



Independent Research in
Responsible Investment



Capital ... naturally

Alignment of sustainability and
investment value drivers

A review of how companies communicate to investors on sustainability factors and their alignment of these with key value drivers of their business.

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IRRI – Independent Research in Responsible Investment

IRRI is a joint-venture market research initiative between Institutional Investor Research and SRI-Connect that seeks to advance understanding of the economics, dynamics and communications practices within the sustainable investment value chain.

The initiative comprises the annual IRRI Survey, ad hoc research and working papers such as this one.

This paper was written by SRI-Connect and does not necessarily represent the views of Institutional Investor Research.

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Authorship

SRI-Connect is the primary author of this research paper with significant support from Willem Schramade of Sustainable Finance Factory (www.sustainablefinancefactory.com) and Andy White from SRI Consulting (www.sri-consulting.co.uk).

The analysis and perspectives in this report are those of SRI-Connect and do not necessarily represent the views of Institutional Investor Research, WBCSD or the Gordon and Betty Moore Foundation.

Executive Summary

Action points for companies

To improve the effectiveness of their sustainability communications with investors, we find that companies should:

- Identify which of their investors (and the analysts that cover their stock) are genuinely interested in integrating sustainability factors into fundamental bottom-up valuation
 - (Note: it is fewer than those that SAY they are 'doing ESG integration')
- When preparing presentations for specialist sustainability-orientated investors, ensure that these reference the key value drivers of your business
- When preparing presentations for 'mainstream' investors and analysts, use a 'materiality matrix' to open a discussion around your firm's most significant sustainability exposures and the way that you manage these
- Iterate these presentations towards greater integration through sustainability and mainstream roadshows and webinars over the coming years

We reach these conclusions from research into the investor presentations of 69 companies with exposure to the food & fibre value chain – presented below:

Findings

In numbers

Overall, we found that a disappointingly low percentage of companies present their sustainability exposures and management practices to investors effectively – either embedded within their 'mainstream' investor presentations or in specialist sustainability presentations.

- Only 20% of the companies assessed have published presentations dedicated to sustainability issues.
- Few companies either align information on sustainability with 'mainstream' investment messages or contextualise their sustainability performance with details of their core business and its drivers.
- Only 15 out of 69 companies publish presentations to 'mainstream' investors that include sustainability content that is either 'partially-aligned' or 'moderately-aligned' with their investment case.
- Only 10 companies disclose information that explicitly identifies how sustainability factors affect the value drivers of their business.

In case studies

However, some interesting exceptions – presented as case studies in Appendix C – demonstrate that it is possible to create a clear line of sight between sustainability factors and the key value drivers of businesses.

They also show that there are a variety of different ways of establishing these linkages.

- [ABInBev: Sustainability-linked revolving credit facility](#)
- [Archer Daniels Midland: N&B target-setting in alignment with international frameworks](#)
- [Asahi \(1\): Disclosing sales volumes of 'socially-relevant' categories](#)
- [Asahi \(2\): A value driver rationale for investing in sustainability](#)
- [Barry Callebaut AG: Clear evidence of materiality assessment](#)
- [Campari Group: Ratings upgrade and share buyback linkages](#)
- [Coca Cola Europacific: "Refillables are a key growth driver"](#)
- [Danone: An umbrella, revenue from plants and employee satisfaction](#)

- [DSM: Internal carbon prices for investment decisions](#)
- [Mondelez: Well-being revenue growth](#)
- [Stora Enso \(1\): Sustainability tailwinds drive growth and margins](#)
- [Stora Enso \(2\): Market potential and margins in advanced sustainable applications](#)
- [Tyson Foods: Growth opportunities in alternative protein](#)
- [Woolworths Group Ltd: Sustainability capex within operating capex](#)

Capital ... Naturally: Nature & Biodiversity in investor presentations

This working paper is presented alongside a complementary paper on how companies are communicating to investors on their exposures to and management of nature and biodiversity issues. See [Capital Naturally –Nature & Biodiversity in investor presentations](#).

Focus

In this working paper, we review how companies are aligning their presentation of:

- material sustainability exposures and management practices with
- the key value drivers of their business and investment case

... and including aligned messages within their direct communications with:

- 'mainstream' investors and analysts
- specialist sustainability investors and analysts

In doing this, we have focused on 69 companies with exposure to the food & fibre value chains and on their presentations to both 'mainstream' investors and to specialist sustainability investors.

The companies cover all regions and are from five stock market sectors:

- Beverages
- Food Products
- Food & Staples Retailing
- Paper & Forest Products
- Tobacco

(See Appendix B for the full list of companies):

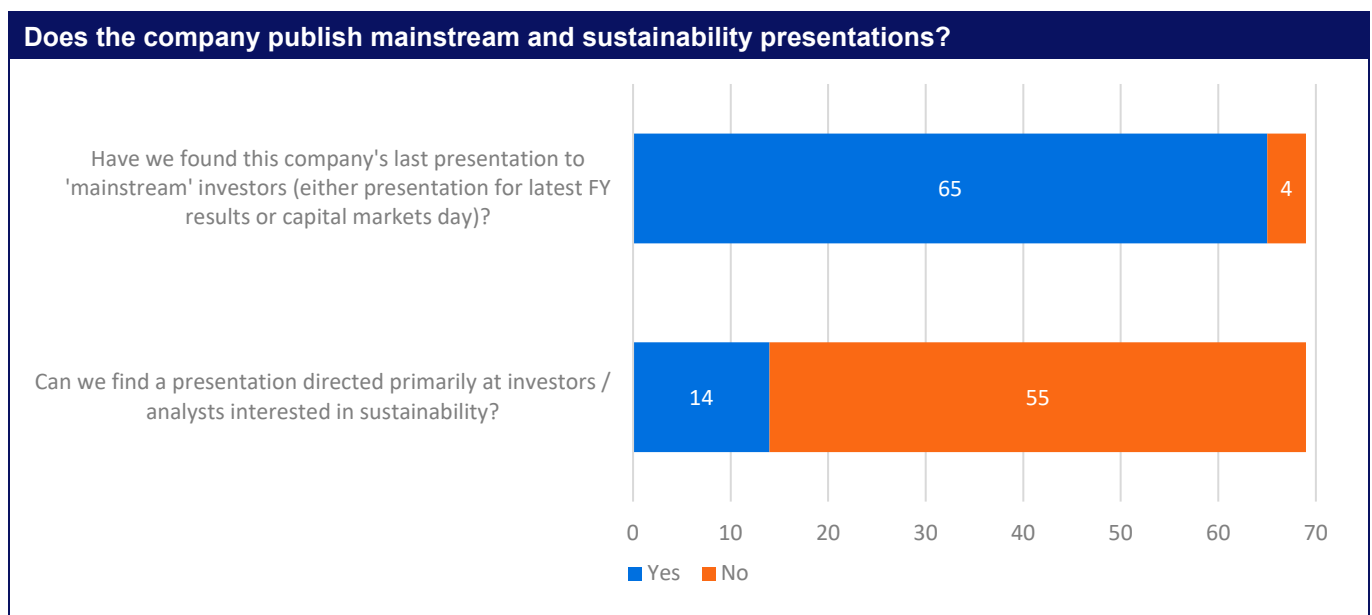
By asking the questions and applying the criteria listed in Appendix A, we aimed to discover how closely aligned the sustainability content of each presentation is with the company's core business activities and messages to 'mainstream' investors.

Findings

Overall, we found that a disappointingly low percentage of companies proactively present sustainability exposures and practices to investors – either embedded within their 'mainstream' investor presentations or in specialist sustainability presentations.

- 20% (14) of the companies have published presentations dedicated to sustainability issues.
- 15 out of 69 companies had 'mainstream' presentations that included sustainability content that was either 'partially-aligned'* or 'moderately-aligned' with their investment case.
- 10 companies disclosed information that explicitly identified how sustainability factors affect the value driver(s) of their business.

*Definitions on alignment of mainstream & sustainability content are found in [Appendix A](#).



Specialist sustainability presentations

Our analysis of the 14 focused sustainability presentations showed that:

- 10 companies had no significant 'mainstream business content' in their sustainability presentations;
- 4 companies had mainstream content that is partially or moderately aligned with sustainability factors
 - (See case studies on Barry Callebaut AG and Coca-Cola Europacific Partners PLC);
- No company fully aligned their sustainable content with their value drivers.

There were 3 companies which identified how sustainability factors affect the value driver(s) of their business. In these cases, the value drivers identified were:

- Share of sales, volume growth and consumer behaviour
 - [Coca Cola Europacific: "Refillables are a key growth driver"](#).
- Sales growth
 - [Mondelez: Well-being revenue growth](#)
- Strategy
 - [Asahi \(2\): A value driver rationale for investing in sustainability](#)

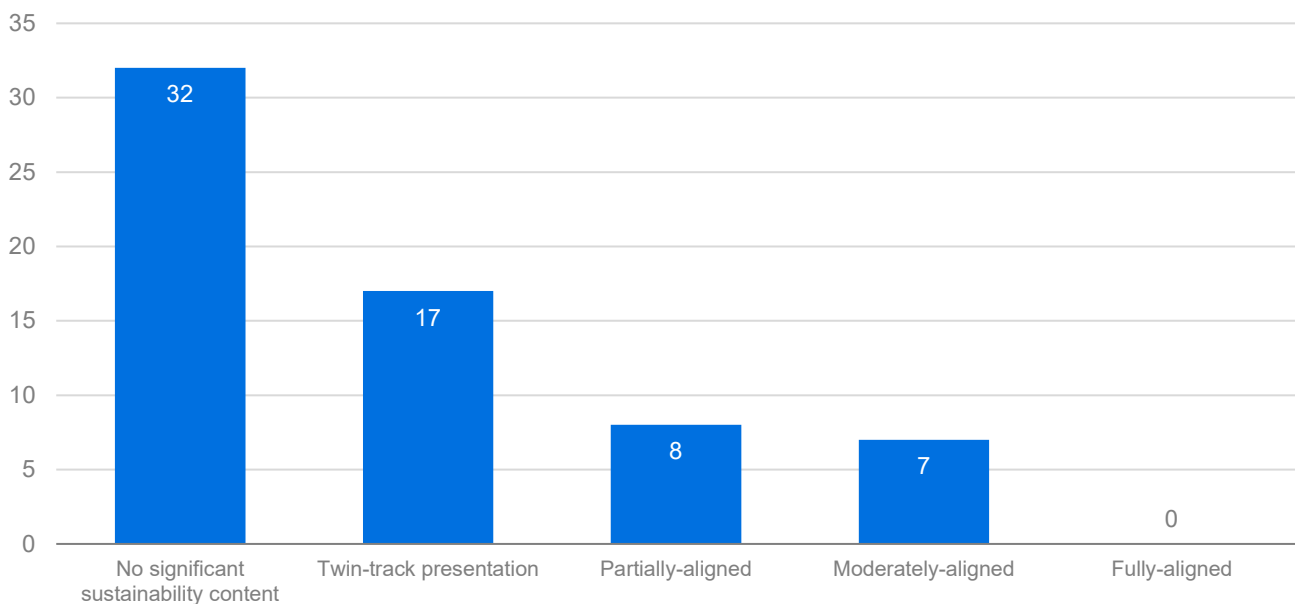
Mainstream investor presentations

We found that 64 companies from our sample publish presentations for mainstream analysts.

Of these:

- 32 companies had no significant sustainability content within them;
- 15 companies had either 'partially-aligned' or 'moderately-aligned' their sustainability content with their value drivers of their business – business structure, value drivers, strategy or financial results
 - (See case studies on Woolworths Group Ltd, Nestle India Ltd, Stora Enso Oyj, Coca Cola HBC AG and Svenska Cellulosa SCA AB);
- No company fully aligned their sustainable content with their value drivers.

How closely aligned is the sustainability content in the company's mainstream presentation with its investment case?



From our analysis, we also found that there were 10 companies that identify how sustainability factors affect the value driver(s) of their business.

Value drivers identified

Some of the value drivers identified were:

- Market exposure
 - [Stora Enso \(2\): Market potential and margins in advanced sustainable applications](#)
- Sales growth
 - [Asahi \(1\): disclosing sales volumes of 'socially-relevant' categories;](#)
 - [Danone: An umbrella, revenue from plants and employee satisfaction;](#)
- Margins
 - [Stora Enso \(2\): Market potential and margins in advanced sustainable applications](#)

Tips

Companies often comment on dual-track thinking within investors whereby sustainability analysts ask questions about sustainability topics, whereas 'mainstream' investors don't show interest in these matters.

Our previous analysis ([All change in sustainable investor relations](#)) shows that these barriers between 'mainstream' and 'sustainability' investors and analysts are breaking down somewhat.

However, the analysis in this working paper suggests that companies are doing very little to overcome these barriers by facilitating the consideration of sustainability factors alongside financial factors.

As climate change, nature & biodiversity, income inequality and other sustainability factors become more prevalent and material we would expect to see more companies:

- Embedding 'material' sustainability content within their 'mainstream' investor presentations
- Producing and delivering regular sustainability presentations to investors and analysts with a specialist focus on these issues
- Establishing – within both types of presentation – clear lines of sight between their sustainability exposures and management practices and the key value drivers of their business and investment case

To assist in this, we offer:

- Five tips for today - simple things that companies can undertake now for delivery in 2022
- Five tips for tomorrow - more involved projects that companies may need to develop over 2022 for presentation to investors in 2023

Tips for today

Tip #1: Identify your investor and analyst audience and their 'integration' needs

Identifying which of your investors are most interested in sustainability is easy:

- [SRI-Connect's Directory](#) can be used to identify analysts at individual managers
- Investor identification and targeting services are offered by a number of [investor relations service providers](#)
- Or a Register of SRI Interest can be commissioned from www.sri-connect.com

Understanding which of these investors are making sufficient progress on 'integration' to actively welcome fully-integrated presentations is harder.

This can be done:

- Either by commissioning more advanced targeting work or
- More effectively, through direct experience - i.e. through meetings in which you present your sustainability and business performance to them and see which ones warm most to the integration theme.

Tip #2: Schedule a specialist sustainability briefing or 'roadshow' for 2022

As above, the best way to engage with investors is to present your sustainability exposures and management practices directly to them. Logistically, this is easy to do (For help, see [Support and services](#)).

As we have discovered, however, some sustainability presentations by companies dive directly into sustainability topics without providing the business context in which they play out.

The lack of such context and a 'clear line of sight' makes it hard for:

- Sustainability analysts to understand how important individual sustainability issues are, and how they relate to the business and to each other.
- 'Mainstream' investment analysts to understand how relevant such factors are to valuation of the company.

Tip #3: Use a materiality matrix to add sustainability information to your 'mainstream' investor presentations

Unlike slides that report on 'ESG ratings' achieved (which tend not to invite further discussion), the use of a materiality matrix in presentations with 'mainstream' analysts and investors can open up discussion about the company's sustainability exposures and management practices. Materiality matrices can also help investors understand which sustainability issues are most relevant to the business ([Barry Callebaut AG: Clear evidence of materiality assessment](#)) and are useful 'jumping-off points' for deeper discussion of individual issues.

Tip #4: Use case studies to make - even tentative - linkages between sustainability factors and key value drivers

Wherever possible, companies should indicate how sustainability issues affect the key value drivers of their business and investment case. Leading companies:

- Integrate sustainability issues into their capital budgeting process, by setting clear sustainability targets and applying internal carbon prices – effectively setting a true price on externalities ([DSM: Internal carbon prices for investment decisions](#)).
- Analyse the link between sustainability issues and the value drivers: how fast do more sustainable products grow? What is the margin differential with legacy products? ([Stora Enso \(2\): Market potential and margins in advanced sustainable applications](#))
- Issue sustainability-linked loans. These are powerful tools, as they set performance incentives and raises internal awareness. Who will be the first to issue a biodiversity-linked loan or bond? ([ABInBev: Sustainability-linked revolving credit facility](#))

We present a number of case studies in Appendix C that can be used by companies as models for their own work.

Tips for tomorrow

Once the basics of identifying investors, shaping messages and conducting a first round of communications have been completed, companies can build further breadth and depth into their sustainability communications to investors as follows:

Tip #A: Educate investors on catalysts and underlying trends

Sustainability factors often require catalysts to become financially-material. Such catalysts may take the form of regulatory change, fiscal policies or changing patterns in consumer demand. Companies can support investor understanding by including details on such trends and anticipated developments within their presentations.

Tip #B: Include numbers, time series and volumes for material factors

In order to forecast business performance, analysts need real, absolute numbers - whether they are dealing with sustainability performance or with 'mainstream' business performance. Ideally, sustainability information (past and future) should be presented alongside financial figures.

The table below indicates how information on carbon emissions might be combined in an analyst's forecasts:

- The numbers in yellow are provided by the company, which has an ambitious target to reduce its Scope 1 & Scope 2 emissions.
- The numbers in blue are the analyst's assumptions on business volume growth, resulting energy consumption, renewables mix, and following from those, Scope 1+2 and Scope 3 emissions.
- The numbers in white result from combining the historical numbers with the assumptions.

Forecasting emissions

Production & energy use	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Business volume	12693	13378	13994	12287	14130	14695	15283	15894	16530
<i>growth</i>		5%	5%	-12%	15%	4%	4%	4%	4%
Global energy consumption (GJ)	3845665	4014874	4159410	3610368	4115819	4239294	4366473	4497467	463239
<i>growth</i>		4%	4%	-13%	14%	3%	3%	3%	3%
Group energy needs covered with renewable energy (%)	37%	43%	57%	75%	82%	98%	98%	98%	98%
Fossil-based Global energy consumption (GJ)	2422769	2288478	1788546	902592	740847	84786	87329	89949	92648
<i>growth</i>		-6%	-22%	-50%	-18%	-89%	3%	3%	3%
GHG emissions	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Scope 1 + 2 emissions (T CO ₂ eq)	245229,5	234089	185292	95361	78272	8958	9227	9503	9788
<i>change</i>		-5%	-21%	-49%	-18%	-89%	3%	3%	3%
<i>change vs 2020</i>					-18%	-91%	-90%	-90%	-90%
Scope 3 emissions (T CO ₂ eq)	na	na	3358538	2881625	3256237	3321362	3387789	3455545	352465
<i>change</i>				-14%	13%	2%	2%	2%	2%
<i>change vs 2020</i>					13%	15%	18%	20%	22%
Scope 3 as a% of total emissions	na	na	95%	97%	98%	100%	100%	100%	100%

Tip #C: Show the products and services that benefit

As well as discussing the management of downside risk, companies should also present product that are advantaged by a sustainability transition. ([Stora Enso \(2\): Market potential for sustainable applications](#)).

This can assist investors when identifying whether companies current and new business activities add sustainable value.

The table provides an example.

Value drivers	Traditional product	New 'sustainability-enhanced' product
Sales growth	2%	15%
Margins	10%	25%
% of BU sales (now)	40%	10%
t CO2 emissions/sales '000	0.40	0.25

Tip #D: Compare CO2 emissions across business units

As the path to Net Zero seems set to become a ubiquitous requirement, investors may start to look for more granularity on the linkages between carbon exposure and individual business units. A table that gives CO2 intensities per business unit can help in this regard.

In the example below, BU1 has a lower CO2 intensity than BU2. Since BU1 is also the unit with higher growth, higher margins, higher ROCE and significant CO2 savings at clients, it becomes clear that the growing weight of this unit will make the company much less CO2 intensive over time, even in the absence of portfolio decisions such as spinning off BU2.

	Sales growth	Margins	ROCE	CO ₂ emissions	CO ₂ saved at clients
BU1	7%	18%	22%	1.2	2.1
BU2	2%	12%	8%	3.2	0
Overall	4%	15%	12%	4.4	2.1

In summary, this helps investors see where the most CO2 intense parts of the business are, and better understand the value creation process from these.

Tip #E: Engage your Treasury & Finance department

Remember that debt investors are also interested in nature & biodiversity issues. (See [Fitch Ratings: Investors grapple with biodiversity loss](#)). So, please do send this report to your colleagues in the Treasury and Finance department and encourage them to address these issues in any future debt-related roadshows.

Appendix A: Research overview

Research outputs

Our analysis for both 'Capital ... Naturally' reports ('Alignment' and 'Nature & Biodiversity') was undertaken simultaneously.

Sources

Companies communicate to investors through two primary channels:

- Published reports (annual reports, sustainability reports, integrated reports etc)
- Direct presentations and meetings

There is plenty of guidance already available to companies on how to produce published reports on sustainability issues. We do not intend to add to this already well-discussed subject.

Instead, in this paper, we focus on direct presentations and meetings which – compared to published reports - tend to be:

- More timely
- Forward-looking
- Give broader context than published reports
- Written primarily for an investor audience – so can be more focused on investors' specific interests
- Designed to give rise to two-way discussions around investors' and analysts' specific needs

In these respects, presentations and meetings are an essential complement to published reports but are something which – hitherto – has largely been overlooked by the sustainability reporting commentariat.

Of the various presentations produced by companies for investors, we have concentrated on two types:

- Presentations to 'mainstream' investors - typically given as part of 'capital markets days' or at full-year results
- Specialist sustainability / ESG presentations

We have therefore concentrated our analysis on presentations mainly for mainstream analysts (either the latest "capital markets day" presentation or full-year annual results) and presentations to sustainability analysts.

'Line-of-sight'

Our primary aim - in this research - has been to assess whether companies provide a clear 'line of sight' between sustainability factors and the key value drivers of their business and investment case.

A company may give analysts such 'line-of-sight' by articulating how individual sustainability factors link to specific individual drivers of value within the business. We do not consider vague references to 'improved business efficiency' as qualifying.

Value drivers

Ideally, sustainability issues are directly linked to the value drivers, which are the inputs that analysts use in their valuation models. Good examples of value drivers and questions that are addressed are:

- **Sales growth:** Do specific sustainability issues help Business Unit A or Product B grow faster than other business units or products? And by how much approximately? This allows analysts to model mix effects and understand the company's changing business profile.
- **Margins:** Are margins affected by sustainability issues? For example, do they cause changes to cost structures or stronger/weaker pricing? Are costs temporarily higher? How does this differ across business units or products? This information, in combination with assumptions on size and sales growth, help analysts assess the development of the company's profitability, taking mix effects into account.
- **Risk and cost of capital:** Do exposures to sustainability issues raise the business risk of the company or of specific projects, products or business units? To what extent are those exposures mitigated (or enhanced if they are positive) by management? What impact are they likely to have on lenders' or investors' appetite for backing the company?
- **Investments:** What additional investments are needed to reach strategic sustainability targets? What do they imply for the above-mentioned other value drivers mentioned above? Do they result in new products with strong market positions, high growth and high margins? Do they provide natural hedges that drive down the company's cost of capital?

Other, underlying drivers of business value that we have identified as relevant include:

- **Innovation:** What are the company's capabilities to keep on developing new products that create both financial, social and ecological value?
- **Employee satisfaction:** Does the company provide its employees with sufficient motivation, pay and benefits to keep them happy and productive? Are they able to quantify the impact of this through staff churn rates or key person retention?
- **Governance:** Does the company have the right incentive structures in place to motivate all relevant staff to deliver its targets?

Business purpose

At a more strategic level, it helps if a company can articulate a value proposition that both:

- Creates value for clients (in that it gives them what they want / need) and
- Creates value for society (positive social and ecological impact)

Importantly, where aspects of a company's value proposition are negative (either financially or environmentally/socially), analysts will value transparency - especially around the articulation of a credible path towards creating a holistically - positive proposition.

If companies don't address their negative impacts, they will – sooner or later – suffer from it and be forced to fix it – possibly at a much higher cost. So, unless the nature and scale of negative externalities are communicated by the company, analysts will be forced to make assumptions about the magnitude of the risk faced and the likelihood and timescale over which it might crystallise.

Questions asked and criteria applied to companies

In assessing companies, we asked 7 questions (see table below) of both mainstream presentations and sustainability presentations.

- The focus of the questions for the mainstream presentations was on the sustainability factors and content.
- The focus of the questions for the sustainability presentations was on value drivers and content.

For example,

- Of the 'mainstream' presentations, we asked:
 - Does the company's presentation feature an overview of material sustainability issues affecting its core business activities? If so, how good (clear and comprehensive) is this section?
- Of the sustainability presentations, we asked:
 - Does the company's SUSTAINABILITY presentation feature a description of the company's core business activities and value drivers? If so, how good (clear and comprehensive) is this section?

	Questions applied to mainstream presentations	Questions applied to sustainability presentations
1	How closely aligned is the sustainability content of this presentation with the company's core business activities and messages to 'mainstream' investors?	How closely does the company align the 'mainstream business' content of this presentation with the presentation of sustainability factors?
2	Does the company's mainstream presentation feature an overview of material sustainability issues affecting its core business activities? If so, how good (clear and comprehensive) is this section?	Does the company's sustainability presentation feature a description of its core business activities? If so, how good (clear and comprehensive) is this section?
3	Does this company's mainstream presentation feature an overview of the company's strategy for managing sustainability issues?	Does this company's sustainability presentation feature an overview of the company's future business strategy?
4	Does this company deploy a strapline or slogan that relates to sustainability?	Does this company deploy a strapline or slogan that relates to sustainability?
5	Does this company's presentation explicitly prioritise sustainability factors based on their financial materiality? (Possibly by inclusion of a materiality matrix)	Does this company's presentation explicitly prioritise sustainability factors based on their financial materiality? (Possibly by inclusion of a materiality matrix)
6	Does this company's presentation explicitly identify how sustainability factors affect the value driver of business value and/or the investment case for the company?	Does this company's presentation explicitly identify how sustainability factors affect the value driver of business value and/or the investment case for the company?
7	How does the company make the link between sustainability factors and business / investment drivers? (via sales, margins, capex, sales potential, market growth, innovation, new products etc.)	How does the company make the link between sustainability factors and business / investment drivers? (via sales, margins, capex, sales potential, market growth, innovation, new products etc.)

Questions asked on alignment of mainstream & sustainability content

When assessing the alignment of the mainstream/sustainability content with the company's core business activities / sustainability factors (Question #1 in the table above), we used the following definitions:

Alignment of sustainability content in MAINSTREAM presentations

We asked: How closely aligned is the sustainability content of this presentation with the company's core business activities and messages to 'mainstream' investors?

Grading applied	Grade description
NA	There isn't a presentation
No significant sustainability content	There is either: – No more than a passing mention of sustainability issues; or – A sustainability summary slide highlighting awards, positive initiatives and ratings / index inclusions
Twin-track presentation	There is a section on sustainability performance which contain no / few links between sustainability and business structure, value drivers, strategy OR financial results
Partially-aligned	There is either: – A section on sustainability performance that makes some linkages mainstream business factors; or a few/weak reference to sustainability factors in the body of mainstream business performance narrative
Moderately-aligned	There is either: – A section on sustainability performance that makes substantial linkages mainstream business factors; or several/strong reference to sustainability factors in the body of mainstream business performance narrative
Fully-aligned	Sustainability factors are fully woven into the narrative on business performance

Alignment of mainstream content in sustainability presentation (to business structure, value drivers, strategy & financial results)

We asked: How closely does the company align the 'mainstream business' content of this presentation with the presentation of sustainability factors?

Grading applied	Grade description
NA	There isn't a presentation
No significant sustainability content	There is no more than a basic overview of the business structure, value drivers, strategy and financial results is included
Twin-track presentation	There is a substantial outline of the business structure, value drivers, strategy and financial results is included. However few linkages are made between sustainability factors and business structure, value drivers, strategy and financial results
Partially-aligned	There is either: – A section on mainstream business performance that makes some linkages to sustainability factors; or; – a few/weak references to mainstream business factors in the body of sustainability performance narrative
Moderately-aligned	There is either: – A section on mainstream business performance that makes substantial linkages to sustainability factors; or; – several/strong references to mainstream business factors in the body of sustainability performance narrative
Fully-aligned	Mainstream business factors are fully woven into the narrative on sustainability performance

Appendix B: Assessed companies

We assessed the presentations of the following companies:

Company name	GICS Industry
Ambev SA	Beverages
Anheuser Busch Inbev SA	Beverages
Asahi Group Holdings Ltd	Beverages
Brown-Forman Corp	Beverages
Budweiser Brewing Company APAC Ltd	Beverages
Carlsberg A/S	Beverages
China Resources Beer Holdings Co Ltd	Beverages
Coca Cola HBC AG	Beverages
Coca-Cola Co	Beverages
Coca-Cola Europacific Partners PLC	Beverages
Constellation Brands Inc	Beverages
Davide Campari Milano NV	Beverages
Diageo PLC	Beverages
Fomento Economico Mexicano SAB de CV	Beverages
Heineken Holding NV	Beverages
Heineken NV	Beverages
Keurig Dr Pepper Inc	Beverages
Monster Beverage Corp	Beverages
PepsiCo Inc	Beverages
Pernod Ricard SA	Beverages
Aeon Co Ltd	Food & Staples Retailing
Alimentation Couche-Tard Inc	Food & Staples Retailing
Avenue Supermarts Ltd	Food & Staples Retailing
Carrefour SA	Food & Staples Retailing
Costco Wholesale Corp	Food & Staples Retailing
Jeronimo Martins SGPS SA	Food & Staples Retailing
Kesko Oyj	Food & Staples Retailing
Koninklijke Ahold Delhaize NV	Food & Staples Retailing
Kroger Co	Food & Staples Retailing
Loblaw Companies Ltd	Food & Staples Retailing
Ocado Group PLC	Food & Staples Retailing
Seven & i Holdings Co Ltd	Food & Staples Retailing
Sysco Corp	Food & Staples Retailing
Tesco PLC	Food & Staples Retailing
Walgreens Boots Alliance Inc	Food & Staples Retailing
Walmart Inc	Food & Staples Retailing
Woolworths Group Ltd	Food & Staples Retailing

Archer-Daniels-Midland Co	Food Products
Associated British Foods PLC	Food Products
Barry Callebaut AG	Food Products
China Mengniu Dairy Co Ltd	Food Products
Chocoladefabriken Lindt & Spruengli AG	Food Products
Danone SA	Food Products
General Mills Inc	Food Products
Hershey Co	Food Products
Hormel Foods Corp	Food Products
International Holding Company PJSC	Food Products
JDE Peets NV	Food Products
Kellogg Co	Food Products
Kerry Group PLC	Food Products
Kraft Heinz Co	Food Products
McCormick & Company Inc	Food Products
Mondelez International Inc	Food Products
Mowi ASA	Food Products
Nestle India Ltd	Food Products
Nestle SA	Food Products
SIT Land Holdings Ltd	Food Products
Tyson Foods Inc	Food Products
Mondi PLC	Paper & Forest Products
Stora Enso Oyj	Paper & Forest Products
Svenska Cellulosa SCA AB	Paper & Forest Products
UPM-Kymmene Oyj	Paper & Forest Products
Altria Group Inc	Tobacco
British American Tobacco PLC	Tobacco
Imperial Brands PLC	Tobacco
ITC Ltd	Tobacco
Japan Tobacco Inc	Tobacco
Philip Morris International Inc	Tobacco
Swedish Match AB	Tobacco

Appendix C: Case studies on value driver linkages

ABInBev: Sustainability-linked revolving credit facility

ABInBev: 'Better world' investor presentation

Alignment

ABInBev highlights in its 'mainstream' investor presentation how it has linked its new Revolving Credit Facility with sustainability performance metrics.

By doing this, the company has created a tangible link between its sustainability performance and its access to finance.

While no details are given about the cost of such finance, it seems likely that the involvement of 26 banks means it can only be positive in this regard.

To consider

With sustainability-linked finance becoming an ever-greater component of company finance, companies should highlight their use of this in their presentations to investors giving – where relevant – details on the volumes and costs of such finance and (where applicable) the way that proceeds will be used.

From a sustainability perspective, the KPIs used to back such finance often create new flows of information on social and environmental issues that are useful for analysts as well as raising internal awareness and creating incentives within the company on the issues targeted.

BETTER WORLD
Successfully signed a new 10.1 billion USD sustainable-linked revolving credit facility

- Replaces our current 9 billion USD RCF, supported by 26 world-leading banks, with an initial 5-year term
- Pricing mechanism incentivizing four key performance metrics, aligned with our 2025 Sustainability Goals:

- Further improving water efficiency in our breweries
- Increasing PET recycled content in PET primary packaging
- Sourcing purchased electricity from renewable sources
- Reducing GHG emissions

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Source: Slide # 26 2021 Investor Presentation

Archer Daniels Midland: N&B target-setting in alignment with international frameworks

Archer Daniels Midland: Financial Results Presentation for 2020

Contextualisation

In their financial results presentation to 'mainstream' investors, Archer-Daniels-Midland (ADM) contextualises their nature and biodiversity exposures within the UN SDGs and the SASB framework.

On the topics of palm oil, soy, and sustainable agriculture, ADM gives milestones to be reached on each material issue.

It, therefore, seems likely that this will help the company make specific action plans out of these broad issues and, in turn, is likely to inform (middle) management incentives.

To consider

ADM shows that alignment between biodiversity objectives and business activity can be made in a tangible way.

Other companies could go further and provide analysts with the business context in which these targets are to be achieved.

Analysts will typically be interested to understand what the targets mean for the company's financials: What are the costs and benefits of these initiatives? Do they materially hurt margins? Do they reduce operating risk? Do they allow the company to open new markets, grow faster or avoid decline?

In respect of impact on the environment, analysts will be interested to know the degree to which such initiatives can reduce the company's negative impacts – contextualised within a measure of the significance of these issues in the first place.

Understanding the impact on the environment fully helps analysts understand the impact on the company's financials as the larger the company's negative externalities are, the more likely that they will be internalised and the greater the impact is likely to be when this occurs.

31

Sustainability and Corporate Responsibility

Responsible Sourcing Goals and KPIs

Palm Action Plans

Material Topic	Milestone	UN SDG Alignment	SASB Alignment
Traceability	Maintain traceability scores of at least 90% of palm oil and palm kernel oil to mill	 	<ul style="list-style-type: none"> Environmental and Social Impacts of Ingredient Supply Chain Ingredient Sourcing
	Increase traceability of palm oil and palm kernel oil to plantation		
Supplier Engagement & Implementation	Execute Engagement for Policy Implementation (EPI) with 100% of direct suppliers	 	
Monitor and Verification	Evaluate and identify mechanisms to monitor on-the-ground impacts	 	

Sustainable Agriculture

Type	Description of Goal	SDG Alignment	SASB Alignment
Sustainable Agriculture Project Acres in North America	Increase acreage dedicated to sustainable agriculture	 	Ingredient Sourcing
	Enroll at least 50 farmers as STAR participants		
AgWater Challenge	STAR Ratings 50% acres to earn at least 3 of 5 stars 25% acres to earn 5 of 5 stars	 	
	Enroll acres representing at least 10% of U.S. wheat processing volume		

Soy Action Plans

Material Topic	Milestone	UN SDG Alignment	SASB Alignment
Traceability	Increase digital satellite farm maps (polygons) of direct soy suppliers	 	<ul style="list-style-type: none"> Environmental and Social Impacts of Ingredient Supply Chain Ingredient Sourcing
	Monitor and verify 100% of soy sourced from direct suppliers complies with the following initiatives:		
Monitor and Verification	<ul style="list-style-type: none"> Amazon Soy Moratorium IBAMA embargoed areas National Pact for the Slavery Work Eradication Park Green Grain Protocol ADM's No Deforestation Policy for 100% of polygons 	 	

Source: Slide #31 | 'Unlocking Nature. Enriching life.', ADM's first quarter 2021 presentation

Asahi (1): disclosing sales volumes of 'socially-relevant' categories

Asahi: Financial Results Presentation for 2020

Alignment

In this example, Asahi outlines how a socially relevant category (non-alcoholic products) is a growth category for its sales volumes.

This helps analysts to understand better and to model sales growth and mix effects in the context of a social issue that is both risk and opportunity for the company.

To consider

While the target of 20% non-alcoholic products identifies opportunities for the company in this 'socially-relevant category', the presentation does not explicitly address the flipside: threats to the company's alcohol business (the other 80% of sales).

There are similar examples across many food products businesses (for example, for companies with animal-based and alternative protein business lines).

For these companies, investors and analysts will be interested in a holistic picture. In respect of products that are negatively-impacted by environmental or social trends, they will be interested to hear whether categories will just grow more slowly or will shrink in size and what the margin implications will be of this.

It may help companies and investors to be even more specific and to break out (for example) alcoholic and non-alcoholic business lines – giving the value driver assumptions (sales growth, margins, cost of capital, and size) for each alongside the positive and negative impacts (such as social costs of drinking, water stress, and CO2 footprint).

Of course, these don't need to be point estimates but can be presented in ranges – which are often sufficient to allow analysts to do their own modelling.

Europe

Promoting premiumization to expand growth opportunities

- Aiming for a sales volume ratio of 20% for non-alcohol product by 2030

BIRRELL, PERONI LIBERA, LECH 0.0, LECH FREE, URSUS, COOLERS

Source: Slide #10 | [Financial results presentation for 2020](#)

Asahi (2): A value driver rationale for investing in sustainability

Asahi: Asahi IR day ESG initiatives

Alignment

Asahi presents sustainability squarely in the context of value creation for the business.

The company articulates a philosophy based on the line-of-sight between sustainability issues and value drivers. Notably, sustainability is not presented as a cost but as an investment in the future that creates value by taking a medium- to long-term perspective.

Asahi gives examples of how three types of investments increase costs in the short-term but create medium- and long-term benefits for the company.

To consider

The presentation is helpful in illustrating how investments to address different types of sustainability issues – such as renewable energy, non-alcoholic drinks and human rights – lead to long term benefits such as reduced energy costs, new sales categories and reduced risks.

Analysts would be interested to see concrete examples of these, with actual costs and rates of return where available, to enable them to better integrate these into their financial models.

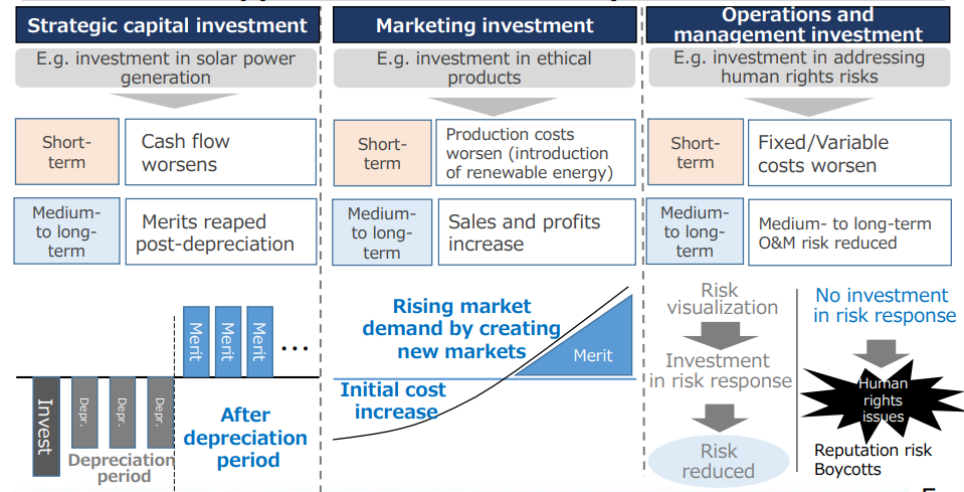
Companies might also consider showing comparisons between sustainable investments and business-as-usual – for example solar power costs and benefits vs baseline, or non-alcoholic sales growth vs alcohol-based drinks.

Why Invest in Sustainability?



Sustainability is not about cost—it is investment in the future. By addressing sustainability not from a short-term but rather a medium- to long-term perspective, we aim to secure investment returns, reduce risk, and boost corporate value.

Our approach to sustainability investment



Source: Slide #7 | [Asahi IR day ESG initiatives](#), June 2021

Barry Callebaut AG: Clear evidence of materiality assessment

Barry Callebaut AG: Forever Chocolate Sustainability Roadshow

Contextualisation

Barry Callebaut's inclusion of their materiality assessment in their presentation on sustainability to investors contextualises nature and biodiversity alongside other sustainability issues.

This helps investors to understand the relative significance of each specific issue and demonstrates strong understanding and monitoring of the materiality of sustainability factors.

To consider

While all companies should include materiality assessments in both their 'mainstream' IR slides and their sustainability slides, it is likely that different companies will use different factors on the y-axis. (Typically, the y-axis is used for the relationship to business performance whereas the x-axis is used to grade environmental / social impact).

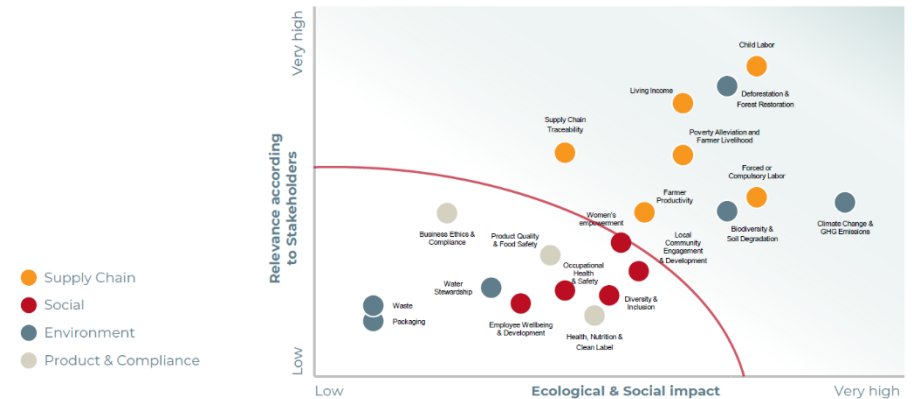
In the case of Barry Callebaut, the link to business performance is via a measure of 'Relevance according to Stakeholders'.

Other companies may use different y-axis measures to establish the relevance of different issues to business performance.

Given growing investor (and political) interest in the issue, all companies should ensure that biodiversity features on materiality matrices that they publish in future.

BARRY CALLEBAUT

Materiality Assessment 2021



15 Forever Chocolate - Sustainability Roadshow

Source: Slide 15 | [Forever Chocolate Sustainability Roadshow](#)

Campari Group: Ratings upgrade and share buyback linkages

Campari Group: H1 Results Presentation

Alignment

In its half year mainstream investor presentation for 2021, Campari Group includes a slide relating to ESG issues. This references:

- An MSCI ESG ratings upgrade that the company believes helps to reduce its risk profile
- A share buy-back that is contractually linked to environmental investment in renewable energy

This illustrates how the company is thinking about sustainability issues within the context of its cost of capital.

To consider

An extension to Campari's practice that other companies may consider would be:

- Including the ratings of multiple different agencies in their presentations
- Contextualising their current rating with a history of their ratings over time

Companies might also include all aspects of their financing that are linked to sustainability factors - including loans, green bonds and other.

As ever, context is helpful and details on the actions taken to improve the ratings should also be interesting to investors.

ESG: Campari Group MSCI rating upgrade – from BBB to A

MSCI ESG RATINGS A

In July 2021, Campari Group are pleased to announce an upgrade to A rating from MSCI, one of the most respected and leading providers of critical decision support and services for the global investment community regarding ESG. An MSCI ESG Rating is designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. Campari Group remains committed to continue to improve in key areas of focus.

Four Areas of Commitment

Recent Initiatives

- Share Buy Back that includes a contractually agreed reward mechanism where funds deriving from the underperformance will be allocated to the installation of photovoltaic panels in the Campari Group's main plant located in Italy (New Legnano)
- Granted Campari Milano & Campari International listed among the Italian military suppliers for the Italian Ministry of Economy & Finance
- Partnership with Unilevertype Milano: a thought and action platform that seeks to eradicate harmful gender-based stereotypes in all media and advertising content
- Co-edited creation of a vaccine hub at Santa Maria (Milano) of Wang & Napione Foundation sponsored vaccine campaign in Jamaica

<https://www.camparigroup.com/en/page/sustainability>

CAMPARI GROUP

Source: Slides #43 | 2021 H1 Results Presentation

Coca Cola Europacific: Refillables as a key growth driver

Coca Cola Europacific: 'Guided by our purpose and creating shared value'

Alignment

The 'ESG presentation' for 2021 discusses Coca Cola Europacific's strategy for Latin America, where the primary focus is on refillable bottles.

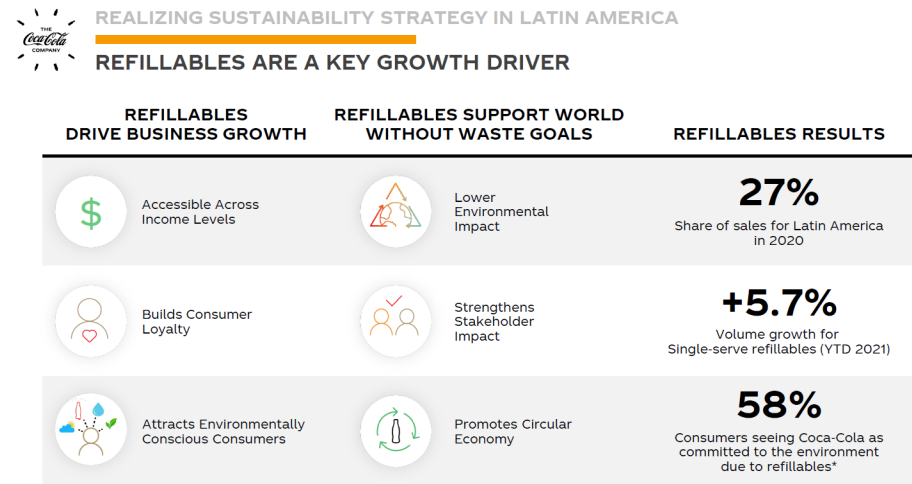
The company makes clear links between sustainability initiatives and financial benefits, showing how the strategy has increased sales, attracted new consumers and reinforced positive perception of the company as an environmental leader.

The ESG goals set out in this presentation are consistent with those described in the mainstream presentation, reinforcing the message that the two are inextricably linked.

To consider

Where a company mentions that it obtains ingredients from sustainable sources analysts will best interested in potential farming impacts and the role of sustainable sourcing.

This is particularly true when a company operates or sources from regions where there are sensitivities around forest management and sustainable agriculture,



*Source: 2020 Bain study in Brazil. Refillable packaging is designed to be refilled with the same or similar product and is capable of being used repeatedly without impairing its protective function.

Source: Slides #9 | 2021 ESG Investor Event

Danone: An umbrella, revenue from plants and employee satisfaction

Danone: FY 2020 results

Alignment

Danone uses the 'sustainable value creation' concept as an umbrella for both environmentally- and socially-relevant issues and those with links to financial performance. This enables the firm to discuss environmental, social and business performance holistically.

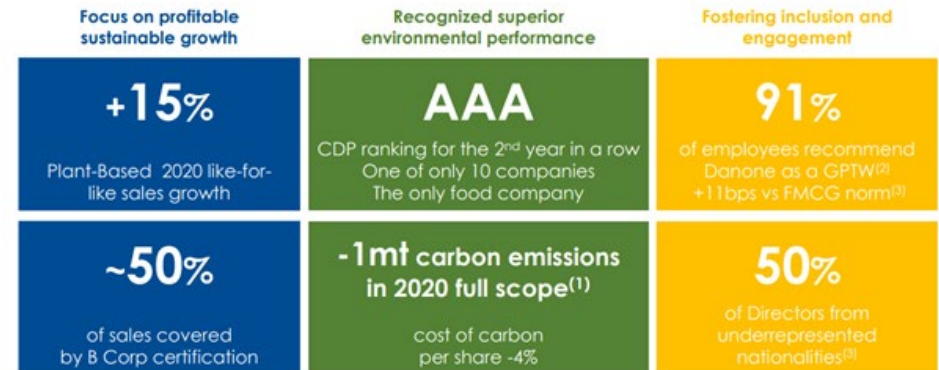
The achievement of +15% LFL sales growth in plant-based product provides clear line of sight between a sustainability factor and a driver of future revenue.

Although the fact that 91% of staff would recommend Danone as a good place to work (GPTW) might not be seen as a financial metric in itself, it is self-evident that employee satisfaction is a key operational driver of business performance. It is therefore an issue that is of relevance to 'mainstream' investors and belongs in this presentation.

To consider

Investment analysts will – in time – expect issues like growth in 'plant-based' product to be contextualised as a percentage of overall revenues.

Committed to sustainable value creation Through our business, brand and trust model



Source: Slide #9 | [FY 2020 RESULTS](#)

DSM: Internal carbon prices for investment decisions

DSM: DSM accelerates its purpose-led, performance-driven strategic journey

Alignment

Like many other companies, DSM has a strategy that is aimed at 'net zero' carbon emissions by 2050.

In its presentation to investors, the company backs up this strategy by including details on capital budgeting and financial planning.

The company applies an internal price on carbon in making investment decisions and reviewing business performance. This effectively encourage projects with low emissions or that reduce emissions. Interestingly, the company recently raised its internal carbon price from €50/ton to €100/ton, thereby significantly raising incentives for eco-friendly projects

To consider

Using an internal carbon price can be an effective financial tool for any company that needs to reduce its footprint.

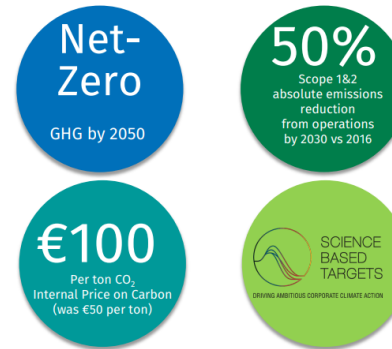
(Such internal pricing measures can also be applied to other environmental externalities, such as methane, water or nitrogen – whichever are the most relevant for the company.)

Perhaps less obviously, internal prices (or damages) can also be applied to social issues, such as quality life years or even human rights violations. The Impact Institute's [Framework Impact Statements](#) gives guidance on how to do this.

As carbon-trading systems around the world develop and carbon prices become more tangible, analysts are likely to ask more companies about any shadow / internal costs of carbon that they deploy (in budgeting and/or strategy development).

Accelerated our route to Net Zero by 2050

DSM is committed to achieve Net Zero GHG emissions across operations and value chains by 2050



- **Validated science-based 2030 targets on Green House Gas emission reduction** (scope 1&2) increased to **50%** versus baseline 2016 (was 30%)
- **Renewable electricity** target China at 60% by 2030
- Increased **internal price on carbon** from €50 per mt of CO₂ to €100 per mt, to further guide its investments and operational decisions towards carbon neutral operations
- **Biodiversity/water** - reduction target set on water in H1-> 10% efficiency improvement on water-intake in our water stress sites by 2030

24



Source: Slide #24 | [DSM accelerates its purpose-led, performance-driven strategic journey](#)

Mondelez: Well-being revenue growth

Mondelez: Snacking made right

Alignment

In its sustainability presentation, Mondelez sets out its ESG key performance indicators within the context of its overall strategy.

It identifies an opportunity for strong sales growth in well-being product categories, while setting targets for recycling of packing material and sustainably-sourced cocoa.

It also focuses on diversity and inclusion within its corporate culture. The company builds these KPIs into annual incentive pay for its business teams.

To consider

The clear link between sales growth and sustainable products is helpful for analysts. The next stage (for any company that wishes to follow this approach) would be to add targets for sustainability and diversity into a broader context of business drivers and to quantify long-term benefits from these initiatives.

INCENTIVE SYSTEM ALIGNED TO FINANCIAL AND SOCIAL OBJECTIVES

ESG goals included in non-financial KPIs influencing annual incentive pay for corporate and business unit leadership teams



Source: Slide #32 | Snacking made right – ESG investor call

Stora Enso (1): Sustainability tailwinds drive growth and margins

Stora Enso: Shaping our business for higher growth and value

Alignment

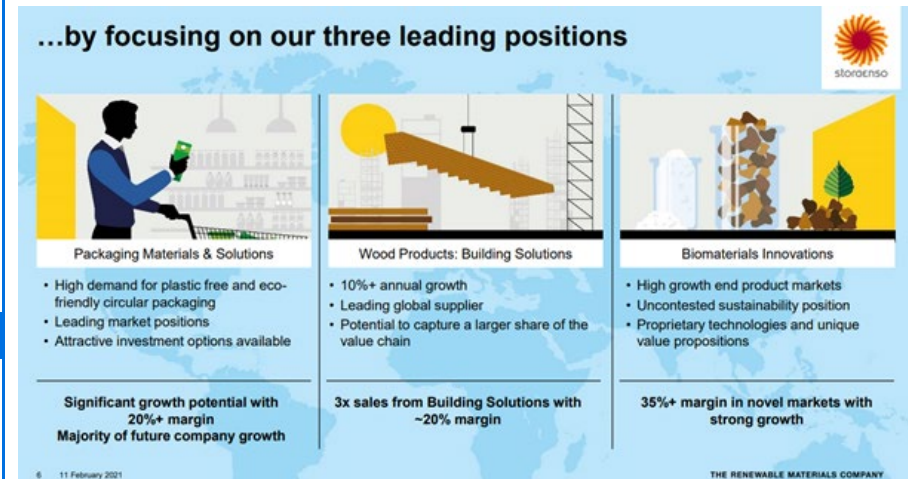
In the company's mainstream investor presentation, Stora Enso outlines how three business units benefit from sustainability tailwinds in terms of both higher growth and higher margins than other business units.

- In packaging, high demand for plastic free packaging and eco-friendly circular packaging creates significant growth potential ('the majority of future company growth') with 20%+ margins.
- Wood building solutions have 10%+ growth at circa 20% margins, while
- Biomaterials offer 35%+ margins in new markets with strong growth potential.

To consider

The comparison of margins and sales growth between sustainable products and other products is a compelling argument for the company's strong commitments on these issues.

It also embeds sustainability within its business strategy and creates a clear investment thesis for analysts based on expansion into high-growth, high-margin segments.



Source: Slide #6 |

Stora Enso (2): Market potential for sustainable applications

Stora Enso: Shaping our business for higher growth and value

Alignment

As shown in the earlier case study, Stora Enso presents value driver implications of its sustainability tailwinds.

The company then backs that up with tables that outline estimates of market growth, total market size and EBIT margin potential for specific applications.

In the upper table it does so for packaging applications that are within its current business.

Then the table below shows the same statistics for the entirely new business lines, to which the company is steering the bulk of its capex.

To consider

Such tables allow analysts to understand better and forecast the value drivers of the packaging business, and to value the biomaterials business separately.

Being able to do this is crucial for a 'sum-of-the-parts' valuation for Stora Enso - excluding the biomaterials business from this - for example - would cause 'target price' analysis of the company's shares to be several euros lower.

Tables such as these could be enhanced by providing quantification of the social or environmental value creation of these products, such as the amount of CO2 that they save versus conventional applications.

Significant opportunities for new sustainable packaging



	Formed fiber	Biofoam	Biobarriers and films
Market growth (CAGR 2020 - 2030)	3%	6%	3%
Total market size (BEUR, 2020e)	30	15	80
EBIT margin potential	30%	35%	Supporting existing business
	1 st production line in Hylte	Pilot plant in Fors	Capacity investment in Forshaga

New biomaterials are a highly attractive innovation platform



	Carbon for energy storage	Bio-binders	Carbon fibers
Market growth (CAGR 2020-2030)	30%	2 - 4%	8 - 10%
Total market size (BEUR, 2020e)	10	20	3
EBIT margin potential	35%	35%	35%
	Pilot plant in Sunila	1 st production line in Sunila	Pilot ongoing in JD with Cordenka

Source: Slides #13 & 19 |

Tyson Foods: Growth opportunities in alternative protein

Tyson Foods: 'Beyond the buzz: significant incremental potential in alternative protein'

Alignment

In a presentation by management to the CAGNY conference, Tyson Foods includes a slide on sustainability, setting out its targets to reduce emissions and water use.

However, it is this slide on alternative protein that is most interesting to an analyst, as it links sustainable products (alternative protein) to sales growth and opportunity.

The company points out that only 17% of consumers currently use meat substitutes, but that 69% are receptive to trying them.

The presentation then goes on to set out Tyson's alternative protein offerings.

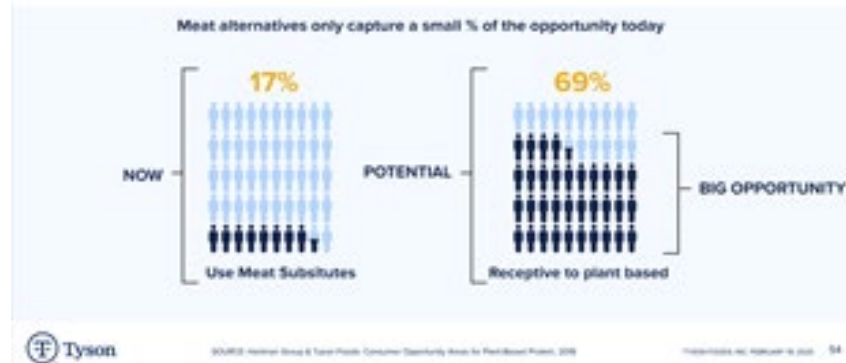
To consider

Analysts will welcome this rough market sizing but will certainly be looking for multiple datapoints and more detail to enable them to integrate this information into financial models.

In this respect, the absolute size of the market, growth rates and margins would all be useful data points, as would the company's current and forecast market share.

As discussed elsewhere, they will also be keen to understand how increased alternative protein might affect sales of animal-based protein, and will aim to compare the margins earned from each with a view to quantifying the possible impacts on future profits.

Beyond the buzz: significant incremental potential in alternative protein



Source: Slide # 27 Tyson at CAGNY 2020

Woolworths Group Ltd: Sustainability capex within operating capex

Woolworths Group Ltd: 'Live better together'

Alignment

Based on a peer group review of other retailers on our lists, the approach taken by Woolworths seems progressive within a retail sector context.

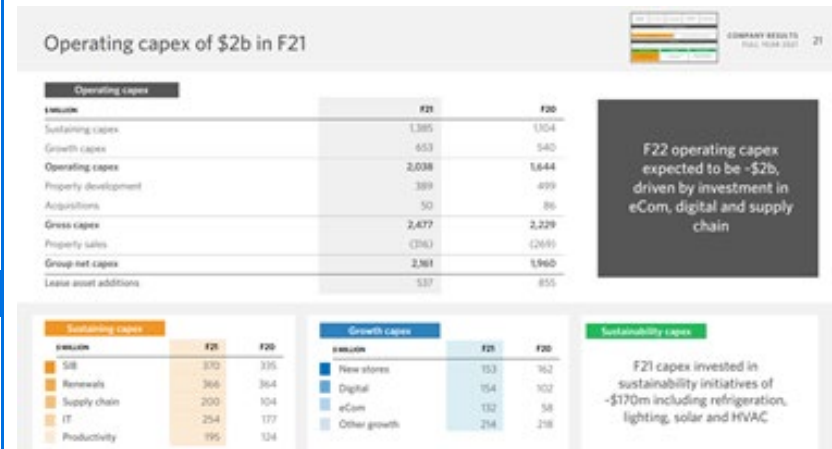
The company itemises sustainability capex within the financials section of its presentation to 'mainstream' investors.

Capex on sustainability initiatives accounted for around 8% of total capex, and key areas of investment have been highlighted: refrigeration, lighting, solar and HVAC.

To consider

Other companies that are thinking of adopting and extending this approach will note that analysts will typically welcome:

- Further details on expected return on capex for sustainability investments, and how this compares to other capex.
- Quantification of how this investment will impact future costs or create new opportunities



Source: Slide #21 | 2021 Analyst Presentation