ESG MATTERS: CREATING VALUE BEYOND THE BOTTOM LINE

April 10, 2019
Today’s speaker

Anthony DeCandido, financial services senior analyst and audit partner

• 13 years of experience in providing audit services
• Selected as a senior financial services industry senior analyst in 2018 to forecast economic, business and technology trends shaping middle market businesses
Objectives

• To provide forward-looking ESG insights
• To elevate your ESG industry knowledge
• To share best practices on ESG tracking methods
Why is ESG important?

• Important way for asset managers to connect with stakeholders and showcase commitment to core values
• Stakeholders require more transparency
• There is real accretive value for businesses to strategically share their ESG practices

*How important is social, community or philanthropic causes?*

9 out of 10 middle market executives indicated that their companies supported social, community or philanthropic causes in the last 2 years
Projected population by generation

Global sustainable investments (GSI)

GSI reached a new peak of $30.7 trillion of assets under management at the beginning of 2018, after a 34% climb over the preceding two years.
ESG tracking methods fall short

- ESG is growing in popularity but there’s been no consensus from stakeholders on how to report
- Opportunity for asset managers to improve its public profile at a time when social integrity is increasingly important

Analysts wanting ESG data to be verified by third parties 67%

ESG-managed investment represent $11.6 trillion of alternative assets

1 in every 4 dollars
ESG reporting frameworks

- Sustainability Accounting Standards Board (SASB) and the United Nations Sustainable Development Goals (SDGs) are the two frameworks having the highest impact with our client base.

SDGs offer a blueprint to achieve a better and more sustainable future for all by addressing the global challenges faced by all.

SASB connects businesses and investors on the financial impacts of sustainability.
ESG reporting best practices

• Build a strong mission statement
• Set metrics and measure what matters to you
• Communicate your success

Include ESG measures and *success stories* in your communications with stakeholders, both internal and external, but especially *external*
It’s valuable when employees promote stories through their own social media. Having employees share [a company’s CSR story] gives power to the message because then it’s not just the company telling its story.
Social, community or philanthropic causes supported over the past two years

Formalized planning varies

Over 90% of middle market companies were engaged in some form of social responsibility.

- 58% Community organizations
- 52% Educational support
- 42% Children and youth issues
- 42% Health and wellness

Social, community or philanthropic causes supported over the past two years

(BASE = Total sample - multiple answers were allowed) n=401

- Support for community organizations
- Educational support
- Children and youth issues
- Community health and wellness
- Environmental issues
- Disaster recovery or relief
- Food quality and access
- Support for “at risk” populations
- The arts
- Entrepreneurship and small business
- Energy issues
- Fair trade and sourcing
- Housing quality, affordability and access
- Creating something to address a social challenge or issue
Familiarity with ESG criteria

Adding value to the business

Familiarity with using environmental, social and governance (ESG) criteria to evaluate performance of organizations, business or investments

- **45%** Not familiar at all
- **27%** Somewhat familiar
- **16%** Somewhat unfamiliar
- **12%** Very familiar

*(BASE = Total sample), n=400*
How RSM can help

• Development of ESG policies and procedures
• Performance assessment, validation and benchmarking
• ESG advisory and coaching
QUESTIONS AND ANSWERS