

Understanding value drivers and meeting investor needs in sustainability reporting

the challenge

Our client is a major Australian oil and gas exploration and production company with operations in Australia and across south-east Asia. It has developed and implemented a well-articulated sustainability strategy and is recognised as a leader in a number of sustainability indices globally.

The client was aware of the growing focus from institutional investors on financial measures of environmental sustainability when considering long-term shareholder value. However, the client was not clear on which specific measures were of interest to investors and what specific information they could report to enhance their standing with institutional investors.

In order to obtain greater value from their sustainability reporting, our client requested a strategic overview of trends and value in sustainability reporting.

what Marchment Hill did

Marchment Hill provided insights on how investors look at sustainability when valuing companies and how this affects their long-term view of the company. We advised the client as to which specific enhancements in relation to financial measures of environmental sustainability would improve the perception (and hence value) of the company in the investor community.



Figure 1: Carbon Disclosure Project (CDP) Report 2008 (Cover Page)

Our client was aware that it had the potential both to improve its response and provide more financially targeted information to investors around opportunities and risks of climate change based on the requirements of the CDP. (The CDP is an information request issued on behalf of institutional investors around how companies measure, manage and reduce emissions and climate change impacts.)

Marchment Hill also looked at ways in which enhanced reporting might help the client improve its reporting across a number of sustainability dimensions to achieve a “high performance” rating.

Our report detailed investor expectations regarding sustainability reporting and measures used to assess preparedness for climate change and sustainability related issues. We showed how investors perceive greater long-term value in companies that report certain financial measures of sustainability in their climate change and environmental strategies.

The report also highlighted:

- How more detailed and/or quantitative climate change disclosure might support the client's position with investors and investor analysts;
- The likely value of such disclosure to the client;
- The client's current sustainability reporting benchmarked to selected peers.

the benefit

Marchment Hill's review helped our client focus on the most value adding improvements to its sustainability report to strengthen its perception with institutional shareholders and fund managers. The review also helped our client maintain its position as a sustainability leader.

We identified a range of opportunities to help our client improve particular measures in its own sustainability scoring with the result that it was able to achieve demonstrable strategic and financial benefit from its work around sustainability.

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