

Report by Kepler Cheuvreux builds on over ten years of research in the SRI-ESG field and uses RepRisk data

December 2016

The market's inability to fully account for environmental and social issues is, in our view, at least partly due to a lack of consensus on the significance of these topics and of relevant data and knowledge on analysis tools. As stakeholders (including governments and consumers) start pressuring for these issues to be taken into account, such considerations will increasingly be "internalised" and priced in by the market, through revenue, cost or risk effects. This creates both opportunities and risks for investors.

Motivation, needs and interests vary from one investor to another, and while a wide variety of tools exist, they are often not framed and matched according to what these tools can, and more importantly, cannot be used for. In short, we believe that better clarity on tools and methodologies available to integrate environmental and social factors into investment research and analysis is needed.

This is where this report comes in. The aim of this report is to build on over 10 years of research in the SRI-ESG field by Kepler Cheuvreux, with a special focus on tools. We pay particular attention to 1/ the use case, 2/ underlying methodological assumptions, and 3/ drawing links with academic research and industry-led initiatives that could be relevant. We also take this opportunity to introduce a new product that leverages our equity analysts' bottom-up insights to pinpoint the potential impact of environmental and social issues on our investment recommendations.

Contents:

- Elevator Pitch: Why now?
- Family Portrait: Where can ESG analysis add value in the investment process?
- Is the data available for integration? Footprinting, Scoring and Ratings (incl. a review of the main ratings providers on the market)
- Integration into fundamental analysis (incl. case studies from our equity research team)
- Our approach: ESG Integrated Profiles

The report is available to Kepler Cheuvreux clients and will be publicly available in March 2017.