Tomorrow's Investment Rules 2.0

Investor attitudes on nonfinancial reporting

Kiara Konti, EY
Climate Change and Sustainability Services

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working world

"It's not about how you spend the money you make. It's about how you make the money you spend"

Dr. Kellie A. McElhaney
Founding Faculty Director of the Center for Responsible Business at the Haas School of Business
University of California, Berkeley
At Ernst & Young 'Entrepreneur of the Year', June 2007

3

Externalities
Value for society
and the environment

2

Shared value

1

**Value captured by
the organization**
(The only layer of
value currently
measured consistently)

New insights on nonfinancial performance from global institutional investors

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Summary of research effort

211
institutional investors surveyed

72%
from firms > US$10b under management

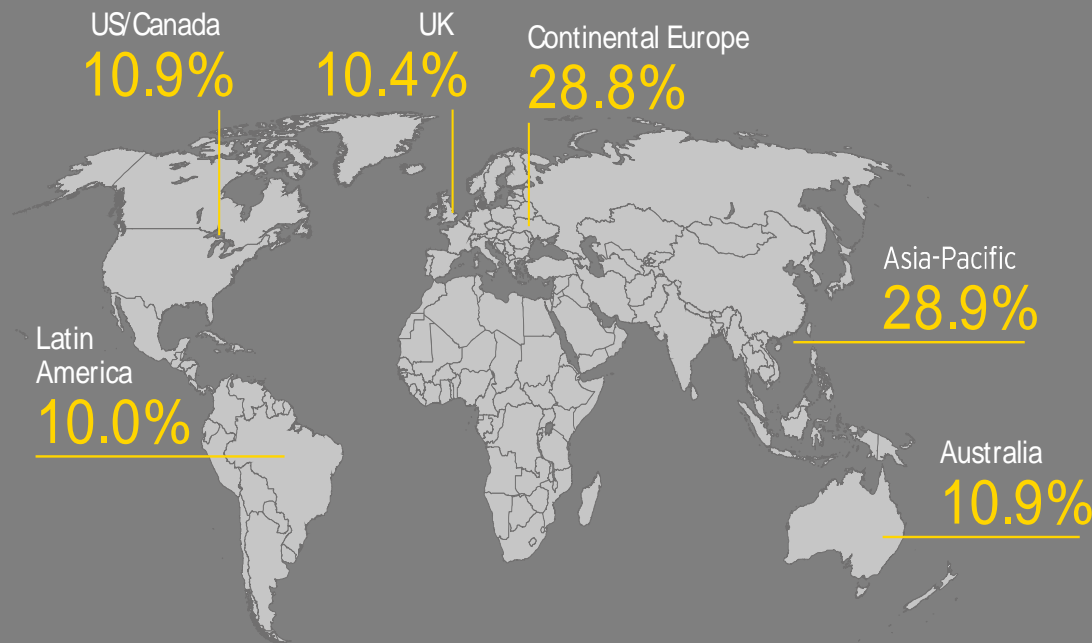## Survey participant profiles:

Portfolio manager

Equity analyst

Director of research

Chief investment officer

# New insights on nonfinancial performance from global institutional investors

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Geographic representation of responses

US/Canada
10.9%

UK
10.4%

Continental Europe
28.8%

Asia-Pacific
**28.9%**

Latin America
10.0%

Australia
10.9%

Emerging areas of investor sentiment

▶ Links between nonfinancial risk and performance

▶ Growing understanding of ESG and stranded asset risk

▶ Preferred nonfinancial disclosure methods

▶ Perceived value of integrated reports

▶ Sector considerations and ESG

▶ By-region integration of nonfinancial information

# Toward a new value paradigm - growing reliance on nonfinancial information

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2015
80%

2014
64%

2015
62%

2014
34%
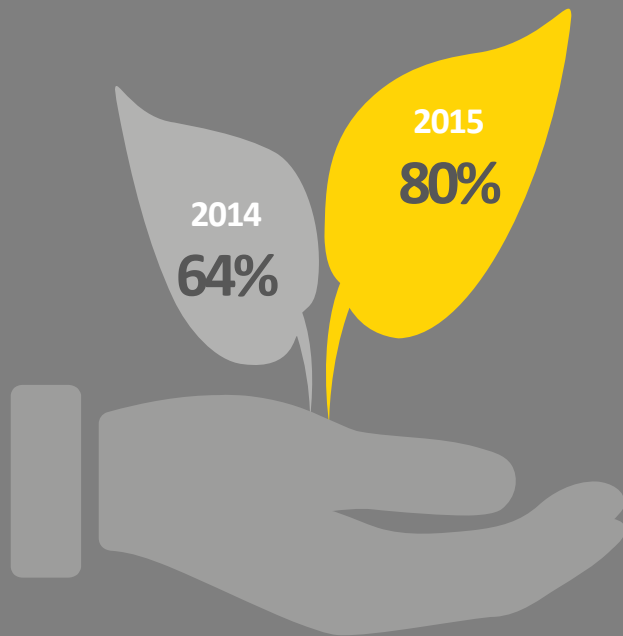
Percentage of respondents who consider mandatory board oversight of nonfinancial performance reporting "essential" or "important"
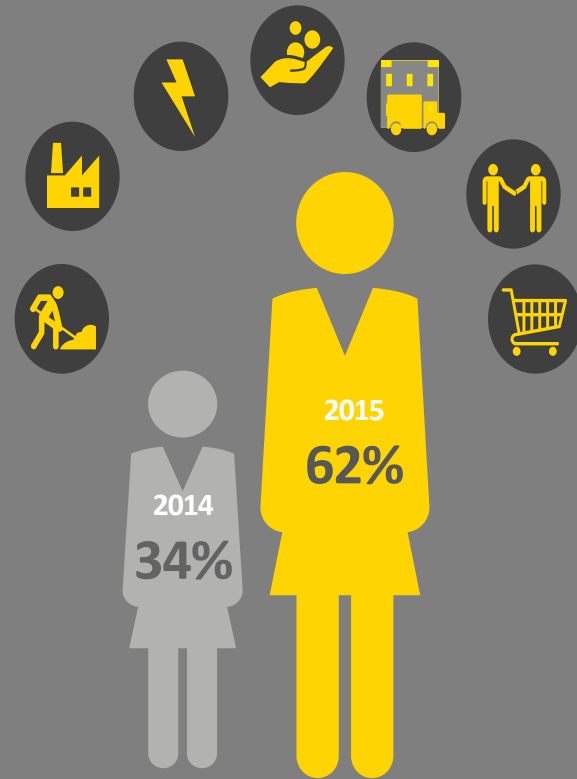
Percentage of respondents who consider nonfinancial information relevant to all sectors

Toward new measures of performance

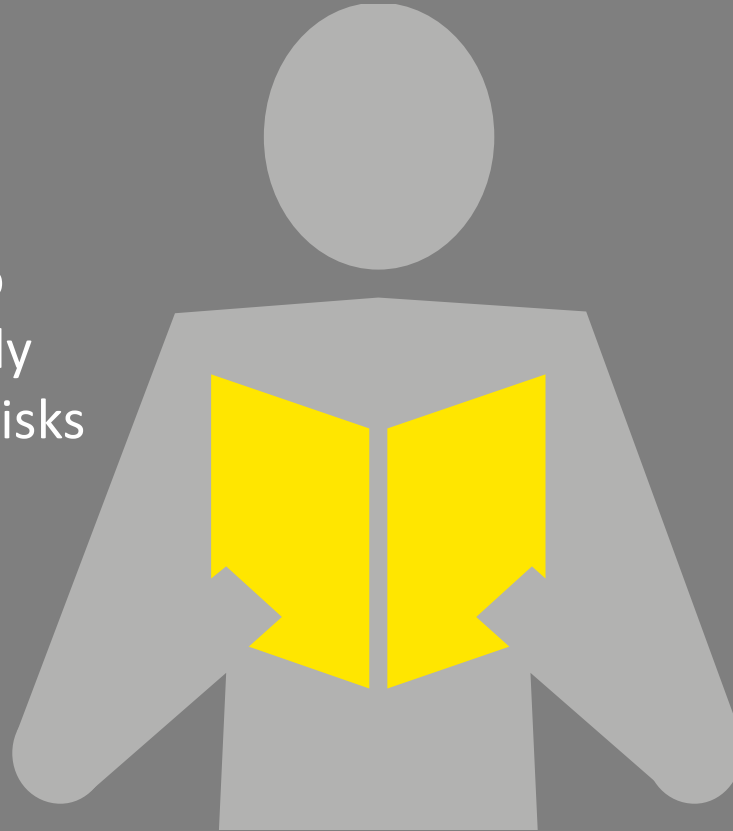Percentage of respondents who conduct evaluations of environmental and social disclosures

2014
64%

2015
79%
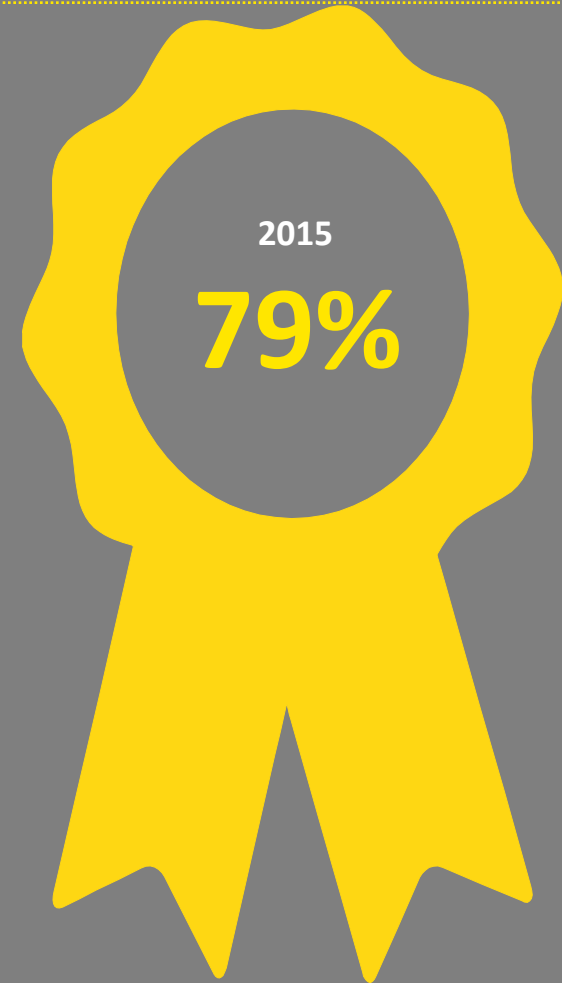
New expectations for nonfinancial reporting, disclosures and approaches

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64%

believe companies do not adequately disclose ESG risks

72%

believe metrics on expected future performance and nonfinancial risk would be beneficial

74%

believe sector or industry-specific content would be beneficial

ESG evaluations now common practice globally

91%
United States and Canada

80%
Europe

69%
Asia

81%
Latin America

87%
Australia
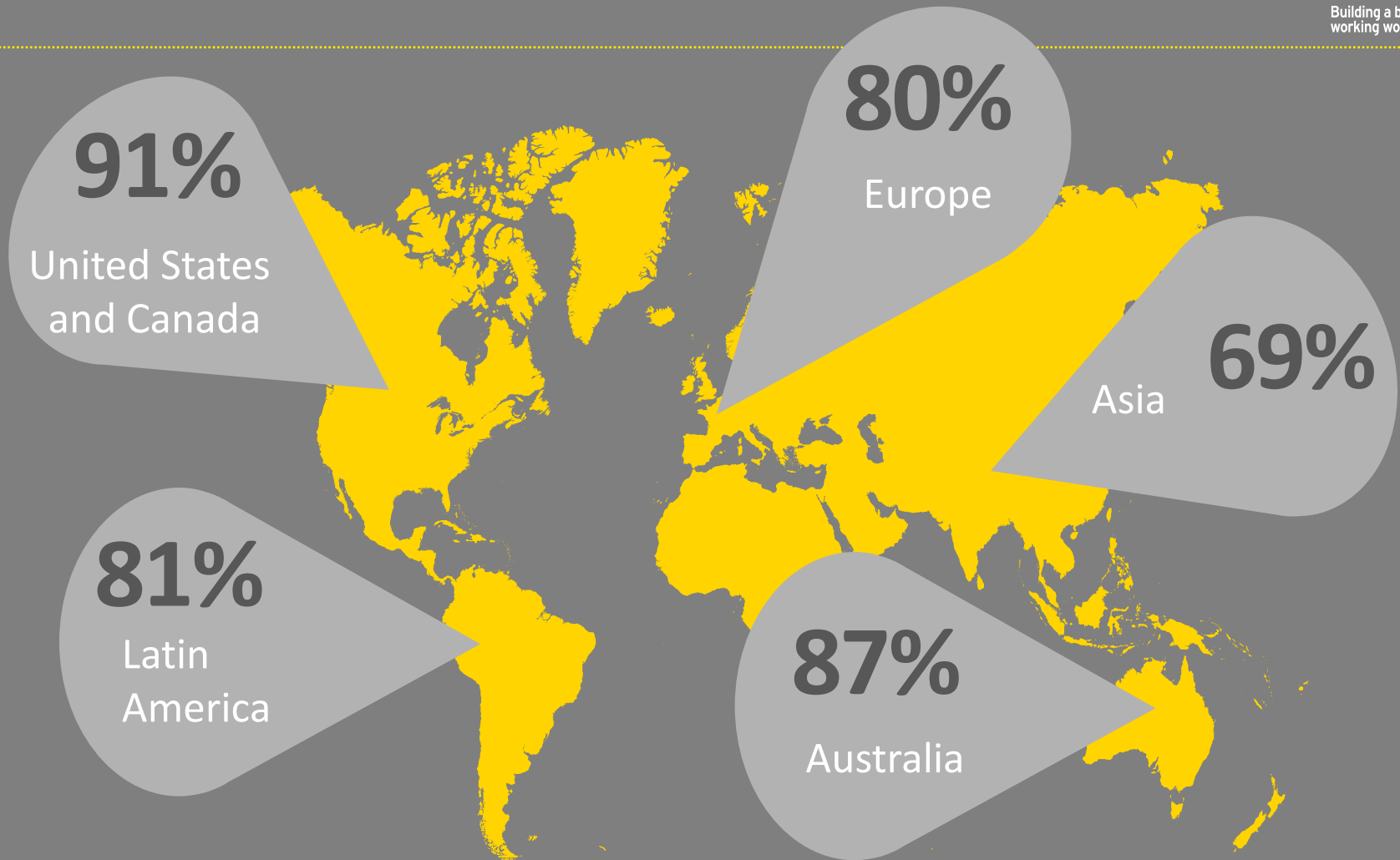
Percentage, by region, that report using some degree of ESG evaluation before making an investment

Thank you for your attention!