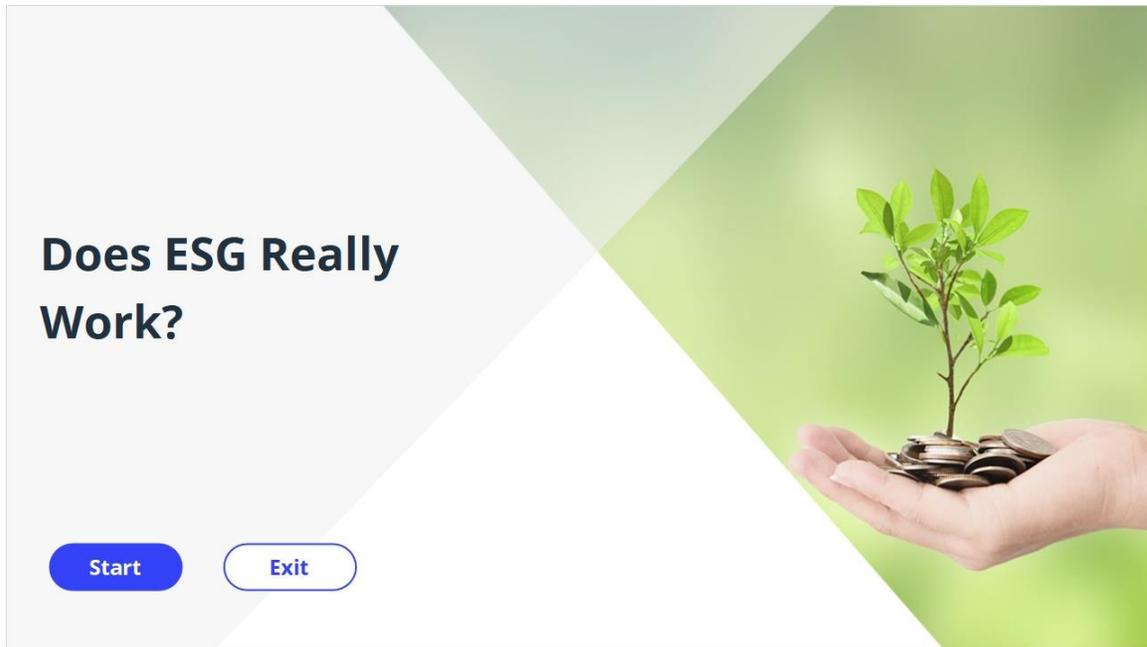


Lestari Module 3

1. ESG Module 3

1.1 Welcome to Does ESG Really Work



Notes:

<prosody rate="-10%">

Welcome to Future-Proof Your Business With E.S.G. <break strength="medium"/>

Environmental, social, and governance or E.S.G. issues are to be considered by business entities in their decisions because companies with a higher focus on sustainability are viewed as reliable and fundamentally sound.

</prosody>

1.2 Firms Do Well by Doing Good

Firms Do Well by Doing Good

Does ESG Really Work?



- Financial performance is positively correlated with ESG practices
- Companies that invest in environmental sustainability-related operational efficiencies



Oxford Arabesque Study, 2015

- 90% of studies show ESG standards lower cost of capital
- 88% of ESG practices realized better operational performance
- 80% stock price positively correlated with good sustainability practices

Notes:

1.3 Firms Do Well by Doing Good Continued

Firms Do Well by Doing Good Continued

Does ESG Really Work for Business?

2/15



Prof. George Serafeim **Prof. Mark Kramer** **Prof. Michael Porter**

“There is **compelling evidence** that superiority in **identifying and harnessing** selected social and environmental issues **relevant** to the business can, over time, have a **substantial economic impact** on companies and even entire industries.” - Prof. Michael E. Porter, Prof. George Serafeim and Prof Mark R. Kramer, Harvard Business School

Source: <https://www.institutionalinvestor.com/article/b1hm5ghqtxj9s7/Where-ESG-Fails>

Notes:

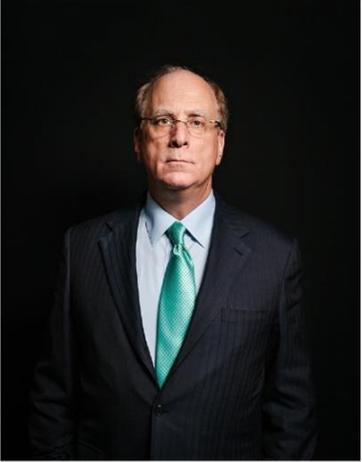
1.4 Firms Do Well by Doing Good Continued

Firms Do Well by Doing Good Continued

Does ESG Really Work for Business?

- There is a tectonic shift." in Stakeholder's expectation Larry Fink, Black Rock CEO
- Total valuation of ESG assets is around USD30 trillion (more than 25% of the managed assets in the entire market)
- "The Great Wealth Migration" Estimated USD68 trillion to be transferred to the future generation
- 31% of Gen X And 71% of millennials interested to use this wealth in ESG Investment

Source: [Why ESG Can Make or Break Your Company's Competitive Advantage](#)



Larry Fink

Notes:

In fact, customers, clients, vendors, employees and shareholders evaluate companies based on their stands on ESG issues. As noted by Larry Fink, CEO of Blackrock, "there is a tectonic shift." in Stakeholder's expectation on how businesses are operated. This is more evident as the total valuation of ESG assets is around \$30 trillion, which is more than 25% of the managed assets in the entire market. ESG investment is predicted to raise even further as it is estimated that \$68 trillion worth of wealth will be transferred to the future generation, and researched have shown that they are favoring ESG investment more than the older generation. For instance, 31% of Gen X And 71% of millennials interested to use this wealth to invest in ESG companies.

1.5 Heineken's Success

Heineken's Success

Does ESG Really Work for Business?

4/15

**'Without water, Heineken wouldn't exist'.
– Heineken**

- 33% decrease in water consumption in its breweries since 2008
- Achieved More than 100% water balanced in ten sites in Mexico, Spain and Egypt in 2020
- Saved €15m or USD 17.94 m through water efficiency since 2009

More details about Heineken's achievement and water preservation case studies can be found [HERE](#).



Notes:

1.6 Fibria's in Brazil

Fibria's in Brazil

Does ESG Really Work for Business?

5/15



Fibria, a paper pulp company based in Brazil.

- Saved over USD 30 Million in 2016 by integrating local farmers into its supply chain instead of outsourcing contracts
- Previously suffered heavy casualties (over USD 27 Million) due to Wood theft activity
- Fibria's Rural Land Development Programmed (PDRT) has supported over 5,000 farmers with 3 times more than minimum wage
- 80% of the farmers were formerly involved in wood theft

Please click [HERE](#) to find out more.

Notes:

The next company that proves ESG improves business is Fibria, a paper pulp company based in Brazil which have saved over 30 Million in 2016 by integrating local farmers into its supply chain instead of outsourcing contracts. Back then, these local farmers were stealing from Fibria as there were not much economic opportunities in the region. In fact, the company suffered over \$27 million because of this in 2009. The launch of Fibria's Rural Land Development Programmed in 2016, offered a win-win solution to the community where the company engaged the locals to work with them. The program supported about 5,000 farmers with income 3 times more than the minimum wage. There were some other operational practices implemented by Fibria to sustain their production without jeopardizing the forest and environment.

1.7 Case Study: Best Buy

Case Study: Best Buy

6/15

Does ESG Really Work for Business?

Best Buy is a leading retailer of consumer electronics in North America.

- A total annualized return of 12.5% through the end of September
- Longer term, Best Buy's 10-year total return is 17.6%.
- achieved 100% waste diversion — a milestone in the company's goal to divert all its solid waste from landfills.
- committed US\$10 million toward building teen tech centers in Los Angeles, where young people can learn about programming, design, and music production.



Notes:

1.8 Case Study: Adobe

Case Study: Adobe

7/15

Does ESG Really Work for Business?



Adobe provides software, publishing, and cloud storage for creatives, along with marketing analytics tools for business teams.

- 12-month revenues exceed US\$14 billion, up from 2020 revenues of US\$12.87 billion.
- Longer term, Adobe has returned nearly 38% annually to shareholders over the past 10 years.
- achieved global gender pay parity and has invested nearly US\$87 million in communities to benefit 1.6 million underrepresented minorities.
- Half of the company's energy comes from renewable sources, and the goal is to achieve 70% renewable energy by the end of fiscal year 2022.

Notes:

The next company that proves ESG improves business is Fibria, a paper pulp company based in Brazil which have saved over 30 Million in 2016 by integrating local farmers into its supply chain instead of outsourcing contracts. Back then, these local farmers were stealing from Fibria as there were not much economic opportunities in the region. In fact, the company suffered over \$27 million because of this in 2009. The launch of Fibria's Rural Land Development Programmed in 2016, offered a win-win solution to the community where the company engaged the locals to work with them. The program supported about 5,000 farmers with income 3 times more than the minimum wage. There were some other operational practices implemented by Fibria to sustain their production without jeopardizing the forest and environment.

1.9 ESG Resilience During the Pandemic

ESG Resilience During the Pandemic

Does ESG Really Work for Business?

8/15



Some Facts

- MSCI Europe ESG Leaders index (which filters for ESG-friendly companies) has outperformed the broader EU benchmark by 180 basis points (Jan - 18 March 2020)
- MSCI's Japan and US Leaders indices have outperformed its counterpart by 50bp on the similar period
- Many funds with an explicit ESG or sustainability focus have produced better results than their sector average and benchmark in both the UK and global market between Jan – Mar 2020 - [Willis Owen](#)
- Companies with high ESG score had lower financial losses between January to May 2020 - [Refinitiv](#)

Notes:

1.10 The Young Presidents Organization

The Young Presidents Organization

Does ESG Really Work for Business?

Web Object

Address:
<https://www.youtube.com/embed/muGhQkOalk8>

The diagram illustrates the Young Presidents Organization's mission. On the left, an icon of a person at a podium with three speech bubbles is accompanied by the text "Better Presidents through Learning & Idea Exchange". A blue arrow points to the right, where an icon of a building with a dollar sign is accompanied by the text "Business as a FORCE for GOOD".

Notes:

Corporate Leaders used ESG as guiding principles to be able to sustain their businesses in the long run. The Young Presidents Organization is a network of 30,000 CEOs in 142 countries, who collectively have 22 million employees generating \$9 trillion of revenues. Established in 1950, YPO's mission had always been "Better Presidents through Lifelong Learning and Idea Exchange". In 2018, Y P O added "Business as a Force for Good" to its mantra. Let's watch this video.

1.11 The Purpose of a Corporation

The Purpose of a Corporation

Does ESG Really Work for Business?

10/15



Business Roundtable Statement August 2019

Chief executives who are member of the Business Roundtable, include, left to right, front row: Julie Sweer of Accenture North America, Brian Moynihan of Bank of America, Tim Cook of Apple, Robert F. Smith of Vista Equity Partners of Austin. Back row: Jeff Bezos of Amazon, Mary Barra of General Motors and Larry Fink of BlackRock.

Signed by 181 top CEOs

The business culture shift to move away from shareholder primacy to “stakeholders”

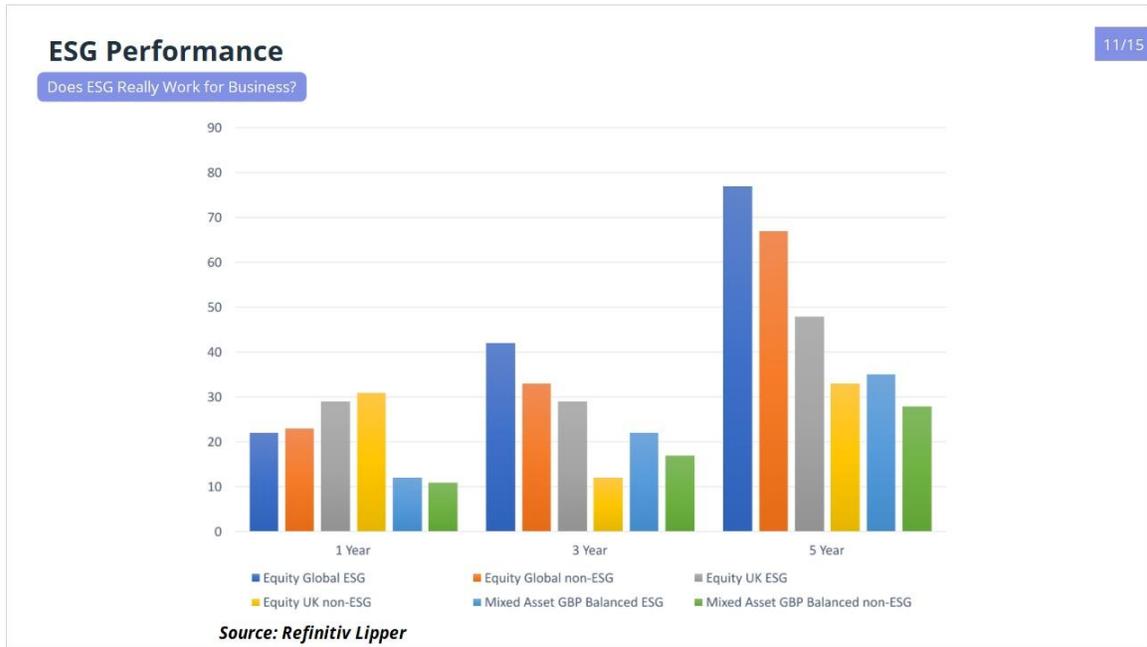
Each of our stakeholders is essential

- Delivering the value to our customers
- Investing in our employees
- Dealing fairly and ethically with our suppliers
- Supporting the communities in which we work

Read the entire announcement [HERE](#).

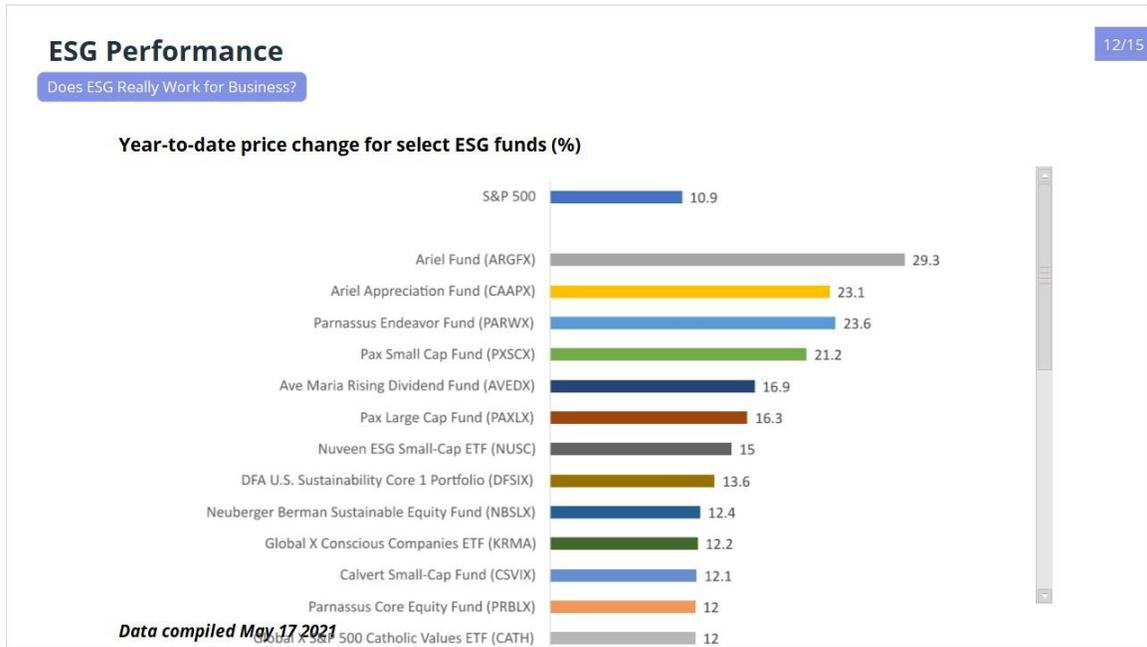
Notes:

1.12 ESG Performance



Notes:

1.13 ESG Performance



Notes:

1.14 ESG Performance

ESG Performance

13/15

Does ESG Really Work for Business?

- Approximately 33% of total assets under management (including domestic assets) are predicted to be ESG mandated by 2025.
- Global assets are expected to reach US\$160 trillion by 2036, an increase of 433% between 2018 and 2036.
- Emerging markets will offer nearly US\$23 trillion in investment opportunities by 2030.
- Sustainability-rated companies have historically grown their dividends in excess of 5%.



Notes:

1.15 Module Summary

Module Summary

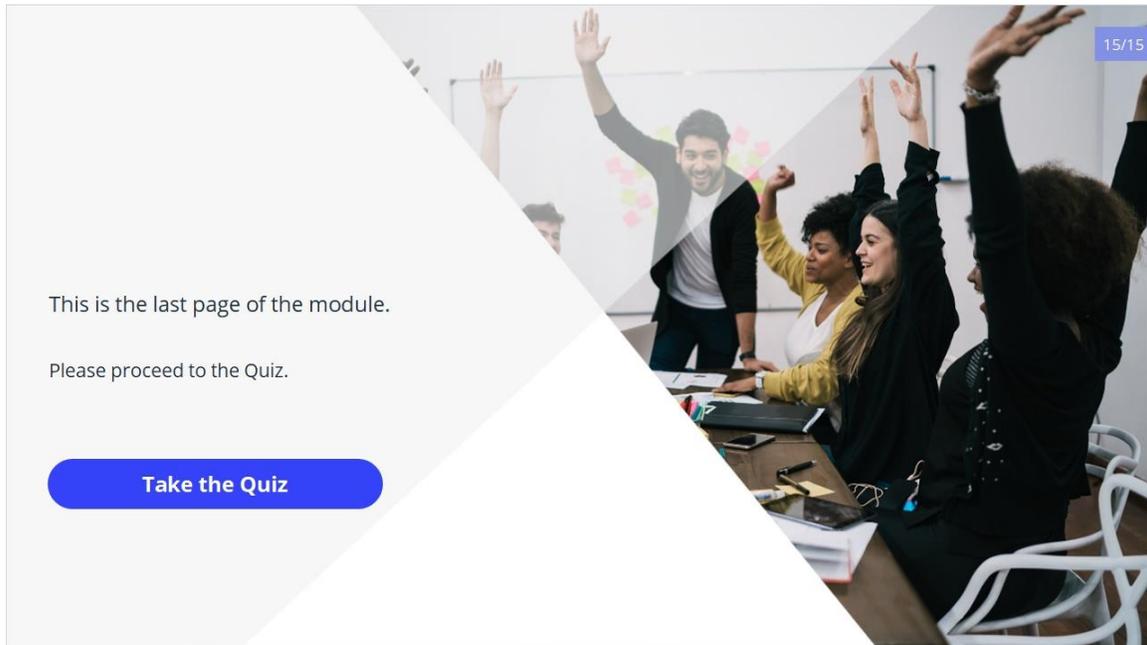
Does ESG Really Work for Business?

14/15

An aerial photograph showing a vast landscape of terraced tea fields. The terraces are arranged in a series of concentric, wavy lines that follow the contours of a hillside. The tea plants are a vibrant green, and the soil between the rows is a reddish-brown. In the center of the image, there are several small, traditional wooden huts with thatched roofs, likely used for tea processing or as a resting place for workers. The background shows a dense forest of tall trees, suggesting a rural, mountainous region.

Notes:

1.16 End



15/15

This is the last page of the module.

Please proceed to the Quiz.

[Take the Quiz](#)

Notes: