

FORDHAM
THE JESUIT UNIVERSITY OF NEW YORK

Gabelli Center for
Global Security Analysis

Sustainability, Corporate Performance, and Investment

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FIASI ESG Conference

Gabelli School of Business



Factors Contributing to ESG & CSR

1. UN PRI: \$90 Trillion in AUM

<https://www.unpri.org/annual-report-2018>

2. UN SDG:

<https://www.un.org/sustainabledevelopment/>

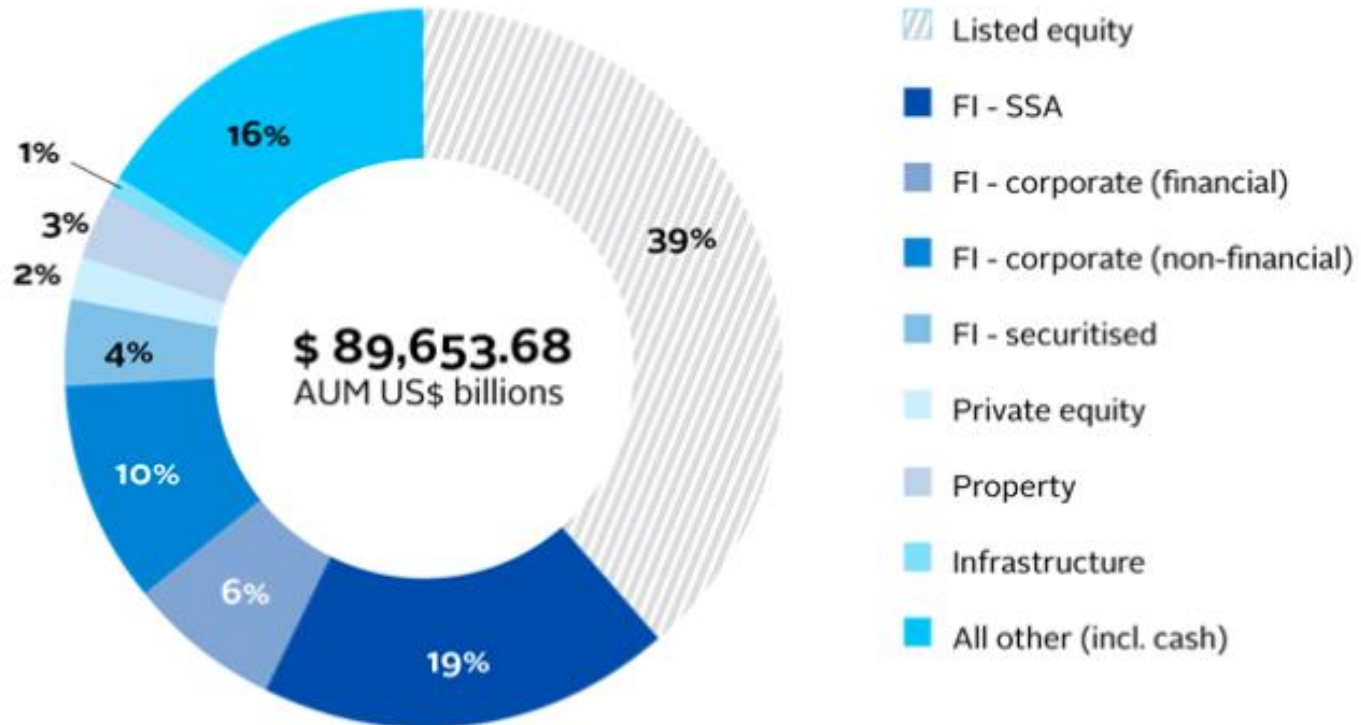
3. Consumer Preferences:

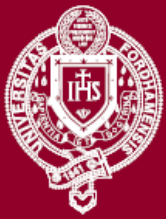
CSR > Consumer Satisfaction > Firm Value



Sustainability Fixed Income Market

Signatory breakdown by asset and AUM





Types of Sustainable Bonds from Public Issuers

- Green Bonds
- Social Bonds
- Sustainability Bonds
- Social Impact Bonds
- Corporate Bonds



Corporate Sustainability and Materiality ¹

Using MSCI KLD Sustainability Data and SASB's Guidance on Materiality, the Authors Find that: Firms with Strong Ratings on Material Issues and Concurrently Poor ratings on Immaterial Issues have the Best Future Performance



ESG Information in Investment Decision ²

Response(%)	Large	Small	US	Europe
<i>Yes, because</i>	85.9	80.3	75.2	84.4
Info is Material	60.3	64.5	55.7	64.4
Client Demand	54.3	22.4	33.0	39.3
Ethical Duty	25.0	36.4	18.6	40.7
<i>No, because</i>	14.1	19.7	24.8	15.6
Info not Material	5.3	16.1	21.9	4.0
Violate Fiduciary Duty	5.3	14.3	21.9	8.0



Impediments to ESG Integration ²

Response(%)	Large	Small	US	Europe
<i>Lack of</i>				
Comparability over Firms	49.2	42.7	45.8	49.3
Reporting Standards	51.6	39	42.1	48.6
Reliability of Data	46.7	16.3	31.8	27.1



ESG Investment Styles ²

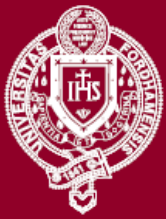
Response(%)	Large	Small	US	Europe
<i>Engagement/Active</i>	42.7	34.4	27.1	48.1
<i>Negative Screening</i>	50.0	20.3	40.2	32.8
<i>Full Integration into Stock Valuation</i>	37.3	33.0	27.1	35.9
<i>Do Not Use ESG Information In Investment Process</i>	10.9	19.4	21.5	11.5



Some Questions and Thoughts

1. Comparability of ESG Ratings and Data
2. Multiple Debt Instruments Issued by a Company, with Varying Contractual Features. Materiality for Fixed Income Instruments May Be Different Compared to Stock. Relative Importance for E, S, and G
3. ESG Engagement for Fixed Income Investors

<https://www.unpri.org/fixed-income/esg-engagement-for-fixed-income-investors-managing-risks-enhancing-returns-/2922.article>



References

1. Khan, Serafeim, and Yoon (2016): “Corporate Sustainability, First Evidence on Materiality”, *The Accounting Review*, vol 91 (6), pp 1697- 1724.
2. Amel-Zadeh and Serafeim (2018): “Why and How Investors Use ESG Information, Evidence from a Global Survey”, *Financial Analyst Journal*, vol 74 (3), pp 87-103.
3. Albuquerque, Koskinen, and Zhang (2018): “CSR and Firm Risk: Theory and Empirical Evidence”, *Management Science*, available online, <https://pubsonline.informs.org/doi/10.1287/mnsc.2018.3043>