

Equity Research

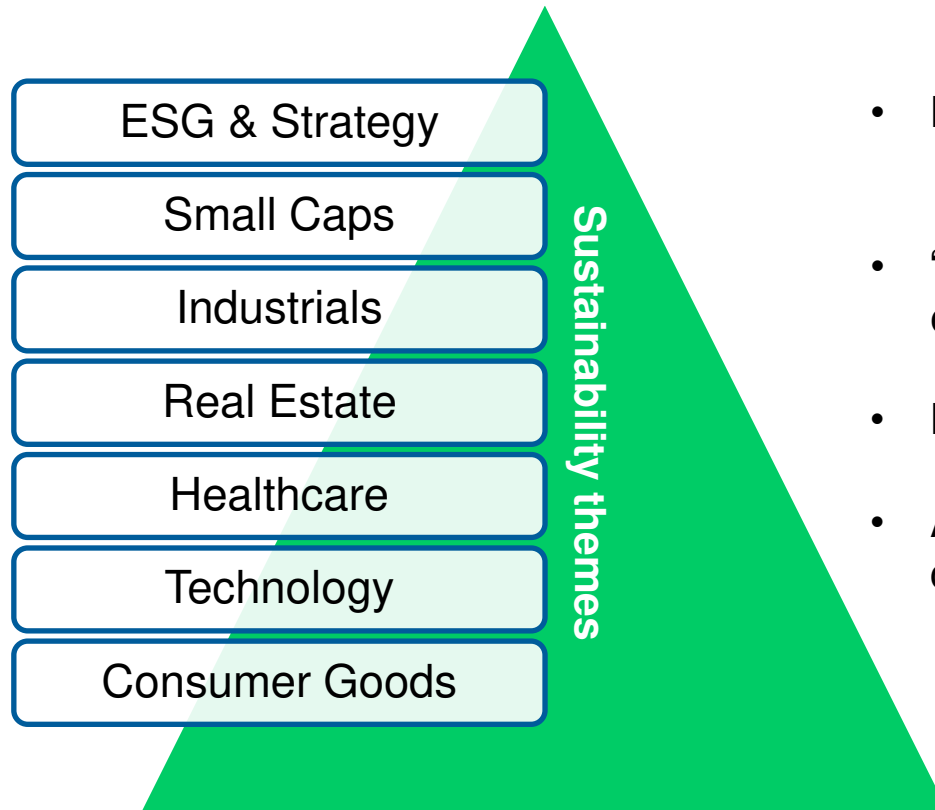
# ESG data and reporting

An investor perspective



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# Handelsbanken equity research

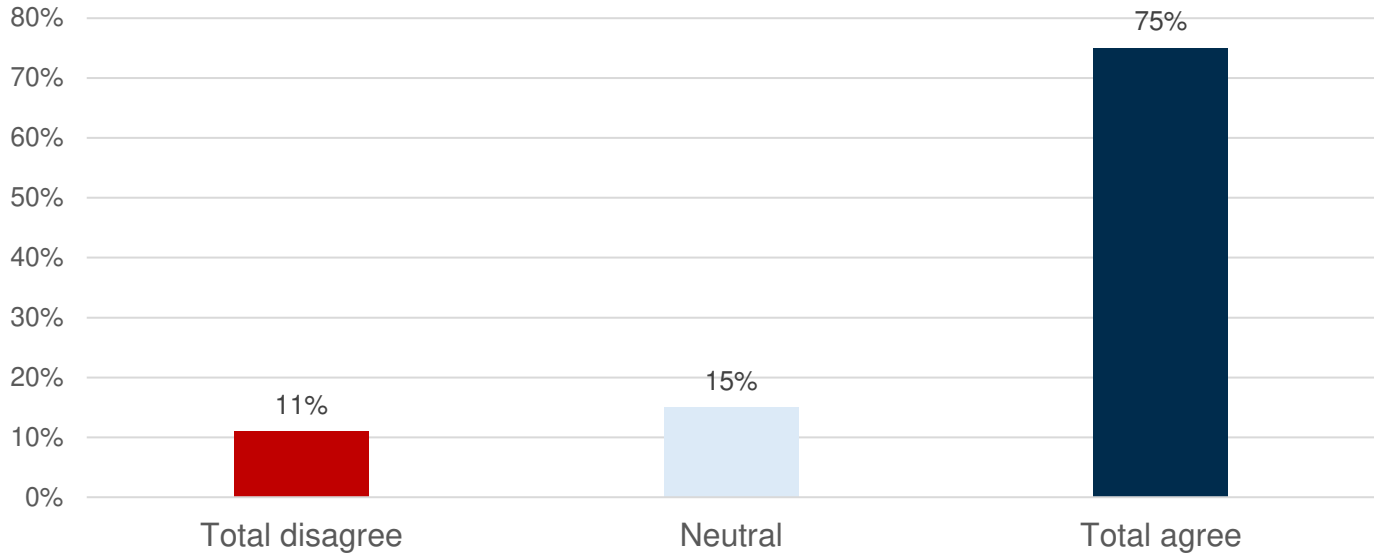


- Nordic coverage universe
  - ~200 companies
- “ESG integration” – close collaboration with equity analysts
- No separate ESG-rating
- Advisory to institutional investors and corporate clients

# Does ESG-data impact investment decisions?

→ Yes, but usually neither isolated nor sole determinant

PWC investor survey 2023:  
"How a company manages sustainability-related risks and opportunities is an important factor in my investment decision-making"



Source: Handelsbanken, PWC's Global Investor Survey 2023  
Note: Percentages shown may not total 100 due to rounding. 345 investors and analysts across 30 countries surveyed (AuM at organisations between USD 500m to USD 1,000bn)

# Employing ESG-data

## Key issues in focus:

- Impacts on a company's operations
- Impacts on a company's valuation
- How are material risks managed?
- Quality and comparability – what is in scope for reported figures? — A current limitation in employing ESG-data
- SFDR: Principal Adverse Impact indicators and motivating a “sustainable investment”
- EU Taxonomy

## Assessing targets:

- Relevant?
- Ambitious?
- Measurable and clear time horizon
- Impacts on operations and investment needs
- Scope and defining “net zero”



Source: Science based targets initiative

# Principal Adverse Impact indicators (PAI)

<b>SFDR</b>	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>	
Greenhouse gas emissions	1. GHG emissions (Scope 1, 2 & 3 and total)
	2. Carbon footprint
	3. GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production
	6. Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas
Water	8. Emissions to water
Waste	9. Hazardous waste ratio
<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>	
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap
	13. Board gender diversity
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
<b>INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS</b>	
Environmental	15. GHG intensity
Social	16. Investee countries subject to social violations
<b>INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS</b>	
Fossil fuels	17. Exposure to fossil fuels through real estate assets
Energy efficiency	18. Exposure to energy-inefficient real estate assets

# In general...

- Transparency, addressing risks and areas where you can improve, is important for authenticity
- Integrate sustainability-related information with financial information and put into context
- Collect targets in one place along with KPIs
- Governance structure - signalling
- The Sustainable Development Goals – more is not necessarily merrier
- ESG-ratings usually employed as an initial screening in actively managed funds



# Sector research disclaimer

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Buy	above 5%	33%	12%
Hold	between 0% and 5%	59%	15%
Sell	below 0%	8%	29%

<sup>1</sup> Return expected to be is defined as the expected share price appreciation or depreciation including dividends over the next three months  
<sup>2</sup> Percentage of companies under coverage within each recommendation  
<sup>3</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

HCM long-term recommendation (3 years)	R <sub>TP</sub> is expected to be <sup>1</sup>	HCM universe <sup>2</sup>	IB services <sup>3</sup>
Outperform	above 40%	44%	14%
Market Perform	between 20% and 40%	46%	16%
Underperform	below 20%	11%	16%

<sup>4</sup> R<sub>TP</sub> is defined as the expected share price appreciation or depreciation including dividends over the next three years  
<sup>5</sup> Percentage of companies under coverage within each recommendation  
<sup>6</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

Source: Handelsbanken Capital Markets, as per 26/03/2024

A list of all recommendations made by investment research during the preceding 12-month period is available here: <https://www.researchonline.se/desc/rechist>.

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