within organizations – they just need to be utilized effectively.

Start assessing your organization and benchmarking against others using data. As a first step, find out what company stakeholders control what data and then look at the facts – what exists, and what is missing? If there are gaps, start collecting data and then start parsing through what you have. Being able to interpret a wide range of complex operational data points, such as energy use, water use, and waste generation, gives your EHS department advanced insight into the other parts of your business. Leveraging data already being collected for business and regulatory compliance can give your ESG program a jumpstart.



Geberit is a pioneer in ESG reporting.

Once you understand the "lay of the land", your EHS team can start acting. Here are a few examples of common improvements that your EHS departments can use to springboard a broader company sustainability approach:

- Track energy and water use in all office buildings to determine your company's total GHG emissions. Use utility bills from landlords for your proportion of a leased office facility.
- Partner with HR to track and report on employee diversity – gender representation within all employees, at management, leadership and board levels.
- Sourcing greener materials and ones that you can squeeze more production out of – less material cost, more end-product.

- Standardizing shop floor procedures to reduce operational costs and increase safety.
- Identifying cost-of-use and ownership for every piece of equipment used in production.
- Finding small sustainability wins that add up to savings each year (i.e. energy efficiency projects).


For a broader company sustainability approach, track the energy and water use in all office buildings.

1. Know What Timing Is Important

Probably the most challenging part of a sustainability/CSR program is in collecting, analyzing, and then reporting program results in a way that accurately reflects the progress you've made. A common hurdle for teams is assessing what surveys, frameworks, and reporting areas they would like to participate in (or their investors would like them to participate in).

A lack of consolidation in this area creates the need for every team to do some homework. Though different reporting frameworks have different deadlines (and this may also depend on industry), it is still useful to become familiarized with the overall flow of ESG reporting cycles.

Note: Every industry sector and reporting framework have different submission deadlines. And, some frameworks are more significant than others from a reputational advantage perspective. We recommend companies get assistance from advisors at firms like ours to conduct a benchmarking project to help determine which of the reporting frameworks is best for you. This may depend on where your competitors are already reporting, what your customers might require, and where your investors are getting their data.

2. Back to Data: Your ESG Data Is out There. So, Who Is Managing Your ESG Story?

One of the reasons that ESG integration in investor analysis has grown so quickly in recent years is because big data makes it possible to assess company ESG data, whether or not you are formally publishing in a sustainability report. Teams that do not assess existing public data and do not take control of their own narrative run the risk of having others take over their ESG narrative for them.

So, what's out there? There is no single reference for investors and asset managers tracking your ESG performance using public or subscription sources. However, there are some information sources that are standard issue in most ESG analysts' toolboxes.

You should assume that your investors have access to and are using one or more of the following resources: Bloomberg's ESG data screens, MSCI ESG Ratings and Sustainalytics, ESG ratings reports, and more recently, the ISS-ESG Quality Score. On the credit rating side, S&P and Moody's launched ESG or "Green" ratings platforms in 2017, and Bloomberg's ESG bond screening tools are standard go-to resources as well. Importantly, Bloomberg's ESG data includes raw data on up to 600 ESG data points, as well as integrating third-party data and scores from RobecoSAM, Sustainalytics, ISS, and CDP.

Through these and many other public data sources, your ESG profile exists, and investors on both the debt and equity side are increasingly using the information to inform their decisions.

How Are You Doing Relative to Your Peers?

A simple way to get a quick read on where your company stands relative to peers is to access your company's Bloomberg terminal, then type in your stock ticker + ESG<GO>. Bloomberg will automatically present a screen with your ESG data alongside peer companies. With a few key strokes to customize the peer list to your preferences, you will see what any investor with a Bloomberg screen sees in real time relative to peers that matter to you. Data covering GHG ratios, water, waste and energy usage, women on boards, diversity, lost time incident rates, R&D ratios, independent directors, director average age, Bloomberg's own ESG disclosure score and ESG performance scores, along with hundreds of other variables that investors may look at as part of their own¬ proprietary approach to ESG analysis.

Gold ESG Peer Comparison

		Energy/ Product	Carbon/ Product	Fresh Water/ Product	Community Spending % Sales	Safety (LTIR)	Fatality Rate
◆	Acacia Mining	1.63	0.51	na	1.49	na	0.04
▲	Agnico Eagle	1.55	0.29	4.46	0.31	0.32	0.10
▼	AngloGold Ashanti	2.19	1.12	22.88	0.49	1.15	0.12
▲	Barrick Gold	2.55	0.63	11.92	0.42	0.17	0.06
▼	Centamin	2.67	0.72	0.08	na	0.25	0.17
◆	Eldorado Gold Corp	1.23	na	16.38	1.36	0.21	0.14
◆	Gold Fields	1.55	0.72	14.45	0.59	0.22	0.16
▲	Goldcorp	1.46	0.39	13.87	0.62	0.25	0.06
▼	Harmony Gold Mining	2.40	2.44	12.65	0.32	1.25	0.33
▼	IAMGOLD Corp	2.58	0.61	18.06	na	na	0.17
▲	Kinross Gold	1.77	0.52	18.69	0.38	0.04	0.00
▲	New Gold	2.34	0.65	17.72	1.00	0.03	0.00
◆	Newcrest Mining	3.07	0.99	35.95	2.08	0.10	0.14
◆	Newmont Mining	2.68	0.88	41.07	0.23	0.07	0.05
◆	Randgold Resources	na	0.62	37.02	0.50	0.09	0.06
▼	Sibanye Gold	na	3.59	73.87	2.10	1.32	0.19
◆	Yamana Gold	1.23	0.35	18.32	0.31	0.25	0.20

Source: Company filings, Bloomberg Intelligence

Bloomberg

3. Get to Know ESG Frameworks

Familiarize yourself with the different standards of ESG measurements and frameworks that are out there. Below is a brief cheat sheet on various popular frameworks and their backgrounds.

- Global Reporting Initiative (GRI)
  GRI was founded in 1997 and produces a global framework for sustainability reporting, which includes the Sustainability Reporting Guidelines. GRI collaborates closely with organizations that provide frameworks, systems and principles that complement their work, including the UN Global Compact (UNGC), OECD, the UN-supported PRI, International Finance Corporation (IFC), IIRC, and Carbon Disclosure Project (CDP).

- Sustainability Accountability Standards Board (SASB)
  Established in 2011, the Sustainability Accounting Standards Board (SASB) is an independent, private-sector standards-setting organization. The SASB develops and maintains sustainability accounting standards — for 79 industries in 11 sectors — that help public corporations disclose financially material information to investors.

- UN Global Compact
  UNGC is an initiative that works toward the vision of a sustainable and inclusive global economy that delivers lasting benefits to people, communities, and markets. The UNGC incorporates a transparency and accountability policy known as the Communication on Progress (COP) and the annual posting of a COP is an essential demonstration of a participant's commitment to the UNGC and its ten principles.

- Carbon Disclosure Project (CDP)
  CDP manages a global reporting system that collects information from companies about their climate change risks, opportunities, strategies, performance, and the way in which they consume and affect natural resources. CDP has incentivized thousands of companies and cities across the world's largest economies to measure and disclose their greenhouse gas emissions, climate change risk, and water strategies.

- Institutional Shareholder Services (ISS)
  ISS provides a suite of ESG solutions to enable institutional investors to develop and integrate responsible investment policies and practices into their investment decisions, to inform company engagements, and to execute upon these policies through end-to-end voting. In 2015, ISS acquired Ethix SRI Advisors and formed a strategic partnership with RepRisk, allowing ISS to further expand the ESG and Socially Responsible Investing (SRI) research it provides. ISS's solutions also include climate change data and analytics from its recent acquisition of Climate Neutral Investments. ISS's ISS QualityScore provides research on corporate governance on over 5,600 publicly-traded companies globally.

- RobecoSAM
  Founded in 1995, RobecoSAM is an investment specialist focused exclusively on Sustainability Investing. RobecoSAM products include in-house asset management, Sustainability Indices, corporate sustainability assessments, active ownership and engagement, and customized portfolio benchmarking solutions.

- Dow Jones Sustainability Indices (DJSI)
  Launched in 1999, DJSI was the first global index to track sustainability-driven public companies based on RobecoSAM's ESG analysis. S&P Dow Jones Indices has partnered with RobecoSAM for publication and calculation of ESG indices. Companies who are invited to participate in an annual Corporate Sustainability Assessment (CSA) for possible inclusion in the DJSI World are sent an industry-specific questionnaire covering relevant economic, environmental, and social factors. There are generally 80-120 questions in a questionnaire. DJSI World covers 100 ESG issues. An annual questionnaire is sent in early April and CSA results are announced in early September.

- Sustainalytics
  Established in 1992, Sustainalytics provides ESG and Corporate Governance research and ratings. Sustainalytics supports investors who incorporate ESG and corporate governance insights into their investment processes.

- Ethical Investment Research Services, Ltd. (EIRIS)
  The Ethical Investment Research Service (EIRIS) was set up in 1983 with the help of churches and charities that had investments and who needed a research organization to help them put their principles into practice. Its products and services include the EIRIS Global Platform, which provides access to a range of tools and corporate data, including its global sustainability ratings, EIRIS Portfolio Manager (providing access to global research of companies), global screening services, news risk monitors (alerting clients to reports of legal violations, breaches of international norms, and other sustainability issues), convention watches, emergency market services, and country-specific sustainability ratings.


There is no need to go the ESG development “journey” alone.

4. Ask Questions and Get Guidance

Whether your company is considered an ESG novice or a seasoned veteran, every team always starts somewhere. Before you can run, you must walk – this alone can be daunting.

As you assess your corporate landscape, wrangle stakeholders, build out policies, and educate your team, make sure to tap into the vast resources available to you.

Though you may find that you already have the resources you need to initiate some corporate ESG improvements, in some cases, turning to external assistance may give you the necessary insights to keep the ball rolling as you create sustainable momentum – talk to consultants, agencies, investors, and industry experts. Talk to your internal teams, customers, and other stakeholders.

ESG can seem like an overwhelming area to tackle, or even broach because it affects operations, marketing, communications, policies, strategies, and other intangible corporate factors (perceptions, dynamics, and goodwill). Nonetheless, there is no need to go on the “journey” alone. There are rich networks of experienced professionals who can assist you in any stage of your ESG development – whether in its infancy or in an advanced state. ESG perceptions, expectations, and guidelines continue to expand and evolve – this is an opportunity for your organization to evolve as well.