

Survey Results: Global Institutional Investors with US\$8.4 Trillion in AUM Confirm The Rising Value of Corporate ESG Principles

The FTI Consulting business advisory firm surveyed a set of 130 global institutional investors to gauge the depth and breadth of U.S. assets invested using ESG principles. This group of investors, contacted from May through July 2018, responded that their Assets Under Management totaling US\$8.4 trillion was believed to have benefitted by the contribution of extra [corporate] value to a company with a high ESG rating.

And an “extremely positive/high ESG rating” might add an extra 22 percent of corporate value, said the survey responders. An earlier survey by the same firm - FTI Consulting - revealed that more than 2,000 large-cap global leaders expressed the same views.

There are two factors at work here: there's greater demand for [qualified] corporate stock by the ESG-conscious investment community; and, the perception that these higher corporate ESG / sustainability performers may be better positioned for the future (yes, they're more sustainable) and be less likely to encounter regulatory issues and activist activities that could impact reputation and valuation.

In the company's *FTI Journal* the authors point that while ESG was once “nice to have” (dating back from the introduction of the phrase in corporate and investing circles a decade-and-a-half-ago), today ESG is integral to a company's planning and strategy-setting in the eyes of the institutional investor.

A significant share -- 87% -- told FTI Consulting that an extremely-positive/high rating would add to a company's worth. The survey results include the specific views on this by country (Japan leads, the G-20 nation responders are in the middle; the USA is 8th in holding those views).

FTI released its “Resilience Barometer” report at the World Economic Forum (WEF) Davos meeting, which showed an alignment of understanding in the corporate

sector: The leaders of 2,248 large-cap companies across the G-20 held similar views on the value of ESG on company worth. Keep in mind the G-20* account for 90% of GDP and two-thirds of world population, with annual turnover of US\$1.6 trillion. (The research for that report was conducted in December 2018.)

So, on the part of the asset managers, what are they looking at in terms of the sources of ESG (from the ratings/reporting services for investors)? They responded: Bloomberg's ESG Data Service; MSCI ESG Research; Sustainalytics Company ESG Reports; ISS (now adding E and S QualityScores to the long-term G/governance score); CDP; the DJSI; RobecoSAM; RepRisk; VigeoEIRIS; and Oekom.

Here's an interesting finding: more than half of the institutional investors claim they don't know how the third party ratings organizations compile their reports.

There's more detail and charts for you in the Top Story this week. There's also an interesting development briefly described in the second item up top.

* The G-20 international forum consists of the world's leading sovereign economies (19) and the European Union (28 states today including the United Kingdom). The big economies are there: USA, Germany, Canada, China, Australia, Saudi Arabia; Japan. Smaller economies such as Turkey and Argentina participate. Other key players participating include the World Bank; the IMF; the International Labor Organization; WTO; and, the United Nations.