

The Case for ESG integration

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Today's Talking Points

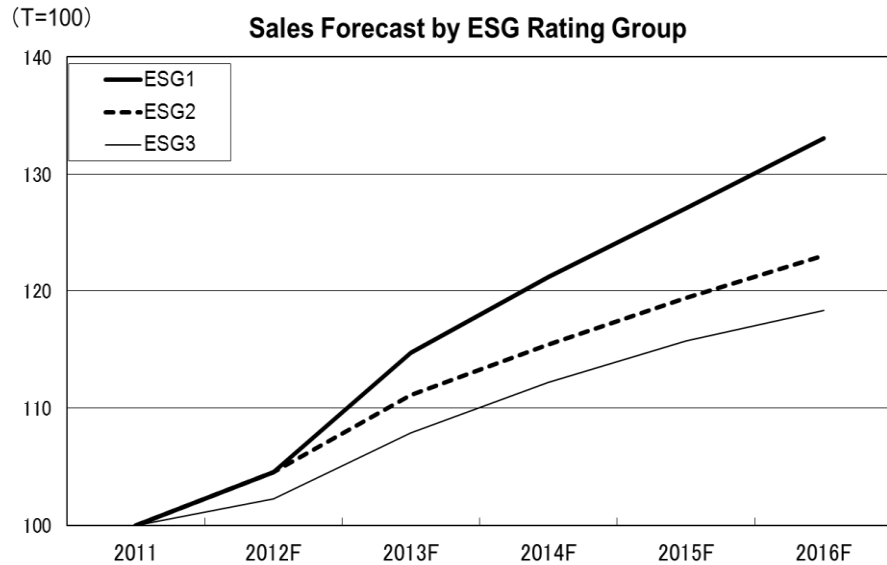
1. How ESG factors affect measuring of corporate value

2. Which is the most important ESG factor in the investment

3. How ESG factor contribute to performance

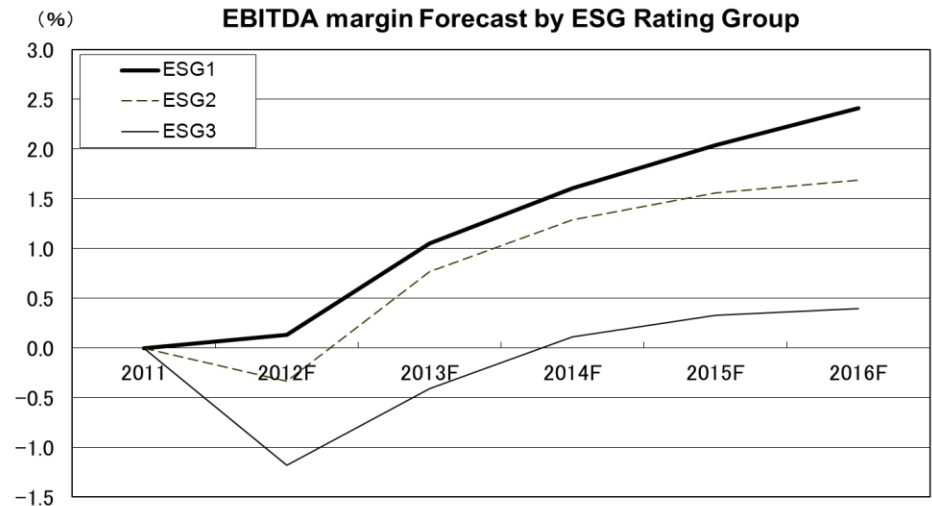
How ESG factors affect measuring of corporate value (1)

- Company with higher ESG rating tends to show higher sales growth and margin expansion in analysts forecasts.



(Note) Forecasted as of Dec2012

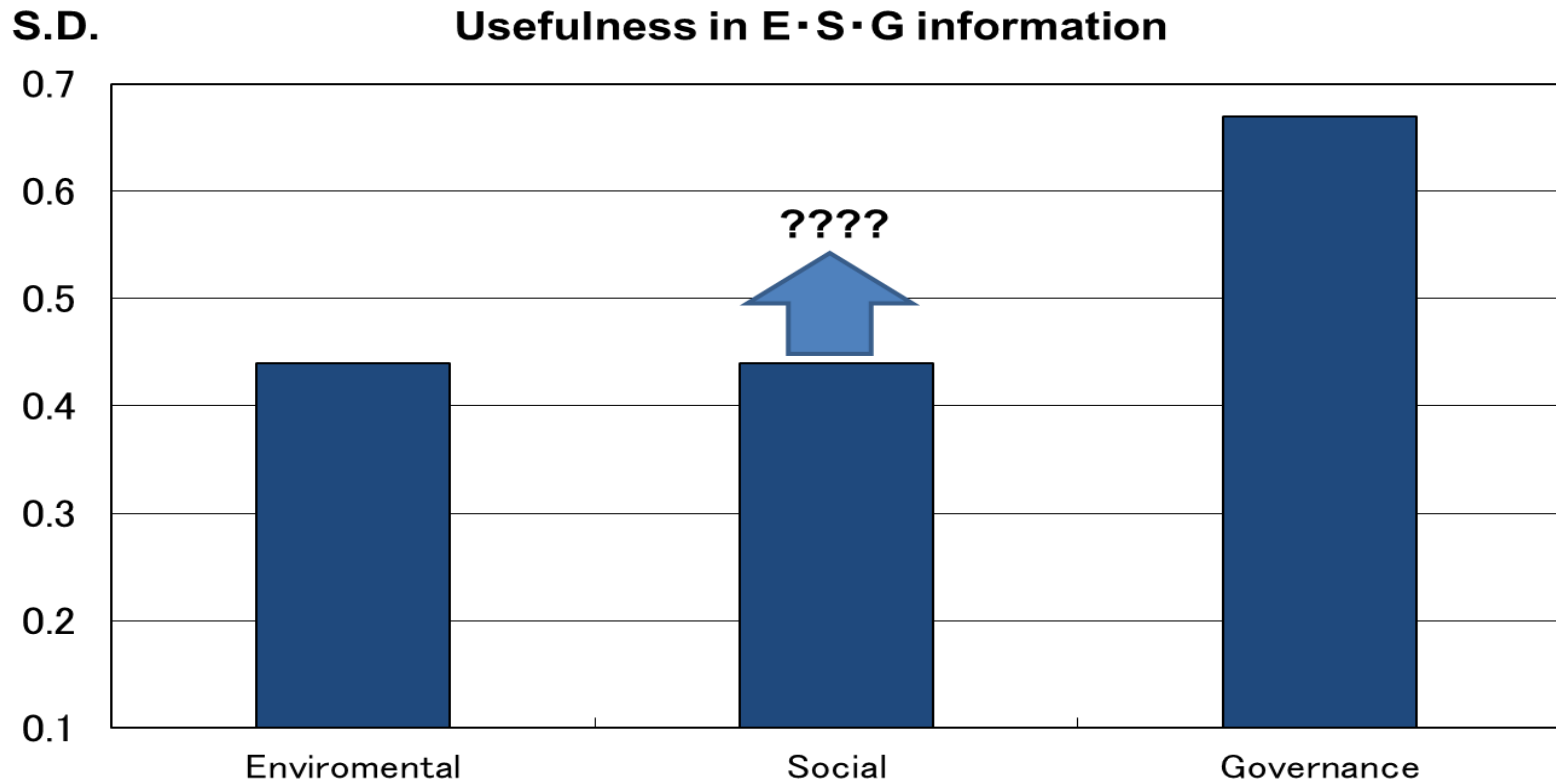
ROE by ESG rating group	
	ROE
ESG1	12.3%
ESG2	9.6%
ESG3	7.5%
AVG.	10.2%



(Note) Forecasted as of Dec2012

How ESG factors affect measuring of corporate value (2)

- “G” factor tends to have stronger influence on analysts forecast
- But the level of influence of “E”, “S”, and “G” is varied among industries
- ”S” might have much stronger influence on “corporate value” than I thought



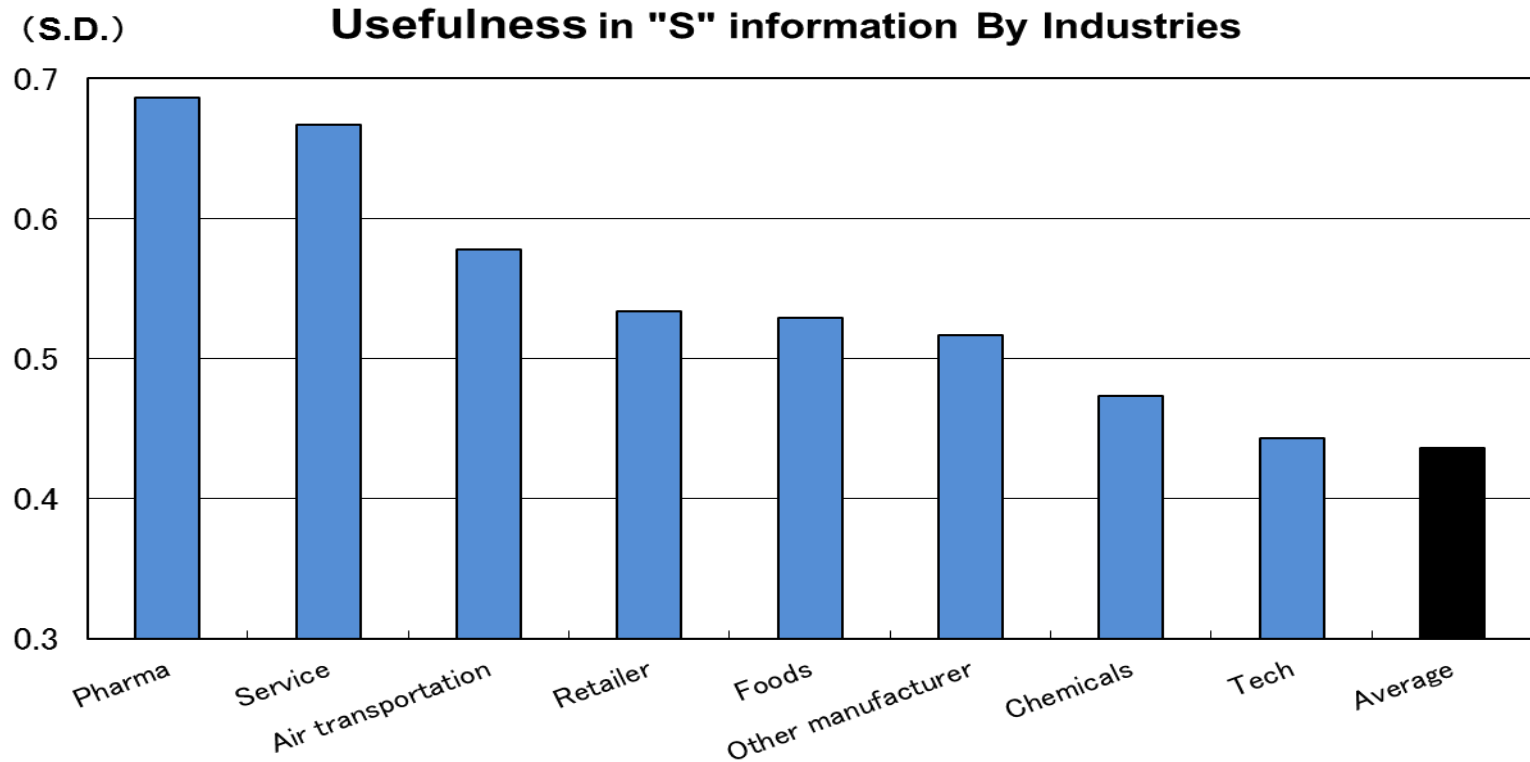
(Note)

This graph shows standard deviation (SD) of “E”, “S” and “G” rating.

Average rating is “E”=1.9, “S”=1.9 and “G”=2.0

How ESG factors affect measuring of corporate value (3)

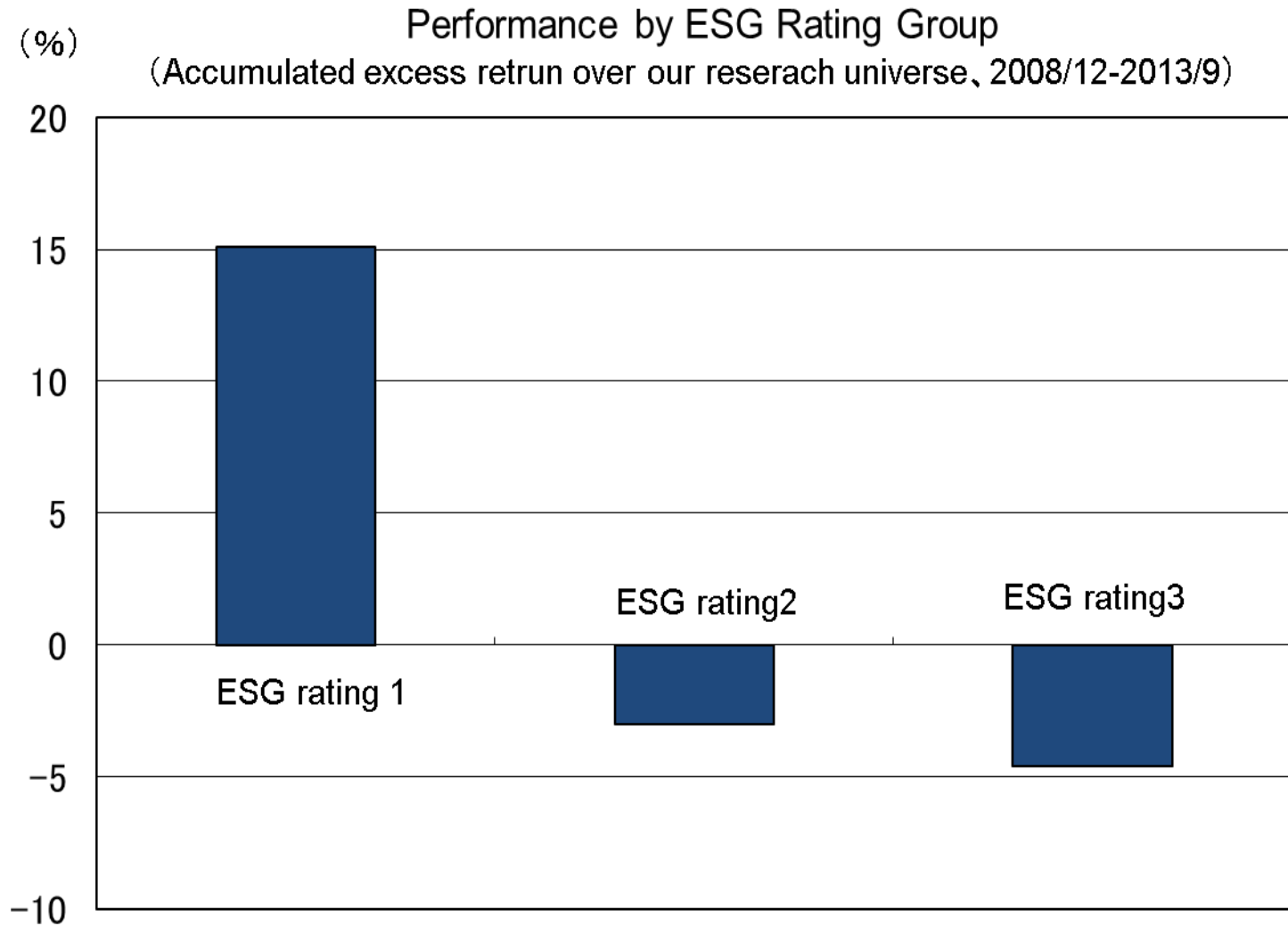
➤ “S” factor is relatively higher influence on pharmaceutical, service and retailers etc.



(Note)

This graph shows standard deviation (SD) of “S” rating within each industry.

ESG Performance as of Sep 2013



(Note) Simple average base