

CECP ISSUE BRIEF

ESG & FINANCIAL PERFORMANCE



CECP Overview: **Environmental, Social and Governance (ESG)** factors¹ are an increasingly common way for organizations to evaluate their operations and investments using social and sustainable principals. These factors are considered by a wide array of stakeholders in investment decisions, applying the same rigor and thoughtfulness that traditional investments require. This practice is evolving conventional asset management and drive greater financial performance through responsible business decision-making.

Environmental	Social	Governance
<ul style="list-style-type: none"> • Pollution • Greenhouse Gas emissions • Deforestation • Energy efficiency • Water use and management • Ecosystem services • Biodiversity 	<ul style="list-style-type: none"> • Diversity • Supply chain issues—working rights, waste • Human rights • Fair working conditions • Supporting local communities • Animal welfare • Consumer protection 	<ul style="list-style-type: none"> • Board Governance and diversity • Transparency and reporting • Executive Pay • Employee rights and relations • Audit processes • Corporate responsibility

CECP INSIGHTS

- CECP companies are increasingly asked by investors for ESG related metrics. **56% of CECP companies report providing this information** (CECP company-reported dataset, 2015, n=217).
- When comparing financial and ESG performance between 2013 and 2014, CECP companies had **stronger revenue growth** (9.3%, vs 3.7% of non-CECP companies), **lower greenhouse gas emissions** (0.96 million metric tons, vs 1.46 for non-CECP companies), and **lower turnover rate** (11.7%, vs 16% for non-CECP companies). (CECP reported data)

CECP INSIGHTS: ESG OVERVIEW

- **The Why:** ESG factors make for more sound investments, boost financial performance, company performance and reputation.
- **The What:** Identify which factors are material for your organization and investors through fundamental and ESG analysis to identify which aspects result in less risk, greater performance and social impact.
- **The How:** Highlight your company's ESG performance using common standards

Global Reporting Initiative	Carbon Disclosure Project	International Integrated Reporting Council	Sustainability Accounting Standards Boards	International Standards Organization
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Supporting DATA

- [Harvard Business Review](#) recently published a ranking of the world's best performing CEO's, the first to incorporate both financial and ESG performance into the overall success and rating of the CEO. ²
- In 2015, **Ceres and BlackRock** published [21st Century Engagement: Investor Strategies for Incorporating ESG Considerations into Corporate Interactions](#). The report urges investors to become more long-term oriented and explains that ESG engagement is rising. Companies are more interested in understanding shareholders' views, the recognized connection between ESG performance and corporate performance.³

¹ Hayat, Usman, and Matt , Orsagh. "ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ISSUES IN INVESTING." *CFA Institute* , 25 Oct. 2015.

² "The Best-Performing CEOs in the World." *Harvard Business Review*, 23 Oct. 2015, hbr.org/2015/11/the-best-performing-ceos-in-the-world.

³ Edkins, Michelle. "21st Century Engagement." 31 Mar. 2015, www.blackrock.com/corporate/en-hu/literature/publication/blk-ceres-engagementguide2015.pdf.