



PRI



United Nations Principles for Responsible Investment

oikos PRI Young Scholars Finance Academy 2010:
Mainstreaming responsible investment

January 31 – February 05, 2010, Gais (Switzerland)

On Corporate Strategy:
Role of Corporate Environmental Governance and Strategy
as Drivers to Company Stock Value Growth

Jose Antonio Chaves
Candidate at Business School Lausanne



Project Partner:



Practice Partner:



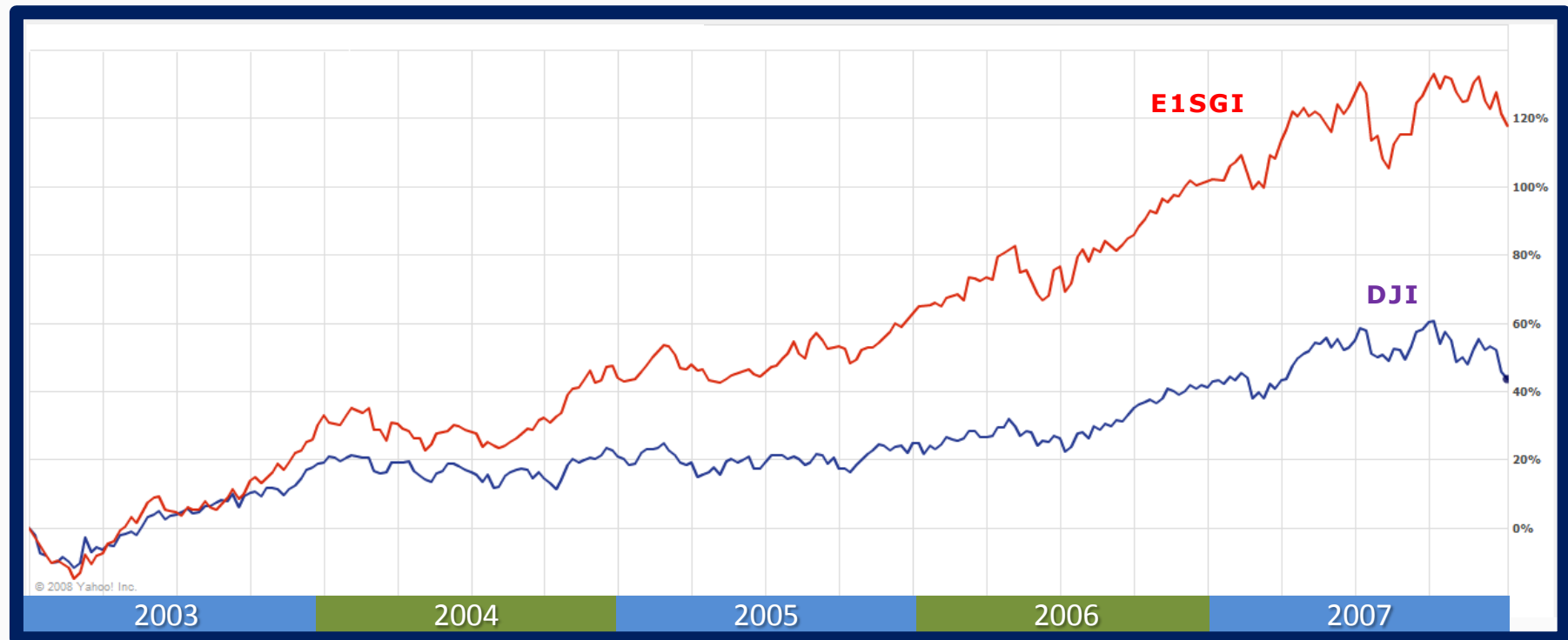
Media Partner:



Support Partner:



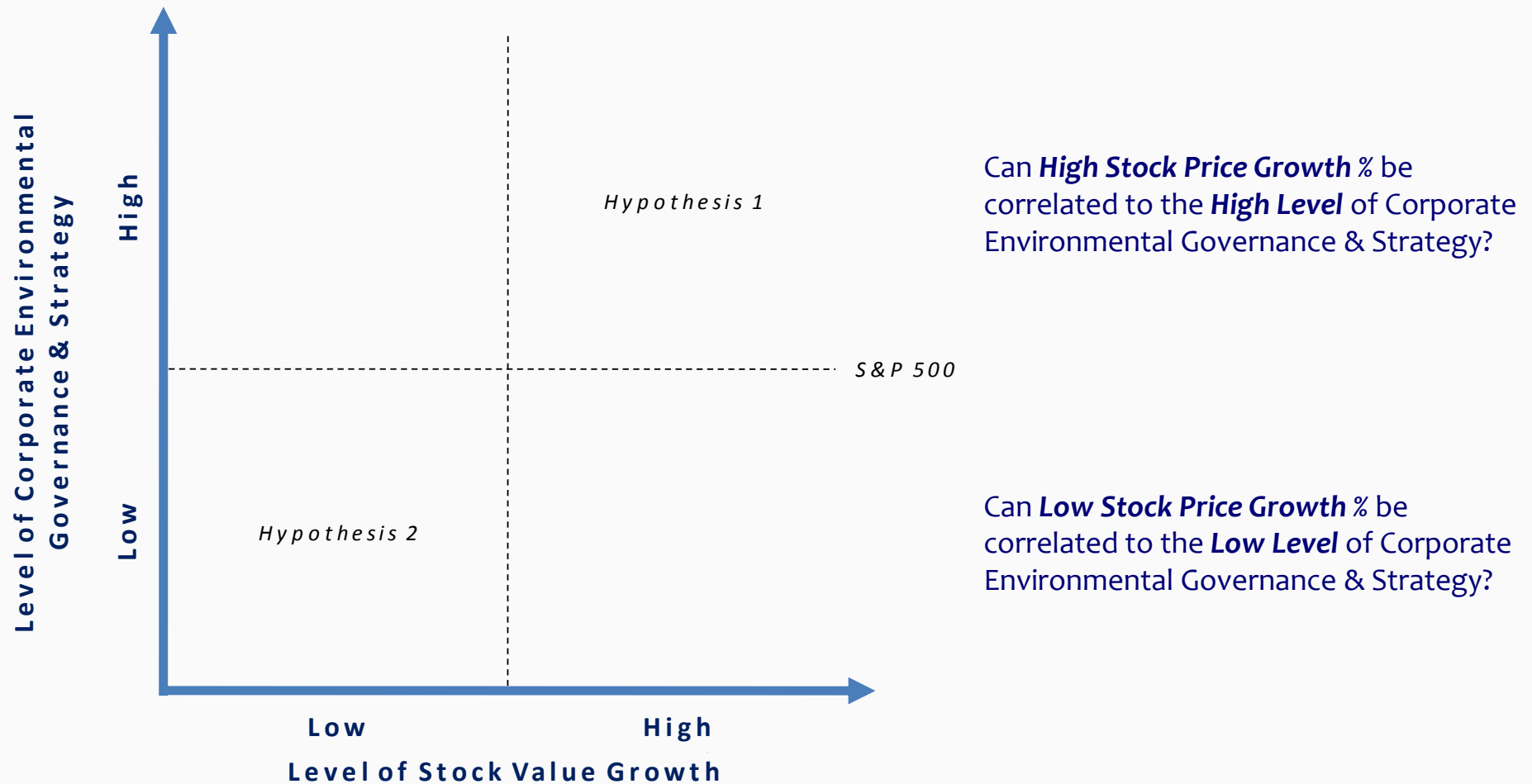
Empirical evidences that ESG policies and strategies can influence Companies Stock Growth



Dow Jones Sustainability Europe Composite Index **versus** Dow Jones Industrial Average Index

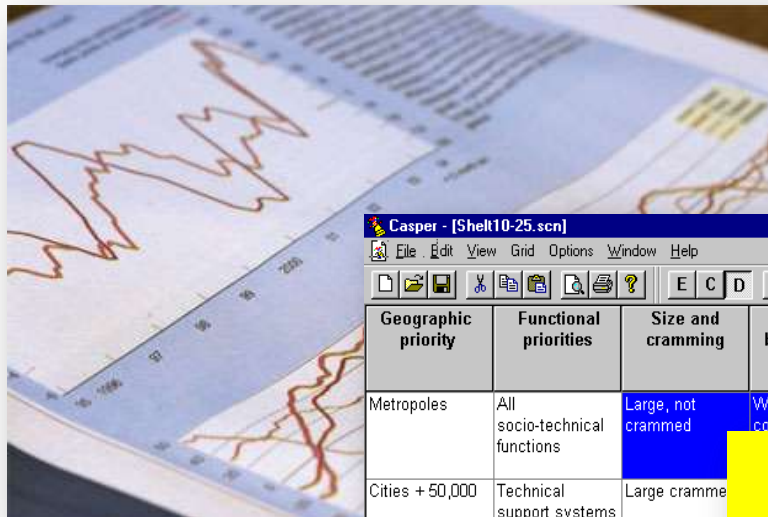
Source: Yahoo! Finance

Research Main Objective



Research Methods and Tools

Fundamental Analysis

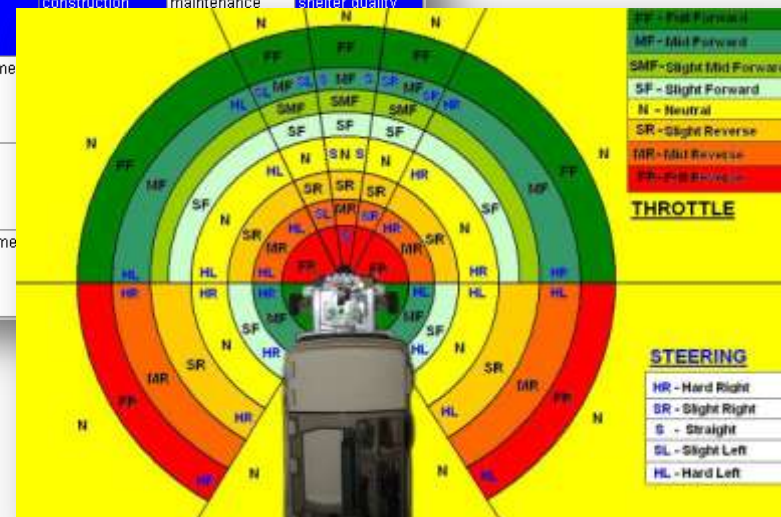


Morphological Analysis

Casper - [Shelt10-25.scn]

Geographic priority	Functional priorities	Size and cramming	When to build new shelters	Maintenance levels	General philosophy
Metropolises	All socio-technical functions	Large, not crammed	With new construction	More frequent maintenance	All get same shelter quality
Cities + 50,000	Technical support systems	Large crammed			
Suburbs and countryside	Humanitarian aims	Small, not crammed			
No geo-priority	Residential	Small crammed			

Fuzzy Logic





Targeted Industries

Selected from the 20th
Largest Companies by
Market Capitalization

Leaders

Laggards

Ranked by Last Five-Year
Stock Growth %



Iron & Steel Industry

Leaders Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 21 2009 12:00:00

© FreeStockCharts.com

Price History vs SID vs GGB vs PKX vs MTL vs SIM



Source: FreeStockCharts.com interactive platform

Iron & Steel Industry

Laggards - Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 22 2009 12:54:37

© FreeStockCharts.com

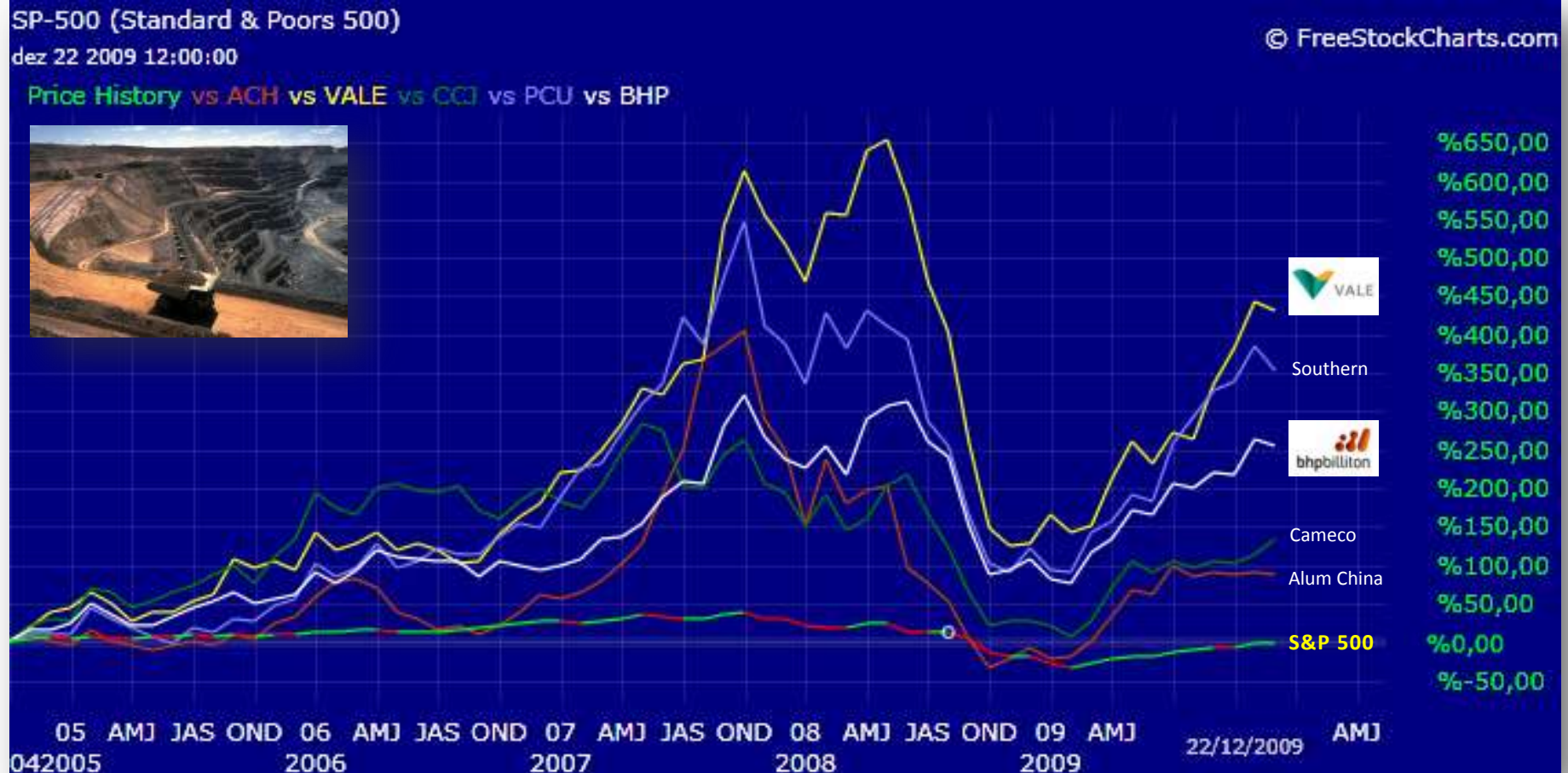
Price History vs MT vs CRS vs HAYN vs WOR vs CPSL



Source: FreeStockCharts.com interactive platform

Metal & Mining Industry

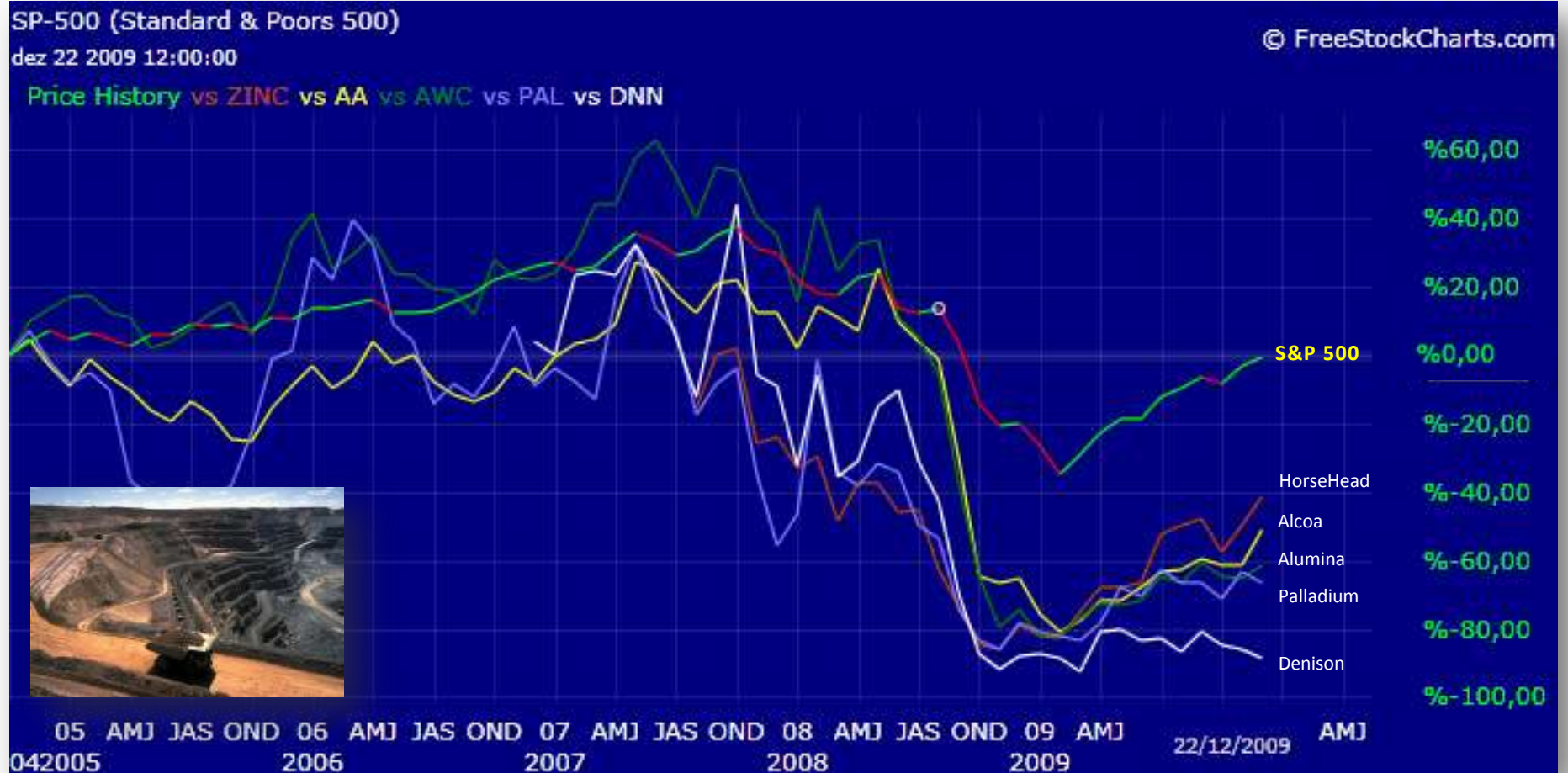
Leaders Stock Price Growth (%)



Source: FreeStockCharts.com interactive platform

Metal & Mining Industry

Laggards Stock Price Growth (%)



Source: FreeStockCharts.com interactive platform

Electric Utilities Industry

Leaders Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 23 2009 12:00:00

© FreeStockCharts.com

Price History vs CPL vs SRE vs ENI vs EOC vs CIG



Source: FreeStockCharts.com interactive platform

Electric Utilities Industry

Laggards Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 24 2009 10:20:57

© FreeStockCharts.com

Price History vs DTE vs AEP vs PGN vs SO vs ED



Source: FreeStockCharts.com interactive platform

Oil & Gas Integrated Industry

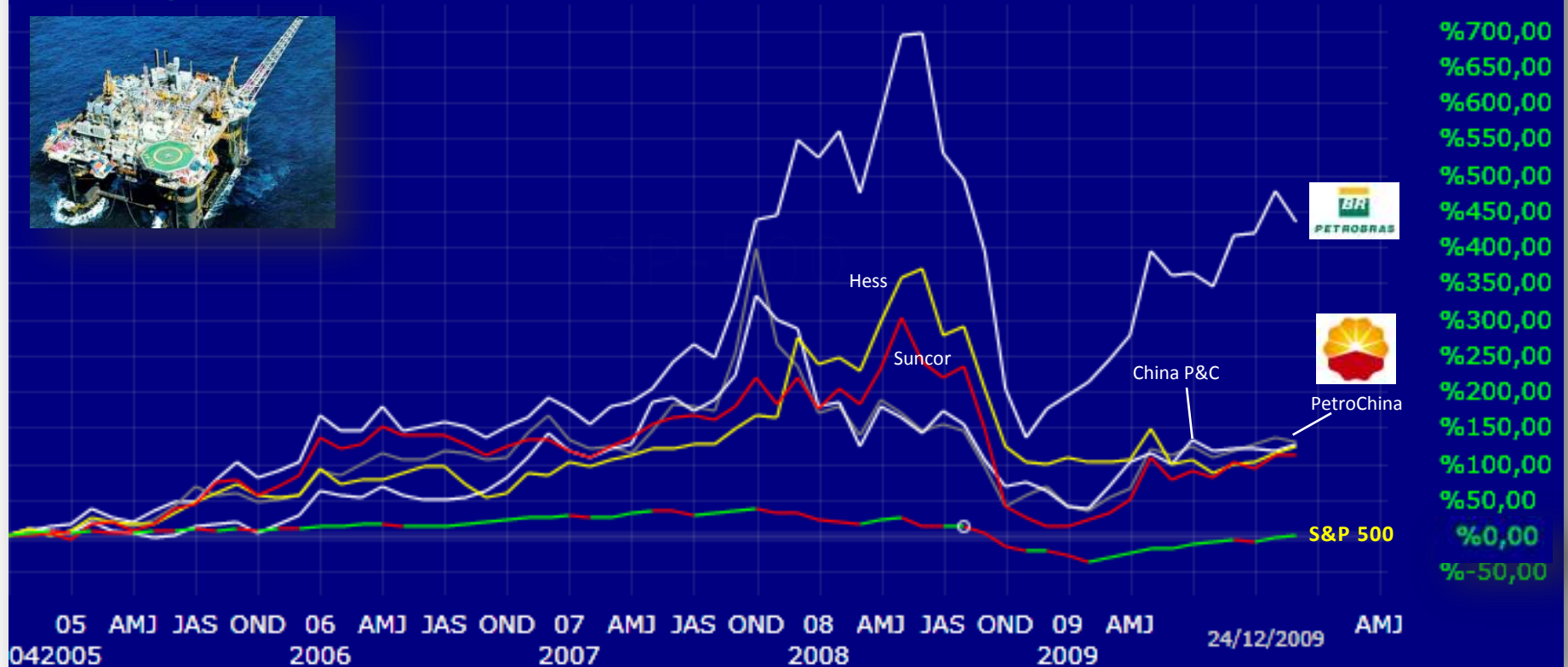
Leaders Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 24 2009 12:00:00

© FreeStockCharts.com

Price History vs PBR vs PTR vs SNP vs HES vs SU



Source: FreeStockCharts.com interactive platform

Oil & Gas Integrated Industry

Laggards Stock Price Growth (%)

SP-500 (Standard & Poors 500)

dez 24 2009 12:00:00

© FreeStockCharts.com

Price History vs COP vs E vs S&P 500 vs YPF vs BP



Source: FreeStockCharts.com interactive platform

Early Findings from ESG Surveys Consolidation

McKinsey&Company



McKinsey – Boston College joint Survey

Valuing corporate social responsibility

238 CFOs

127 CSRs and institutional investment professionals

December 2008.

Source: The McKinsey Quarterly, January 2009 Edition

McKinsey Global Survey Results: Valuing corporate social responsibility

Early Findings from ESG Surveys Consolidation

The logo for The Boston Consulting Group (BCG), featuring the letters "BCG" in a large, green, serif font.

THE BOSTON CONSULTING GROUP



Boston Consulting Group – MIT Sloan School of Management **The Business of Sustainability:** **What It Means to Managers Now**

Interviewed:

50 global thought leaders
1,500 worldwide executives
fall of 2009.

Source: MIT Sloan Management Review, Fall 2009.

Early Findings from ESG Surveys Consolidation

Some companies does not understand what sustainability is

Making sustainability work is the very challenge

Semiotic communication misleading sustainability understanding

There is a visible gap between the sustainability strategy (when it exists) and its execution

Managers at all levels don't know about:

The correlations between sustainability risk and financial performance

How to track sustainability value from where it is created

How it sustainability initiatives are converted into shareholder value

How to measure return on sustainability strategy

Next ESG Surveys Consolidation

Modeling Investment Strategists Perspective

A shareholder value-based survey will be conducted addressing to capture the Investment strategists perspective.

Consolidation process ends with a morphological analysis seminar - Lausanne, Switzerland.

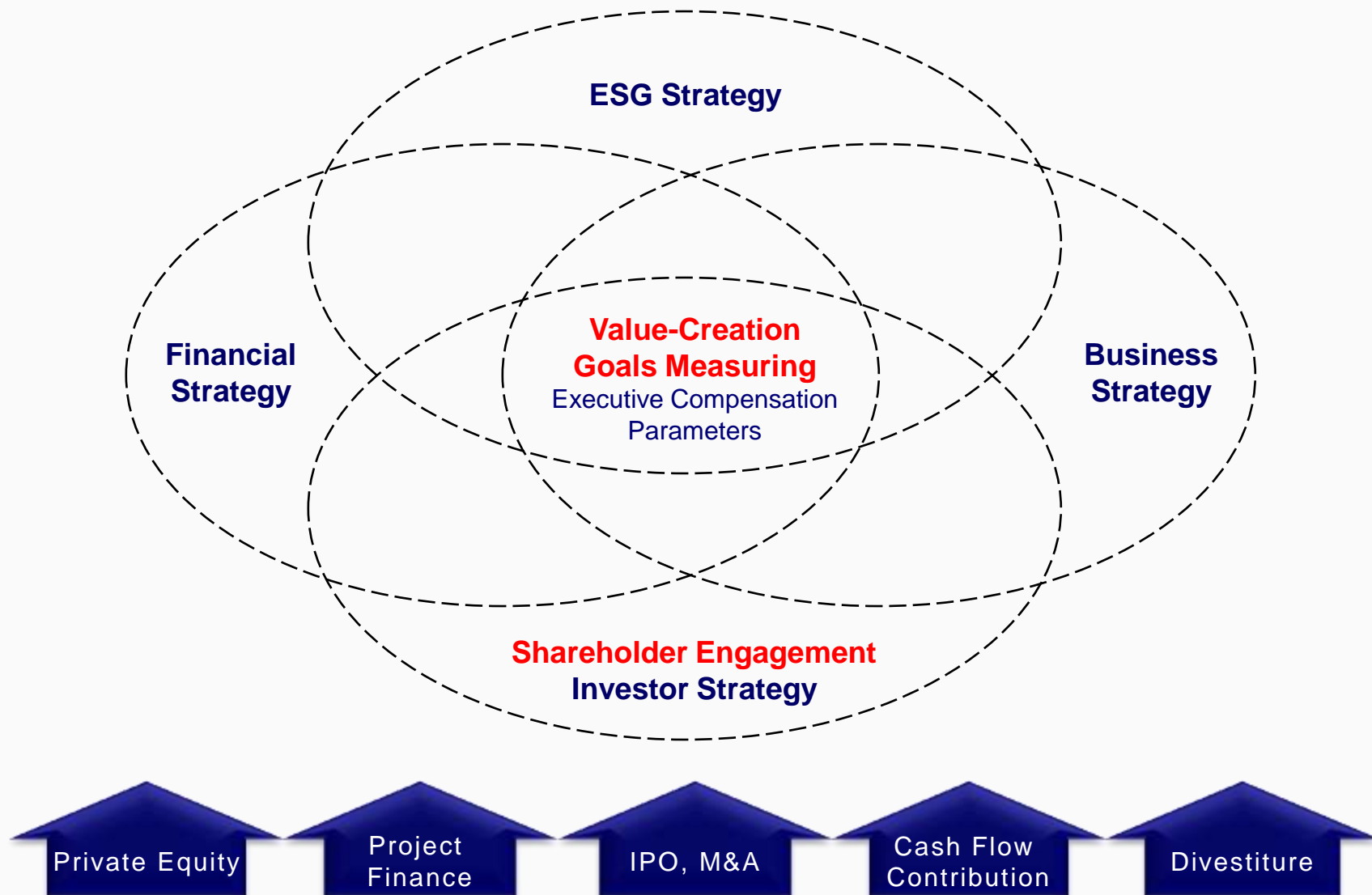


Modeling C-Suite Executives Perspective

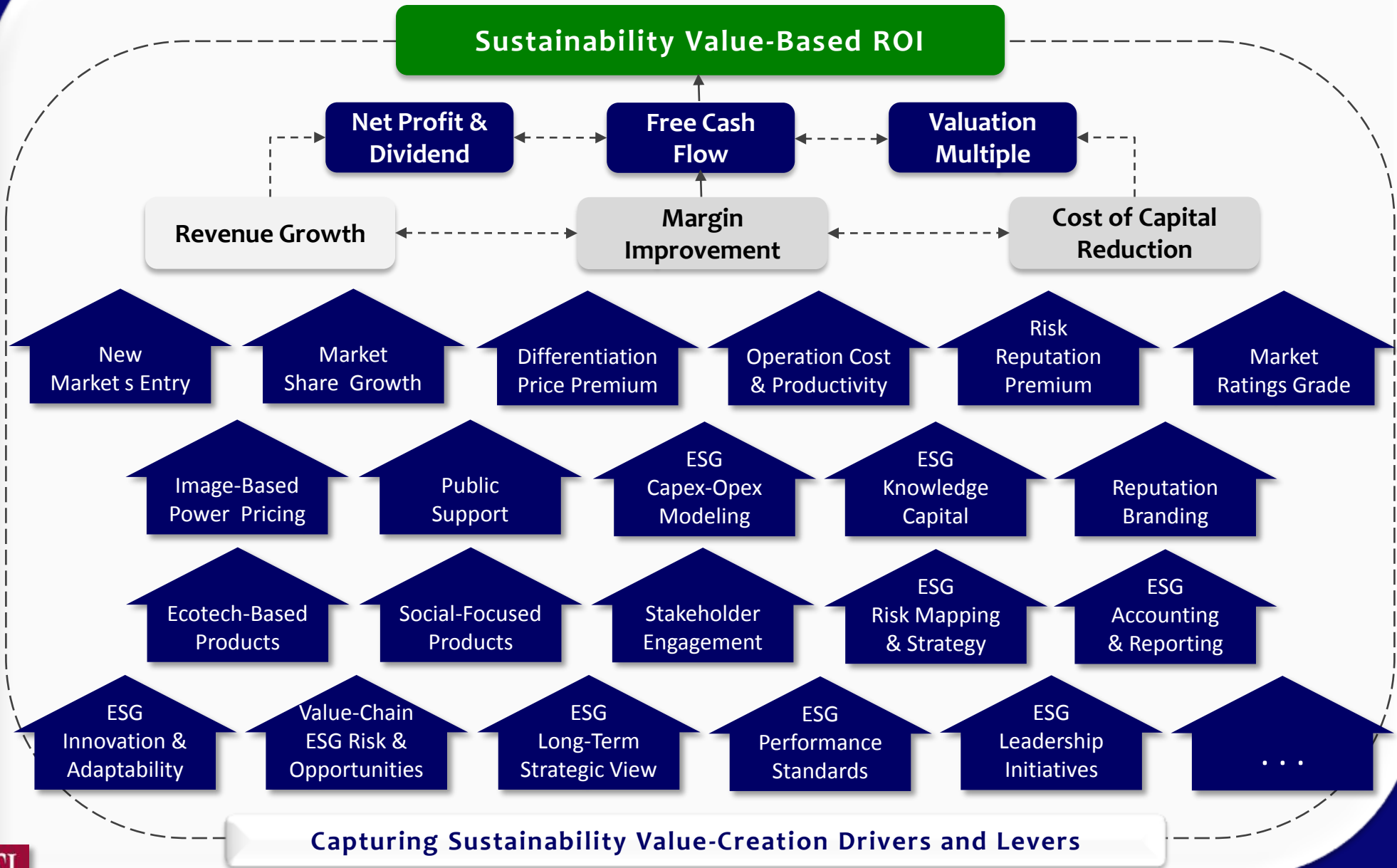
A shareholder value-based survey will be conducted addressing to integrate C-Suite executives perspective, mainly CEOs and CFOs.

Consolidation process ends with a morphological analysis seminar – Venue to be defined.

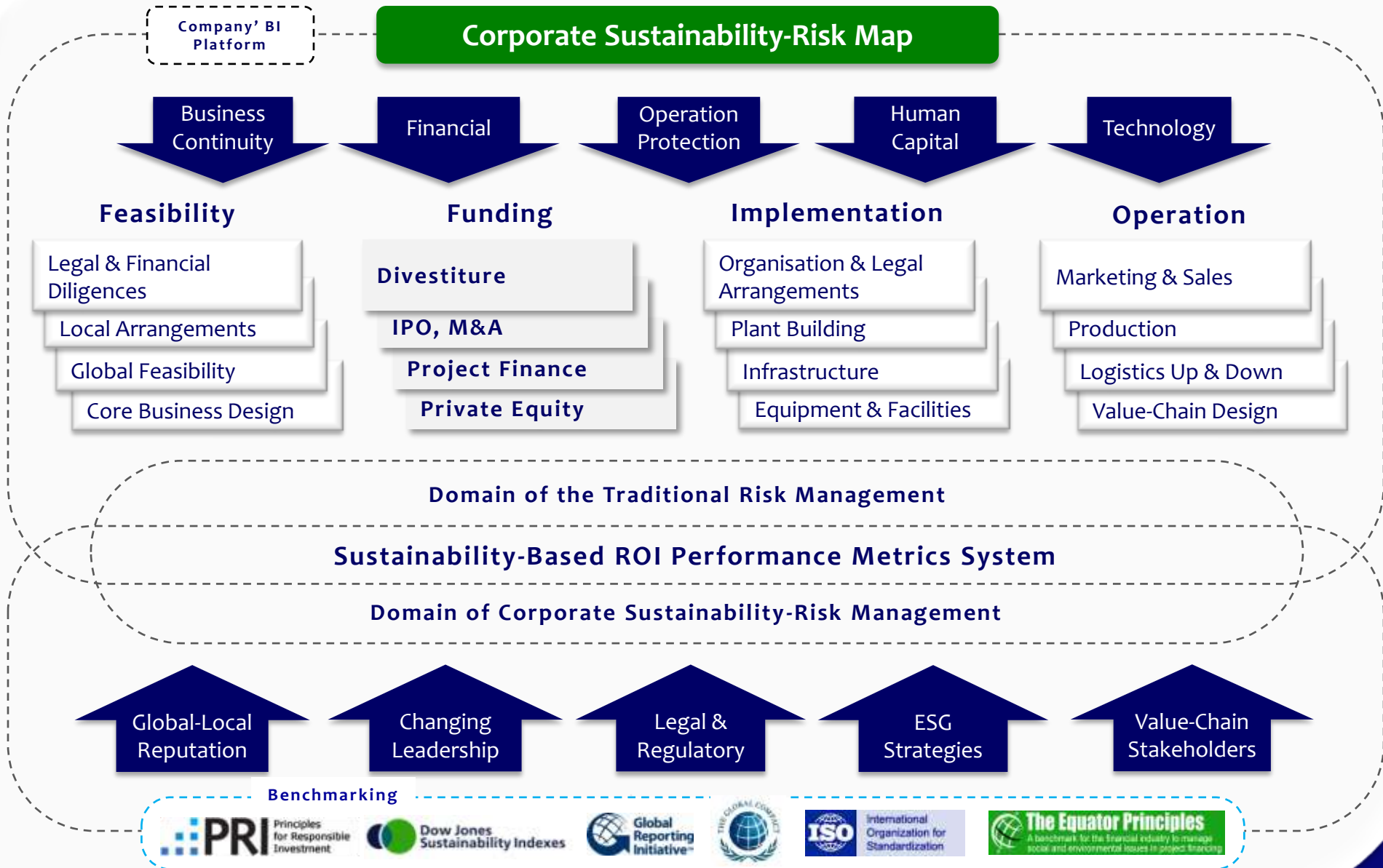
Research Perspective: Sustainability Value-Based Strategy



Return on Sustainability Strategy Framework



Corporate Sustainability-Risk Framework



Value-Chain Sources of Sustainability Advantages

Support Activities & Knowledge Capital

Company Infrastructure

Sustainability BI & analytics platform; Capex-Opex sustainability-based decisions; Corporate Sustainability Governance Structure

Human Capital

Creating and internalizing a culture for sustainability; Developing capabilities on sustainability-based management ; Corporate Sustainability Education; Sustainability-oriented Compensation System

Innovation and R&D Capital

Environmental-based design; Clean technologies development; Environmental material specifications

Leadership Capital

Promptness and ability to convert Sustainability Strategy into Shareholders/Stakeholders Value; Stakeholder-Based Management Approach; Stakeholder Sustainability Education initiatives

Corporate Sustainability Mainstream

Primary Activities

Responsible suppliers, Distributors & outsourcers

Carbon & Water Footprint

Stimulating ethical and anti-corruption competing practices, fraud prevention, striving for upstream-downstream ESG internationally acceptable standards adoption

Stimulating less-harmful material safe storage, transportation , packaging and waste disposal

Corporate image & reputation

Life-cycle process

Upstream Logistic & Supply Chain

Inbound Logistic & Operations

Downstream Logistic & Channels

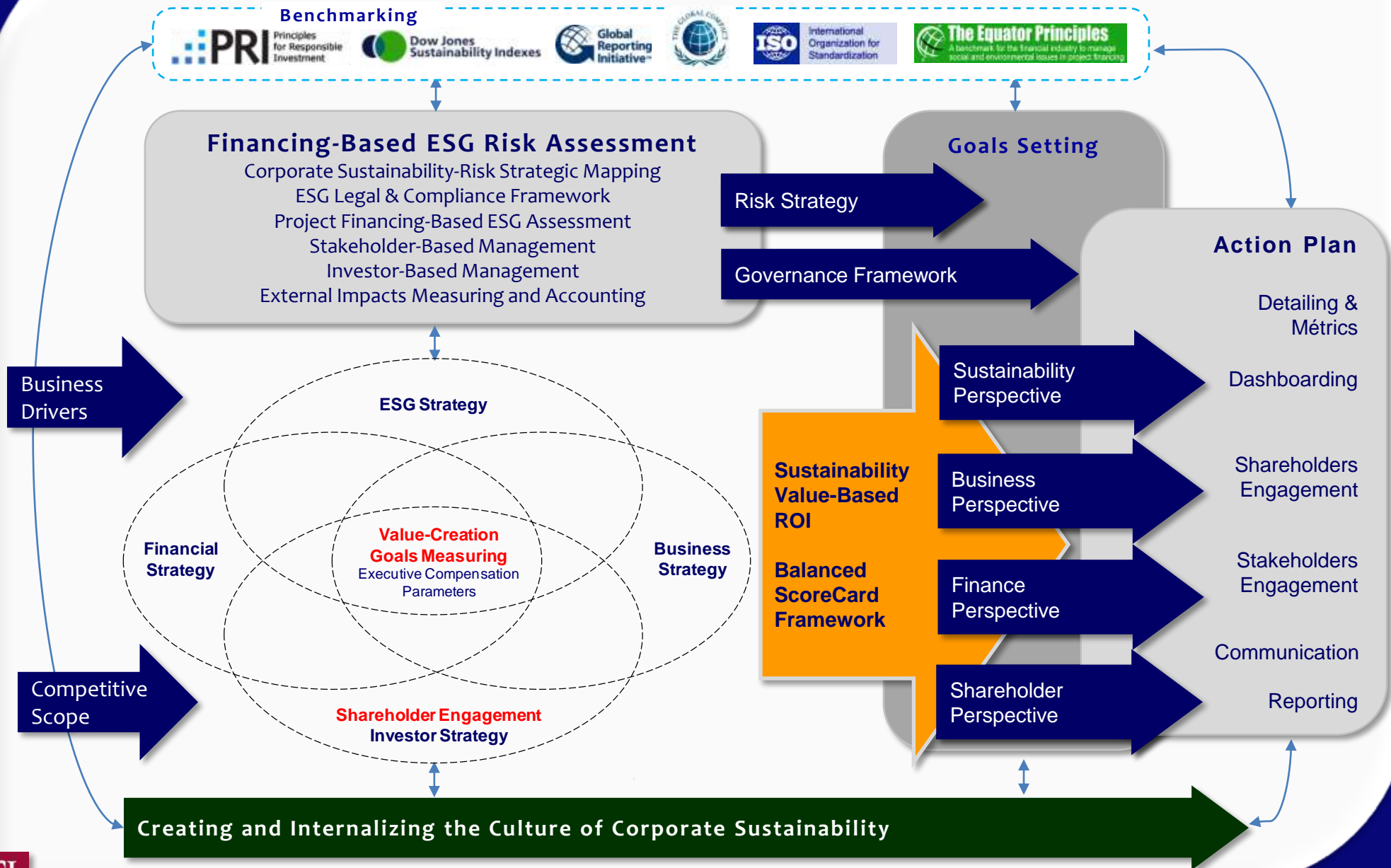
Marketing & Sales

End-Cycle Services

Margin

SV-B ROI

Corporate Sustainability Strategy Plan Framework



Knowing a Sustainable Company from looking within

Managers at all level naturally consider sustainability initiatives as part of their job;

Corporate strategy includes ESG goals and makes money from that;

Sustainability goals are detailed, quantified and monitored;

Sustainability performance is attached to financial performance;

Managers are rewarded for its sustainability performance;

Changing management terminology: accountability, environmental accounting, shareholder engagement; water and carbon footprint; reputation management, etc.;

Company regular partnership with outside stakeholders;

New products originated from environmental and social initiatives.

Knowing a Sustainable Company from an External Perspective

Improve and enhance accountability, transparency and investor trust;

Evolve corporate risk-management to a corporate sustainability platform perspective;

Identify and explore in the entire value-chain new sources of competitive advantage by differentiation throughout ESG innovative product and service development;

Assure capital markets prime access by sustainability governance standards achievement;

Outperform shareholder's ROSS – Return on Sustainability Strategy;

Create visible, measurable, reportable and communicable ESG value for all stakeholders;

Measure reputation in terms of cost of capital, exports revenue increases and brand value;

Develop the best practices on knowledge and talent capital attracting and retention.

Jose Antonio Chaves
Doctor of Business Administration Candidate at
Business School Lausanne, Switzerland



Thesis Advisor

Dr Alkis Tsiklis, Professor at the Business School Lausanne, Switzerland

Thesis Co-Advisor

Dr Katrin Muff, Dean at the Business School Lausanne, Switzerland

Advisory Committee

Dr Laércio Couto, Adjunct-Professor at the University of Toronto, CA
Dr Carlos Alberto Nunes Cosenza, Professor Emeritus at the Federal University of Rio de Janeiro, BR

Business School Lausanne

www.bsl-lausanne.ch

Av. Dapples 38 - P.O. Box 160 - 1001 Lausanne - Switzerland

Phone: +41 21 619 06 06 – Fax: +41 21 619 06 00 –

Email: info@bsl-lausanne.ch

Jose Antonio Chaves

Rua Carvalho de Almeida, 48 Apto 23 – Cidade Jardim

CEP 30380-160 – Belo Horizonte – MG – Brazil

Phone: +55 31 3231-4688 - Mobile: +55 31 9312-4688

Email: jose.antonio.chaves@gmail.com