

ESG: INDICATORS THAT DECIDE INVESTMENTS

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For the capital market investor, the simple price of a stock has long ceased to be the only deciding factor in choosing which companies will receive their investments.

The decision to allocate resources on certain assets begins to consider - in addition to profitability, share profitability or companies' market value - also business perpetuity and the ability to face emerging challenges associated with the adoption of best social practices, environmental and governance, the so-called ESG (environmental, social and governance) agenda.

All this because, in practice, these initiatives are not only good for people or for the environment, but they enhance financial results, build the future of organizations and accompany global transformations.

In Brazil, this context is no different. The country is evolving and following global trends, which are leading the transition from shareholders' capitalism to a capitalism of stakeholders, which encompass all audiences that connect with organizations - shareholders, employees, suppliers, the local community and society, in general.

And B3, the Brazilian stock exchange, has been looking at this issue with increasing attention. And, in this scenario, the market indices have gained more and more relevance, especially those that translate to the investor the effectiveness of good management practices.

The indices are theoretical investment portfolios that comprise a set of shares of companies that meet certain criteria. The most well-known of them is the Bovespa Index (IBOV), which is relevant for concentrating in its composition the shares of companies listed on B3 that represent 80% of the negotiations carried out in the Brazilian capital market.

Regarding sustainable initiatives, the most prominent indicator of B3 is the Corporate Sustainability Index (ISE), launched in 2005, being the fourth of its kind created in the global markets.

To be eligible to enter the ISE portfolio, listed companies must be willing to answer a questionnaire that assesses seven dimensions related to sustainability and that has more than three hundred questions. In addition, they need to send evidence of some of their practices (selected at random) to the portfolio management council, the ISE Council (CISE).

The companies selected for the portfolio have their questionnaires published on the ISE website, which can be accessed by anyone interested. The responses of unselected participants are not published.

Once they become part of the index, companies are monitored daily for news published about their practices and that may reveal controversial facts linked to sustainable practices.

The B3 Sustainability indices portfolio also includes the ICO2 (Carbon Efficient Index), the S & P / B3 Brasil ESG Index, the IGTC (Trade Corporate Governance Index), ITAG (Differentiated Tag Along Stock

Index), the IGCX (Stock Index with Differentiated Corporate Governance) and the IGM (Novo Mercado Corporate Governance Index).

More recently, B3 and GPTW (Great Place to Work) announced a merger to develop new indices for the capital market, with an initial focus on the equity market. The indicators will bring together the companies that are part of the GPTW ranking of the best companies to work for, and have assets traded at B3. The recent partnership with GPTW is one of many opportunities to deepen discussions with the market in order to diversify the products that the Brazilian stock exchange offers in relation to the ESG index family. New themes can emerge from this dialogue and they are in line with the demands placed by society.

In this way, parameters are built that signal to the market those companies that stand out in relation to specific characteristics and that cover aspects ranging from the negotiation of assets in the market to the culture of organizations.

For companies, these indexers validate the commitments assumed and serve as recognition in relation to the consistency of their practices. The investor, in turn, obtains one more instrument to consider in his analyzes in order to enhance the profitability of his investment portfolio and to reduce the exposure to risk. Thus, investors are able to give objective meaning to those good practices that, separately, are difficult to achieve.

All these points are based on an unquestionable motivation factor: the demands of the investors themselves - in this respect, the repositioning is even more aligned with the entry of an increasingly younger audience into the stock market, the millennium generation, which prioritizes good practices.

The ESG issue came, effectively, from the investors' point of view, in the form of risk and opportunity, with greater translation in these indicators for decision making. Adopting the ESG agenda is no longer an option for companies and investors. Ignoring it presupposes risks of financial losses, while establishing a commitment to it has increasingly become a business opportunity.