FACING THE RISING TIDE OF INTEREST IN CORPORATE SUSTAINABILITY REPORTING

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INCREASING INTEREST IN ESG METRICS

Percent of asset managers who say:

75%

Their firms practice sustainable investing, up from 65% in 2016

62%

It’s possible to maximize financial returns while investing responsibly

89%

Their firms will devote additional resources to sustainable investing in coming years

From a 2019 survey of asset managers conducted by Morgan Stanley and Bloomberg L.P.

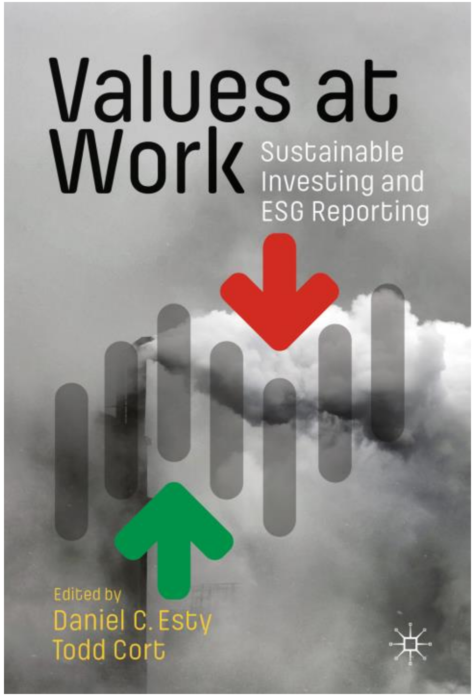
UNPACKING THE ISSUES

- Sustainable investing at a turning point:

    -climate change focus

    -social concerns

- Existing ESG data lacks credibility & comparability
- Desire for investment-grade ESG metrics



NEW VIEW OF CORPORATE ROLE

- Business Roundtable Statement on Corporate Purpose:

> "Companies should serve not only their shareholders, but also deliver value to their customers, invest in employees, deal fairly with suppliers and support the communities in which they operate."

  - Shareholder primacy → stakeholder responsibility
  - Changing social mores → end to externalities
  - Social license to operate → no private gain at cost to society

KEY POINTS FROM YALE ESG WHITE PAPER

- General counsels and CSOs want standardized ESG reporting frameworks → survey fatigue
- Current ESG data lack comparability, don't differentiate sustainability leaders from laggards, and aren't trusted by investors
- Need government-mandated ESG framework
- SEC could broaden definition of "materiality" to include ESG metrics
- Yale proposal: 3-tier structure:
  - Universal metrics (and methodologies)
  - Industry-specific metrics
  - Company-defined data and narrative

SUSTAINALYTICS

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