

Making sense of the data

ESG Methodologies and Rating

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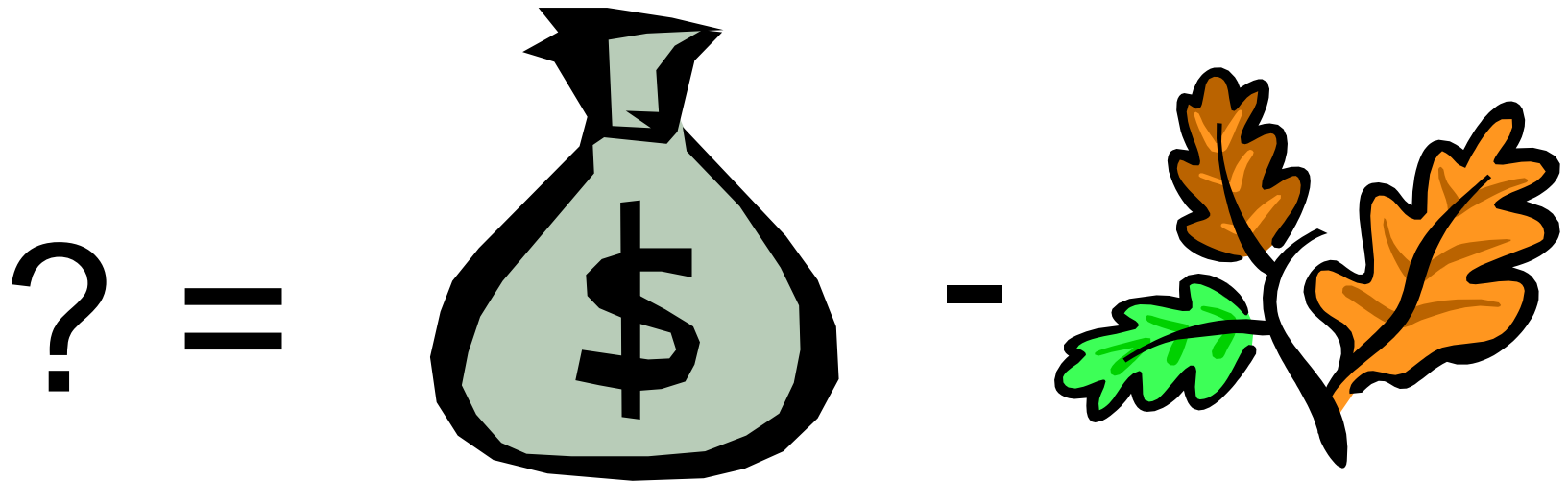


What is this presentation about?

- More and more companies report on their sustainability performance.
- ESG Methodologies and Ratings make sense of this information.
- Two main issues
 - “Garbage in - Garbage out”. Can we trust the data?
 - “Good data in – still Garbage out”? How can we make sense of the data?

The simple math of Value creation...

$$\text{Value} = \text{Return} - \text{Cost}$$



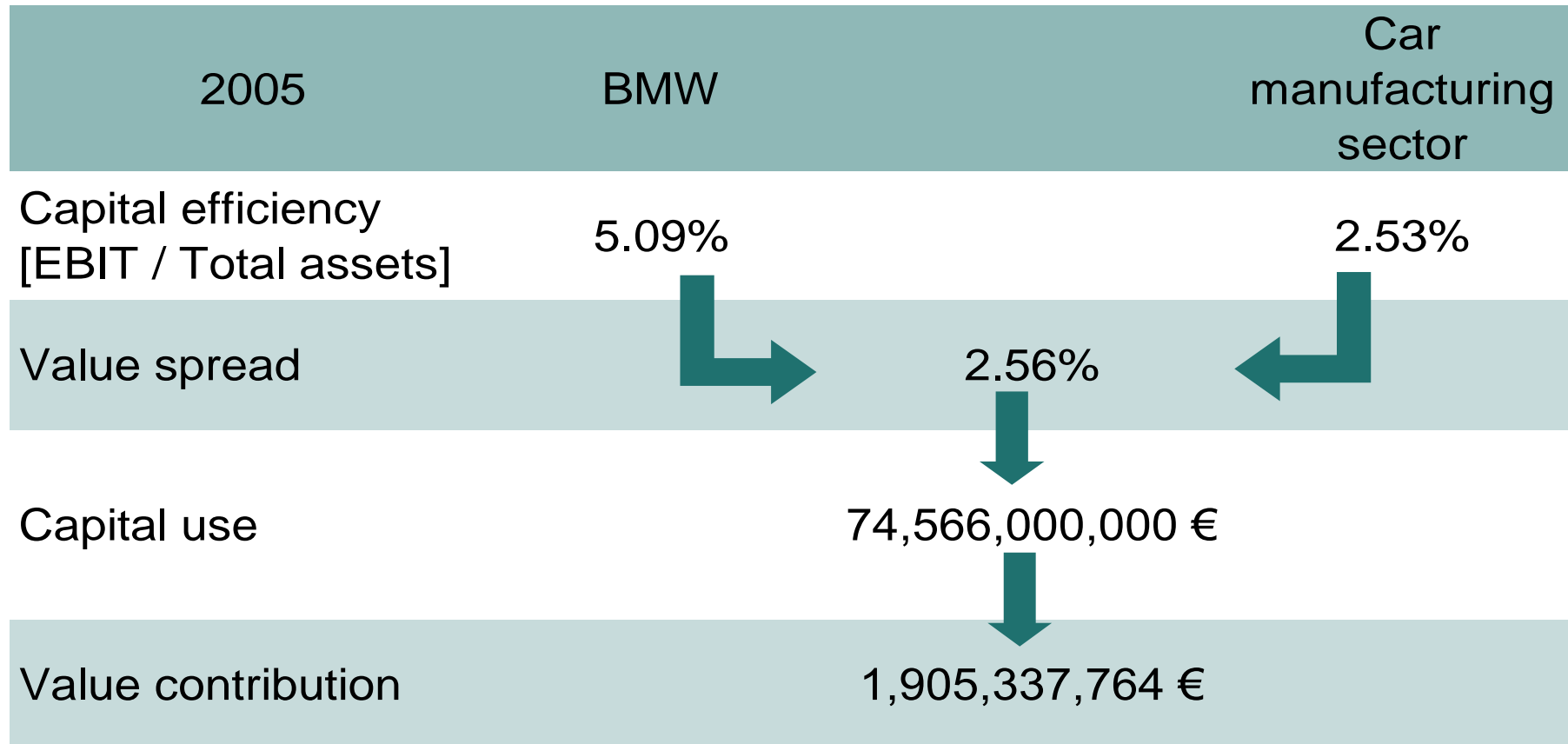
Let's look back to look ahead

David Green, 1894

But, when we once recognize the sacrifice of opportunity as an element in the cost of production, we find that the principle has a very wide application. Not only time and strength, but commodities, capital, and many of the free gifts of nature, such as mineral deposits and the use of fruitful land, must be economized if we are to act reasonably. Before devoting any one of these resources to a particular use, we must consider the other uses from which it will be withheld by our action; and the most advantageous opportunity which we deliberately forego constitutes a sacrifice for which we must expect at least an equivalent return.

Green, 1894: 224

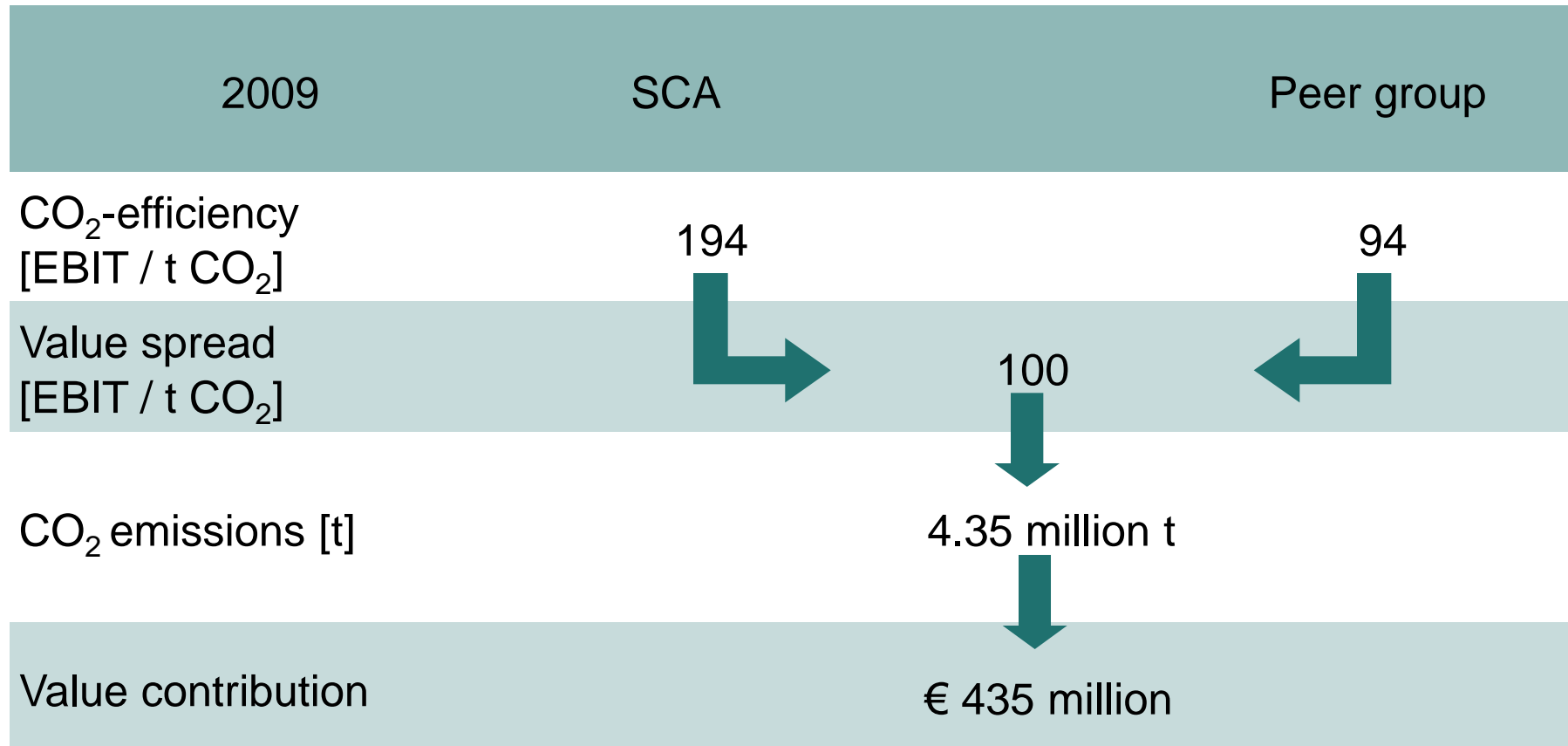
Assessing economic performance...



...for example pulp and paper companies...



... and environmental performance, analogously.



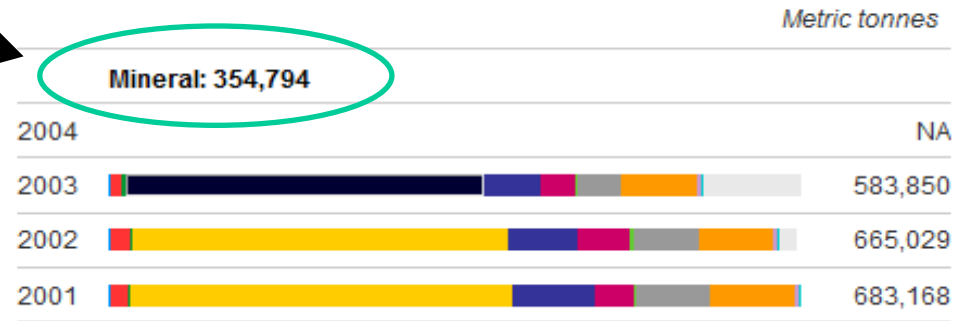
More than just CO₂ and capital – the triple bottom line

	Amount of resources used	Efficiency of BMW Group [€/unit]	Efficiency of the car sector [€/unit]	Value Contribution
		①	②	④
		③		
Total assets [€]	74,566,000,000 *	(0.051 -	0.025) =	1,905,337,764 €
CO ₂ -emissions [t]	1,304,971 *	(2,907 -	708) =	2,869,053,864 €
NO _x -emissions [t]	545 *	(6,959,633 -	999,441) =	3,248,304,768 €
SO _x -emissions [t]	8 *	(456,987,952 -	1,886,825) =	3,777,339,356 €
VOC-emissions [t]	2,726 *	(1,391,416 -	174,375) =	3,317,652,879 €
Waste generated [t]	454,821 *	(8,340 -	2,269) =	2,761,155,769 €
Water used [m ³]	3,417,341 *	(1,110 -	102) =	3,446,088,239 €
Work accidents [nb]	1,061 *	(3,574,929 -	811,168) =	2,932,350,774 €
Employees [nb]	105,798 *	(35,851 -	15,861) =	2,114,911,663 €
Sustainable Value of BMW Group in 2005				2,930,243,897 €
				⑤

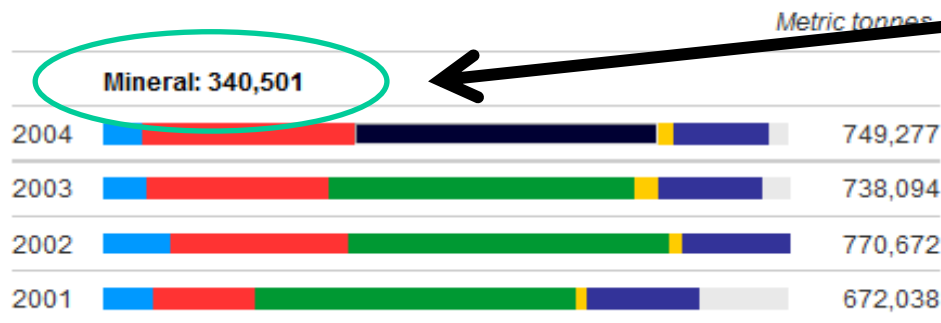
WASTE GENERATION AT FORD MOTORS

North America

C
North American Manufacturing Waste (United States, Canada and Mexico)



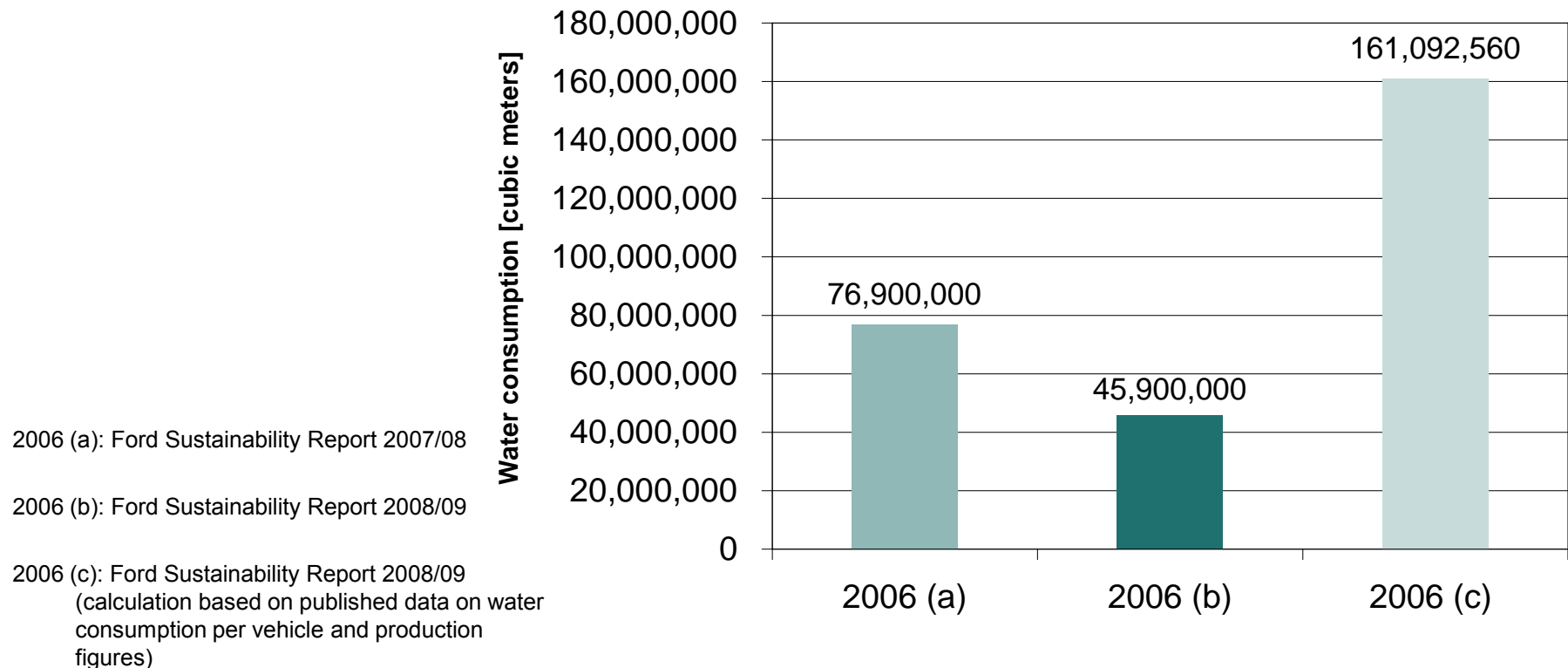
B
Waste Generation by Category



Worldwide
(yes, including North America...)

A (MORE OR LESS RANDOM) EXAMPLE: FORD MOTORS

- Ford managed to simultaneously halve and double its water consumption – all in the same year:



BRITISH TELECOM: SOME REPORTING SINS OF THE PAST

2007 International Data

	Electricity					Total Waste	General Waste	Waste Recycled	Travel								
	kWh					Tonnes	Tonnes	Tonnes	Air miles short haul								
Spain	20,907,000					28	15	14	500,000								
Switzerland ¹	59,100					4	4	0	0								
Americas	1,968,328	0	4,541	151,914	287	236	51	1									
Germany	71,623,068	0	0	334,000	358	341	17	3,600									
Hong Kong	279,713	0	0	0	0	0	0	0	1,000								
Taiwan	27,709	0	0	0	0	0	0	0	59,000								
Seoul	22,929	0	0	0	0	0	0	0	6,540								
Tokyo	167,490	0	0	0	0	0	0	0	4,700								
Singapore	170,588	0	0	0	0	0	0	0	1,132	2,810,482	0	0	0	0	0	0	0
KL	35,828	0	0	0	0	0	0	0	9,290	133,557	0	0	0	0	0	0	0
Bangkok ¹	160,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sydney	494,720	0	0	0	0	0	0	17	463,774	4,865,876	0	0	0	0	0	0	0
Melbourne	75,272	0	0	0	0	0	0	18	Note 2	Note 2	0	0	0	0	0	0	0
Netherlands ¹	32,520,323	0	504,961	5,000	8,950,000	79	0	0	0	0	0	0	0	0	0	0	0
Ireland	35,648,271	0	144,832	15,000	0	378	2,000	88	0	0	0	0	0	0	0	0	0
Belgium	7,340,710	0	1,292,039	11,690	9,496,000	622,691	622,691	0	977,284	861,872	0	9,622,500	9200	0			
Italy	50,310,696	18,574,411	261,381	0	13,489,000	31	4	27	1800000 ¹	650000 ¹	0	52,405,418	84400	0			
Hungary	325,817	0	0	0	0	0	0	0	215000 ¹	0	534,560	46,530	5000	600			
Czech	40,546	0	0	0	483,000	0	0	0	893,010	0	89,276	61,484	0	0			
France	1,591,348	0	0	0	0	0	0	0	1,222,812	403,357	1,386,000	36,000	0	0			
TOTALS	261,769,460	18,574,411	2,347,561	40,231	34,160,487	623,907	623,672	235	19,018,666	33,474,183	3,103,898	76,839,432	100,713	600			

No discernible order of "countries"

99.8% of "international" waste is produced in Belgium

Sustainability at its best! People in Ireland & the Netherlands do not travel!

Note 1 - Estimated (based on last year)
 Note 2 - Included in Sydney figure
 Note 3 - Fuel used
 Note 4 - Sample of country returns checked against table entries by LRQA but data not verified

Source: BT's Sustainability Report 2007

Some conclusions

- An increasing number of companies report on their sustainability performance.
- To become relevant this information must be interpreted.
- Following some very basic financial logic we can even make sense of the hard facts.
- A major problem remains: Can we actually trust the data that companies report?
- We will only find out by using the data. This is not happening to date in the financial markets beyond the level of anecdotal evidence.

More Information: www.SustainableValue.com



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Sustainable Value

Sustainable Value is about integration. Sustainable Value integrates the economic, environmental and social dimension of sustainability. Sustainable Value integrates environmental and social dimensions into financial analysis and investment decision making. And Sustainable Value integrates academic research and real world application.

Researchers and practitioners struggle to integrate all three dimensions of sustainability. We believe that financial market logic can inform thinking about sustainability. Financial Markets value resources that come without a price tag. Sustainable Value builds on decades of this financial markets research to finally assess and manage environmental and social resources similar to economic resources. Using opportunity cost thinking it avoids most problems that have prevented us from truly integrating economic, environmental and social aspects in everyday decision-making.

This website is designed to inform you about our Sustainable Value-approach. At the same time it is an open invitation to [contact us](#) to find out more about where we are taking the Sustainable Value-concept.

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A New Way to determine Corporate Sustainability Performance



The Sustainable Value Calculator allows you to determine the sustainability performance of your company in monetary terms. Using the Sustainable Value approach, the first value-oriented approach to the assessment and management of sustainability performance, the Sustainable Value Calculator analyses how efficiently economic, environmental and social resources are used in your company and gives you the result in a single monetary indicator.

To get familiar with the Sustainable Value approach and on how to use Sustainable Value to measure the sustainability performance of your company you can visit the [info section](#). If you are already an expert you can [get to work with the calculator](#).

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