

THE FUTURE MEANS BUSINESS

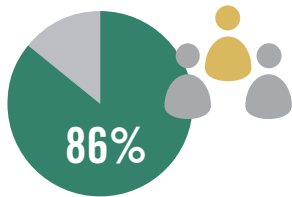
The investment implications of transformative new corporate models

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A broad coalition of stakeholders is propelling companies to “doing good while doing well,” with significant implications for investors in those companies.

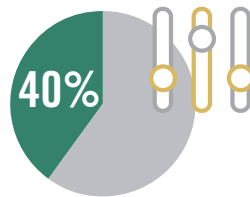
Key Stakeholders Pushing for Purpose

ENLIGHTENED EMPLOYEES



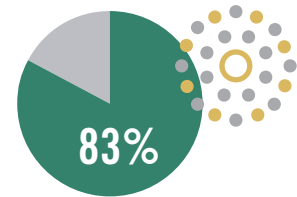
Recent surveys show 86% of millennials in the U.S. **prefer purposeful work** to a higher salary.¹

ESG INVESTORS



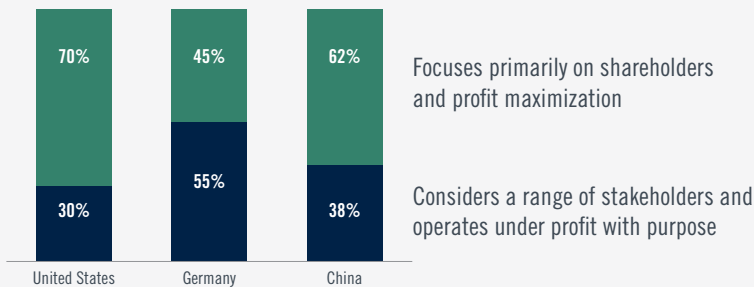
Shareholder proposals related to ESG in the U.S. have more than doubled in the past two decades, and currently account for nearly 40% of all shareholder proposals submitted to Russell 3000 companies.²

CUSTOMER ACTIVISM



83% of consumer activists now claim it is more important than ever to **show support for companies that do the right thing** by buying from them.³

Broader Purposefulness Growing as a Corporate Goal



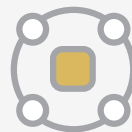
Source: PGIM 2019 proprietary survey of over 300 public and private companies across the United States, Germany and China.

Key Insights



CONVENTIONAL WISDOM

Companies are focused solely on maximizing shareholder value.



PGIM'S PERSPECTIVE

Firms are increasingly driven by priorities other than profits and are positioning themselves as agents of social change.

Investment Implications

01 ESG INTEGRATION

Integrate relevant ESG metrics into the investment process – an imperative for both ESG champions and skeptics.

02 POTENTIAL PITFALLS

Re-evaluate the potential pitfalls of an exclusion-list approach to ESG, which comes with unintended consequences.

03 ESG 2.0

Move beyond formulaic methodologies and be discerning about ESG factors that are truly material for a specific firm and industry.

04 CORE/SATELLITE APPROACH

Core focuses on strong investment performance while tilting towards better ESG exposure; satellite targets a specialized investment aimed at generating outsized social returns.

05 CORPORATE REPORTING

Continue to influence corporate reporting to drive higher-quality ESG data and outcomes.

1. Jenkin, Matthew, "Millennials want to work for employers committed to values and ethics," The Guardian, May 5, 2015. < <https://www.theguardian.com/sustainable-business/2015/may/05/millennials-employment-employers-values-ethics-jobs>>; Mejia, Zameena, "Nearly 9 out of 19 millennials would consider taking a pay cut to get this," CNBC, June 28, 2018. <<https://www.cnbc.com/2018/06/27/nearly-9-out-of-10-millennials-would-consider-a-pay-cut-to-get-this.html>>
2. Grewal, Jody, Serafeim, George and Yoon, Aaron, "Shareholder Activism on Sustainability Issues," Harvard Business School Working Paper, No. 17-003, July 2016. <<https://www.hbs.edu/faculty/Pages/item.aspx?num=51379>>
3. "Battle of the Wallets: The Changing Landscape of Consumer Activism," Weber Shandwick and KRC Research, 2018. <https://www.webershandwick.com/wp-content/uploads/2018/05/Battle_of_the_Wallets.pdf>

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