

QIAN CHEN

Associate Director
Head of European Operations
Perception Analytics



HOW ESG DRIVES INVESTMENT DECISIONS:

Perspectives from the Buy Side

January 2017

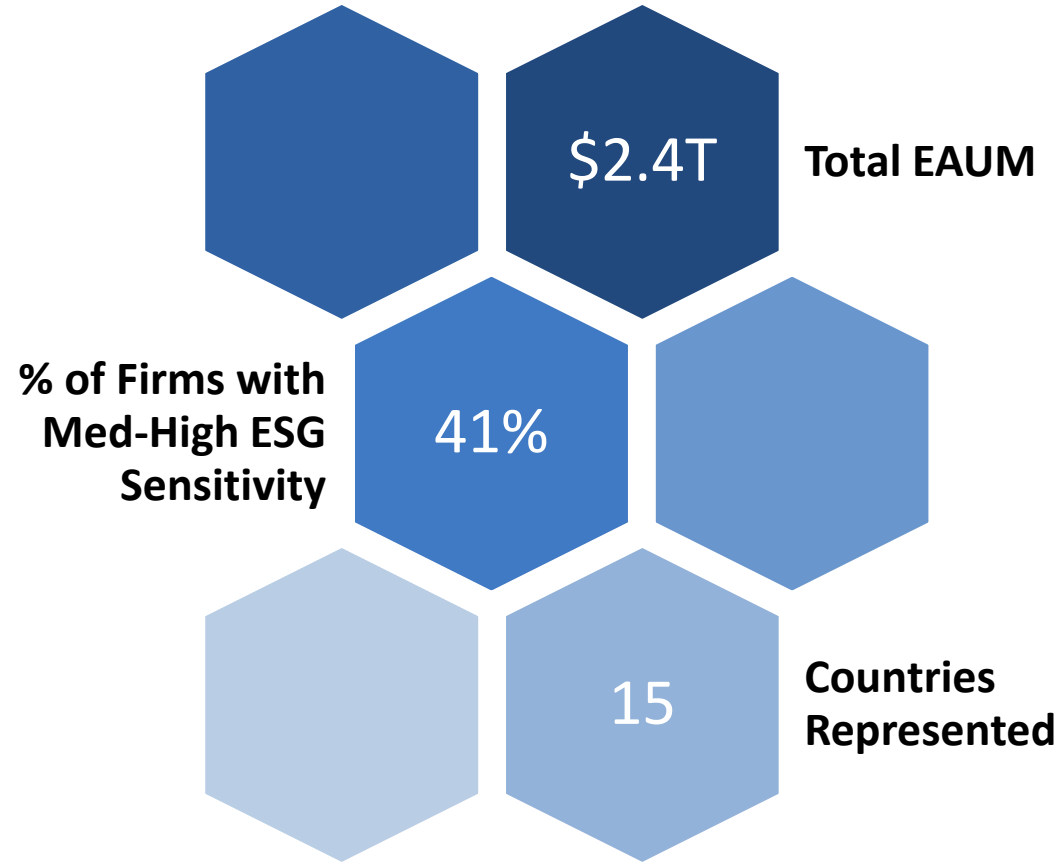


AS THE LANDSCAPE OF ESG INTEGRATION EVOLVES, INVESTOR RELATIONS TEAMS ARE OFTEN FACED WITH THREE KEY QUESTIONS

- 1. How are ESG considerations incorporated into investment decision-making?**
- 2. What are the key resources that institutional investors rely on for ESG research?**
- 3. What role should Investor Relations play in Sustainability communications?**



IN-DEPTH INTERVIEWS WITH PORTFOLIO MANAGERS AND DEDICATED SUSTAINABILITY ANALYSTS*



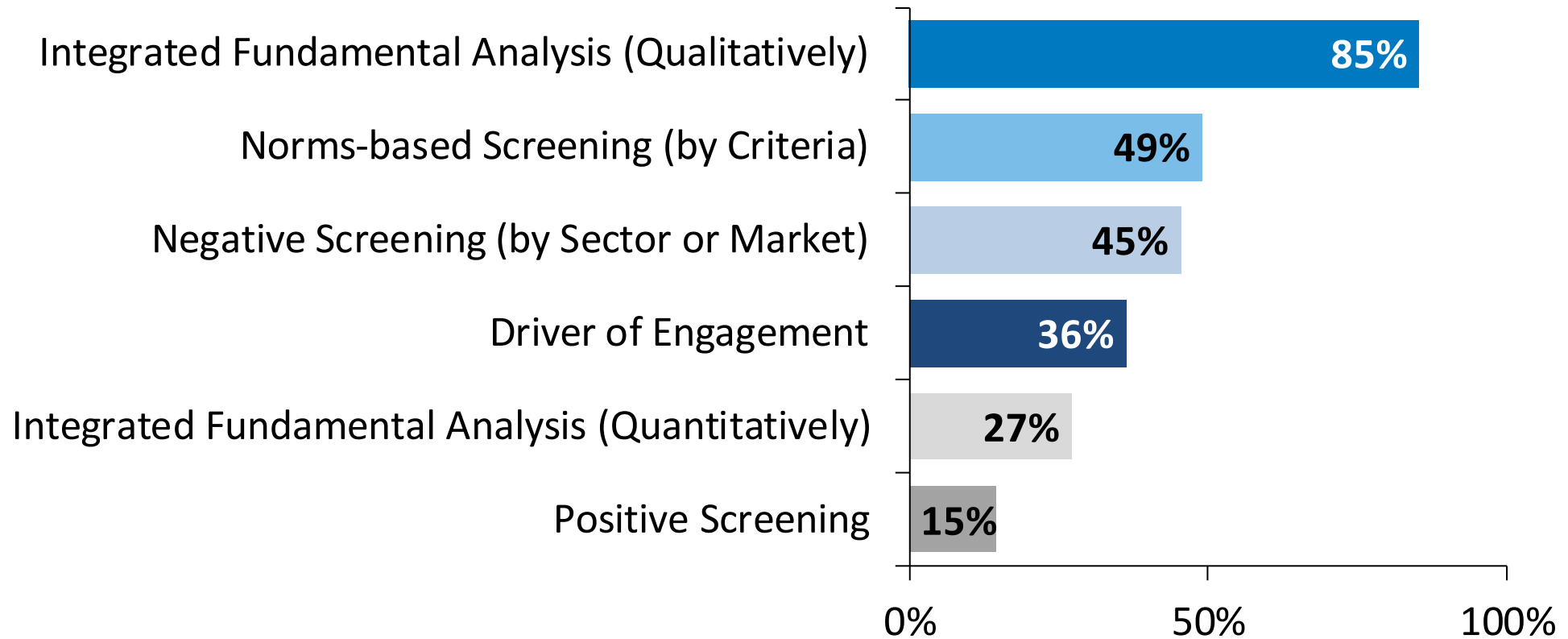
*Ipreo conducted over 70 telephone interviews throughout 2016.

Ownership statistics based on Ipreo's public fund flow data as of December 31, 2016. ESG Sensitivity is calculated using Ipreo's internal scoring methodology.



MOST INSTITUTIONAL INVESTORS TAKE A 'SOFT' APPROACH TO MEASURING AND INCORPORATING ESG

Role of ESG within Investment Decisions*



*Participants had the option of providing multiple responses. The top-6 responses are graphed.



VERBATIM QUOTE:

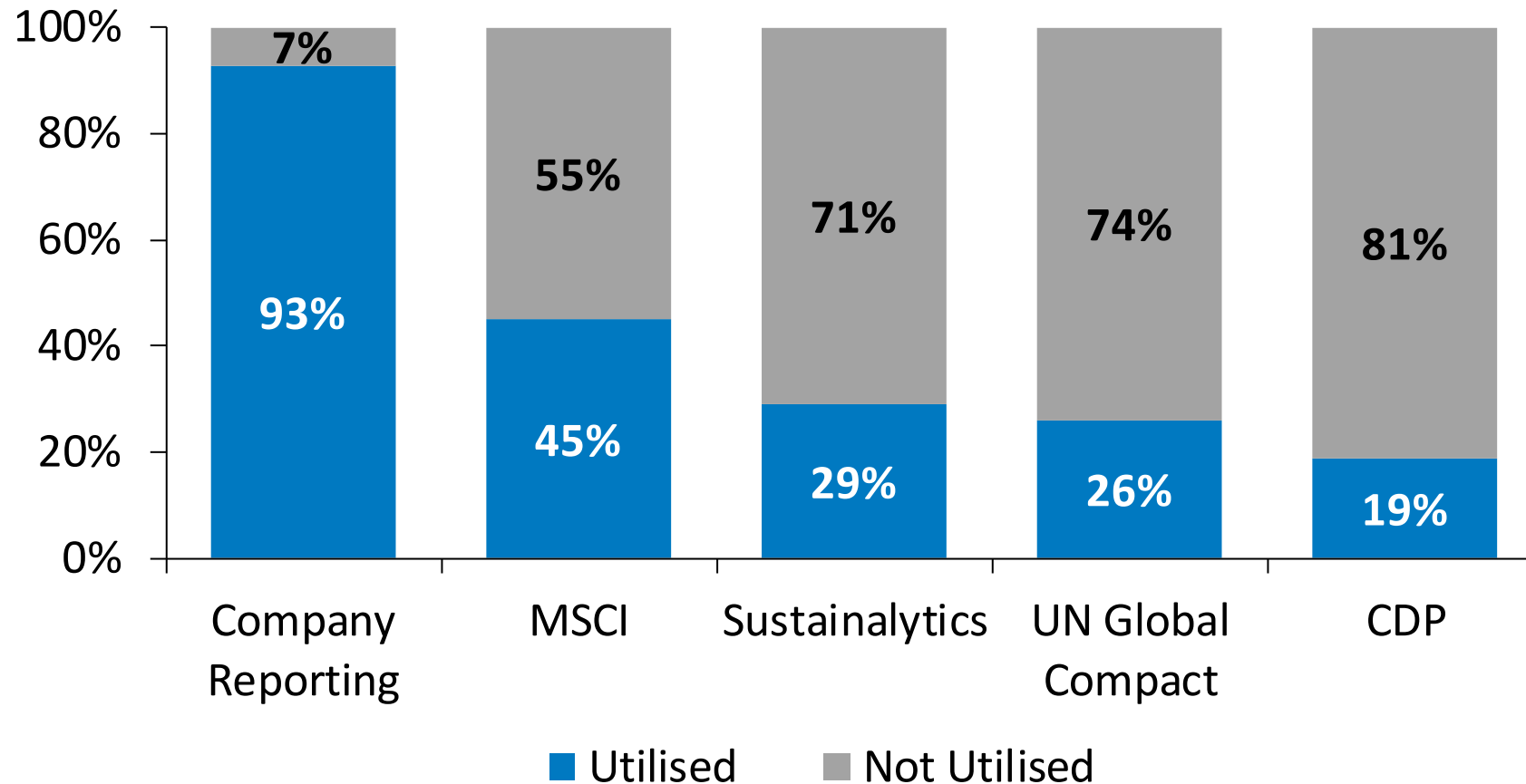
SUSTAINABILITY ANALYST, MUTUAL FUND (>\$50B EAUM)

Our SRI research does have influence, but it is not explicit or direct at this stage. However, that has been what we are working toward.



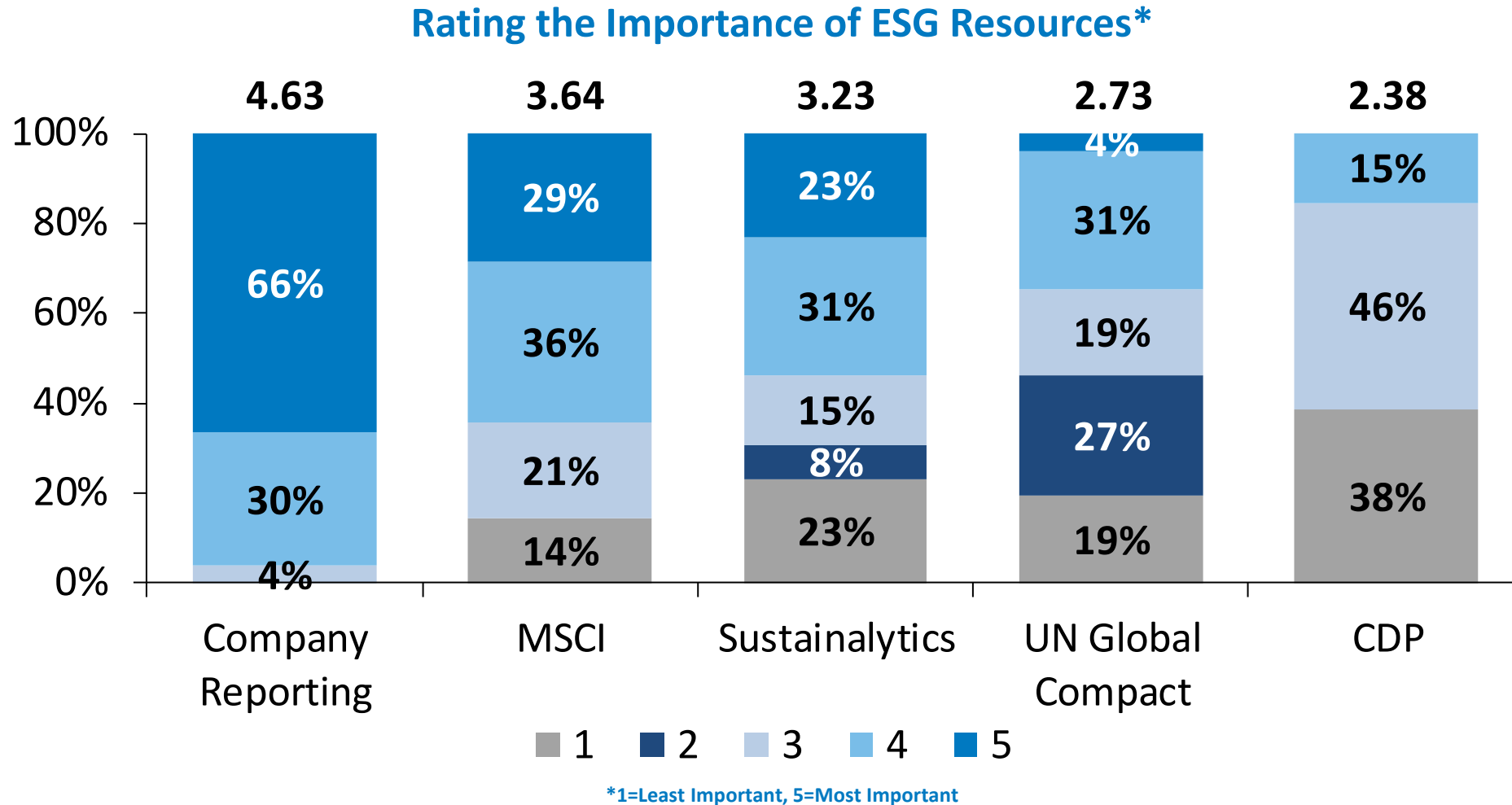
DIRECT COMPANY REPORTING IS THE MOST-UTILISED SOURCE OF ESG INFORMATION

Utilisation of ESG Resources





ON A RELATIVE BASIS, THIRD-PARTY RESEARCH IS A DISTANT SECOND ESG RESOURCE





VERBATIM QUOTE:

SUSTAINABILITY ANALYST, MUTUAL FUND (>\$200B EAUM)

We look at the Annual Report, Sustainability Report, interim results, and strategy presentations. The more information that we can include, the better our scorecard is. We use external benchmarks for the information that they provide, but we do not pay any attention to their ratings.



OTHER COMMONLY-MENTIONED ESG RESOURCES*

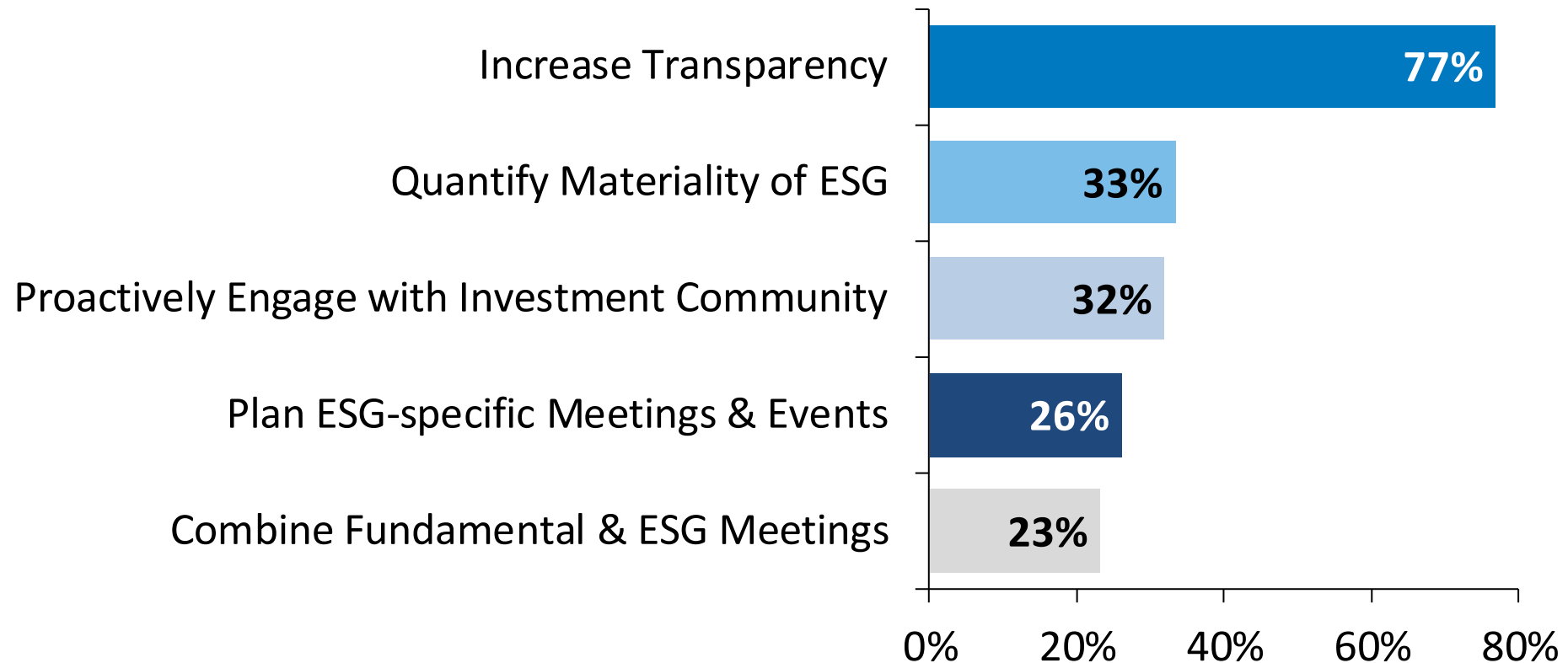


*Word size correlates to frequency of mentions.



IR IS EXPECTED TO PLAY A SIGNIFICANT ROLE IN BRIDGING THE LINK BETWEEN ESG, FINANCIAL PERFORMANCE, AND INVESTMENT ATTRACTIVENESS

Key Recommendations for IROs*

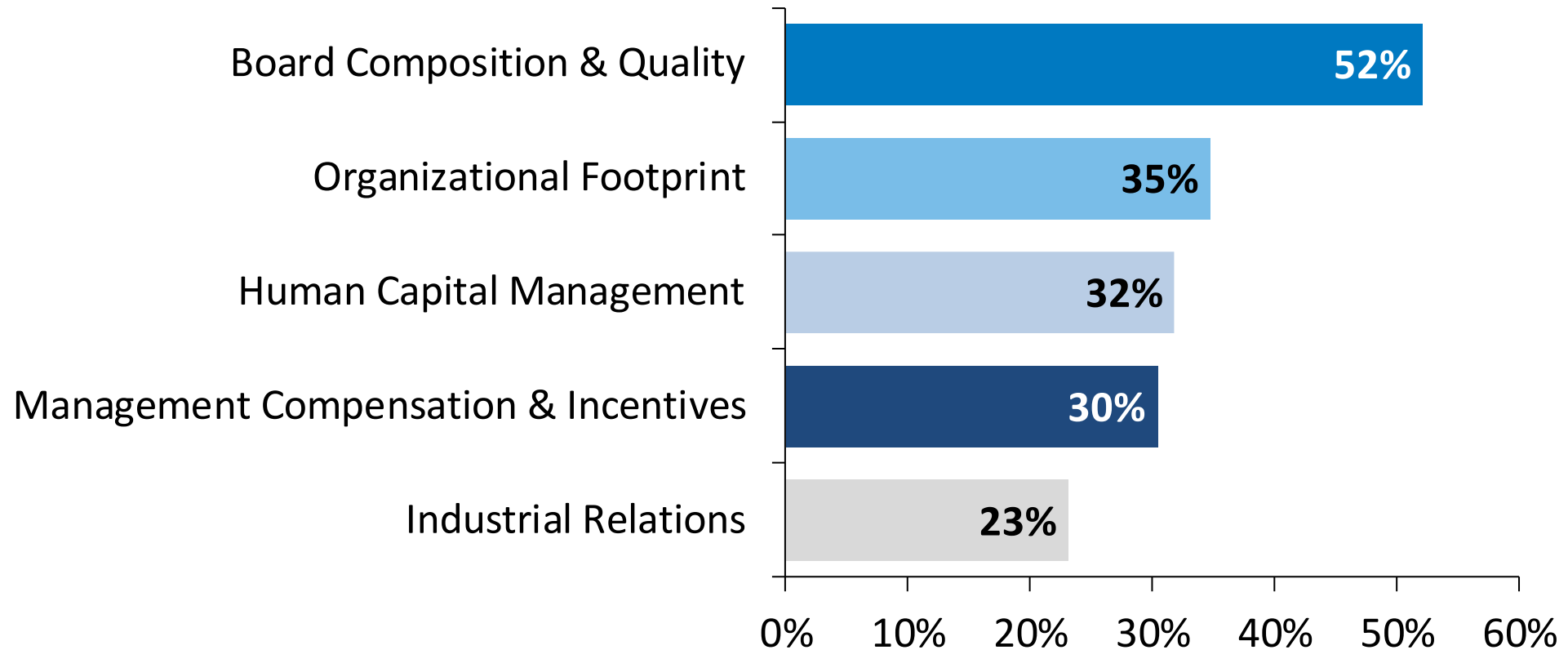


*Participants had the option of providing multiple responses. The top-5 responses are graphed.



A COMPANY'S LEVEL OF ESG DISCLOSURE IS OFTEN CONSIDERED TO BE CORRELATED WITH THE QUALITY OF ITS SUSTAINABILITY PRACTICES

ESG Disclosure Recommendations*



*Participants had the option of providing multiple responses. The top-5 responses are graphed.



VERBATIM QUOTE:

SUSTAINABILITY ANALYST, MUTUAL FUND (>\$1B EAUM)

The quality of reporting should ensure that it is not primarily viewed as a marketing tool, but a tool that represents the positives and negatives of ESG on the risk profile and potential opportunities. Also, incorporating ESG information across all forms of communication would be helpful.



KEY TAKEAWAYS

Understand Your Audience

- Tailor messaging and outreach based on specific buy-side institutions' approach to ESG integration

Proactively Engage

- Communicate with investors and Sustainability analysts as well as external resources that play a formative role in shaping market sentiment on ESG

Demonstrate Materiality of ESG

- Leverage IR channels of communications to emphasise the importance of ESG to the investment story and add transparency on its material impacts



THE IMPORTANCE OF UNDERSTANDING THE BUY SIDE'S PERSPECTIVE

“Ipreo worked with Qantas on a comprehensive investor survey focused on Sustainability and ESG reporting, covering shareholders in our home market in Australia in addition to the US and UK. In every respect, I was impressed with the quality and relevance of the data, presentation of material, and professionalism of the Ipreo team. They surpassed our expectations and added real value to our Sustainability Reporting and engagement plan.”

Andrew Cleary, Head of Investor Relations at Qantas Airways



Ipreo is the global leader in providing **market intelligence, data,** and **technology solutions** to all participants in the global capital markets, including sell-side banks, publicly traded and private companies, buy-side institutions, and research and asset management firms.

Perception Analytics helps IROs and management teams **improve relationships with the buy and sell side** by understanding what drives their investment decisions. We partner with clients to develop **actionable strategies** to positively differentiate their company as an investment opportunity.