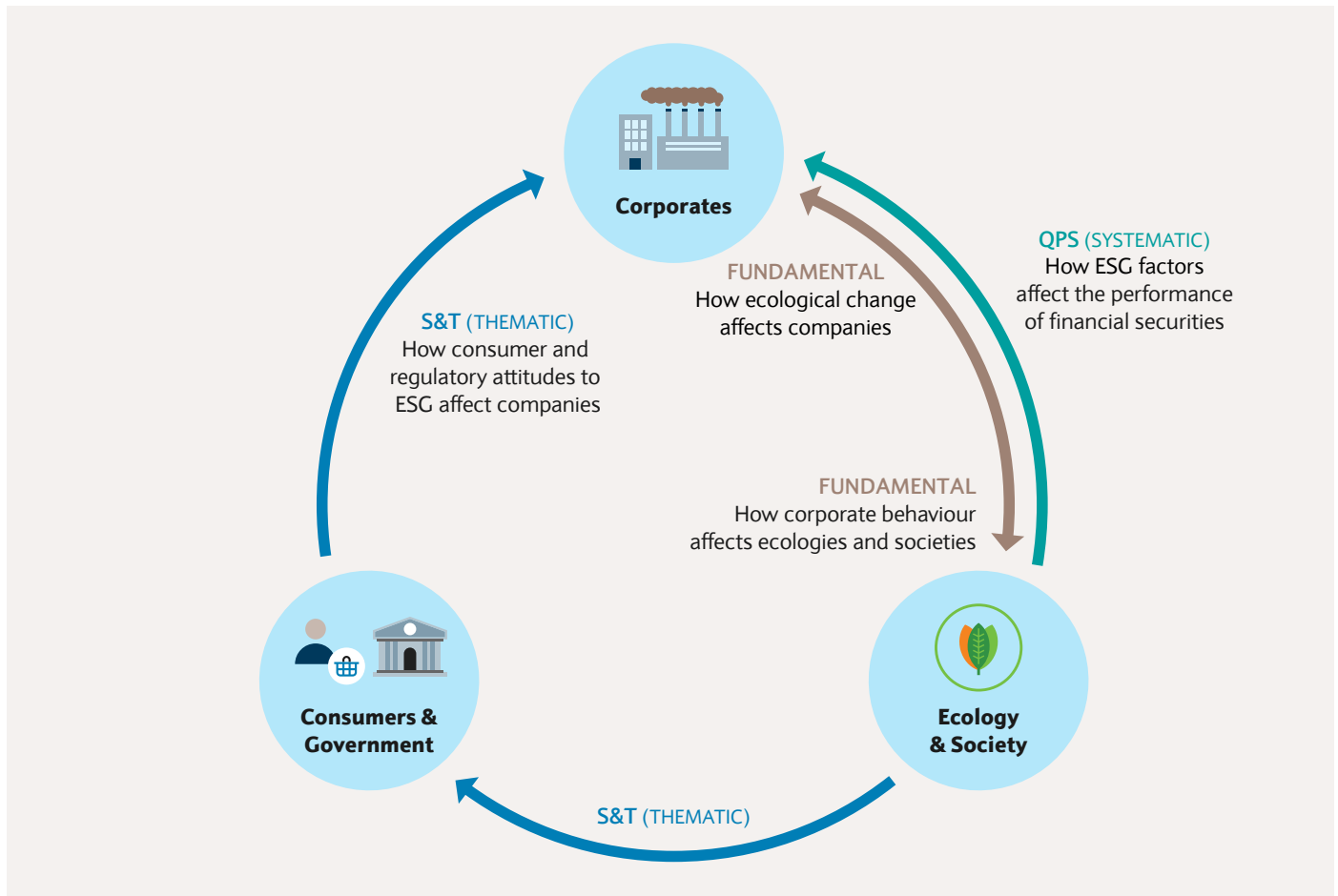


# Barclays' Environmental, Social, and Governance (ESG) Research Pillars: Fundamental, Thematic and Systematic



## Pillar 1: Fundamental

Barclays Fundamental ESG Research considers the environmental and social impact of a company's operations and actions, providing a multidimensional, cross-asset analysis of the ESG credentials of companies under coverage, how they may evolve and the potential costs and risks that could emerge if companies fail to adapt.

To assist investors in aligning their investment decisions with ESG considerations, Barclays Fundamental ESG Research aims to address the following questions:

- How do companies we cover affect the environment and societies in which they operate?
- How can investors measure and consider ESG factors in their investment process?
- Are markets incorporating ESG attributes into security pricing and, if so, how are they doing that?

This pillar of research will also track the development of ESG investing in financial markets, including the flow of capital into different ESG strategies and how it is being deployed, as well as innovation in ESG instruments such as green bonds and ESG indices.

## Barclays ESG Indicators

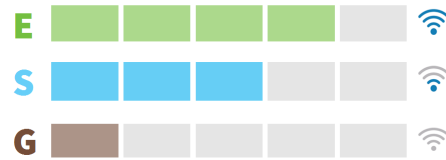
To achieve this, for each company covered by a Barclays fundamental research analyst, we will (over time) generate a set of ESG indicators derived from aggregated scores of leading ESG score providers. These should provide a meaningful representation of how companies are viewed by ESG investors.

Barclays' fundamental analysts will overlay these indicators with their in-depth knowledge of the companies and industries they cover to contextualize their views.

An example set of indicators is shown to the right of this box. Companies will be placed in cohorts from worst (one block) to best (five blocks) for each of the three ESG factors. This will

represent market perceptions of a company's ESG credentials, as espoused by leading score providers. The icon to the right indicates how well aligned the various score providers are in their assessment of that company. For example, no bars indicates one source provider, two bars indicate dispersion between providers, and full bars indicate aligned views. (Source: Barclays Research, Sustainalytics, Vigeo Eiris)

### Example Company



## Pillar 2: Sustainable & Thematic Research

Sustainable & Thematic Research takes a multi-decade, top-down approach, to identify investments that stand to benefit from long-term structural shifts and global thematic trends that could affect the business environment. This includes demographic change, emerging industries and technology, and evolving consumer behaviour – all of which have a sustainability angle to them, given we believe ESG and thematic investment approaches will become increasingly intertwined.



**Thematic Roadmap:** Modular approach to long-term, disruptive trends



**Businesses of the Future:** Tapping Barclays' unique access to the businesses of the future, eg, sector-specific accelerators, ESG incubator and the VC community



**Sector Collaboration:** Drawing on expertise of Barclays sector research teams to identify stock-specific conclusions by region (US/EU) and by asset class



**Quantitative Analysis:** Using in-house expertise to generate investment insights by combining alternative data, data science and traditional research

## Pillar 3: Systematic ESG Research

Systematic ESG Research performs evidence-based empirical analysis of the market relationships between the ESG ratings of issuers and the performance of their debt and equity securities.

The Barclays Quantitative Portfolio Strategy (QPS) group leads the ESG systematic pillar and has a broad mandate to provide clients with innovative insights into all aspects of the investment process, across asset classes. QPS research features a quantitative approach, based on rigorous empirical studies and models.

The team publishes studies on the effect of ESG investing on portfolio performance:



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