



The ESG Agenda: Navigating changing investor expectations



BRUNSWICK

Today's speakers

Speakers



Pru Bennett
Partner at Brunswick Group



Rory Macpherson
Partner at Brunswick Group

Moderator



Ian Matheson
CEO at Australasian Investor
Relations Association (AIRA)

Today's agenda

1

Introduction – 3 minutes
Ian Matheson

2

Presentation – 30 minutes
Pru Bennett and Rory Macpherson

3

Q&A – 25 minutes
Moderated by Ian Matheson

4

Closing
Ian Matheson

Approach



Audience

Professionals from ASX200
and NZX50 companies*



Fieldwork

15 June to
18 July 2022



Methodology

Online survey

** Self identified as holding Investor Relations and Sustainability / ESG roles.
Unless otherwise stated, all figures are rounded off to the nearest percentage and may not sum to 100%.*

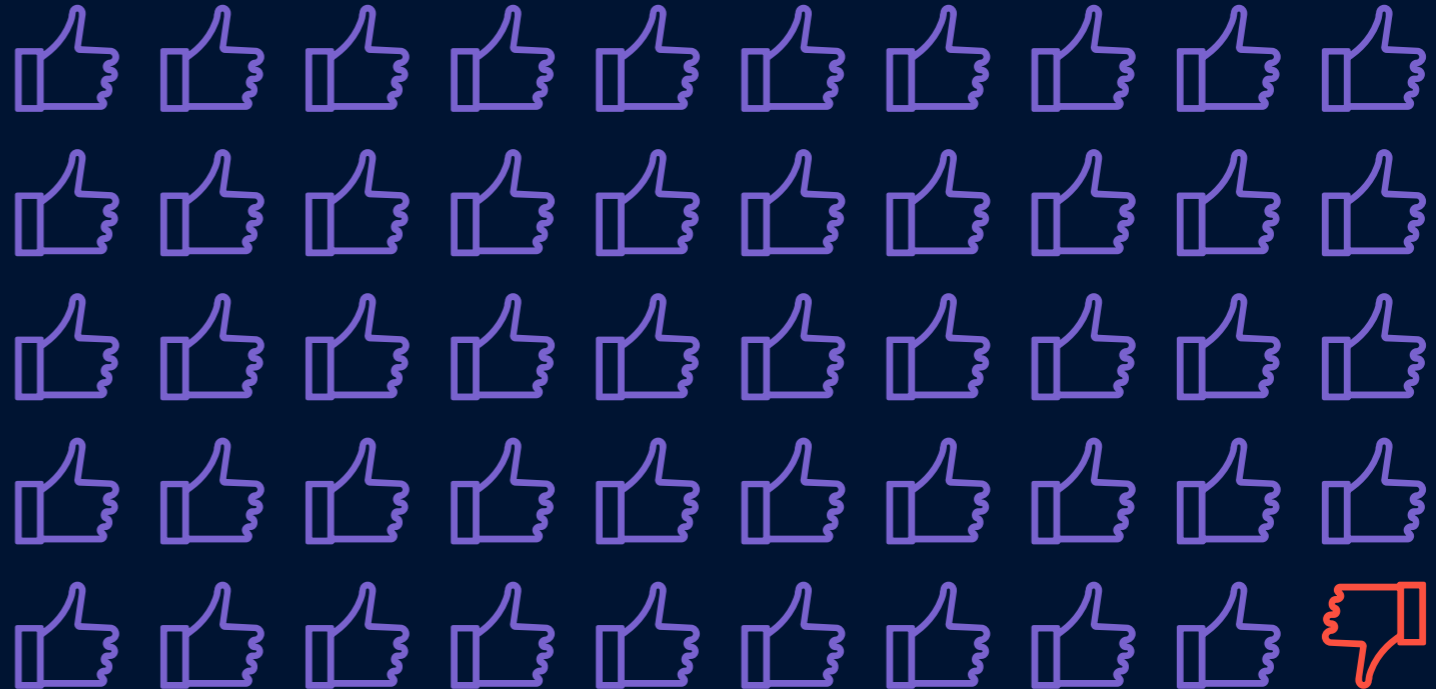
A close-up photograph of a wooden pyramid structure made of stacked blocks. The blocks are arranged in a grid-like pattern, with some blocks being lighter in color and others being darker. The pyramid is built on a wooden base. The background is a soft, out-of-focus light brown color. On the left side of the image, there is a black rectangular box containing white text.

**The case for a
strong ESG
proposition
is compelling**

Solid view that addressing ESG issues pays off in the long-term

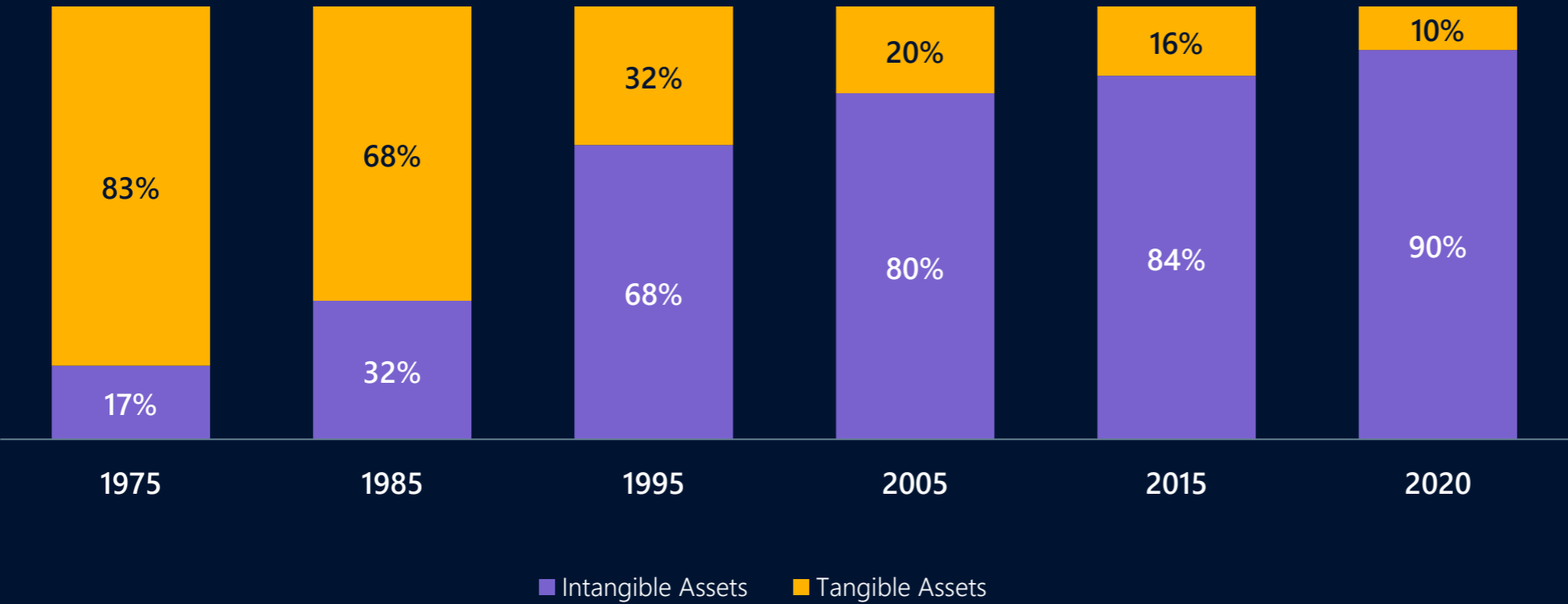
97% agree

Companies should address ESG issues, even if doing so reduces short-term profitability.



The value of intangible assets has significantly increased over the last 45 years

Components of S&P 500 Market Value



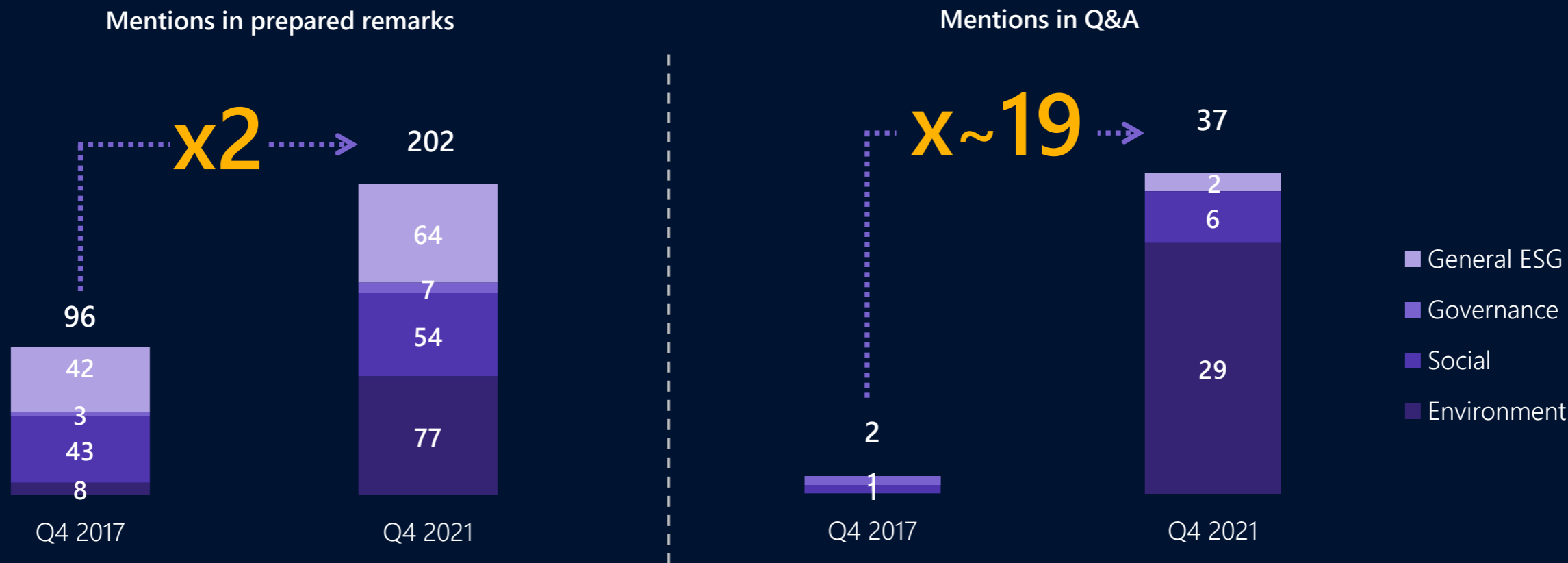
Intangible Value

- Social Capital
- Environmental Capital
- Human Capital
- Intellectual Capital

Source: 2020 Ocean Tomo Annual Study of Intangible Asset Market Value

Significant increase in investor focus on ESG topics on earnings calls over the past 5 years

Topic analysis of ASX20 earnings calls

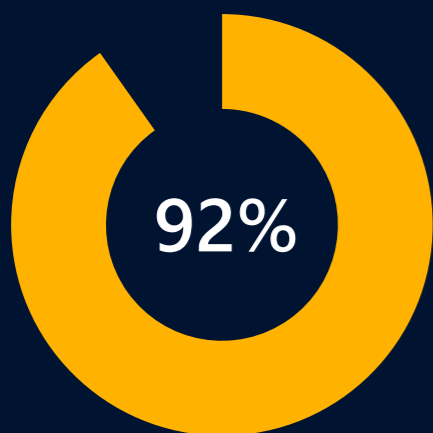


Source: Brunswick analysis of ASX20 earnings calls in Q4 2017 and Q4 2021.

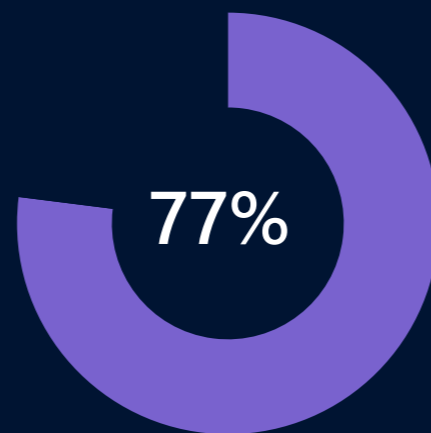
ESG topics are being discussed in the boardroom

Oversight of ESG issues

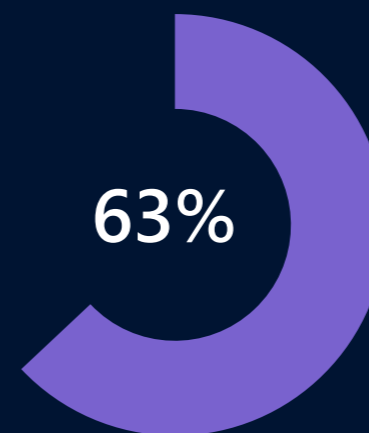
At least one type of board or executive level oversight



Executive level sustainability committee



Board level oversight of sustainability issues



Executive level Chief Sustainability Officer



Brunswick survey of n=60 professionals at ASX200 and NZX50 companies

Q. Does your company have a dedicated board level committee that has oversight of sustainability issues? Q. Does your company have an executive level sustainability committee?

Q. Does your company have an executive level Chief Sustainability Officer?

**Stakeholder expectations around
ESG are changing rapidly**



FINANCIAL TIMES

Regulators step up scrutiny over investment industry 'greenwashing'

The Sydney Morning Herald

Shareholder activists target Westpac, NAB and ANZ over fossil fuel lending

THE AUSTRALIAN 🇦🇺

Rising climate-risk disclosure demands on companies, APRA warns

FINANCIAL REVIEW

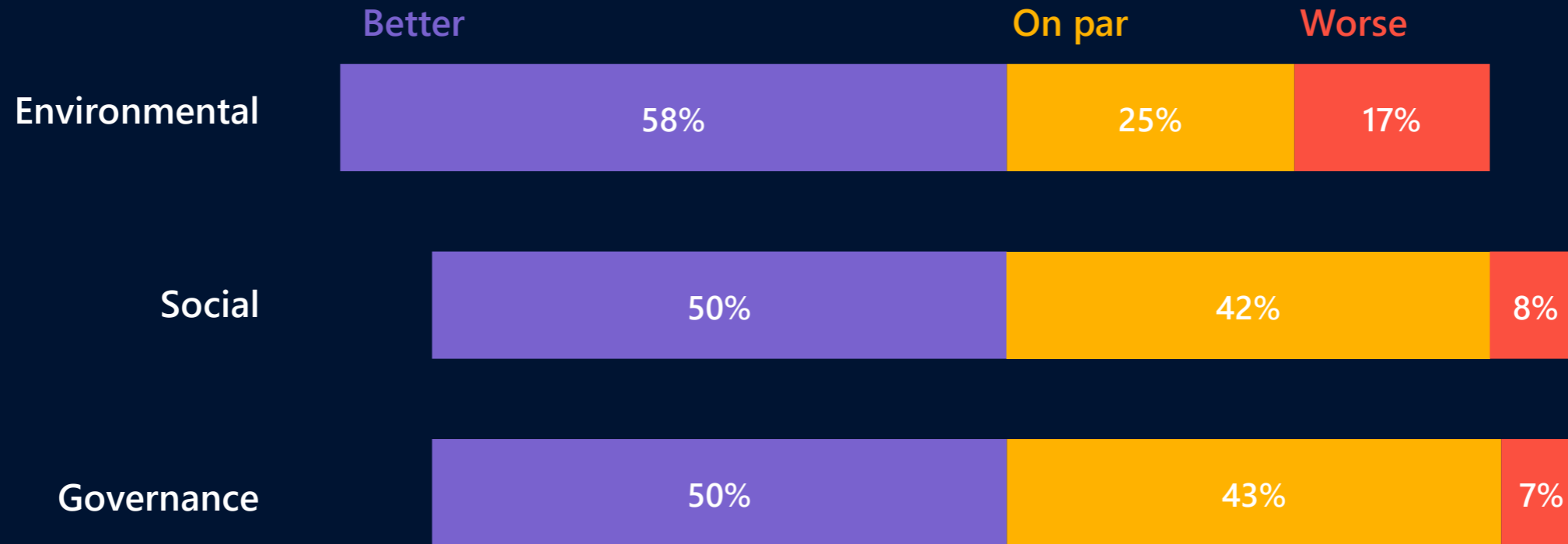
ASIC warns investment funds on greenwashing

FINANCIAL TIMES

Investors stick to ESG commitments for a greener future

Half believe their ESG strategy surpasses their peers, indicating a competitive environment

ESG strategy vs key industry peers



Companies say they are predominantly focused on reducing their carbon emissions

Key ESG priorities in the next 5 years



Greater familiarity with shareholder's ESG policies and expectations compared to bondholders / banks

Familiarity with ESG policies and expectation of...

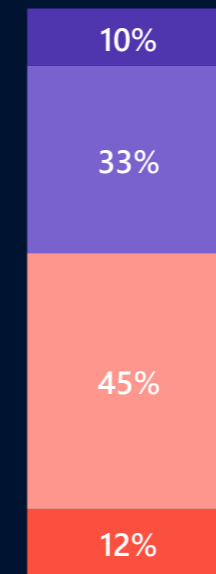
Top 10 shareholders

- Extremely familiar
- Very familiar
- Somewhat familiar
- Not familiar at all



70%
say they are
'extremely' or
'very' familiar

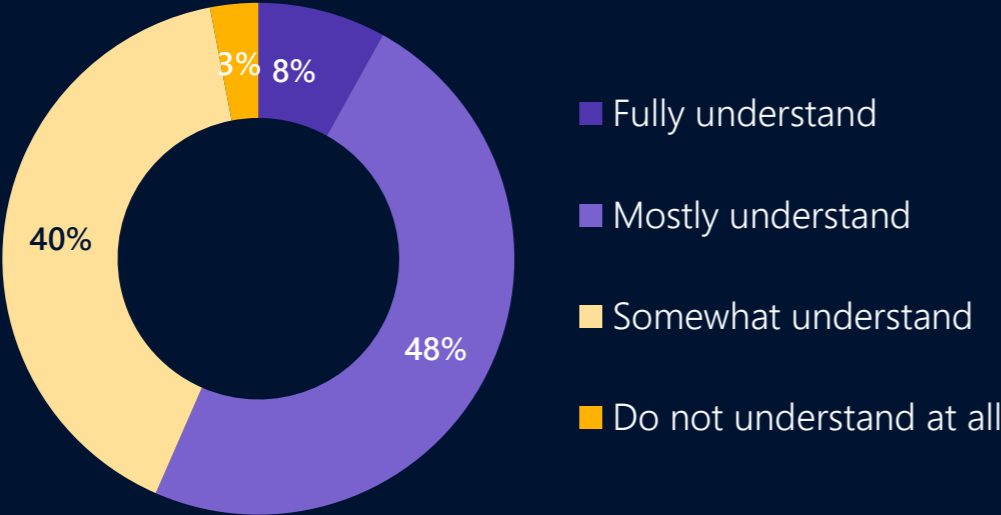
Top bondholders, lenders and banks



43%
say they are
'extremely' or
'very' familiar

Opportunity to educate investors on the practical challenges of ESG in specific markets and sectors

Perceived investor understanding of the practical challenges in the ESG space



Sustainability issues investors are thought to not fully understand



Brunswick survey of n=60 professionals at ASX200 and NZX50 companies
 Q. Do you believe most of your investors understand the practical challenges facing your company in the ESG space?
 Q. What sustainability issue(s) do you think your investor base does not fully understand?

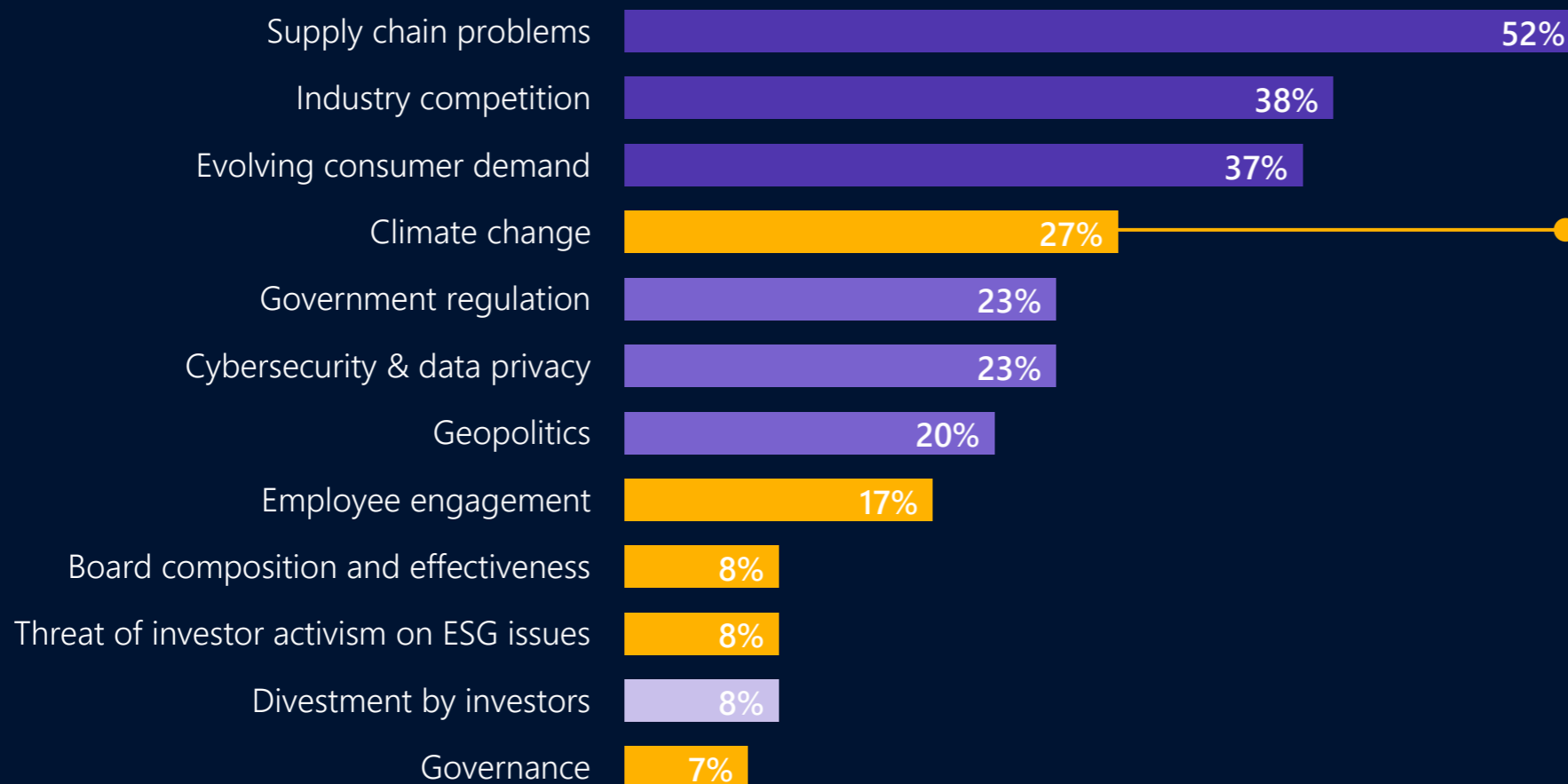
Climate is a defining
long-term issue
facing business

PROFIT
OVER
PLANET



Climate change is recognised as the top ESG challenge

Top 3 pressing challenges



Amongst other ESG concerns, **climate change** is recognised as the most pressing challenge

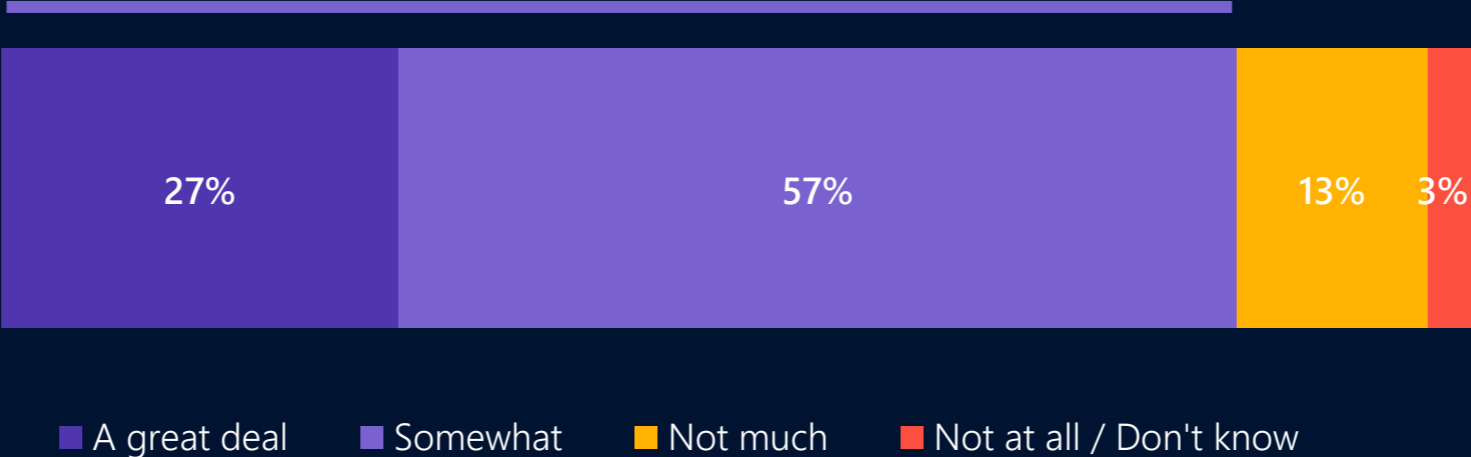
- ESG challenges
- Core business challenges
- Macroeconomic challenges
- Other challenges

Companies have integrated climate policy into their capital allocation decision making

Degree to which companies integrate climate policy into their capital allocation decisions

84%

say their climate policy is 'somewhat' integrated or integrated 'a great deal' into their capital allocation decisions

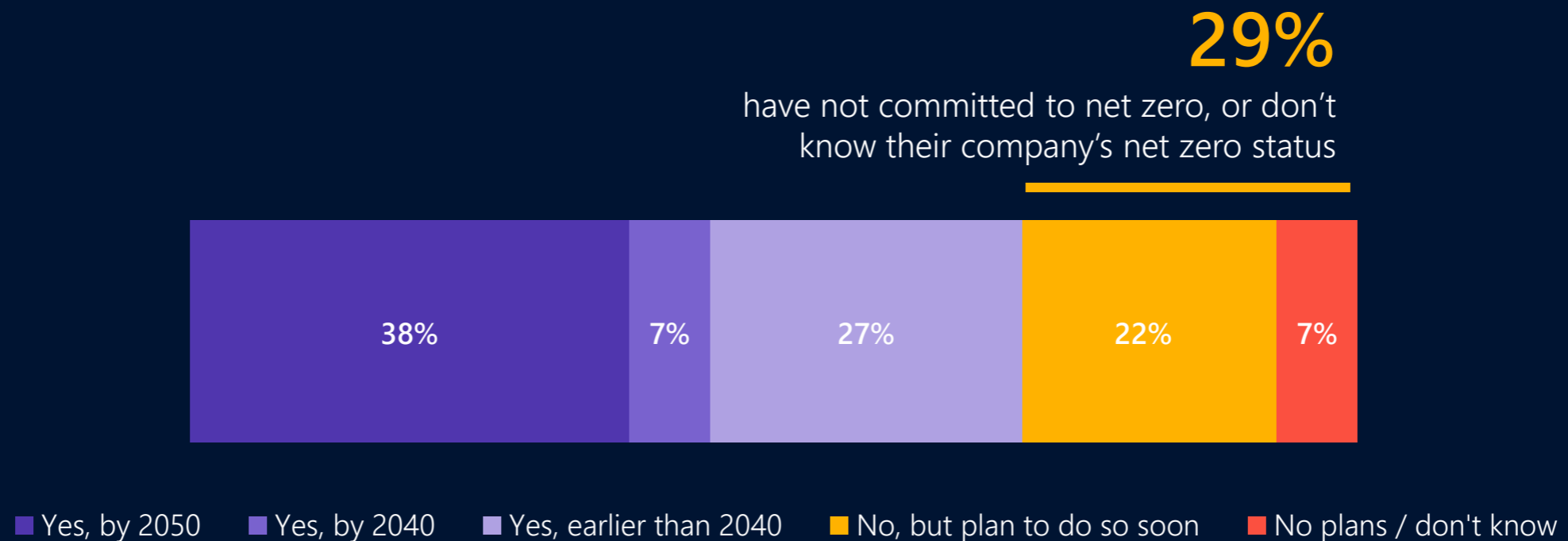


**Climate-related disclosure
ecosystem is complex**



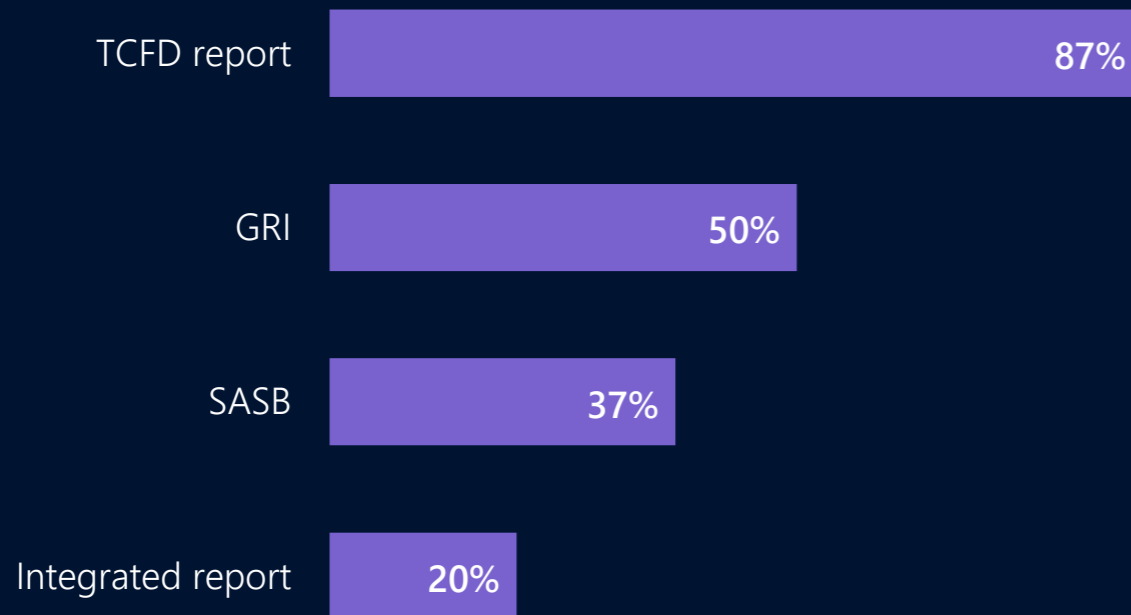
A notable proportion of companies have yet to make public commitments for net zero

Public commitment to achieve net zero

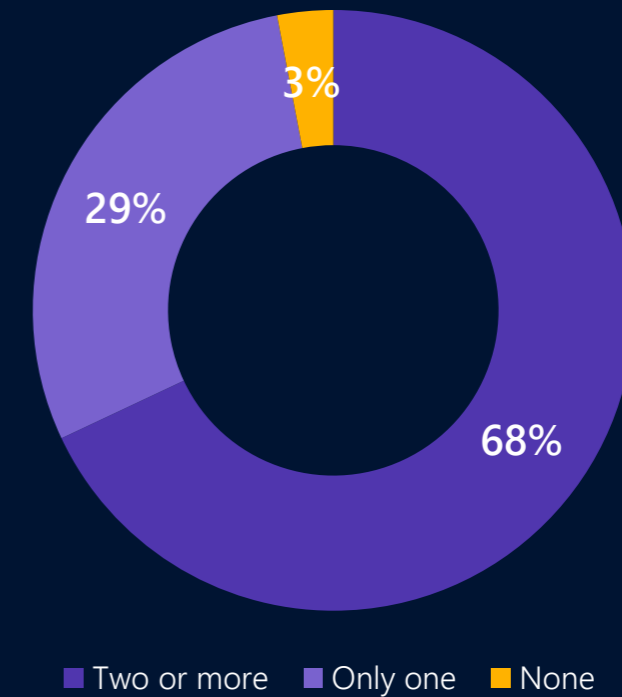


Companies are disclosing their material ESG issues

Types of reporting frameworks used

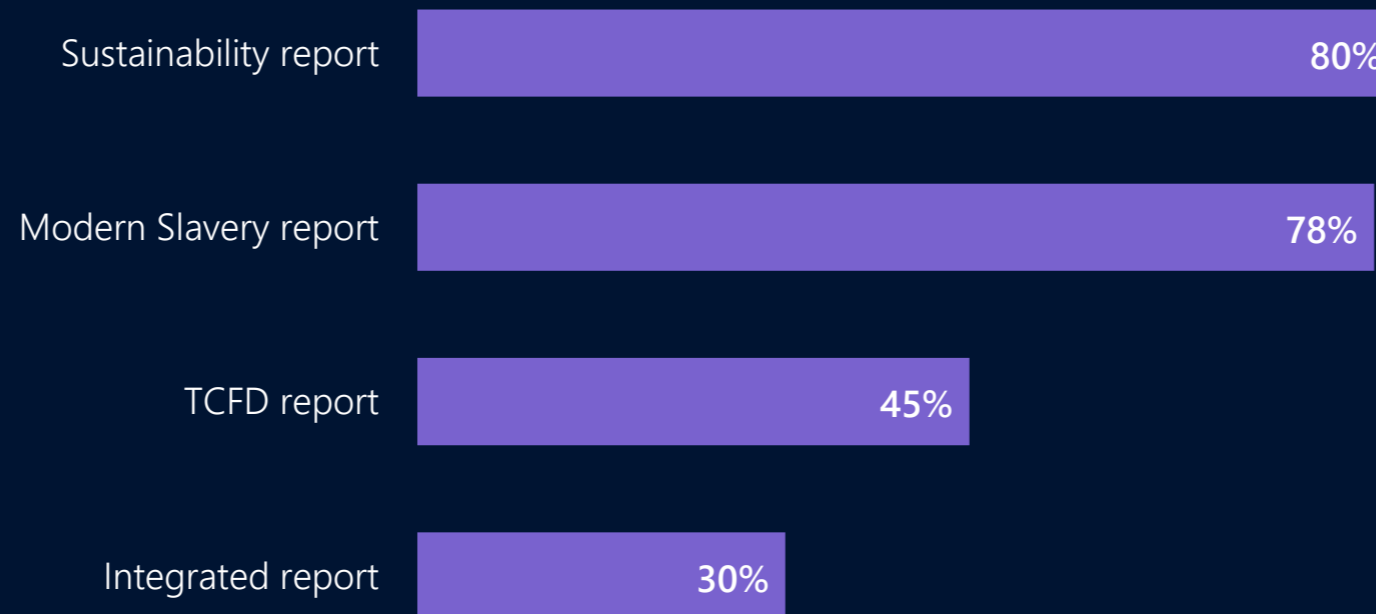


Number of frameworks used



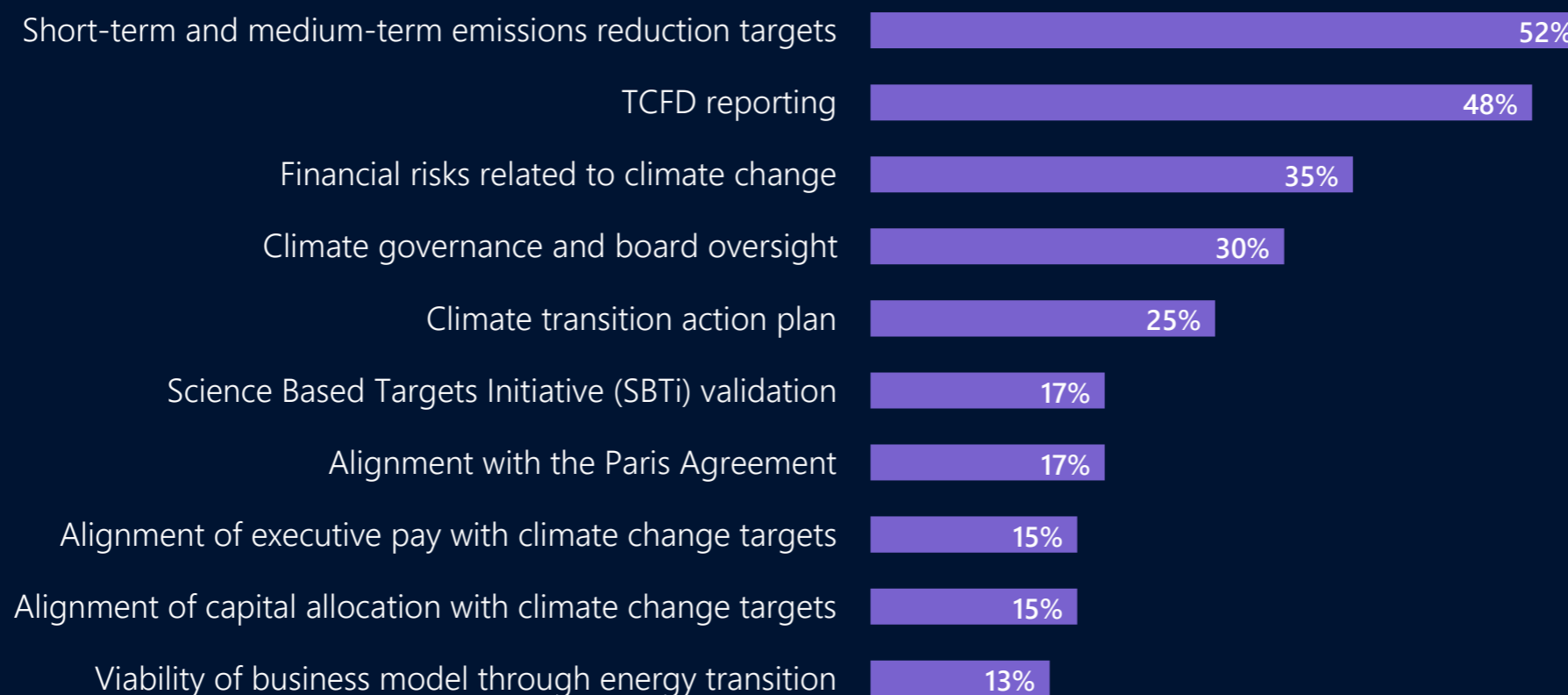
Sustainability and Modern Slavery are the most commonly produced reports

ESG reports currently produced



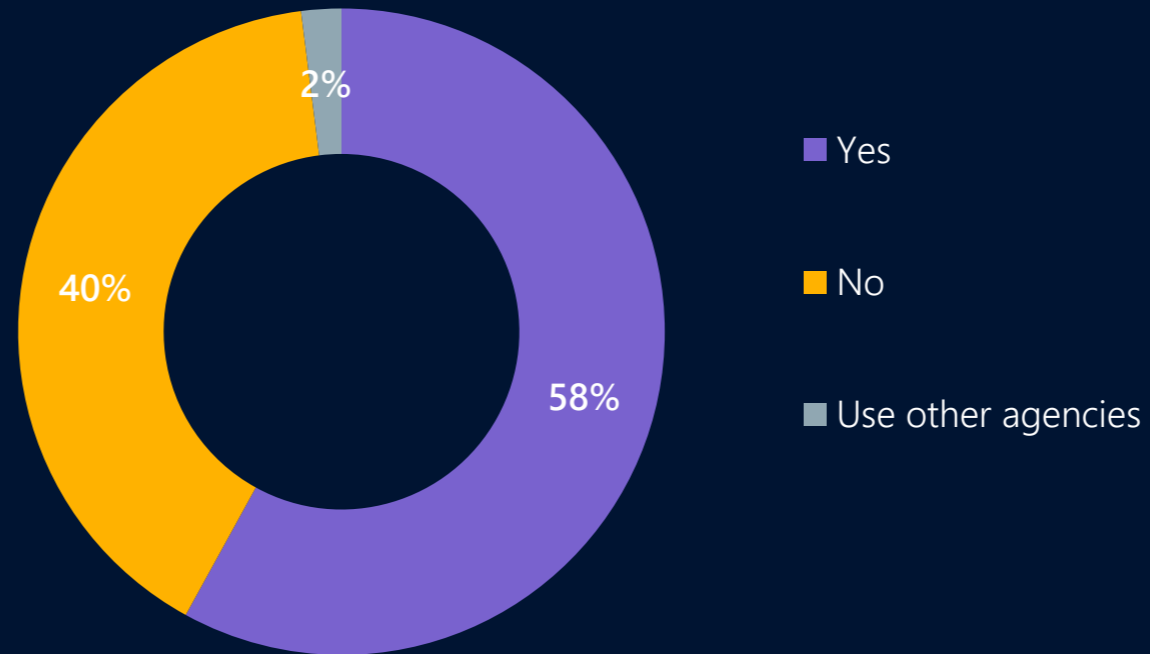
Emissions reduction targets and TCFD-aligned reporting are viewed as top priorities for investors

Opinion of what investors see as the most important climate related disclosure



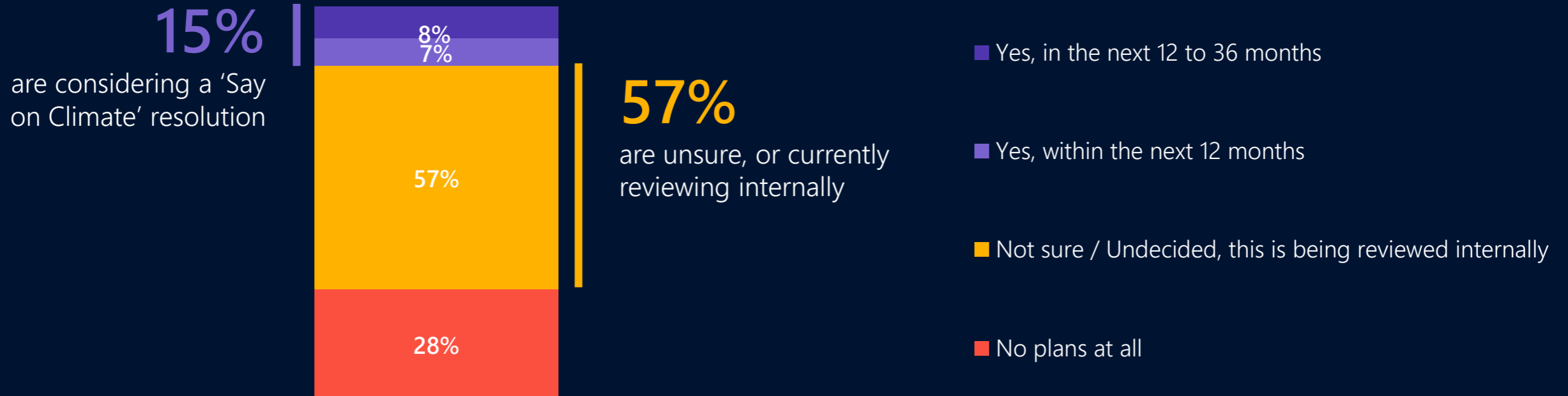
Three-in-five have responded to requests from the Carbon Disclosure Project

Does your company respond to information requests from the Carbon Disclosure Project (CDP)?



Lack of consensus on 'Say on Climate'

Companies considering a 'Say on Climate' resolution



Key takeaways



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Key takeaways

Companies and investors clearly recognise the materiality of ESG issues.

Climate change and human capital are the highest priority topics for investors.

There remains a large gap in investor understanding of sector and company-specific ESG issues.

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