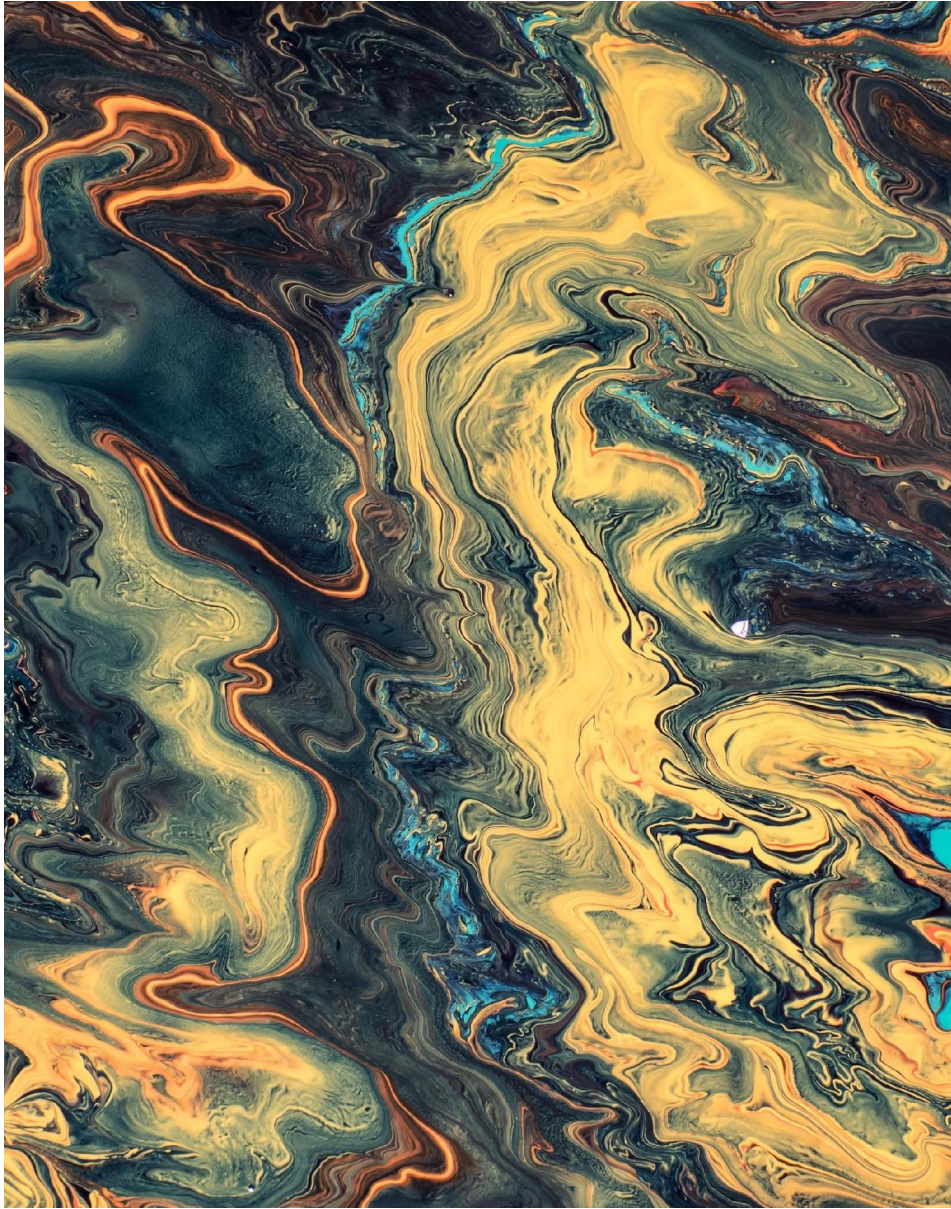


# **The New Rules of the Game: Why ESG is No Longer a “Nice to Have”**

Flagship Ltd., sustainability consulting  
March 2022





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A dramatic landscape featuring a dirt path that leads from the foreground into a field of tall, golden-brown grass. In the background, there is a line of trees and a small building. The sky is dark and cloudy, with several bright, jagged lightning bolts striking down. The overall mood is intense and mysterious.

# INTRODUCTION

The world is changing, and so are the rules of the game.

# New Rules of the Game

Successful businesses no longer care just about profit, but also about meeting the needs of various stakeholders, including employees, customers and the environment



THEN:  
SHAREHOLDER

*“There is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits...”*

- Milton Friedman in a statement to the New York Times, 1970



NOW:  
STAKEHOLDER

*“Over time, companies and countries that do not respond to stakeholders and address sustainability risks will encounter growing skepticism from the markets, and in turn, a higher cost of capital.”*

- Larry Fink, CEO of world's biggest asset manager BlackRock in his 2020 letter to CEOs



# The World is Changing

Developments of the past decades have made stakeholders more aware of the areas in which shareholder capitalism has failed to make companies act responsibly





A man with a beard and glasses, wearing a blue and white striped shirt, is sitting and holding a white tablet. He is using a white stylus to point at the screen. The tablet displays a dashboard with various charts: a pie chart labeled 'Item 3', a bar chart labeled 'b' with items 1 through 5, and several other bar charts at the bottom labeled 'Item 2', 'Item 3', and 'Item 4'. The background is a plain, light-colored wall.

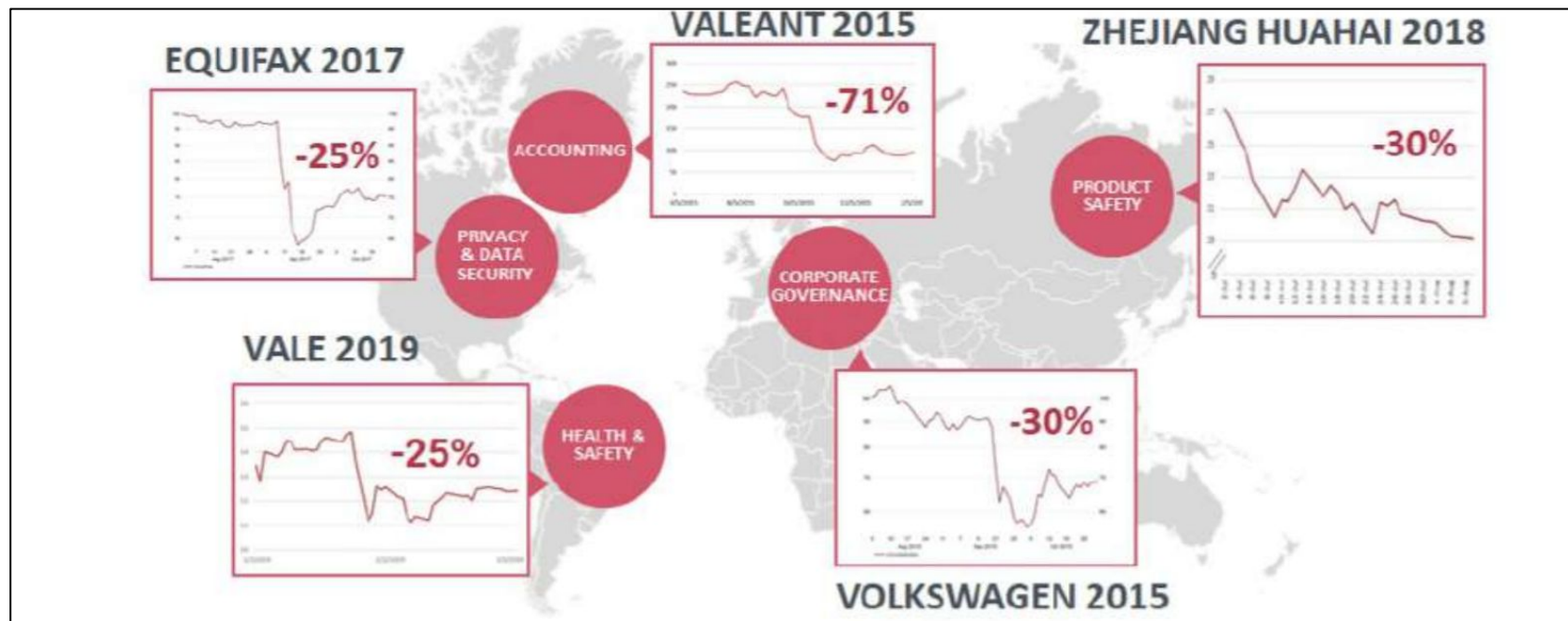
# INVESTORS

Investors are favoring ESG-friendly companies and avoiding those involved in ESG scandals.



# No More Tolerance for Scandals

While in 1989, Exxon Valdez spilled 11 million gallons of oil into the Alaskan wilderness and barely experienced any negative impact on its share price, today companies involved in social and environmental scandals are seeing their share prices drop precipitously



Source: HomeCredit ESG Presentation by Jan Ruzicka, Group Chief External Affairs Officer Hong Kong, 2021



# ESG Investing is Booming

Investors are seeing a strong business case for ESG investing. The ESG-focused MSCI World ESG Leaders Index has outperformed its traditional parent index.

**85%**

of investors factoring sustainability into investment decisions<sup>1</sup>

**10%**

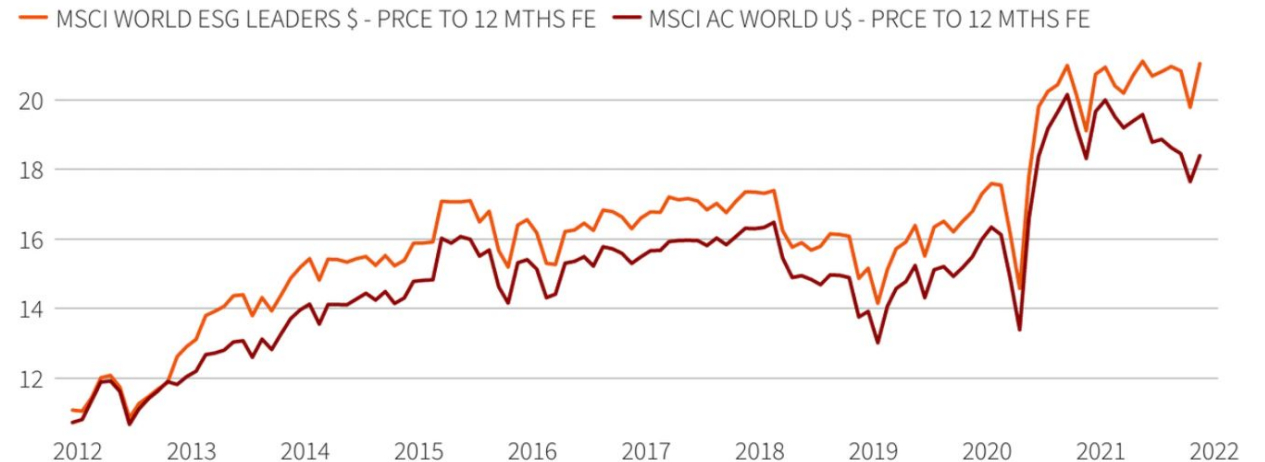
Of worldwide funds assets made up of ESG funds<sup>2</sup>

**90%**

Of peer reviewed studies show a positive correlation between ESG and financial performance<sup>3</sup>

## Valuations of MSCI ESG index vs MSCI World index

Valuation premium of MSCI ESG index is at a record high



Forward 12-month P/E is used in this analysis

Source: Refinitiv Datastream

1: [Morgan Stanley Sustainable Signals White Paper, 2019](#)

2: ["Analysis: How 2021 became the year of ESG investing," Reuters, 2021](#)

3 [Gunnar Friede, Timo Busch & Alexander Bassen \(2015\) ESG and financial performance: aggregated evidence from more than 2000 empirical studies, Journal of Sustainable Finance & Investment, 5:4, 210-233](#)

# This is no surprise

ESG-focused companies do better in times of crisis because they have factored in environmental and social risks and have cut their operating costs through efficient technologies

Example 1:



3M reportedly saved 2.2 billion USD in a pollution prevention program implemented in 1975 that improved its manufacturing and recycling processes<sup>1</sup>

Example 2:



Fedex has reduced its fuel consumption by more than 50 million gallons, resulting in massive cost reductions<sup>1</sup>

1: McKinsey, 2019. Five Ways that ESG creates value. McKinsey Quarterly, November 2019.



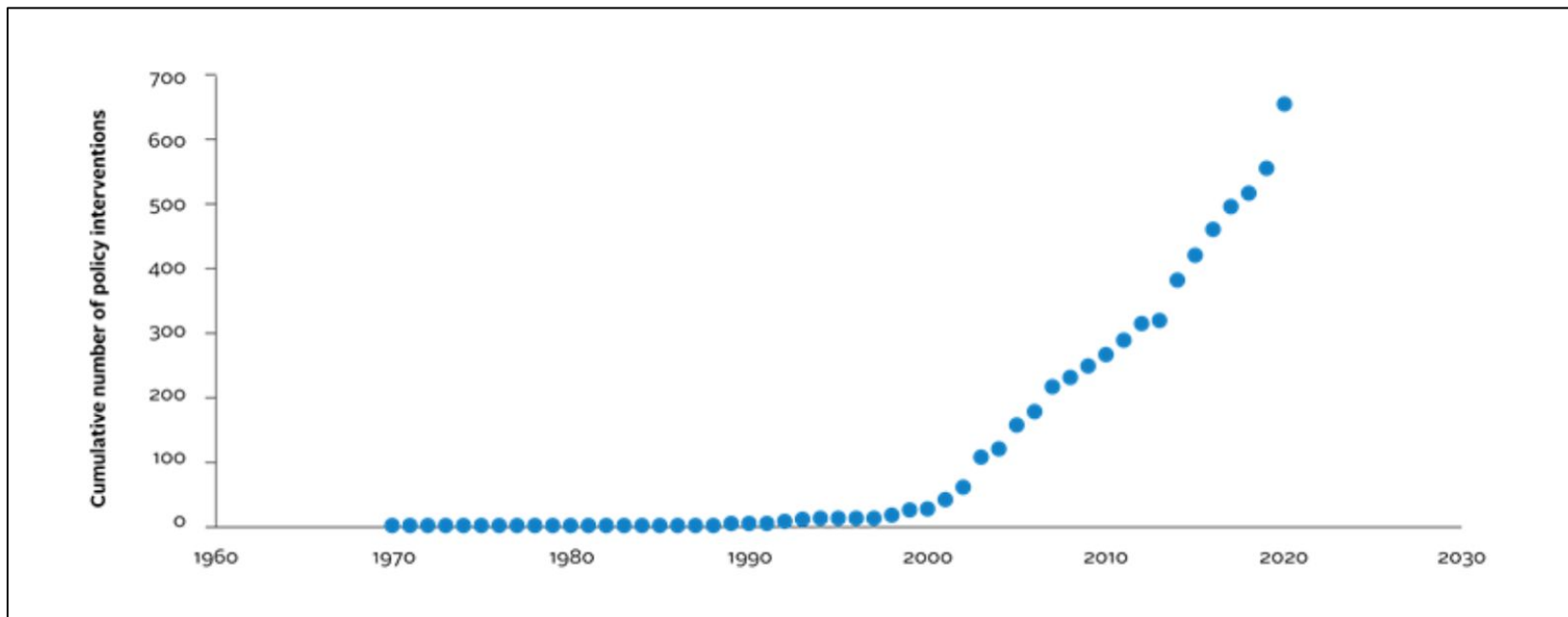


# GOVERNMENTS

Governments are increasing pressure with more ESG policies.

# New ESG Policies on the Rise

In 2020, 120 new Responsible Investment (RI) policies were introduced worldwide, with Europe leading the way.



Source: *"Cumulative number of worldwide policy interventions per year" UNPRI, March 2021*



# Soon, All Companies Will Need to do ESG Reporting

In the EU, the number of companies required to do ESG reporting will increase from 11,000 under the old Non-Financial Reporting Directive (NFRD) to 49,000 under the Corporate Sustainability Reporting Directive (CSRD)



Compliant companies will:

- Avoid fines
- Be more likely to win contracts and gain government subsidies and funding

A large group of people, including men, women, and children, are sitting on the wide stone steps of a grand classical building. The building features tall, white columns and a decorative pediment. A black metal fence runs across the middle of the steps. In the background, a large clock face is visible above the entrance. A sign on the fence lists ticket prices for a performance on 10/15 and 10/13. A poster on the right side of the fence features the hashtag #BXLove. The scene is brightly lit, suggesting a sunny day.

# CITIZENS

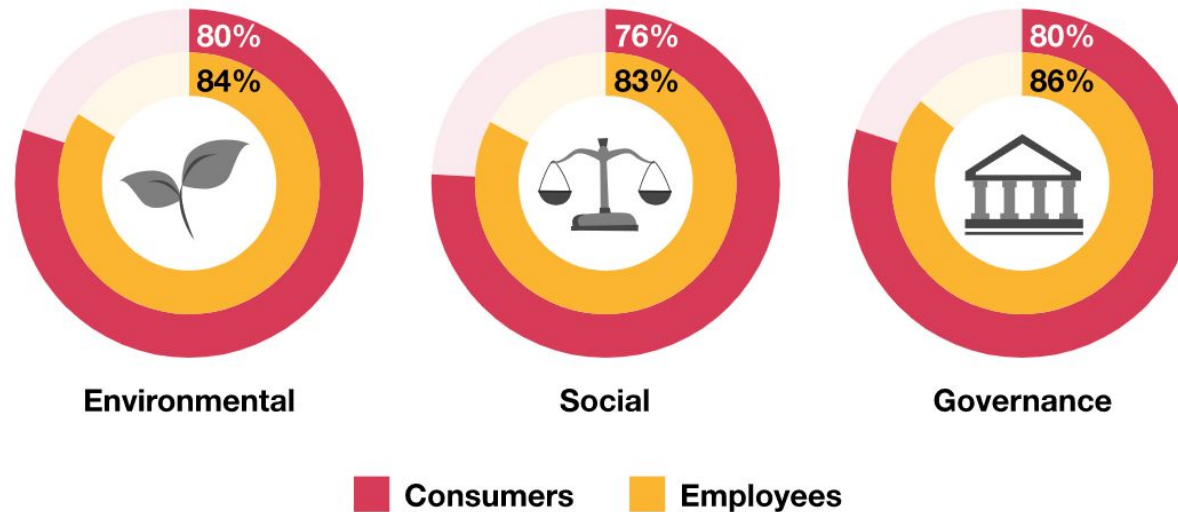
Employees and consumers are more willing to work for and buy from ESG-oriented companies.



# People Want Purpose

Both as employees and consumers, people want to support companies that stand up for environmental, social and governance issues

I am more likely to buy from / work for a company that stands up for...



Q: Please indicate how much you agree or disagree with the following statements.  
Consumers (n=5,005) | Employees (n=2,510)  
Source: PwC Consumer Intelligence Series June 2, 2021

Source: [PwC Consumer Intelligence Series June 2, 2021](#)

# Don't Forget Millennials and Women

Numerous studies have shown that millennials and women in particular feel very strongly about working for and buying products from companies with sustainable practices: both are set to become major inheritors and investors in future.<sup>1</sup>

## Generational differences in eco-friendly consumerism

Millennials are most likely to be thinking about sustainability while shopping.

**Q:** Please indicate to what extent you agree or disagree with the following statements around shopping sustainably.  
(Answers are a combination of "agree" and "strongly agree" responses)

**Darker shades of green** indicate greater proportions of agreement relative to other generational cohorts.

|                                                                                                | Generation Z | Young millennials<br>(age 23-26) | Core millennials<br>(age 27-32) | Mature millennials<br>(age 33-36) | Generation X | Baby boomers |
|------------------------------------------------------------------------------------------------|--------------|----------------------------------|---------------------------------|-----------------------------------|--------------|--------------|
| I choose products with a traceable and transparent origin                                      | 47%          | 59%                              | 60%                             | 62%                               | 56%          | 48%          |
| I buy from companies that are conscious and supportive of protecting the environment           | 49%          | 60%                              | 61%                             | 58%                               | 53%          | 47%          |
| I intentionally buy items with eco-friendly packaging or less packaging                        | 48%          | 55%                              | 60%                             | 55%                               | 55%          | 51%          |
| I am buying more biodegradable/eco-friendly products                                           | 48%          | 56%                              | 59%                             | 58%                               | 52%          | 47%          |
| When shopping for products, I check the labeling/packaging for sustainability certification[s] | 47%          | 57%                              | 58%                             | 53%                               | 51%          | 43%          |

**Base:** Generation Z (1,360); young millennials (933); core millennials (1,588); mature millennials (919); generation X (2,848); baby boomers (975).

**Note:** The greatest generation (the oldest group) is not shown, because the base is too low.

**Source:** June 2021 Global Consumer Insights Pulse Survey

Image Source: [PwC 2021 Global Consumer Insights Pulse Survey](#)

## Women are:

- 2x as likely as men to say ESG is extremely important in investment decisions<sup>2</sup>
- Taking more leadership positions as investors and corporate decision makers
- Gaining financial power through higher earnings and inheritance from baby boomer parents

1: [Invest With Values Partner, 2017. Impact Investing: Temporary Trend or Paradigm Shift?](#)

2: [RBC Wealth Management, 2021. Women are leading the charge for Environmental, Social and Governance \(ESG\) investing in the U.S. amid growing demand for responsible investing solutions.](#)



A background image showing a business meeting. Two people are seated at a wooden table. One person, wearing a light blue button-down shirt, is holding a red pen and writing on a document. The other person is also writing on the same document with a red pen. On the table, there is a laptop, a tablet, and a mouse. The document they are writing on contains some diagrams and text. The overall scene is professional and collaborative.

# CONCLUSION

It's time to get on board.

# Don't Get Left Behind

80% of the N100, and 96% of the G250 already engage in ESG reporting

**“Sustainability is literally on the CEO agenda of pretty much every company we’re working with.”**

- Sundar Pichai, CEO of Google and Alphabet Inc.



A photograph of a metal bridge with a grid floor and railings, set against a dense forest background. The bridge is made of metal and has a grid floor. It has railings on both sides. The background is a dense forest with many trees and green foliage. The text "THANK YOU!" is overlaid on the image in a large, black, sans-serif font.

**THANK YOU!**



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Driving your business

# HOW WE CAN HELP YOU

# Services Offered

We can manage all your needs in the field of Corporate Sustainability.

- ✓ **Non-Financial Reporting** (Global Reporting Initiative, latest EU Directive, SDGs etc.)
- ✓ **Sustainability Strategy** (Benchmarking, Trend mapping, Best practices, Legislative scans, Implementation, Action plan, Data collection, Measurements)
- ✓ **Practical Implementation** (Gap Analysis, Stakeholder Definition and Engagement, Materiality Matrix and Issue Management, Measurements and Evaluations, Project setting)
- ✓ **Sustainability Audits** (ISO 26000, Environmental, Social, Anticorruption, Ethics)
- ✓ **Management Consulting**
- ✓ **Strategic Workshops, Training & Coaching for Management and/or Employees**

We work with all international guidelines, standards and ratings in the area of corporate sustainability and ESG, among them:



ecovadis



# About Us

We are Flagship, Sustainability Consulting based in the Czech Republic, focused on Strategic Corporate Sustainability and Non-Financial Reporting. We work in the CEE region.



**Data partner** of Global Reporting Initiative (GRI) in Czechia and Slovakia.



**Local partner** of CSR Company International, global leading CSR agency, with which we work on international projects, mainly in GRI Reporting and ISO 26000 implementation.



We operate in the **Central and Eastern European region**.



Reliable and flexible.



Bilingual – we work in Czech and English.



All your non-financial communication risks will be managed.



Always on the phone and ready to work at any time.



Sustainable business is what we fully believe in.



# Our Team



Sandra Feltham



Martina Remtová



Bára Molnárová



Jennifer Dozsa-Day



Martin Neureiter

# Learn More

Watch our one-minute video. Click [here](#).





# Contact Us

We are looking forward to a potential collaboration!

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