

Measuring the potential of green

Using big and real-time data to uncover the relationship
between High-ESG businesses and growth

October 2020



Is ESG a 'ticket to play' or an opportunity for business?

As shareholders and regulators mount pressure on large businesses to bolster their Environmental, Social and Governance (ESG) credentials, measures to increase the visibility of ESG risks beyond a business's direct operations are becoming commonplace.

This means suppliers and business customers or clients are increasingly being investigated for their impact on the environment and for human rights violations. To do this effectively large businesses are relying more heavily on **sustainability accreditations** to verify a supplier (supply-chain screening) or client's ESG credentials.

Of emerging interest is whether these credentials are being used as a 'ticket to play' for resource-constrained small businesses that have to invest in elevating the governance of their operations, or if they are an opportunity for better business performance.

Over the last few years a lot of research has explored the relationship between high-ESG businesses and financial performance in the capital markets. Almost no research to date in Australia has explored this relationship across the unlisted business sector. This is likely because of the lack of available time-series data on the unlisted sector.

Purpose Bureau tracks real-time and identifiable trading and ESG insights on every business in Australia.

By using a list of 11,665 small, medium and large businesses in Australia that have one or more sustainability accreditations from a list of 53 popular bodies (high-ESG businesses), and by using real-time hiring activity as an indicator of business growth, Purpose Bureau sought to measure whether these sustainability accreditations can also provide an indication on the financial strength of a business.

The reference period selected was March and June 2021 quarter because it was mostly absent of COVID-19 lockdown restrictions across Australia. Statistical adjustments were made to account for biases large businesses tend to draw, such as their increased likelihood to recruit and hold accreditations.

Australia's largest ever relational study of **sustainability** and **business growth**

Key Highlights

- More than 50 sustainability accreditations and 11,665 business recipients were analysed
- **Large businesses (60+ employees)** with High-ESG credentials were 2.76 times more likely to be growing compared to the rest of the economy
- **Medium-sized businesses (21 to 60 employees)** with High-ESG credentials were 1.99 times more likely to be growing compared to the rest of the economy
- **Small businesses (1 to 20 employees)** with High-ESG credentials were 3.60 times more likely to engage in online hiring activity compared to the rest of the economy.
- On average, businesses with High-ESG credentials were 3.23 times more likely to engage in online hiring activity compared to the rest of the economy.

All sustainability accreditations selected have at least one core assessment criteria that focuses on carbon reduction.

*This page includes only a sample of the sustainability accreditations used in this research.

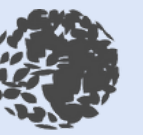
Climate Active



An Australian Government-sponsored certification aimed at driving business decisions to measure, reduce, and offset their carbon emissions.

A 'Climate Active' Certification is awarded to businesses that have calculated their emissions, reduced these emissions as much as possible, and offset any remaining emissions by purchasing carbon offsets.

Earth Check



A global scientific benchmarking and certification group specialising in accrediting the sustainability credentials of businesses in the travel and tourism industry.

This includes reviewing decarbonisation and net zero plans, eco-conscious waste reduction practices, and compliance with best-in-class ESG reporting.

Rainforest Alliance



An international non-governmental organisation focusing on reducing the natural environment impact of businesses in the agriculture supply-chain.

This includes addressing issues along the supply-chain such as carbon emissions, deforestation and modern slavery.

Global GreenTag



An international accreditation for recognising products that have been created using sustainable practices with a focus on building products and materials.

To receive certification a product must successfully satisfy criteria focused on minimising the impact on the natural environment, climate change, and human rights.

Good Environmental Choice Australia



A non-profit sponsored association focused on the sustainable manufacture and construction or material products.

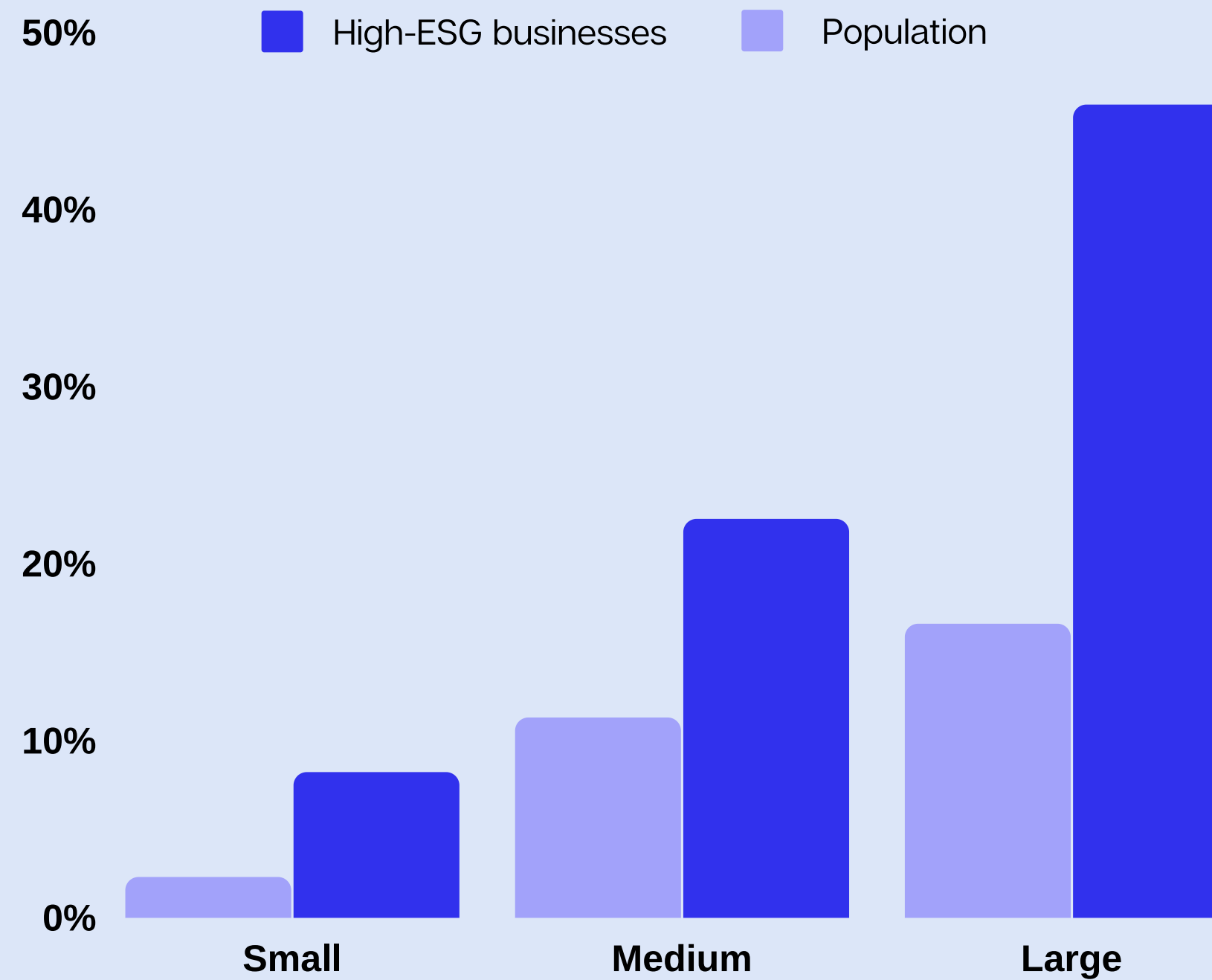
A GECA product can be recognised for the business owners Life Cycle Assessment of the manufacture of its product, authenticating its product, and certifying it as an EcoLabelled product.

Growth of High-ESG businesses

Findings

- 16.6% of **large businesses** (60 or more employees) engaged in online hiring activity in Q4 FY2021, compared to 45.9% of the high-ESG cohort.
- 11.3% of **medium-sized businesses** (between 20 and 60 employees) engaged in online hiring activity in Q4 FY2021, compared to 22.5% of the high-ESG cohort.
- 2.3% of **small businesses** (less than 20 employees) engaged in online hiring activity in Q4 FY2021, compared to 8.2% of the high-ESG cohort.
- All high-ESG businesses were, on a weighted-average basis, 3.23 times more likely to engage in online hiring activity compared to the rest of the economy in Q4 FY2021.

Share of businesses* that hired new workers in Q4 2021



*Businesses refer to entities registered as a proprietary limited company

Definitions and Technical Appendix

- **Sustainability accreditations** are typically provisioned by non-profit associations or government agencies after a physical or document audit of a business and for a fee. The scope of a sustainability-related assurance may include the release of carbon emissions, waste and land management, water management, impact on the welfare of livestock or invertebrates, or the chemical content of product inputs.
- The **list of sustainability accreditations** selected for this research were collated by an initial list of 100 accreditations with the most business recipients in Australia, which was then reduced to 53 to include only those with an entire list of identifiable business recipients.
- **Small businesses** had 0 to 20 employees, **medium businesses** had 21 to 60 employees, and **large businesses** had more than 60 employees.
- This research project **excluded businesses** that were not proprietary limited companies. Businesses that are not proprietary limited companies typically take the form of trust, sole traders, and partnerships. After excluding non-GST registered businesses and person recipients not acting on behalf of a business, the overall population and High-ESG cohort were reduced by approximately 40%.
- Statistical adjustments were made to account for the biases large businesses tend to draw, such as their increased likelihood to recruit and hold accreditations.



For access to this and more ESG data on every business in Australia
please get in touch at www.purposebureau.com