

How do ESG factors influence our investment decisions?

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ESG is not just a buzzword

1. Important because it impacts the valuations of companies
 - Both risks and opportunities
2. Improving ESG in companies is not only a **right** but a **responsibility** of investors

How do we approach ESG?

Red Flags (out of ten) **0**

		Score	Weighting
1	Governance	100.0%	75.0%
a	Capital Allocation	100.0%	30.0%
b	Owners / Board / Management	100.0%	22.5%
c	Transparency	100.0%	22.5%
2	Environmental	100.0%	12.5%
3	Social	100.0%	12.5%

Overall Score (out of 100) **100.0**

How are the scores used?

Score	Conviction	Engagement
Strong , >80%	High , comfortable with significant overweight position	Feedback on positive results, highlight areas for improvement
Good , >60%	Medium , careful consideration of risks	Engagement on specific issues raised by scorecard
Laggard , <60%	Highly case specific , i.e. liquidity reasons	Highlighting realistic areas of improvement

Example questions - governance

1 Is capital allocated in an efficient, transparent way most beneficial to shareholders?

5 Are at least 33% of directors truly independent (i.e. in spirit as well as by definition)?

Example question – environment

- 1 Does the company's understanding of how environmental risks and opportunities may change their business in the mid to long term appear to be better than or in line with peers?
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