

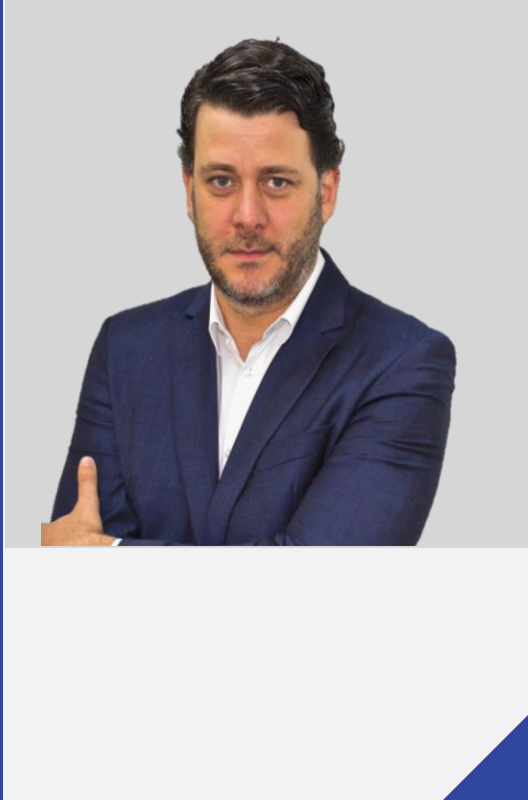
# FROM PURPOSE TO PROFIT

Understanding the economics of ESG

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Nov 3<sup>rd</sup>, 2023





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Ipsos Strategy3, NY

# The most difficult challenge for CMOs is linking marketing metrics to money



# AGENDA

1. **ESG: DOES IT MATTER?**
2. **FROM PURPOSE TO PROFIT: UNDERSTANDING THE ECONOMICS OF ESG**
3. **CASE: BRASKEM**
4. **CONCLUSIONS**

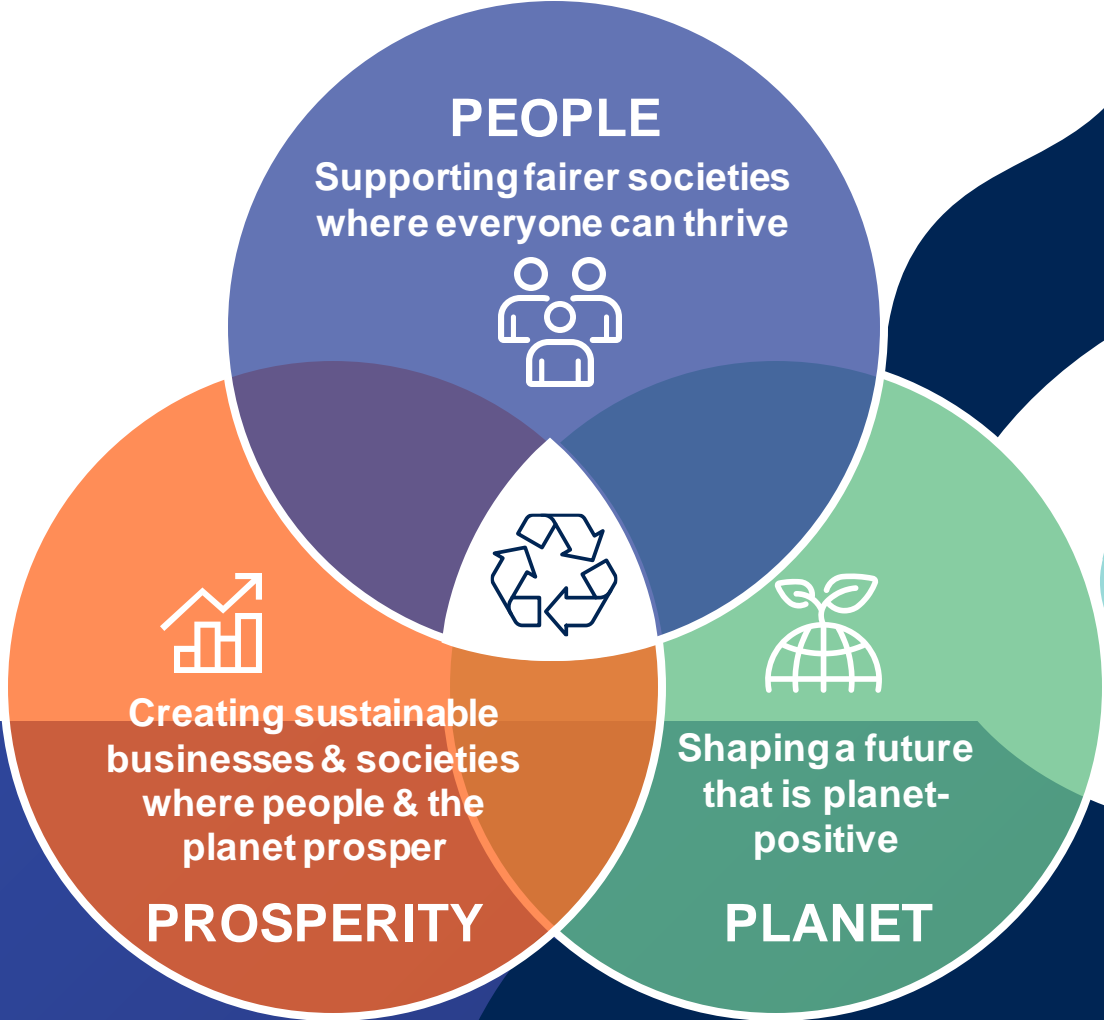
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ESG

Does it matter?



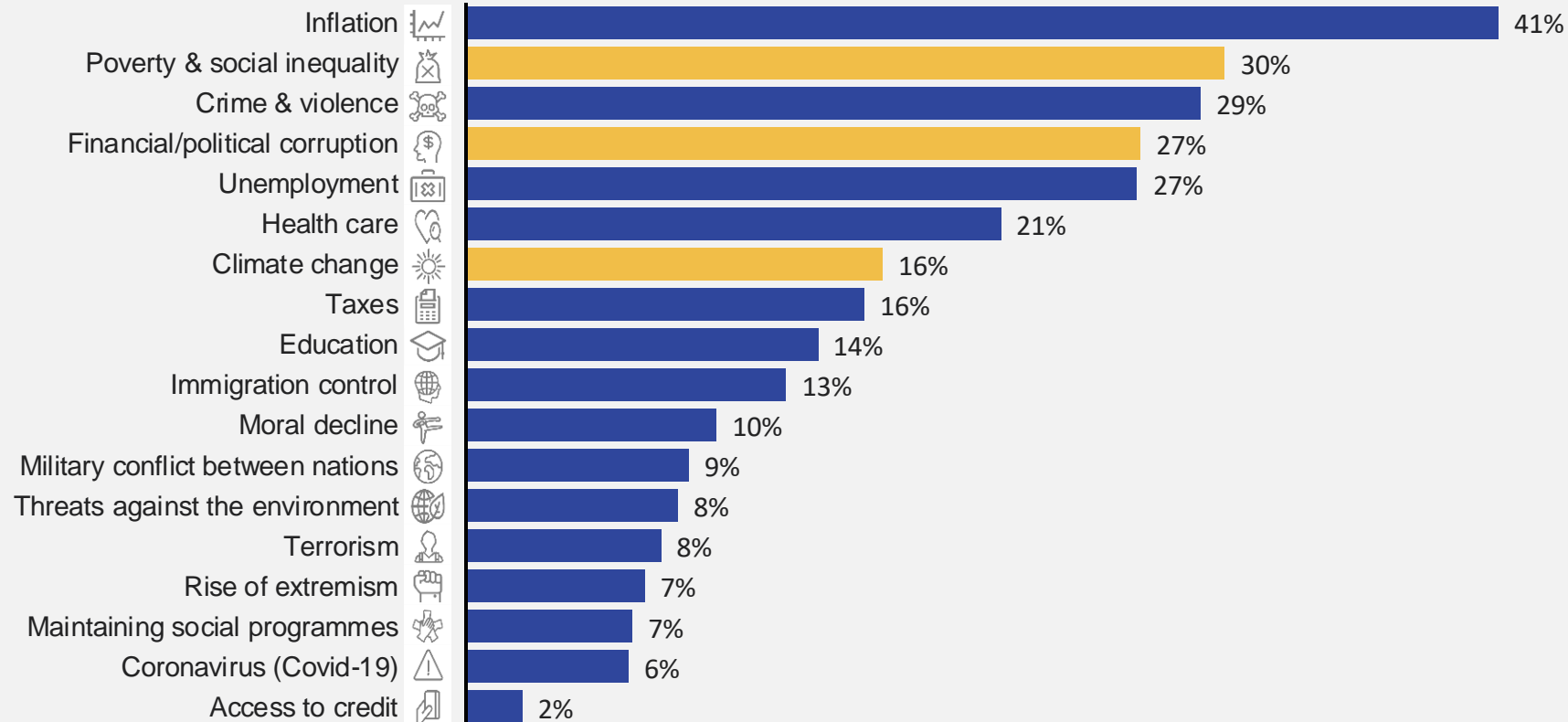
# ESG: a way of creating a more sustainable and prosperous future for people and the planet



# As seen in yesterday's presentation, the most worrying topics are related to E, S and G

Which three of the following topics do you find the most worrying in your country?

% mentioned in May 2023 (global country average)



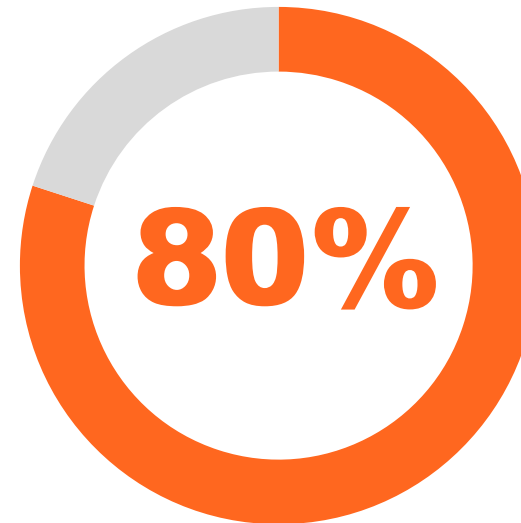




# Consumer Perspective: Ipsos Global Trends suggest that there is potential value in ESG

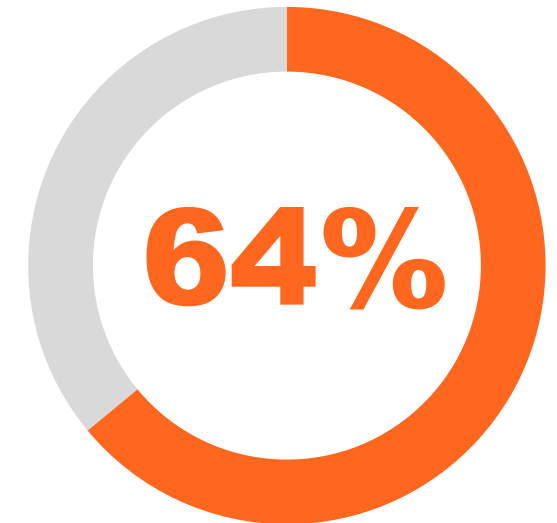
We are heading for  
environmental disaster  
**unless we change our  
habits quickly**

% Agree



Try to buy products from  
brands that act responsibly,  
**even if it means spending  
more**

% Agree



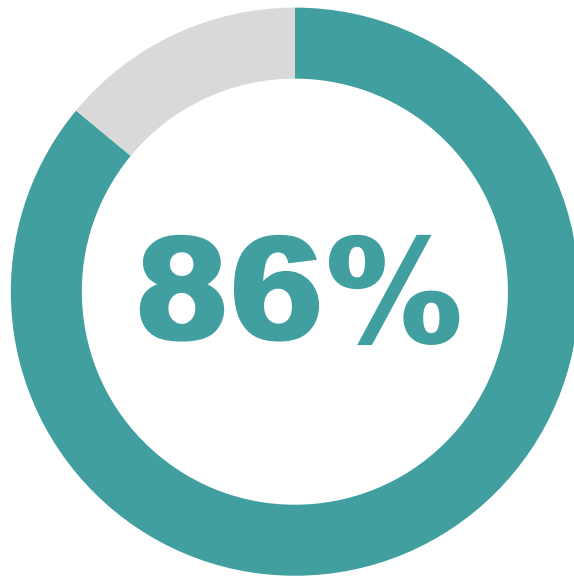
Source: Ipsos ESG Economics, fielded in 50 markets across 48,000+ interviews, covering 87% of the global economy and 70% of the global population.



# Employee Perspective: ESG may play a role in attracting and retaining talent

Employer's ESG goals **make workers proud to work there**

% Agree



Source: SHRM Research with 1,009 U.S. workers and 284 executives in September and October 2022

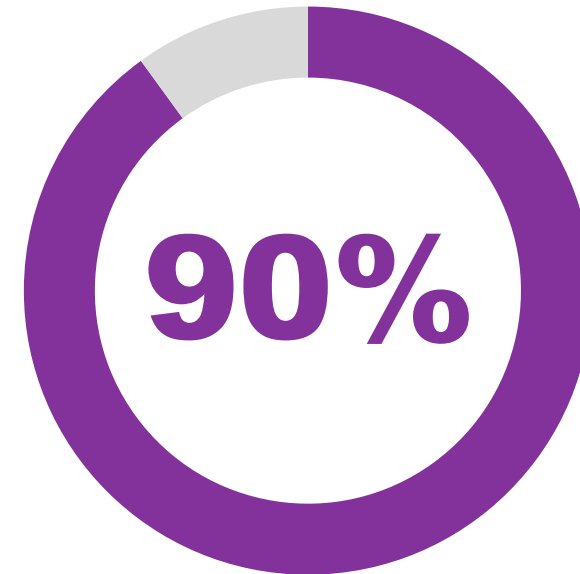




## **Business Perspective:** organizations have been allocating more resources toward improving ESG

S&P 500 companies that  
**publish ESG reports**

%

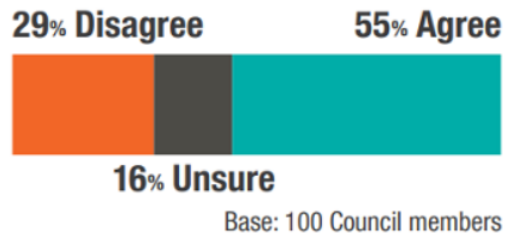


Source: Governance & Accounting Institute in New York City

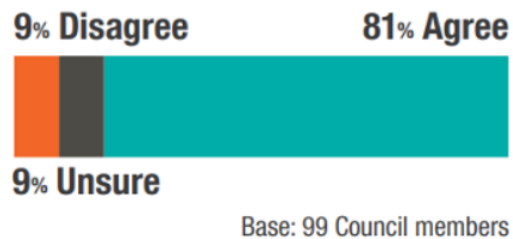
# ESG: The corporate north star

ESG is increasingly the execution of corporate purpose. It is the expression of how this vision is incorporated into business planning and aligned with day to-day activities.

Has ESG fundamentally changed the way our business operates?



Does poor ESG performance now have material consequences?



# 91%

... agree “a link exists between a company's ESG performance and its attractiveness to investors”

60% strongly agree  
31% tend to agree

# 91%

... agree “ESG performance has a demonstrable link with attractiveness as an employer”

74% strongly agree  
17% tend to agree

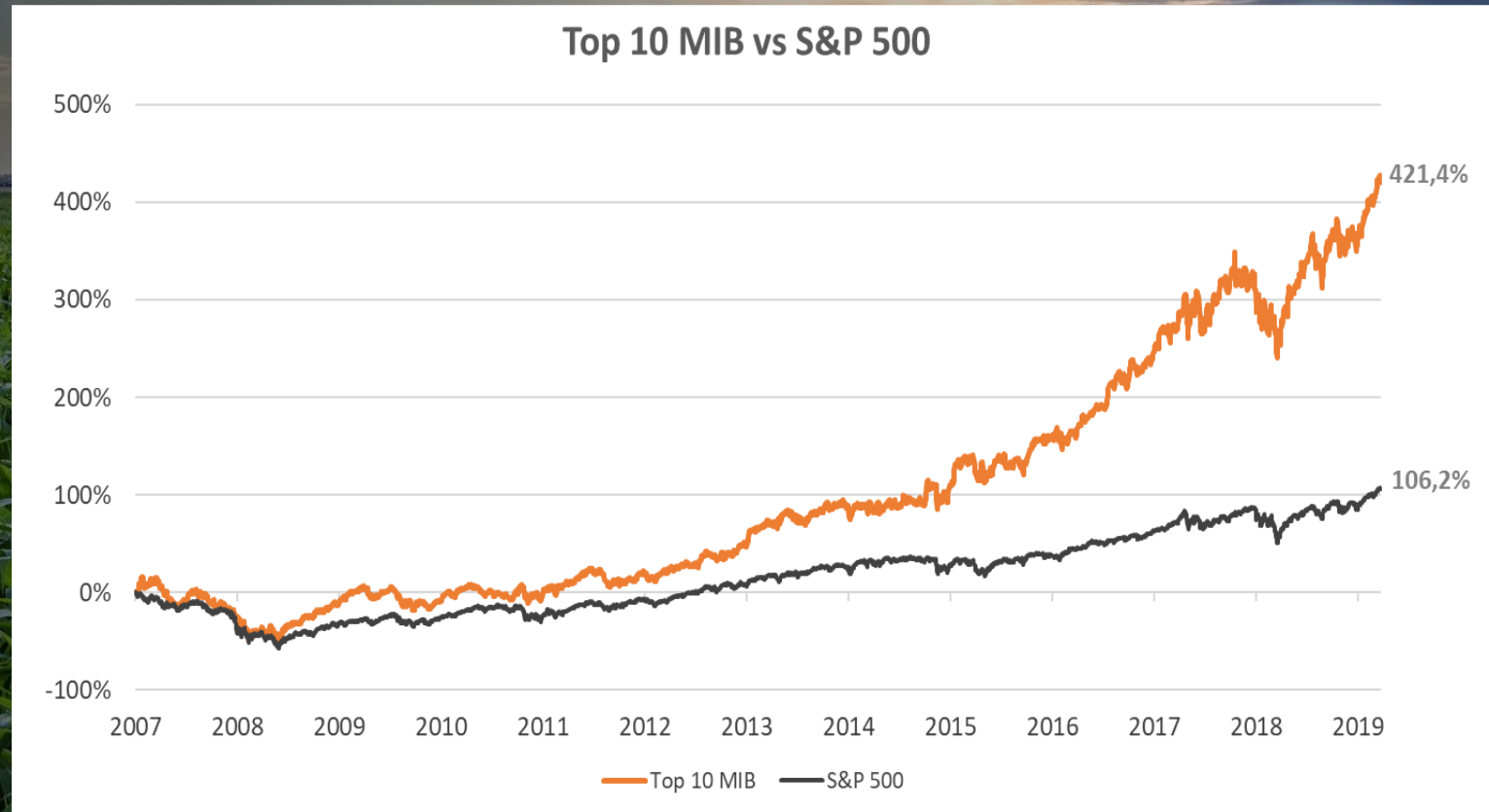
# 2

## ESG Economics

### Does ESG generate financial value?

# Does ESG generate financial value?


Yes, strong, influential brands\* that have a clear purpose and invest in ESG generate more financial value to shareholders\*\*



Sources:

\* Ipsos Most Influential Brands Study

\*\* Ipsos Strategy3 Analysis

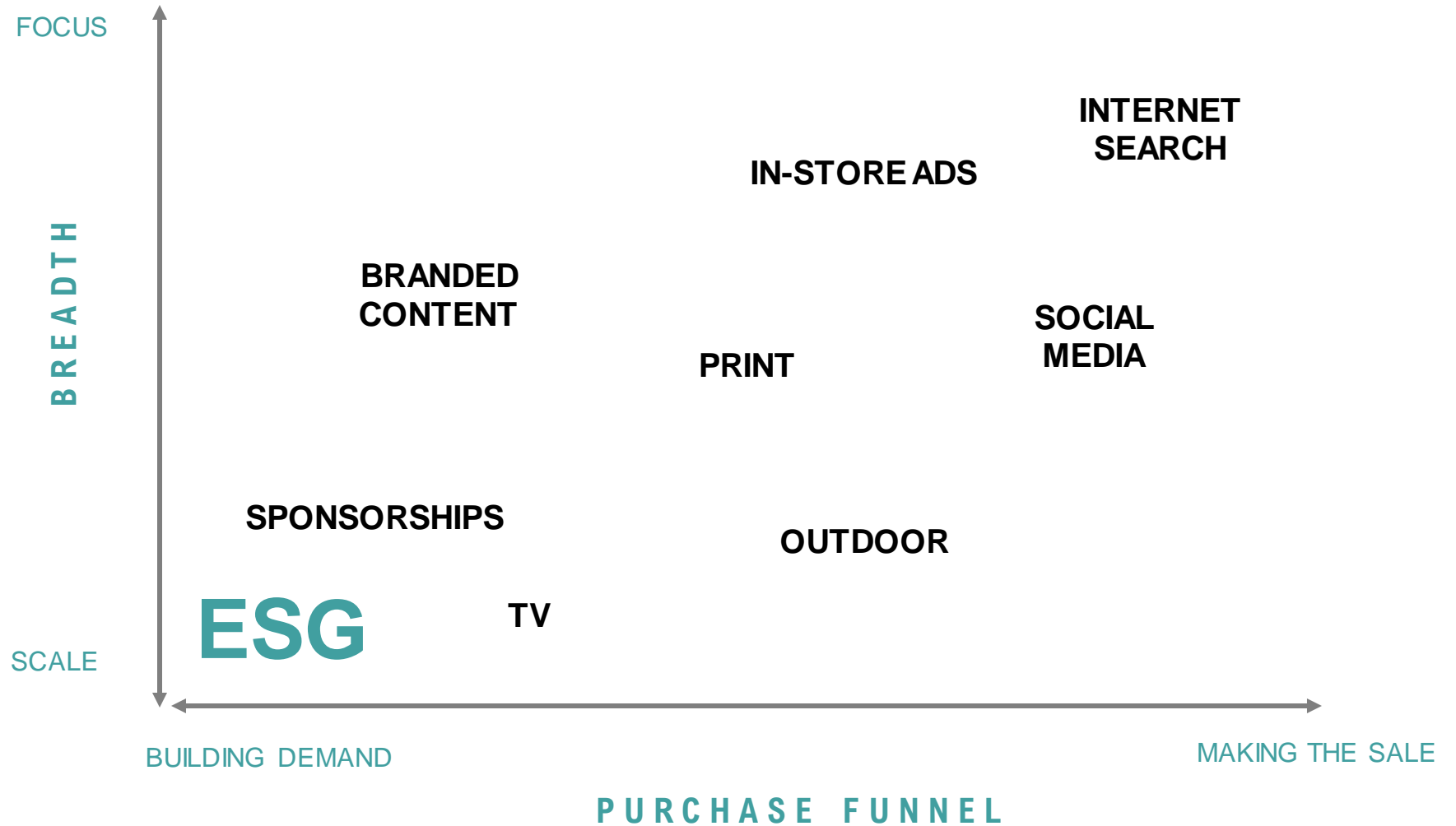


The real question is how  
to assess the economic  
value of ESG?

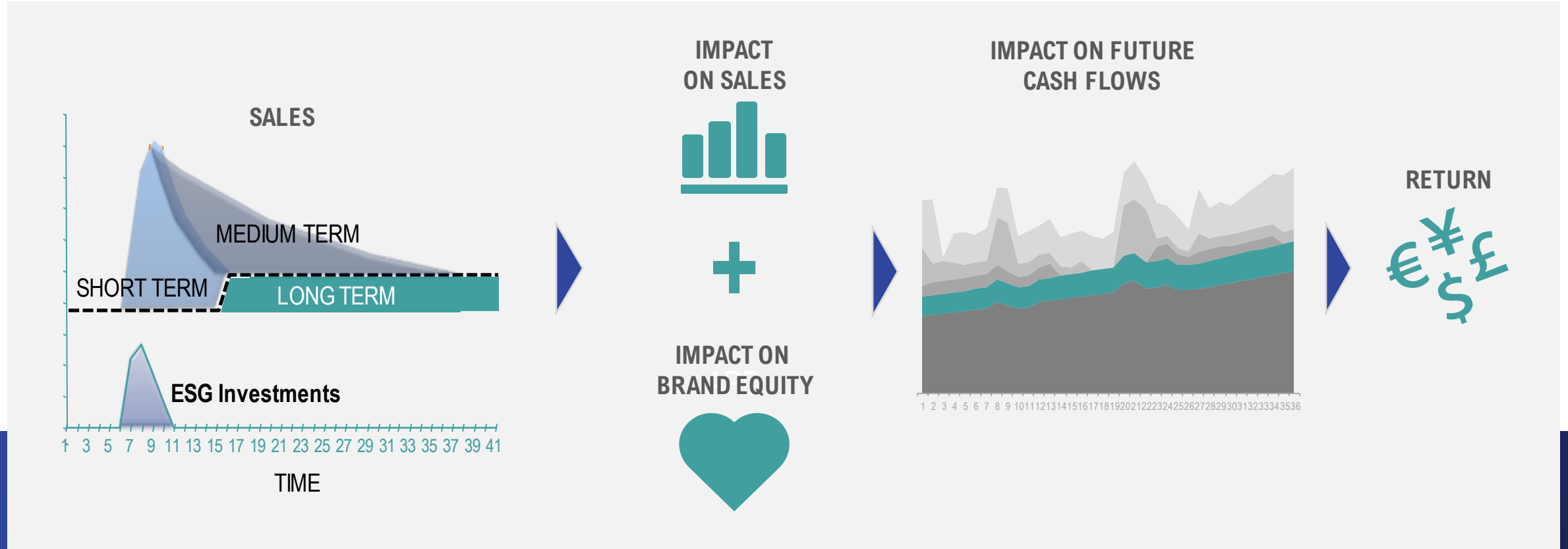


Different initiatives for different purposes: ESG helps build demand, indirectly impacting sales

# Role of Different Initiatives



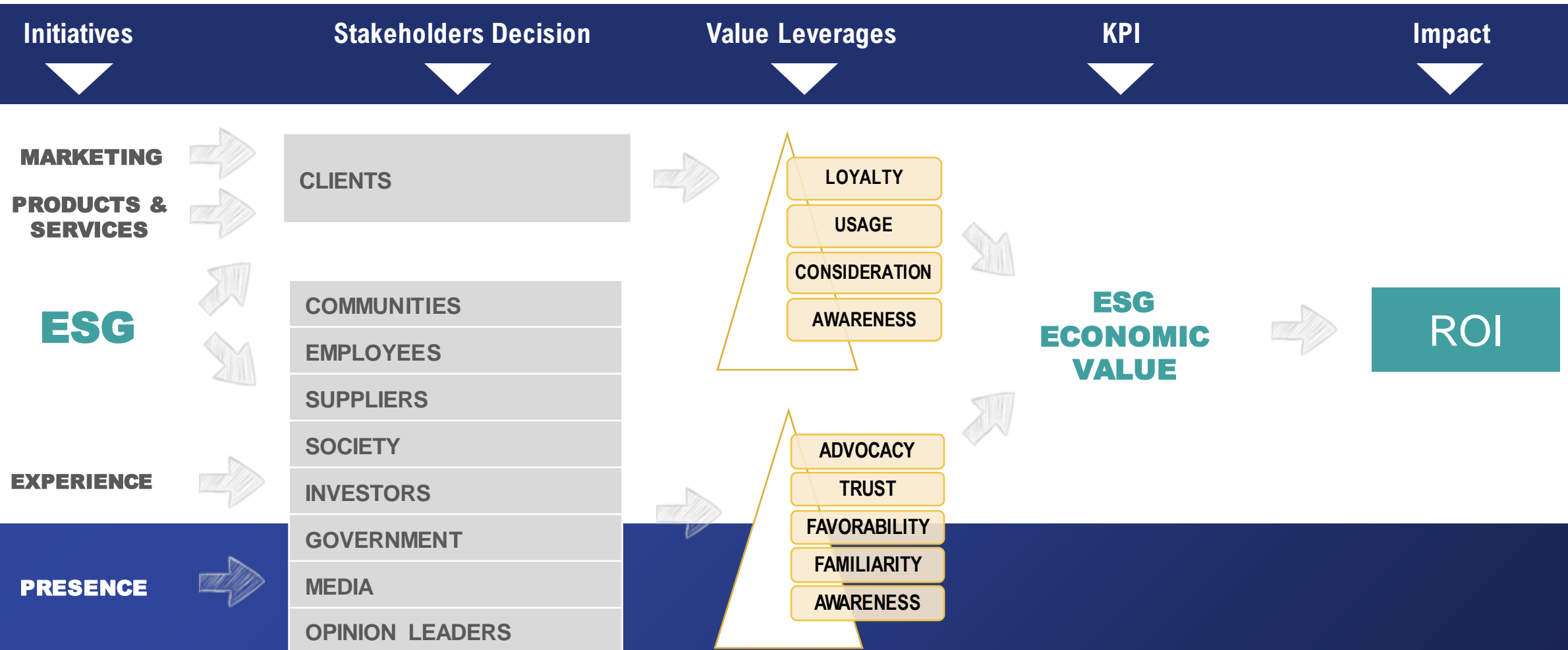
# Since the short-term sales effect is not enough to properly capture the value of ESG, we examine the impact on future cash flows



# ESG not only impacts consumers through increase in the top-line, but also other stakeholders through operation costs optimization



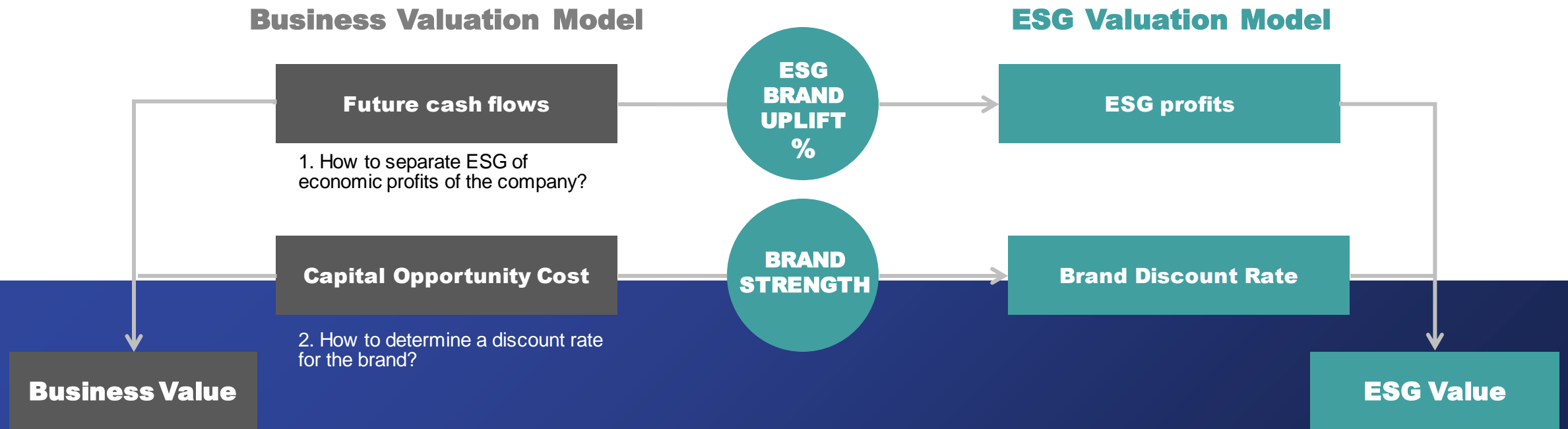
# We understand the impact of ESG on all value levers



# Our ESG Valuation methodology is in accordance with the international standard on monetary brand valuation (ISO:10668)

Based on discounted Cash Flow methodology, we analyze:

- The importance of ESG initiatives in the generation of future profits (ESG Brand Uplift)
- The strength of the brand, associated to ESG, to minimize risks (Brand Strength)



## The key question

**WHAT WOULD HAPPEN TO FUTURE CASH FLOWS IF WE DIDN'T INVEST ON ESG?**

# Impact on perception: deriving ESG Influence from Brand Influence

## How the brand influences buying behavior?

Consumers choose Coke for several reasons



If Coke lost its brand, consumers would not have the same perception of TASTE and TRUST



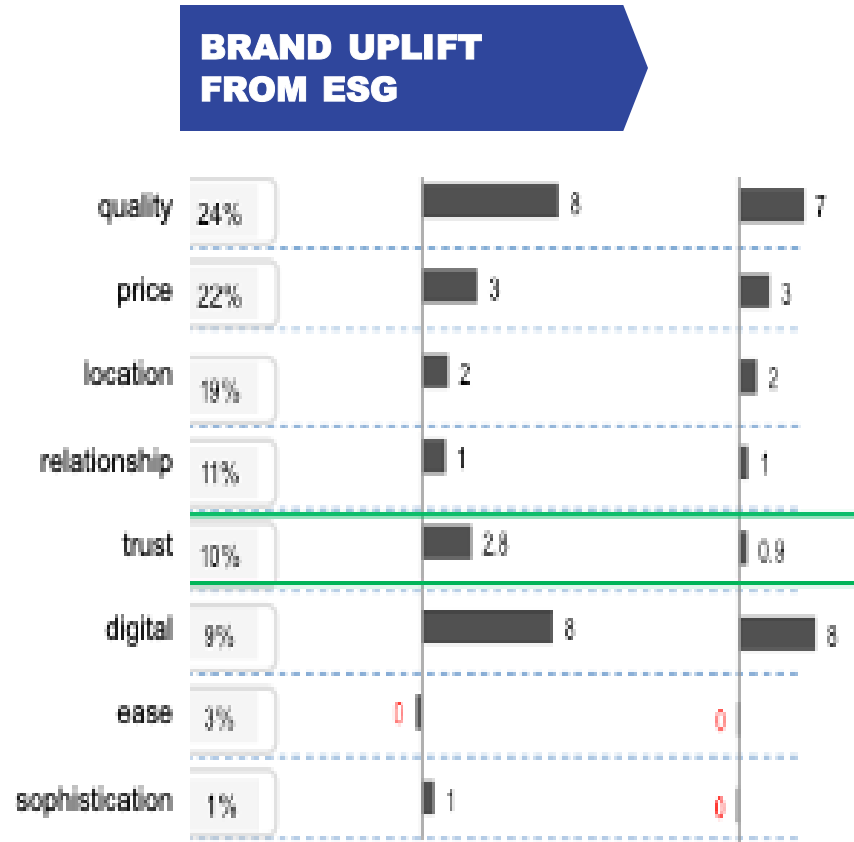
Therefore, the decrease in perception is the Brand Influence in each driver



ILLUSTRATIVE

# What would happen if we ceased our ESG investments?

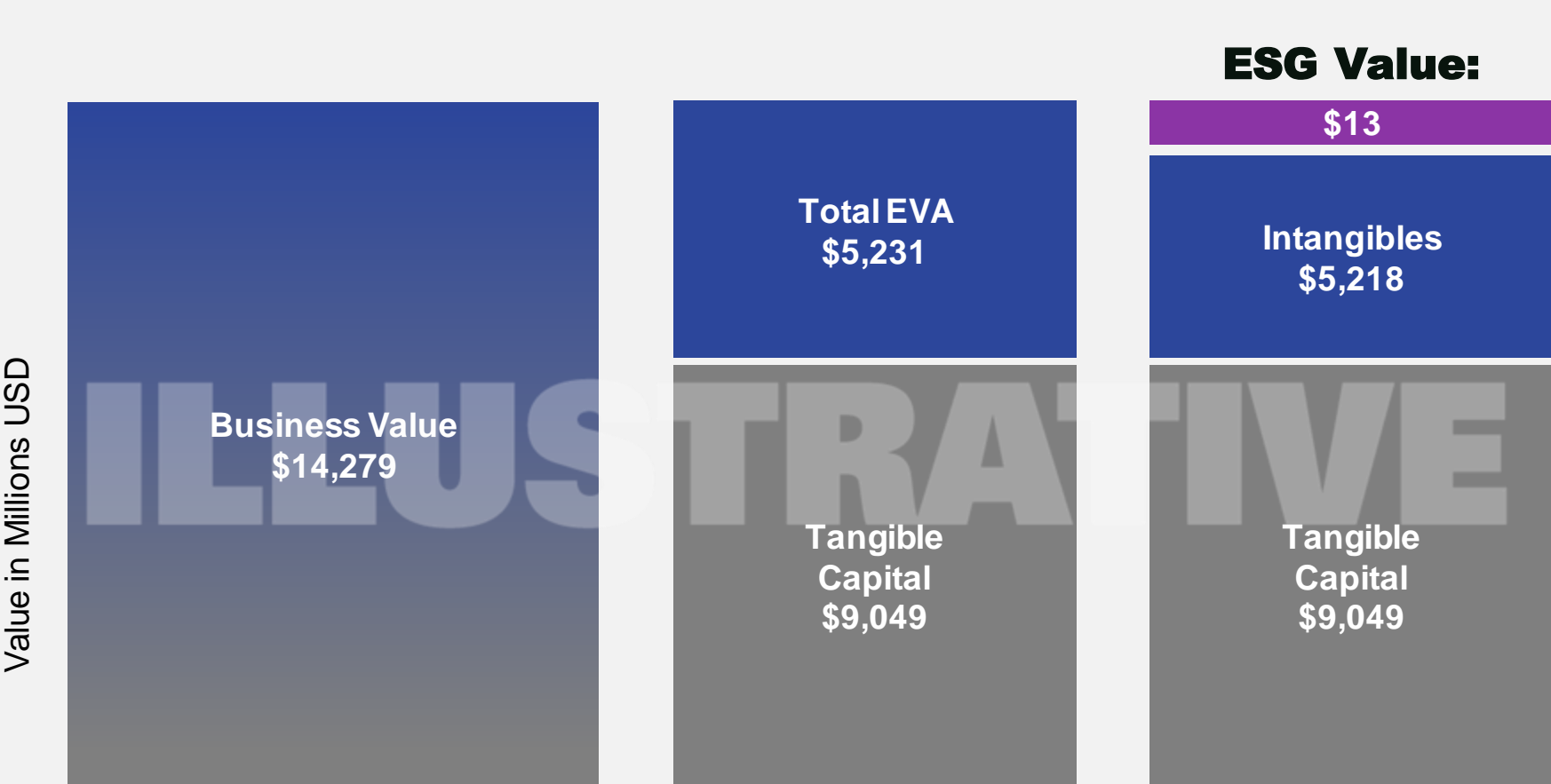
# ESG



# ILLUSTRATIVE



# Uncovering the financial value of ESG

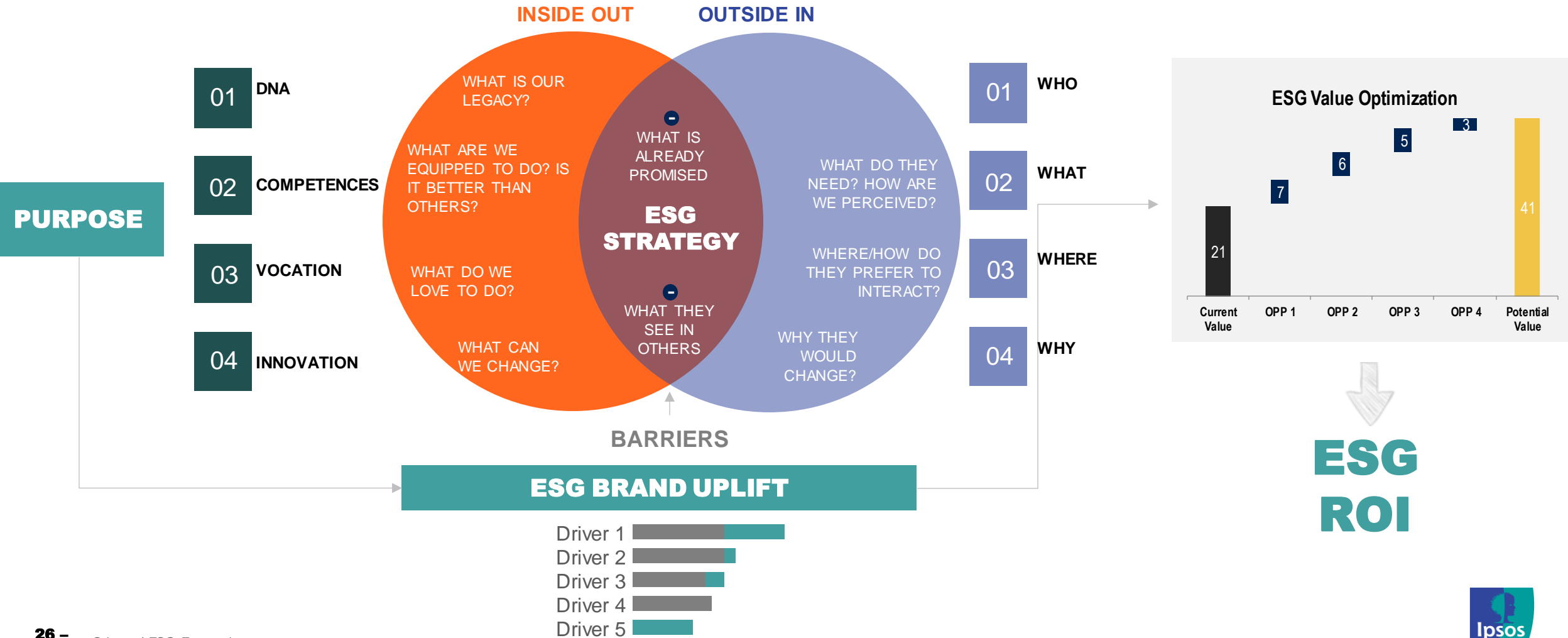


# Understanding which components of our strategy impact our brand value allows us to optimize our strategy

**PURPOSE**

**STRATEGY**

**IMPACT**



# In synthesis, we isolate the impact of ESG on stakeholders and link brand uplift generated with financial results to prioritize opportunities

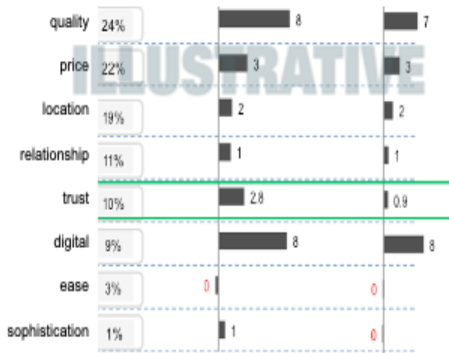
## BRAND UPLIFT FROM ESG

## FINANCIAL MODELLING

## ESG ECONOMIC BENEFIT

## ESG ROI

## ESG STRATEGY PRIORITIZATION

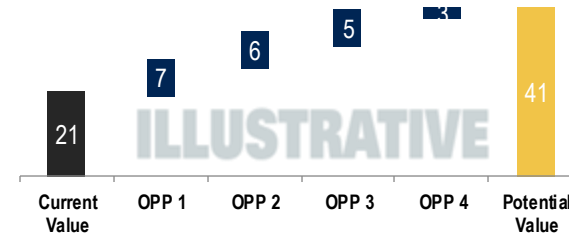


## CALCULATION

Net Revenue	100
EVA	18
brand uplift	.5%
ESG economic benefit	6



## ESG OPPORTUNITIES



The final output provides clear evidence on:

- Economic value generated by ESG investment
- How to optimize the financial return? Which should be our strategic priorities for investing?

# Case Study

**Braskem is a Brazilian petrochemical company and is the largest producer of thermoplastic resins in the Americas and the largest producer of polypropylene in the United States.**

**Through its offices in the Americas, Europe and Asia, Braskem serves more than 70 countries.**

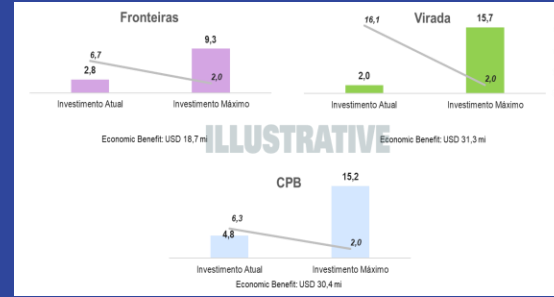


# Case Study



## CHALLENGE

Braskem needed to understand the return on investment of its 3 major ESG initiatives in order to increase the value of Sustainability, Reputation and Brand.



## SOLUTION

Through market research carried out with major stakeholders (society, community, clients and employees), Ipsos Strategy3 calculated the Braskem's brand value and assessed the impact of each sponsorship on image, reputation and perception of sustainability, uncovering economic benefit and the ROI of each initiative.

	SOCIETY	EMPLOYEES	COMMUNITIES	CLIENTS	INVESTORS	BOARD OWNERS
<b>PURPOSE</b>	<p>Crença "Nos acreditamos que o plástico e a química melhoram a vida das pessoas".</p> <p>Propósito "Melhorar a vida das pessoas criando as soluções sustentáveis da química e do plástico".</p>					
<b>STRATEGIC PRIORITIES</b>	1 AMBENTAL 2 SOCIAL 3 INOVAÇÃO	1 RELAÇÕES HUMANAS 2 ÉTICA / GOVERNANÇA 3 AMBENTAL	1 AMBENTAL 2 SOCIAL 3 ÉTICA / GOVERNANÇA	1 PRODUTOS / SERVIÇOS 2 ÉTICA / GOVERNANÇA 3 INOVAÇÃO	1 ÉTICA / GOVERNANÇA 2 AMBENTAL 3 INOVAÇÃO	1 AMBENTAL 2 INOVAÇÃO 3 RELAÇÕES HUMANAS
<b>COMMUNICATIONS OBJECTIVES</b>	1 O plástico é importante para todos, cuidamos melhor dele. 2 O plástico é reciclável e eu tenho um papel neste ciclo.	Trabalho em uma companhia que melhora a vida das pessoas por meio da química e do plástico.	Tô ficando mais tranquilo em relação à fábrica da Braskem, combato com o desenvolvimento das comunidades.	A Braskem é muito comprometida com o desenvolvimento sustentável, com ações concretas.	Quero investir em companhias como a Braskem, que tem uma boa governança, desenvolve iniciativas cada vez mais sustentáveis e inovadoras.	Química e plástico podem ser uma alternativa mais sustentável e com mais matérias.

## IMPACT

Braskem used our recommendations to decide which sponsorships should be maintained, expanded or discontinued. Corporate Communications strategy was redefined with new priorities considering impact on Brand, Reputation & Sustainability as well as financial return.



# Conclusion: understanding (and managing) value of ESG Investments

1

ESG is about the world, prosperity and people.

But companies can expect to generate more financial return.

2

ESG financial value should not only be measured but also have its investments prioritized.

3

Short-term sales impact alone is insufficient to measure ROI.

4

Impact should be evaluated on a multiple stakeholder-centric approach.

5

Improving long-term relationships positively affects future cash flows and fosters sustainable growth.

# Thank you!



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