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SYMPOSIUM

Value of ESG Reporting

Strategic Compass for CFOs and CCOs

#IATAWPS

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Started career in banking, former consultant at EY

Academic background in Finance, Accounting and Sustainability Strategy

Classical pianist and swimmer

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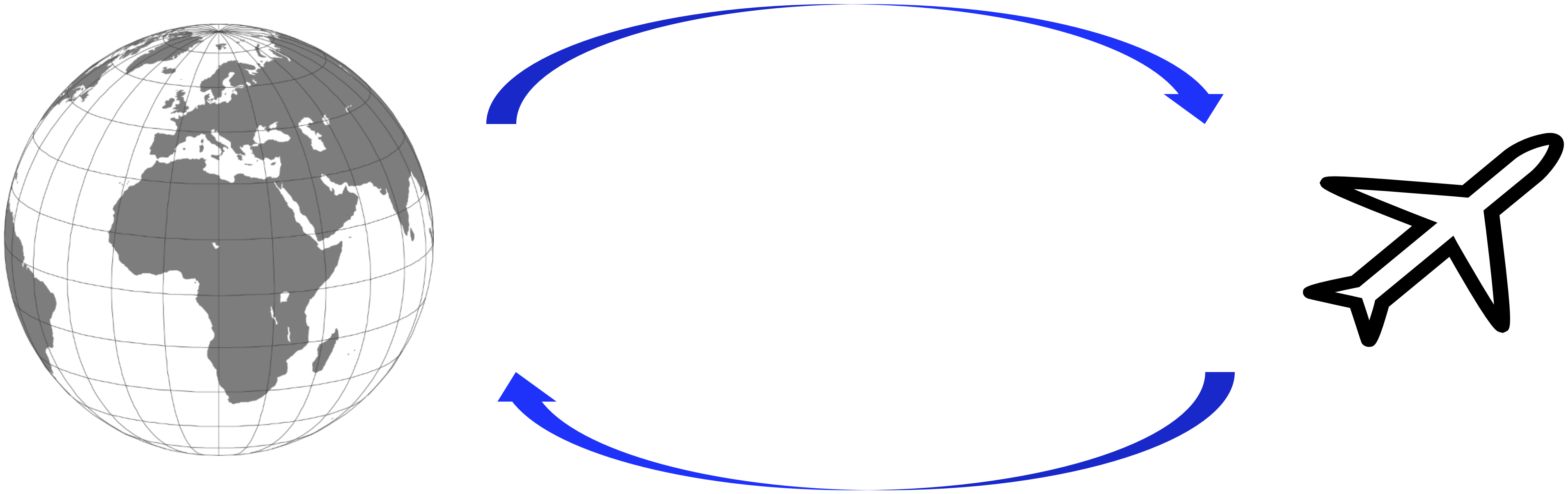
The company and its environment

The concept of double materiality

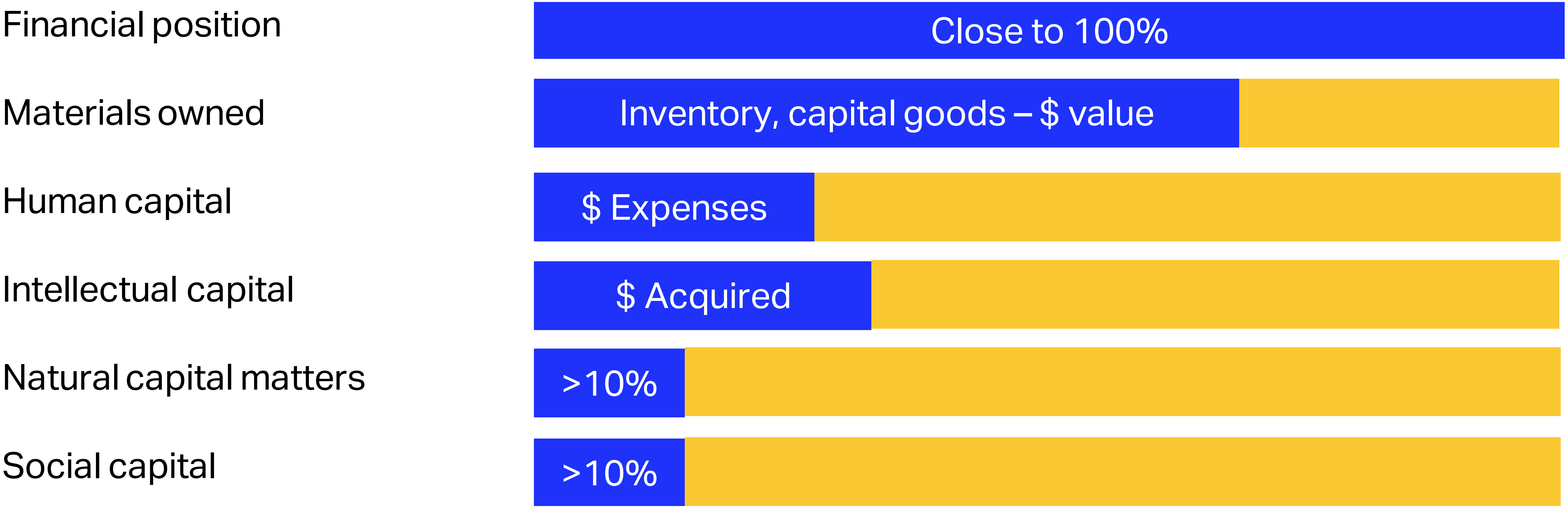
How is the company affected by external events and stakeholders?



How are stakeholders and the environment impacted by the company?

Corporate Disclosure

Limited information available on certain aspects that could matter for stakeholders



Types of capital based on the integrated reporting <IR> framework

Disclosing material information

To rational agents in efficient markets

Two foundational theories in financial markets:

- Rational Agents: aims to perform optimal action, based on utility
- Market Efficiency: valuations reflect all available information

Value in Sustainability Reporting

Disclosure of sustainability information can lower the cost of capital, through higher valuation and lower perceived risk[1,2,3,4]

However, this market response is subject to a few conditions and considerations:

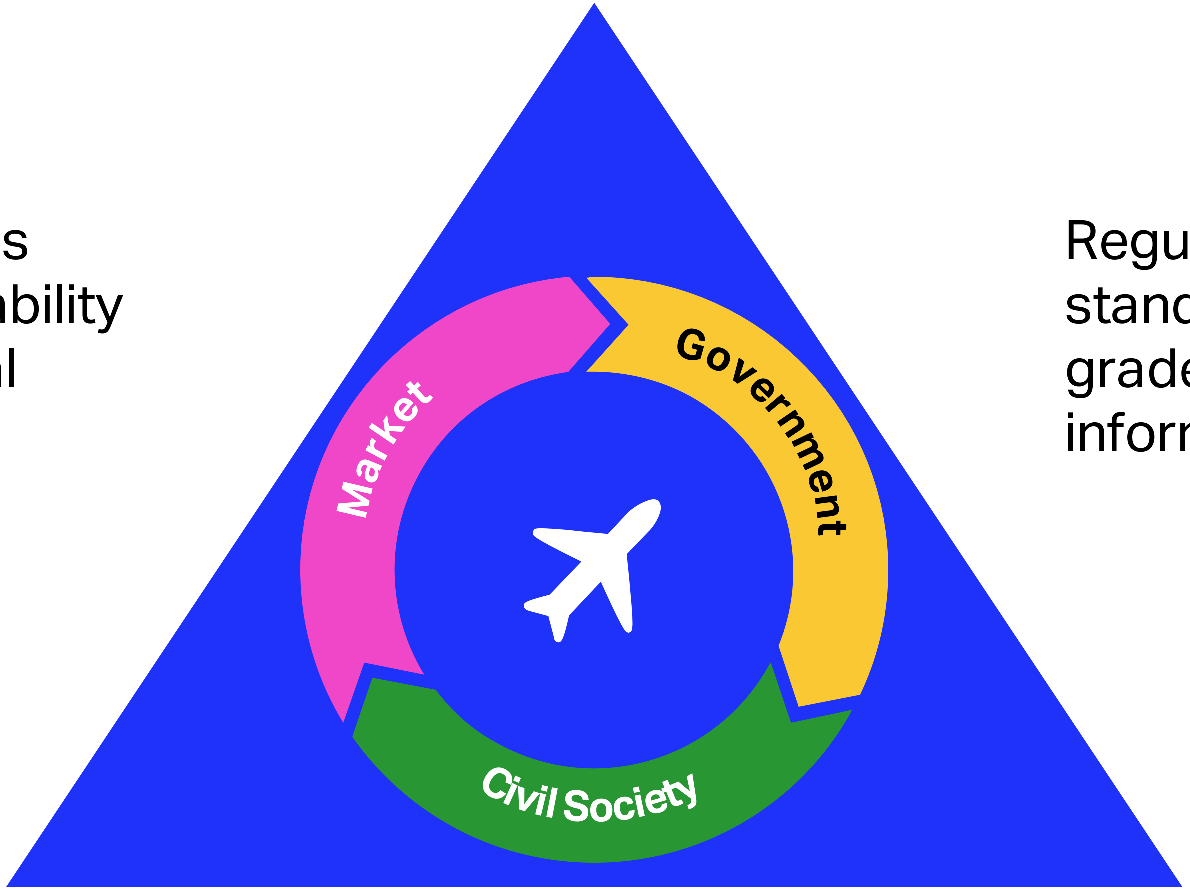
- The sustainability performance needs to be visible to the market, ideally through rating practices[2,3]
- Firms with good ratings on material sustainability issues significantly outperform firms with poor ratings[4]
- Voluntary disclosure has a (significantly) stronger effect than mandatory disclosure[1,2,3,4]

[1] Fenili, Raimondo (2023) *ESG and the pricing of IPOs, does sustainability matter*
[2] Economidou, Gunopoulos, Konstantinos, Tsiritakis (2022) *is sustainability rating material to the market*
[3] Reber, Gold, Gold (2020) *ESG Disclosure and Idiosyncratic risk in IPO*
[4] Khan Serafeim, Yoon (2016) *Corporate sustainability, first evidence of materiality*

Stakeholder management

Sustainability disclosures are used by all three categories

Institutional investors incorporate sustainability information in capital allocation decisions



Regulators push for standardization and investor-grade quality of sustainability information

Consumers and NGOs change political climate towards sustainability

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Implications

Being transparent about value creation

Information expectations of stakeholders have evolved

All disclosure matters when it comes to sustainability related information

Technological advancement allows for tracking of data at the transaction level

Think of this as a transparency exercise

Value chain mapping and Impact chains

Input	Action	Output	Outcome	Impact
Fossil Fuel	Flying	CO_2 emissions	Climate Change	?