

# Making the Match:

The Market's Evolving  
View of the Materiality  
of Nonfinancial  
Information

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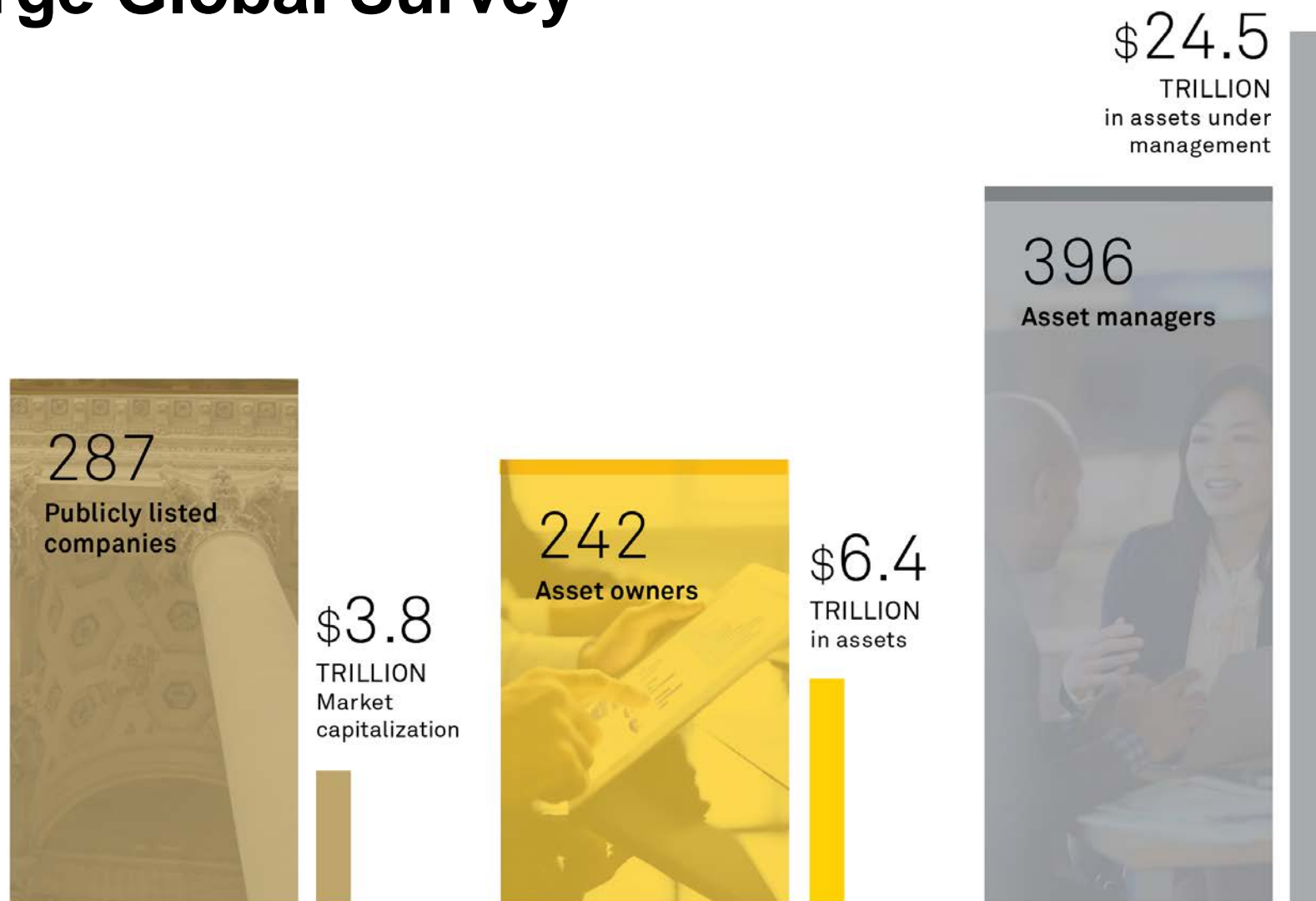
Depositary Receipts



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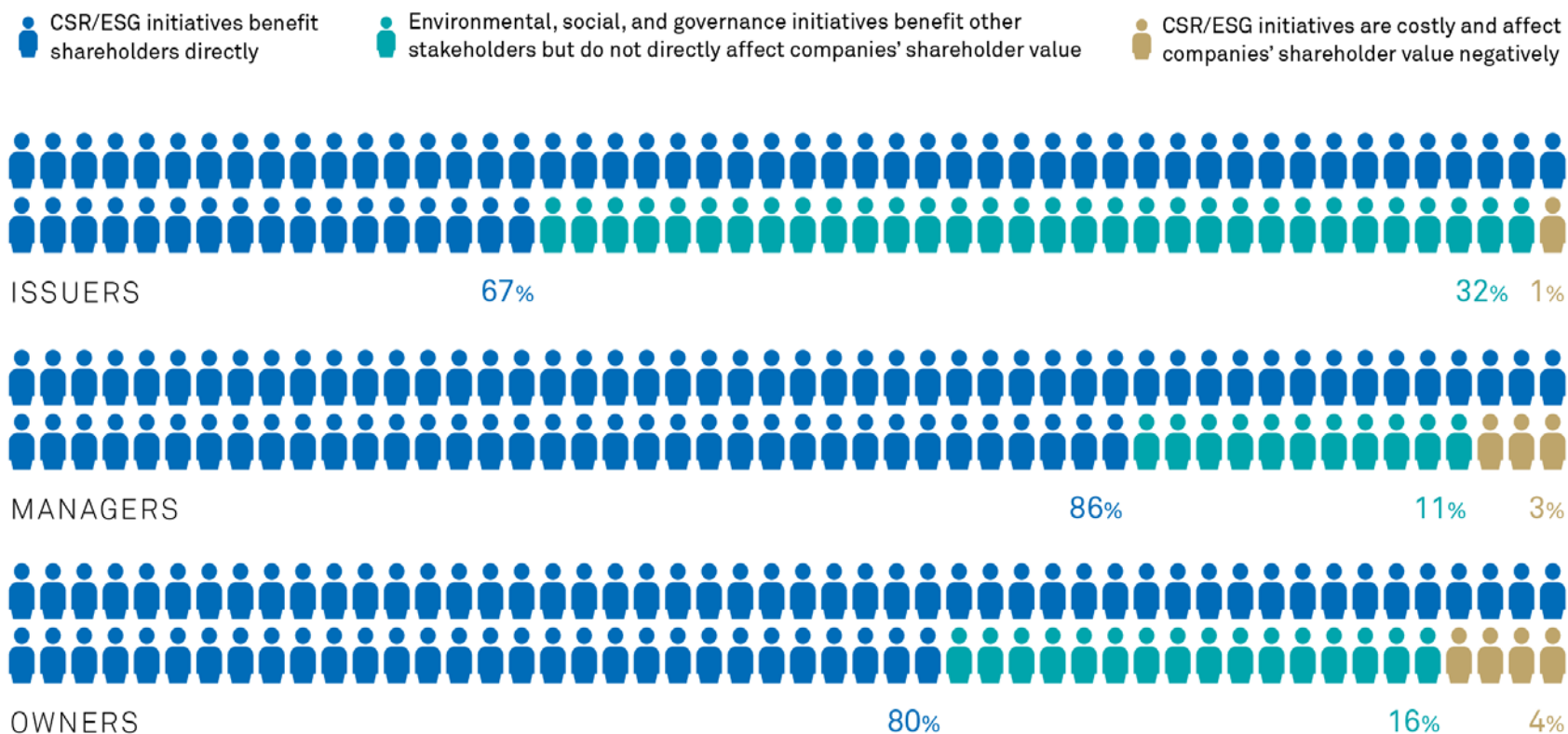
**Invested**

# Large Global Survey



# Investors, more than issuers, strongly believe that CSR/ESG initiatives directly benefit shareholders

*In what ways do companies' environmental, social, and governance (ESG) initiatives most contribute to shareholder value?*

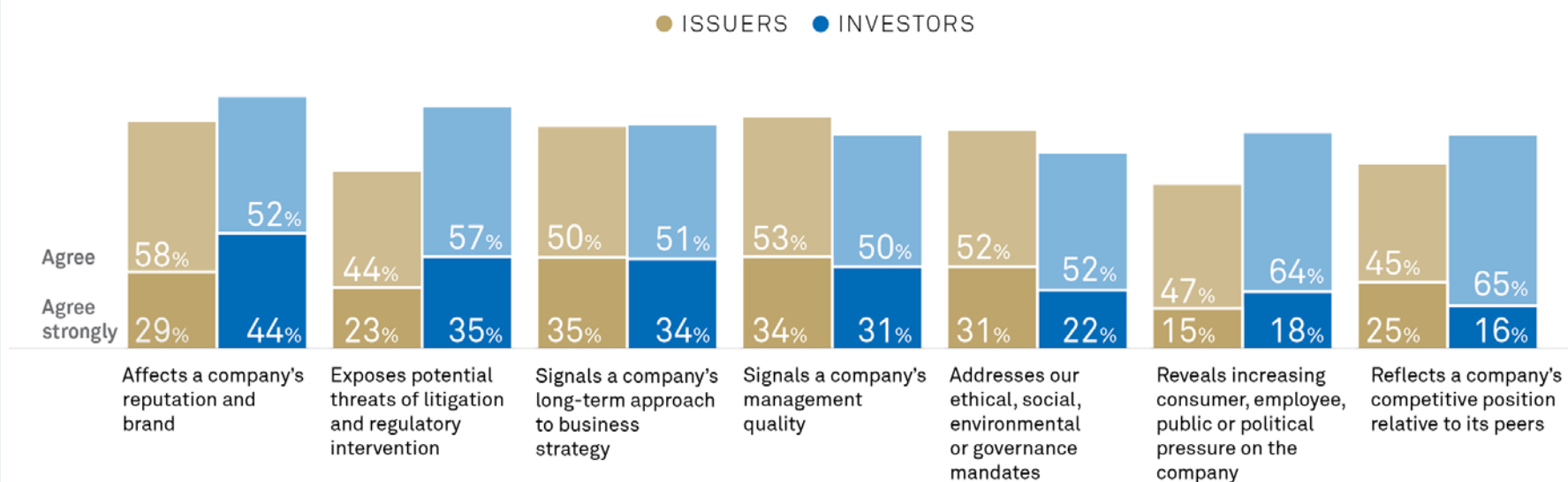




# Issuers quantify risks, while investors benchmark issuers globally

Investors (92%) consider Nonfinancial information to be most relevant in exposing potential threats of potential regulatory intervention and litigation risk, issues that significantly fewer issuers (67%) believe to be why investors use Nonfinancial information

*Do you agree with the following statements? Nonfinancial information is material to investment decision making because...*



# Corporate governance and employee policies are seen as material across all sectors

*In which sectors do you consider these Nonfinancial issues most material for investment decisions to warrant disclosure?*

## ENVIRONMENTAL

	BASIC MATERIALS	INDUS-TRIALS	ENERGY	UTILITIES	TRANS-PORTATION	PROF. SERVICES	CONSUMER & RETAIL	FINANCIAL SERVICES	HEALTH CARE	TECH, MEDIA & TELECOMS
The impact of climate change on the firm's markets or business operations	75%	68%	83%	73%	68%	38%	45%	43%	43%	40%
A company's energy and water consumption	75%	75%	74%	72%	64%	39%	49%	39%	46%	45%
A company's waste management practices and environmental policies	79%	78%	73%	70%	62%	40%	53%	39%	53%	47%

## SOCIAL

A company's employee policies and practices	74%	74%	74%	73%	73%	77%	77%	78%	77%	76%
The CSR/ESG policies and practices of a firm's suppliers	65%	70%	66%	64%	64%	58%	72%	60%	65%	65%
A company's human rights practices and policies	73%	69%	69%	65%	67%	67%	71%	65%	68%	68%
The impact of their products on customers (well-being, data privacy, customer service)	56%	57%	57%	59%	60%	71%	79%	75%	76%	74%
The impact of their business activities on local communities	74%	70%	71%	71%	66%	60%	64%	62%	62%	62%

## GOVERNANCE

A company's governance policies (leadership, ethics, tax policy, transparency)	79%	79%	80%	79%	79%	83%	86%	82%	82%	81%
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LOW IMPACT

HIGH IMPACT

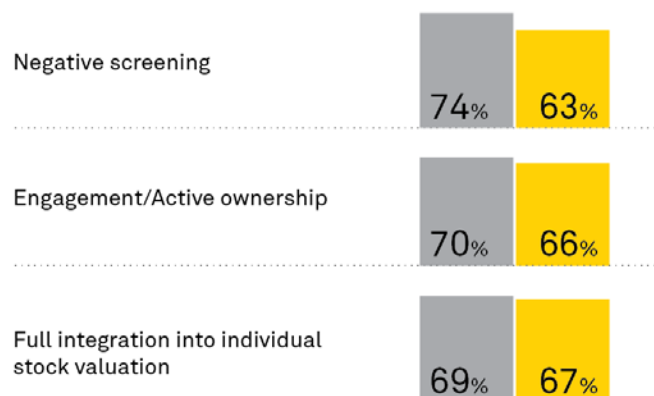
# The use of Nonfinancial information in any form is expected to increase in importance in the future, and is expected to moderately benefit returns

Asset managers report that they expect screening methods to remain important in the future

Negative screening is currently the most frequent method reported by investors who use Nonfinancial information, despite the fact that investors expect the impact on financial performance to be moderately negative relative to other methods

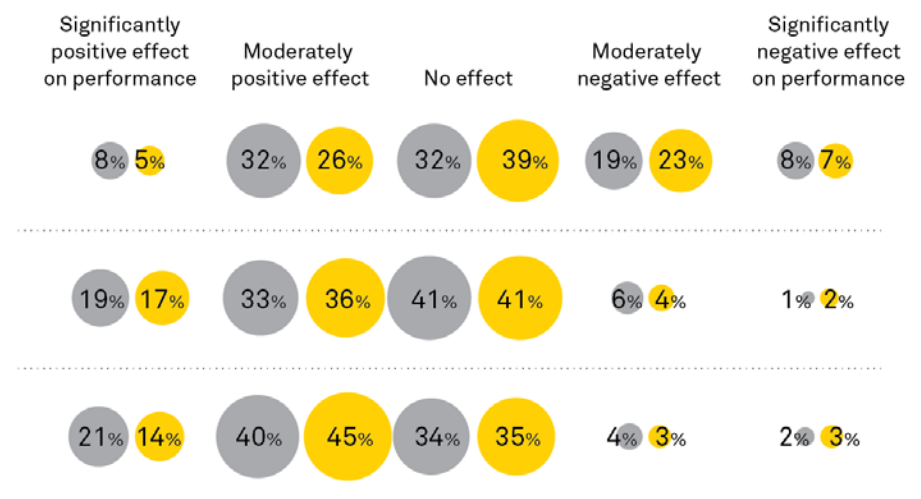
## Future Importance

*How important will the following methods of using ESG information in your investment process become in the next five years?*



## Impact on Returns

*Which of the following ESG/SRI strategies do you believe improve or reduce investment returns compared to a market index benchmark?*

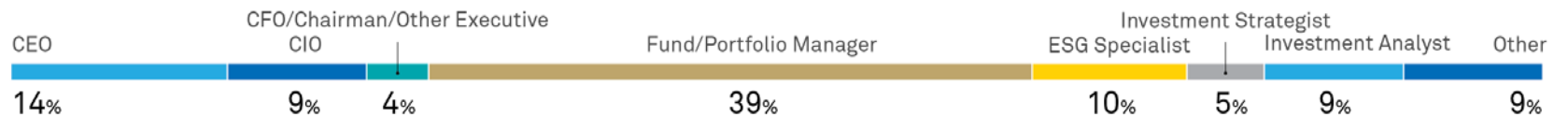




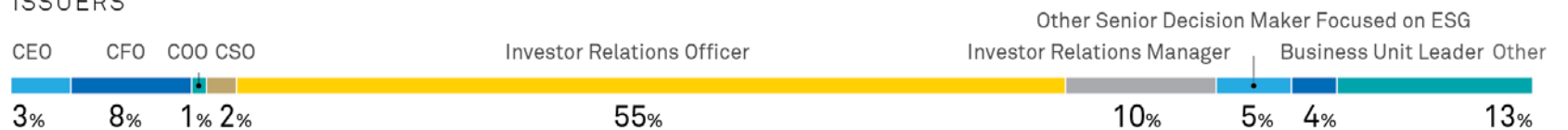
# **APPENDIX: METHODOLOGY DETAILS**

# Roles

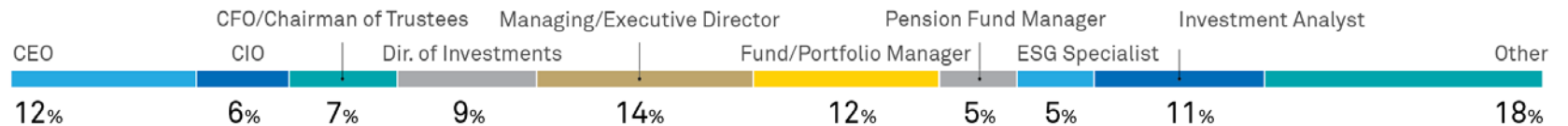
## ASSET MANAGERS



## ISSUERS



## ASSET OWNERS





# Overview of Respondent Firms

## Assets under management

MANAGERS

OWNERS

Greater than US\$1 billion

36%

32%

US\$1 billion to US\$5 billion

16%

27%

US\$5 billion to US\$10 billion

12%

11%

US\$10 billion to US\$50 billion

10%

15%

US\$50 billion to US\$100 billion

7%

5%

Less than US\$100 billion

19%

10%

## Issuers' annual revenue

Greater than US\$500 million

19%

US\$500 million to US\$1 billion

14%

US\$1 billion to US\$5 billion

30%

US\$5 billion to US\$10 billion

13%

US\$10 billion to US\$25 billion

12%

US\$25 billion to US\$50 billion

6%

US\$50 billion to US\$100 billion

2%

Less than US\$100 billion

4%

## Issuers' primary industry



Utilities

4%



Healthcare

5%



Energy

6%



Transportation

7%



Financial

22%



Basic materials

10%



Consumer & retail

16%



Industrials & capital goods

11%



Business & professional services

4%



Technology, media, telecommunications

16%



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