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## Since when does AlphaValue produce ESG analysis and indicators?

Since 2009, the Governance dimension has been integrated into the analysis. It was a strong demand from investors, so we set up an analysis grid of boards and governance structures on more than 450 European large caps, with profiles of over 3,000 directors.

The ability to assess the independence of a board, without relying on the declarations of the companies, cannot be done if you are not totally free of the issuer, which is the whole point of the independent research.

We added the S in 2012, this dimension was already well identified by our research team through the analysis of corporate pension obligations. And in 2018, we added the E in order to have a complete view on the data that companies produce through the NFRD.

More recently, we developed a sustainability indicator that measures the fit between the company's business model and its ability to deliver its sustainability roadmap. This is the forward-looking dimension that is so lacking today.

This development has therefore taken place gradually and as a natural extension of our traditional financial analysis business.

## How it works?

AlphaValue's extra-financial analysis is based on proprietary and systematic indicators on all our coverage, we do not take any data from data providers. We therefore have a set of 41 indicators in E, S and G that analysts use.

As in financial analysis, an Ebitda only makes sense if the analyst calculates it himself. We have applied this logic to extra-financial analysis, which allows us to obtain real consistency and very good comparability.

Finally, it is important to remember that we are analysts, not data scientists, our clients buy critical and qualitative analysis.

## How should investors and companies interpret it?

We have never believed in the logic of exclusion or sector weighting. We see ESG as an effort, an ability to adapt and to be accountable. This is why we do not see our role as being to do ESG essentially on the basis of "backward-looking" information. We have chosen to set up a sustainability rating, which is itself integrated into the analyst's overall opinion.

Investors thus have a simple way to understand the ESG orientations of companies, but also to know if companies are able to achieve their sustainable transformation in light of the constraints of their business model. Finally, the integration of financial and non-financial information allows us to deliver an articulated and documented conclusion for each company covered.

The companies covered have full access to the extra-financial analysis (qualitative and quantitative) produced by the analyst. This has been a very important topic of exchange between analysts and issuers for the past 3 years.

## What are the major differences with the competition?

I will make a distinction between what the sell-side produced, and what the data-providers or index providers produce.

Comparing to sell-side, our independent status allows us to be more demanding, objective and critic than our competitors. Also it allows us to be permanent, no interruption of coverage due to "primary" activity. This is a guarantee of alignment of interest for our investor clients, and it is becoming a demand from asset owners who want management companies to apply to themselves what they ask of companies in terms of business ethics.

For data providers and index providers, we have two decisive assets: we are in constant dialogue (human to human) with companies and we are forward-looking as we produce forecasts (on financials and extra-financials).

ESG suffers from the systematic use of the term « help decision making ». This formula allows data wizards to feel legitimate in producing and selling "analysis". Active investors are seeking to free themselves from dependence on the methodologies of data-index-rating providers, as the latter are serious competitors via passive management. This will take time, but investors have no choice.

### **What is the business model associated with ESG analysis, is it integrated with the other analyses of AlphaValue or is it a separate offer?**

It is no longer possible to dissociate financial and extra-financial. That is why all our research contains both dimensions, recommendations and price targets integrate extra-financial.

It is the same analyst who carries out the whole process because he/she has a global view, which is essential to produce an enlightened analysis and challenge issuers in a relevant way.

### **Who are the clients of AlphaValue on ESG?**

Mainly European active portfolio managers, our historical clients have all « metabolized » ESG since the Paris agreement in 2015. On the other hand, we have more and more asset owners and private bankers. Asset owners have strengthened their ESG management policy and are asking us to support them in order to gain expertise and autonomy. Private bankers and family offices are looking for stories, for investment opportunities that have a real capacity to evolve towards sustainable models, in the energy transition, recycling and the consideration of biodiversity.