

GLOBAL SRI LANDSCAPE

MAY 2016

NASDAQ CORPORATE SOLUTIONS



A DATA-DRIVEN APPROACH TO SRI ANALYSIS

Nasdaq Corporate Solutions analysed the portfolios of more than 6,000 investment firms across 500 quoted companies; combining ownership information from Nasdaq IR Insight™ with Thomson Reuters ESG data to create a purely data-driven view on **global ESG trends from an investor perspective**.

This unique approach differs considerably from the traditional binary approach of simply assessing whether investors are SRI-focused or not, instead providing a much more granular view of **the degree to which investors are socially responsible** based upon the companies they invest in.



ACTIONABLE INSIGHT

The results of this analysis provide the following action points:

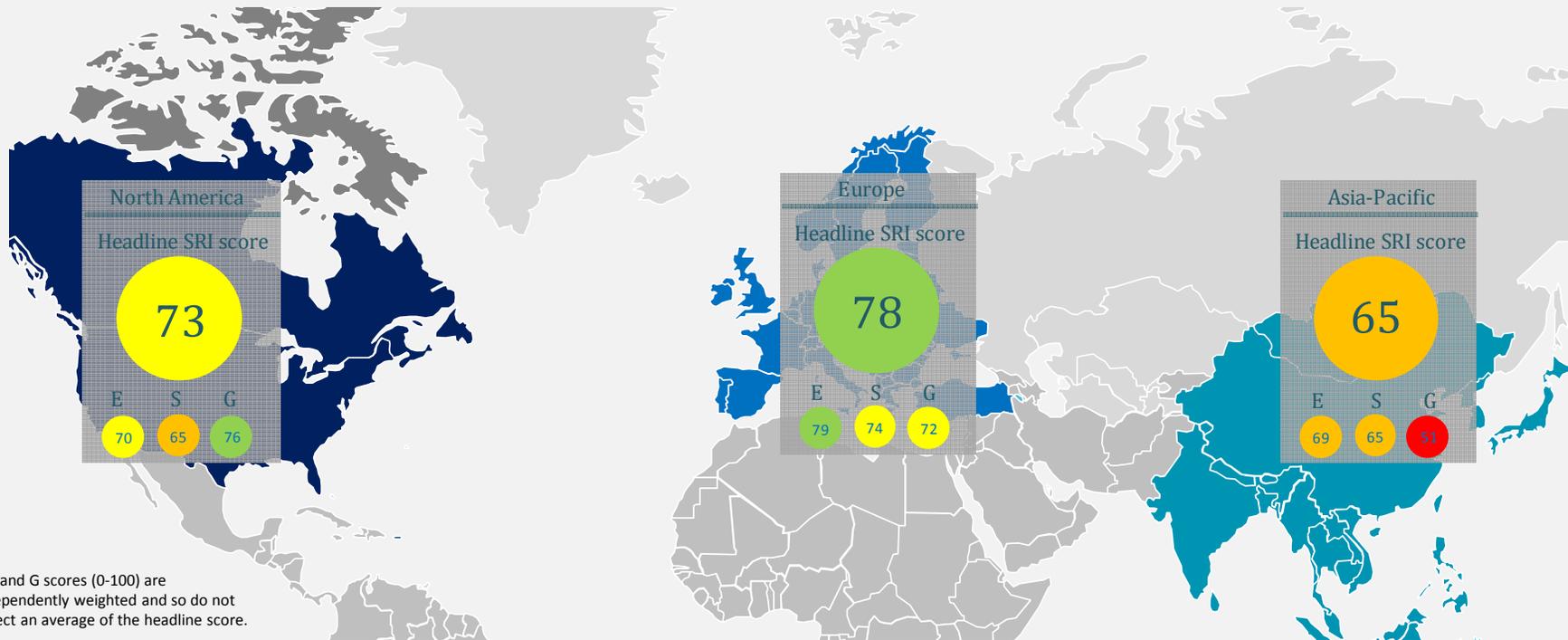
- Companies should try to **look beyond the ways that investors like to describe themselves from an ESG standpoint** and focus more on the way they actually invest to see whether their portfolios reflect good ESG standards.
- Companies should realise that **there are many investors who do not openly advertise their ESG policies but still invest ethically**. These investors are often just as good SRI targets as investors with highly transparent ESG policies. With this in mind, despite common assumptions, the US actually offers plenty of opportunity for SRI targets for those companies that are able to identify the right investors.
- Companies should be aware that **investors with good ESG standards may have a specific focus**, be that towards Environmental factors, Social factors or Governance factors. Companies should tailor their ESG message accordingly to stand the best chance of attracting interest. Examples of this are the high levels of Environmental awareness of investors in Europe, versus the high levels of Governance awareness in the US.
- Companies should **consider the regional variability in SRI scores** before considering where to conduct their SRI roadshows.

KEY FINDINGS FROM NASDAQ CORPORATE SOLUTIONS

MAY 2016

- On a global region basis, average SRI scores differ significantly between Europe, the US and Asia Pacific.
- Across Europe, headline SRI scores are generally very high, helped by the fact that investors hold shares in companies with very good Environmental characteristics, while Governance factors tend to be weaker.
- In contrast, Governance scores in the US tend to be much higher with lower scores for Environmental and Social.
- In the US, the West Coast is a better location for SRI investors compared to the East Coast, while Canada is generally a better location than the US.
- The Asia Pacific region clearly lags behind Europe and the US in terms of headline SRI scores.
- Outside of the US, Governance scores tend to be higher for investors in Commonwealth countries where UK Corporate Governance practices are adopted.

GLOBAL SRI LANDSCAPE



E, S and G scores (0-100) are independently weighted and so do not reflect an average of the headline score.

Source: Nasdaq Corporate Solutions

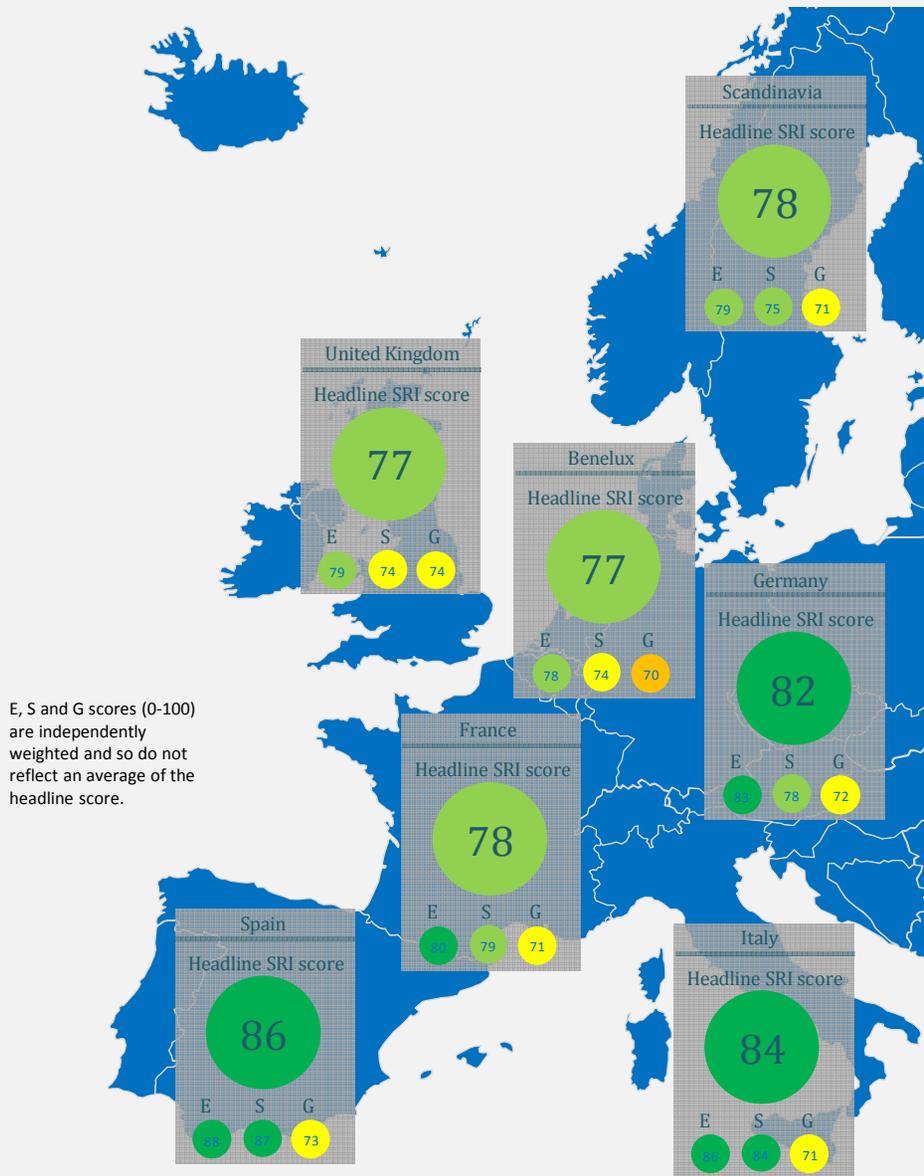
Nasdaq Corporate Solutions is able to provide detailed insight into the behaviour of investors in particular regions based upon the SRI characteristics of the stocks they hold in their portfolios. This approach enables a whole-market view rather than simply focusing on investors who claim that ESG is an important component of their investment criteria.

By combining global ownership data from Nasdaq IR Insight™ with information taken from Thomson Reuters' ESG database, Nasdaq Corporate Solutions is able to derive portfolio-weighted SRI scores by investor, sector, country and region. This is valuable and actionable insight for the increasing number of companies who recognise the importance of incorporating ESG themes into their Investor Relations strategies.

Headline SRI scores for investors can be broken down into sub-scores for Environmental, Social and Governance (E, S, G) factors, which provide vital granularity for companies wanting to better understand whether particular investors are a good fit for them, dependant on their own ESG characteristics.

The above diagram reveals that, on a global region basis, average SRI scores differ significantly with Europe leading the way, driven by strong Environmental scores, while Governance factors play a much more significant role for investors in North America. This is the opposite in the Asia Pacific region where investors generally lag on an SRI basis, with headline figures dragged down by much lower Governance scores.

EUROPEAN SRI LANDSCAPE



E, S and G scores (0-100) are independently weighted and so do not reflect an average of the headline score.

Source: Nasdaq Corporate Solutions

Across Europe, headline SRI scores are generally very high, helped by the fact that investors hold shares in companies with very good Environmental characteristics.

Germany and Southern Europe have marginally higher scores than Northern Europe. Surprisingly, the Scandinavian countries, which are most commonly associated with good ESG standards, do not stand out amongst their other European counterparts.

Santander Asset Management in Spain and Generali Investments in Italy top the list of European investors by headline SRI score and have helped to boost the overall scores in their regions significantly. The UK market which is significantly more diversified, is led by firms including Liontrust Asset Management, Investec Wealth & Investment Limited and EdenTree Investment Management Limited.

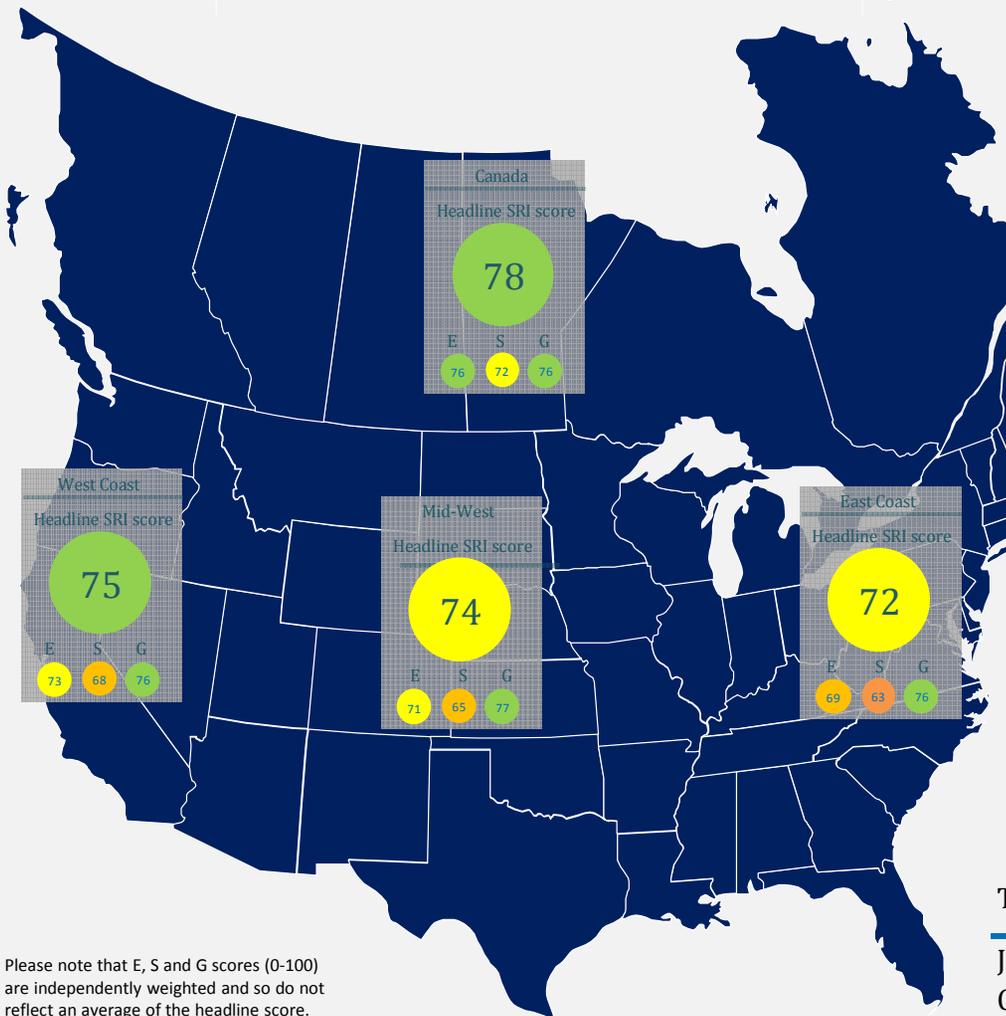
An important consideration in this analysis is that investors are much more likely to hold shares in companies located within their country and region and so SRI scores are, to a certain degree, reflective of the types of companies that exist in a particular region and the local regulations placed upon them.

Generally speaking, Governance factors hold back headline scores in Europe, perhaps reflective of that fact that, despite European legislation increasingly being agreed centrally in Brussels, there is still a long way to go to achieve harmonisation. With European governments and regulators still implementing local policy themselves, this has resulted in more variable standards of Governance.

Top European SRI Investors		Headline SRI score
Santander Asset Management	Madrid	90
Generali Investments Europe S.p.A. SGR	Trieste	90
Liontrust Asset Management PLC	London	90
Investec Wealth & Investment Limited	London	90
EdenTree Investment Management Limited	London	89

Source: Nasdaq Corporate Solutions

NORTH AMERICAN SRI LANDSCAPE



In North America, the West Coast is a better location for SRI investors compared to the East Coast, while Canada is generally a better location than the US.

A striking difference between SRI scores in North America versus the rest of the world is that Governance scores are significantly higher, perhaps reflective of tighter controls due to the rules-based regulatory system, which makes expectations easier to understand and apply.

European companies looking to target US SRI investors should bear in mind the fact that good Corporate Governance appears to be a cornerstone for many US firms' investment decisions and so conversations around ESG should focus on this topic.

Perhaps unsurprisingly, Environmental scores for US companies are low, reflective of the slower adoption of policies to tackle carbon emissions. Over the border, Canadian Environmental scores are much higher, revealing a stark contrast in investor attitudes to this theme.

Generally speaking, US investors are behind their European counterparts in terms of the overall communication of their SRI strategy. However, that is not to say that there aren't investors whose portfolios demonstrate good ESG standards. Nasdaq Corporate Solutions can help companies to target such firms.

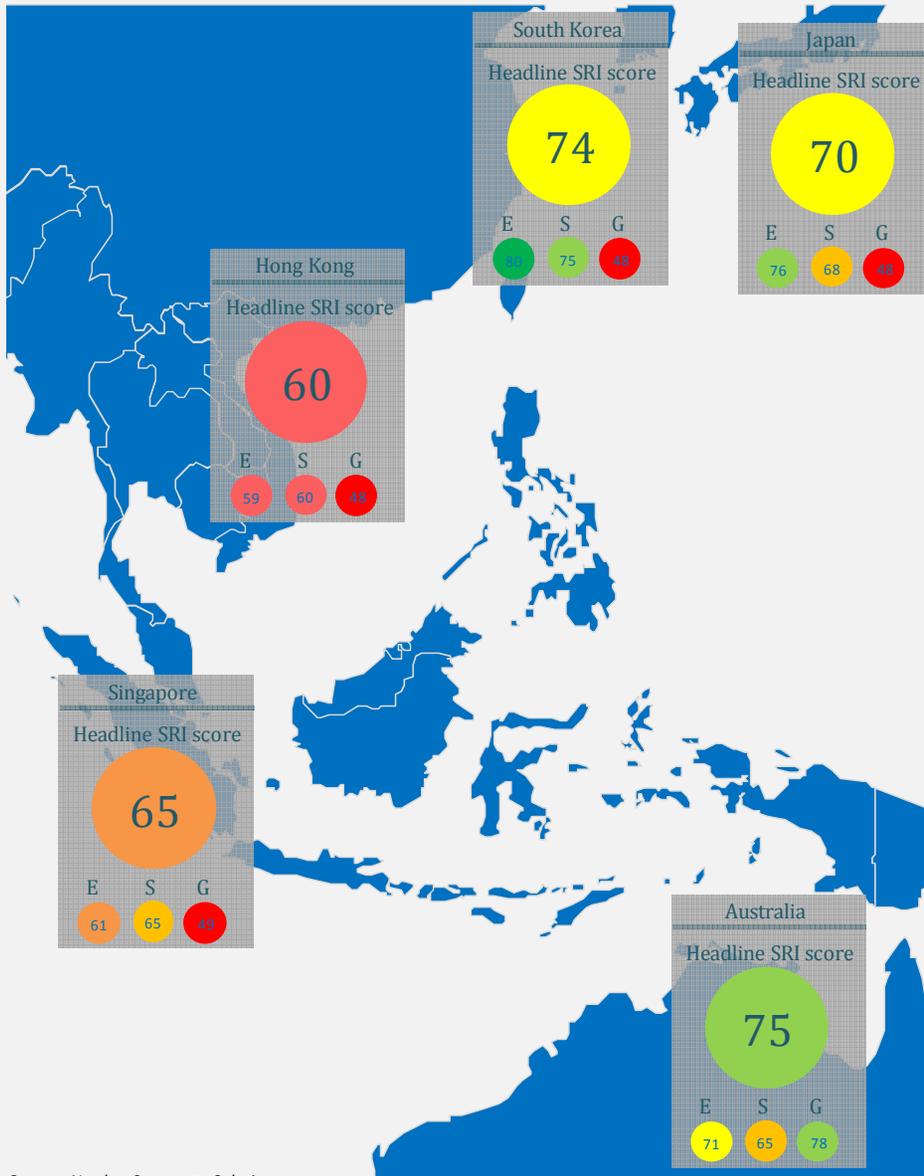
Please note that E, S and G scores (0-100) are independently weighted and so do not reflect an average of the headline score.

Source: Nasdaq Corporate Solutions

Top North American SRI Investors		Headline SRI score
Jensen Investment Management Inc.	Lake Oswego	89
Causeway Capital Management LLC	Los Angeles	87
RBC Wealth Management, International	New York	87
Franklin Advisory Services, LLC	Ridgefield	87
Guardian Capital LP	Toronto	87

Source: Nasdaq Corporate Solutions

ASIA PACIFIC SRI LANDSCAPE



Source: Nasdaq Corporate Solutions

The Asia Pacific region clearly lags behind Europe and the US in terms of headline SRI scores. An important consideration, however, could be the fact that the more irregular disclosure of ESG factors by companies makes it difficult for agencies such as Thomson Reuters ESG to collect information in a consistent way.

The regional differences in SRI scores across the Asia Pacific region are striking. However, a common theme appears to be very low Governance scores, perhaps reflecting low levels of consideration for this topic from both companies and investors in the region.

A marked difference is in Australia where the Governance scores are considerably higher, no doubt linked to the fact that this country has always adopted very similar Corporate Governance practice to the UK.

In Japan and Korea, Environmental scores are much better compared to Hong Kong and Singapore. This is perhaps due to the very tech-heavy focus of equity markets in these countries. Subsequently, these economies are less geared towards heavy polluting industries.

Given the low and variable SRI scores in Asia Pacific, companies planning SRI roadshows in this region may struggle to find sufficient interest to warrant the extensive travel that would, no doubt, be required. Certainly, the effort/reward ratio would be much more favourable in Europe.

Top Asia-Pac SRI Investors		Headline SRI score
MLC Investment Management Ltd.	Sydney	88
Yuanta Securities Investment Trust Co., Ltd.	Taipei	81
Korea Investment Management Co., Ltd.	Seoul	78
Samsung Asset Management Co., Ltd.	Seoul	78
Daiwa SB Investments Ltd.	Tokyo	77

Source: Nasdaq Corporate Solutions

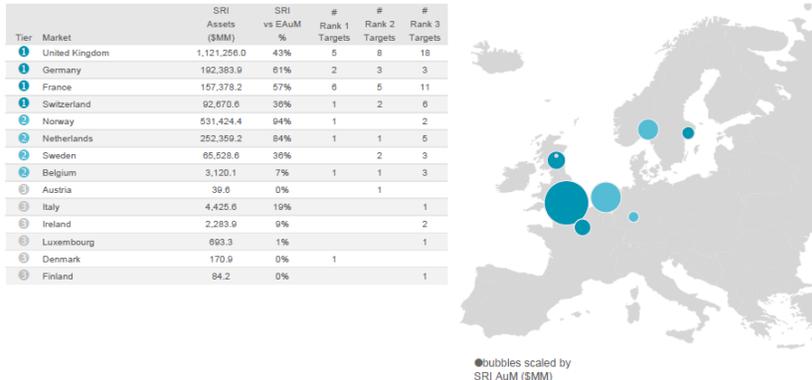
NASDAQ CORPORATE SOLUTIONS SRI TARGETING

ROADSHOW STRATEGY

- Europe remains by far the most important area for SRI with the region being far ahead of North America and Asia in terms of SRI awareness. Indeed, of the \$2.9trn of identified SRI equity assets globally, \$2.7trn of these are located in Europe.
- The largest number of SRI equity assets are located in London, Oslo and Frankfurt. However, London is a higher priority location for SRI road shows, simply because there are significantly more SRI firms located here, many of which are more compatible with XYZ. Also in the UK, the mostly core growth asset managers based in Edinburgh also offer plenty of opportunity.
- SRI investment in Frankfurt is proliferate, although it is a slightly lower priority for XYZ due to it having fewer Tier 1 opportunities.

EUROPE

Tier 1 = 4 Tier 2 = 4 Tier 3 = 6



Nasdaq Corporate Solutions has extensive experience in helping companies improve the effectiveness of their SRI strategy via the use of SRI Targeting reports, which help companies to look beyond the obvious for investors for whom ESG is important but who are also a good match based upon the type of ESG factors that are important to them.

By combining the highly sophisticated techniques used by our targeting analysts with our portfolio-weighted SRI scoring methods, it is possible to produce a highly customised list of target investors and contacts that are most likely to be receptive to your company's ESG story.

For more information about SRI targeting, please contact your local Nasdaq Corporate Solutions representative.

ABOUT ADVISORY SERVICES

With a global team of experienced analysts covering all major industries, our analysts deliver shareholder analysis, a comprehensive view of trading and investor activity, and insights into how to manage your investor relations outreach efforts.

Shareholder Analysis

Identify the institutional shareholders and/or bondholders in your company and peers.

Investor Targeting

Attract and retain investment capital in today's dynamic marketplace.

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Understand how your company is perceived by the investment community.

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