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# ***Company reporting on ethical trading***

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# ***Citigroup Smith Barney Equity Research is:***

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- A fully independent equity research platform
- Pan-European coverage
- Giving day-to-day advice to buy-side analysts and portfolio managers on investment decisions

# ***What am I doing there?***

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- Working with the sector analysts...
- ...to analyse companies...
- ...and inform clients...
- ...of investment themes related to social, ethical and environmental risks and opportunities

# ***How do we identify sustainability investment themes?***

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- Understand financial drivers of the business model;
- Understand social and environmental issues facing the company;
- Identify social and environmental issues which could impact a financial driver;
- Identify a catalyst which will trigger an impact of the issue on the share price.

# ***How does a financial analyst look at a retailer?***

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- Revenues
  - Like-for-like sales growth
  - Margin
- Costs
  - Rent
  - Staff
  - Product
- Other factors being monitored
  - Consumer spending, planning policy, distribution strategies, purchasing trends ....

# ***How does the ETI tool look at a retailer?***

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- It provides an enormous amount of detail on company management and supplier performance
- It assumes that labour standards are important to the reader
- It focuses on only one issue facing the company

# ***Is ETI style reporting useful to an investor?***

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- Not really!
  - It doesn't help in analysing the potential for under- or out-performance of the company.
- What would be more helpful?
  - Reporting which explains to investors how management of supply chain labour standards makes them a more attractive investment opportunity than their competitors.

## ***Question:***

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- How can labour standard issues be framed to help identify out-performance?

## ***Possible answer:***

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- *“Investment in our suppliers makes us a priority customer when placing orders, reducing lead times by an average of 2 days.”*

## ***Possible answer***

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- *“Our customers are willing to pay a 3% premium for product ranges labelled with a labour standards/fair wage certificate.”*

## ***Useful reporting tells me...***

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- .... how a company is reducing costs by improving operational efficiencies through understanding their suppliers better than competitors;
- .... how a company is increasing margins and sales by differentiating their products in line with customer interest.
- The challenge is finding the examples!