



Sustainable Investing in Europe, Latest Trends & Initiatives

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ESG / SRI : RAPIDLY EVOLVING FROM NICHE TO MAINSTREAM

A great multitude of initiatives and developments worldwide

■ General initiatives

- ▶ **UN** Global Compact (2000)
- ▶ **UN** Principles for Responsible Investment (2006)
- ▶ **UN** Sustainable Development Goals (2015)
- ▶ **UN** Climate Change Conferences → **COP 21 Paris** (2015), 'The Paris Agreement'
- ▶ **EU** High-Level Expert Group on Sustainable Finance (2016 → 2018)
- ▶ **EU** Action Plan on Sustainable Finance & Legislative Proposals (2018)
 - **TAXONOMY** → EU classification system of sustainable economic activities
 - **DISCLOSURE** → for investee companies as well as for institutional investors
 - **BENCHMARKS** → new category of carbon footprint benchmarks



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

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■ Disclosure initiatives

▶ Task Force on Climate-related Financial Disclosures

- 2015 initiative of the G20 FSB
- Final Report: TCFD Recommendations (June 2017)



▶ Global Reporting Initiative



▶ Sustainability Accounting Standards Board

▶ Carbon Disclosure Project



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■ Regulatory initiatives for institutional investors

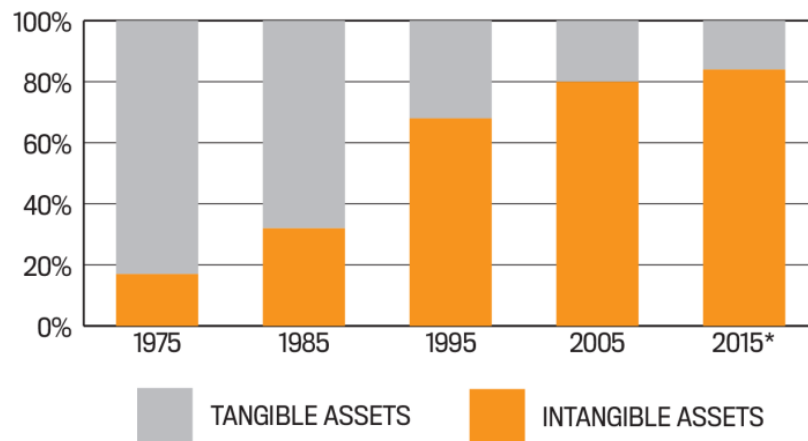
- ▶ **France: art.173 French Energy Transition Law (2015): ESG Policy + Impact Reporting**
- ▶ **The Netherlands: art.135 lid 4 Pension Law (2014): ESG Policy**
- ▶ **EU Directive 2016/2341 “IORP II” (2016 → 2019) :**
 - Integration of ESG factors within investment policy (SIP)
 - Integration of ESG risks (climate change, stranded assets, etc.) in risk management framework

■ Evolutions in risk management

- ▶ **Financial Risk** → mispricing the risk related to climate change (stranded assets, etc.)
- ▶ **Reputational Risk**

Revealed: MSPs' pension fund invests £3m in weapons, tobacco and dirty fuel

S&P 500 MARKET VALUE



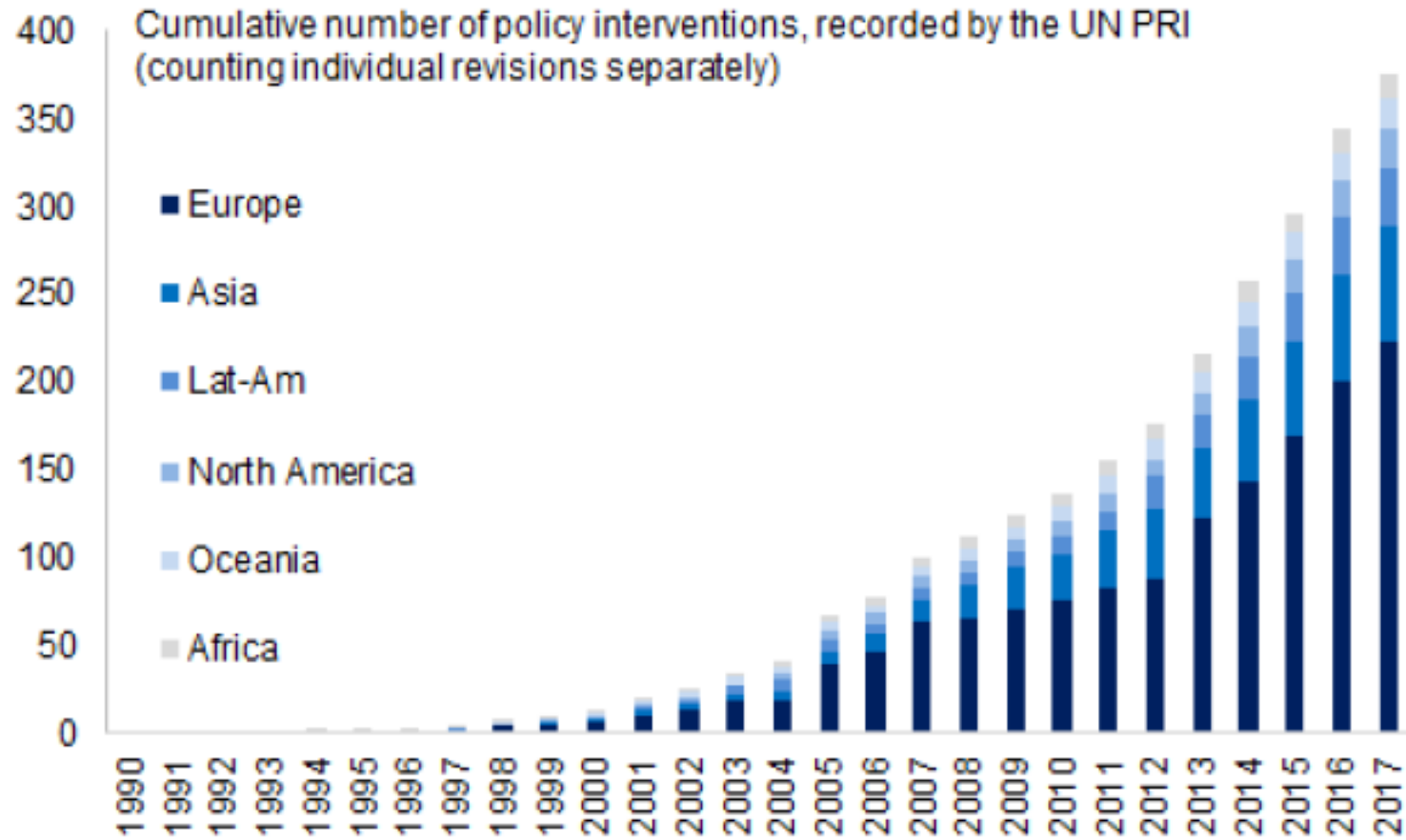
Source: Ocean TOMO, LLC

*January 1, 2015

ESG / SRI : RAPIDLY EVOLVING FROM NICHE TO MAINSTREAM

A great multitude of initiatives and developments worldwide

ESG regulations are picking up substantially



Source : UN PRI

A great multitude of initiatives and developments worldwide

A world map illustrating the prevalence of HIV infection by country in 2007. The map uses a color scale to represent different levels of prevalence:

- very high** (light blue)
- high** (medium blue)
- mid** (dark blue)
- low** (very dark blue)
- not available** (grey)

The map shows that countries in sub-Saharan Africa, such as South Africa, Zimbabwe, and Botswana, have a high prevalence of HIV. In contrast, countries in North America, Europe, and Australia have a low prevalence. Many countries in Africa, Asia, and South America are marked as 'not available'.

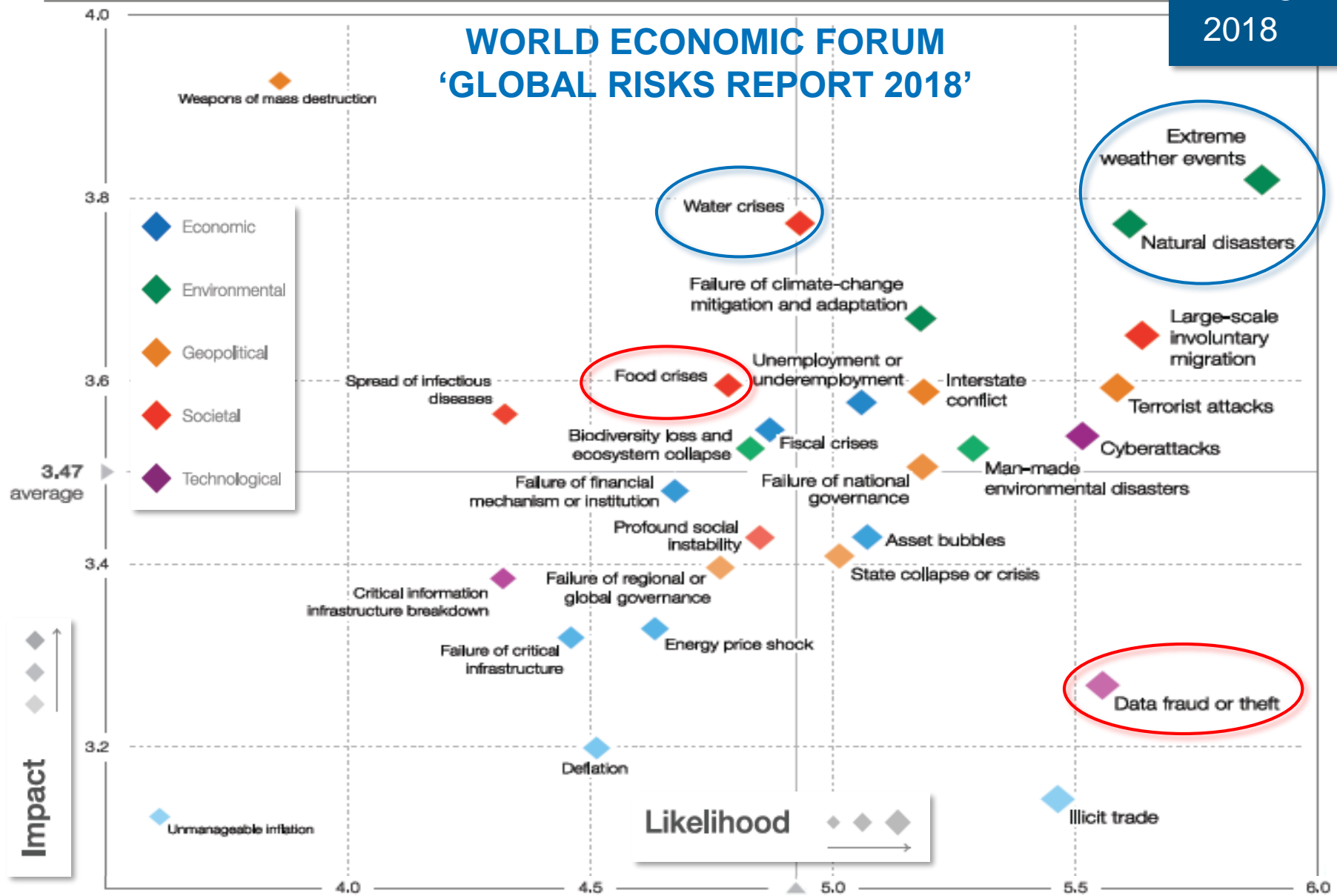
CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY

CLIMATE RELATED RISKS AT THE FOREFRONT

Climate change becoming ever more economically material

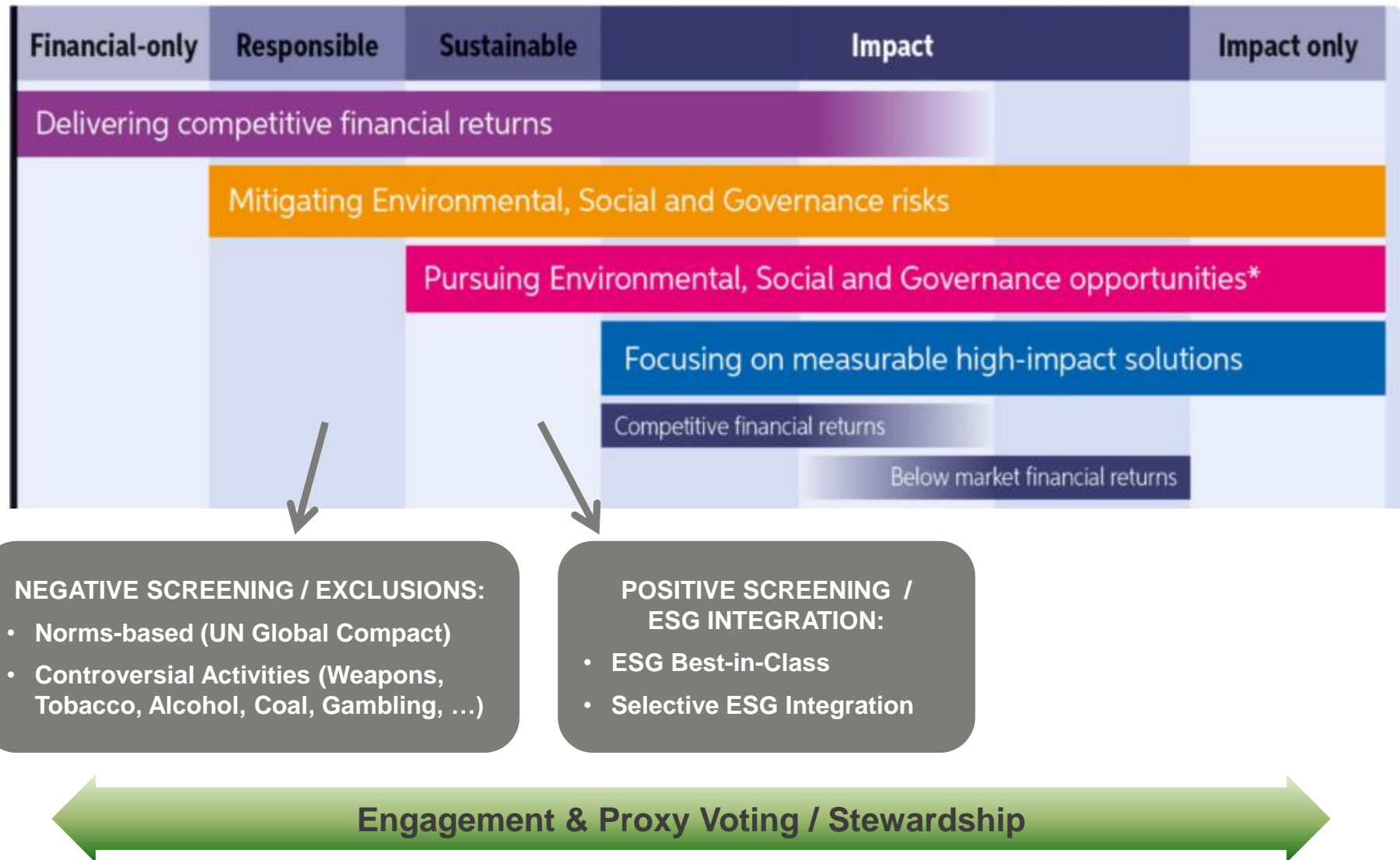
WORLD
ECONOMIC
FORUM

GLOBAL
RISK
REPORT
2018



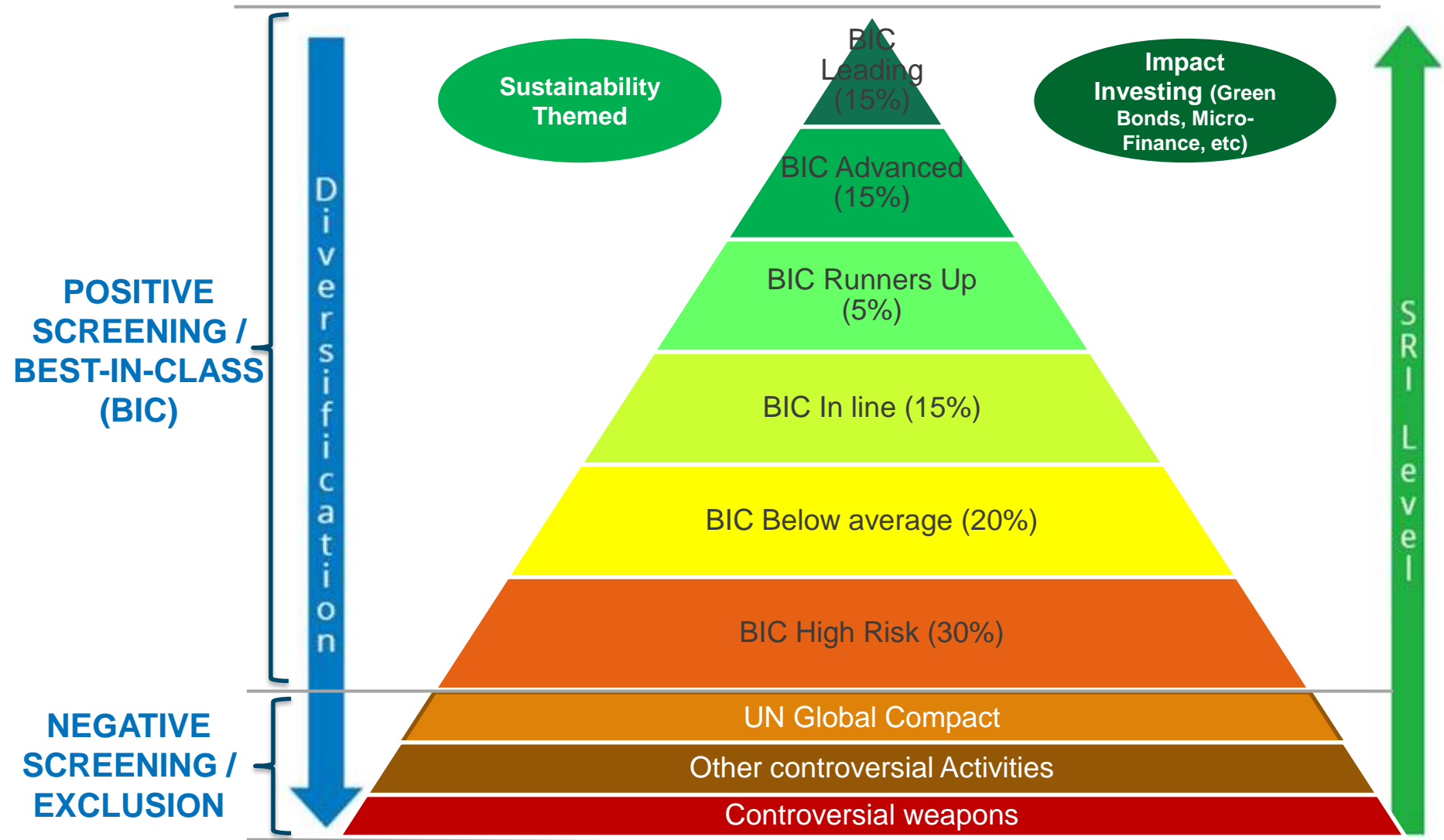
ESG / SRI : GETTING THE DEFINITIONS RIGHT

From “Responsible Investing” over “Sustainable Investing” to “Impact Investing”



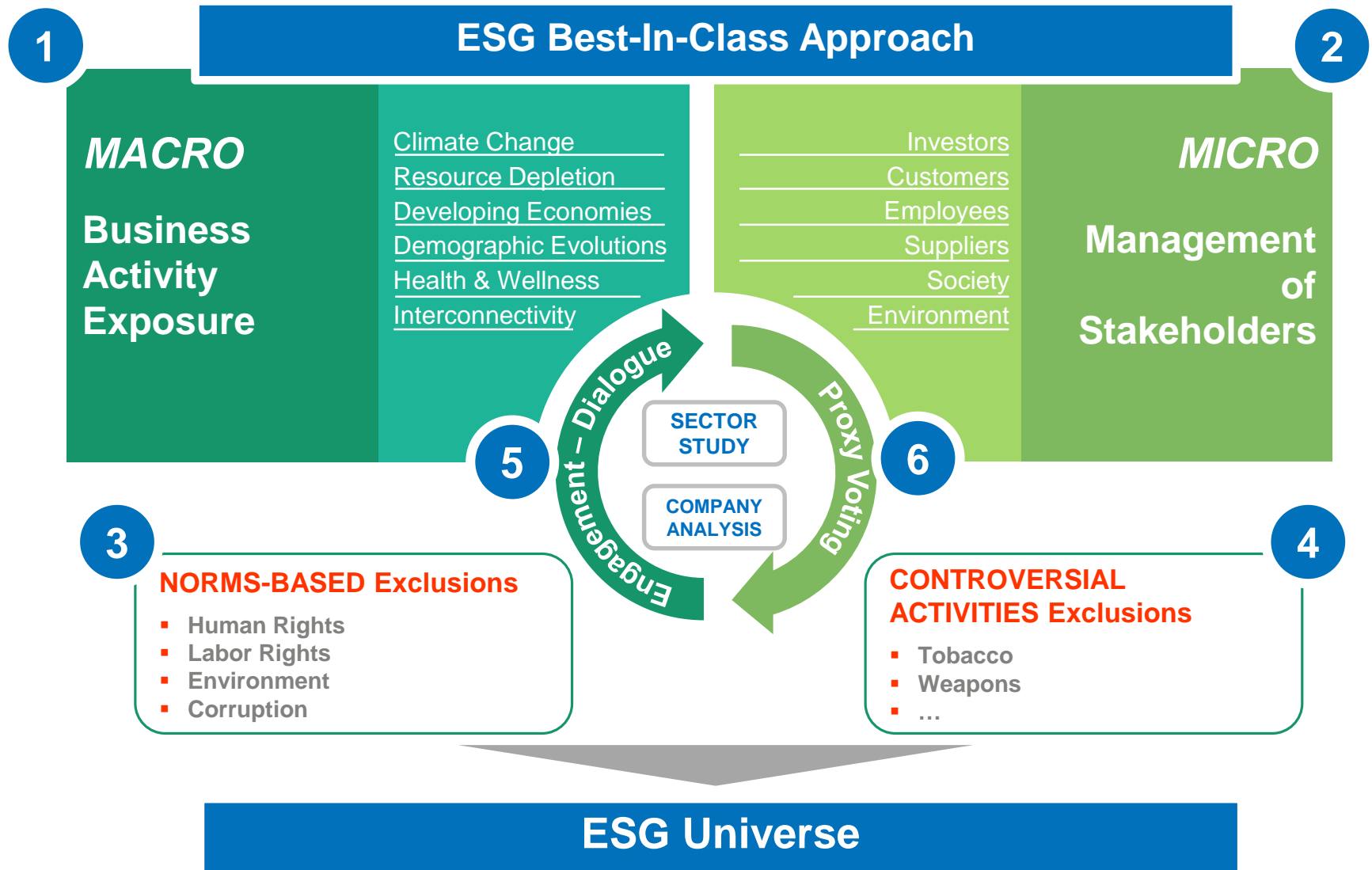
ESG / SRI : IMPACT OF VARIOUS APPROACHES

Pros and cons of the various SRI approaches



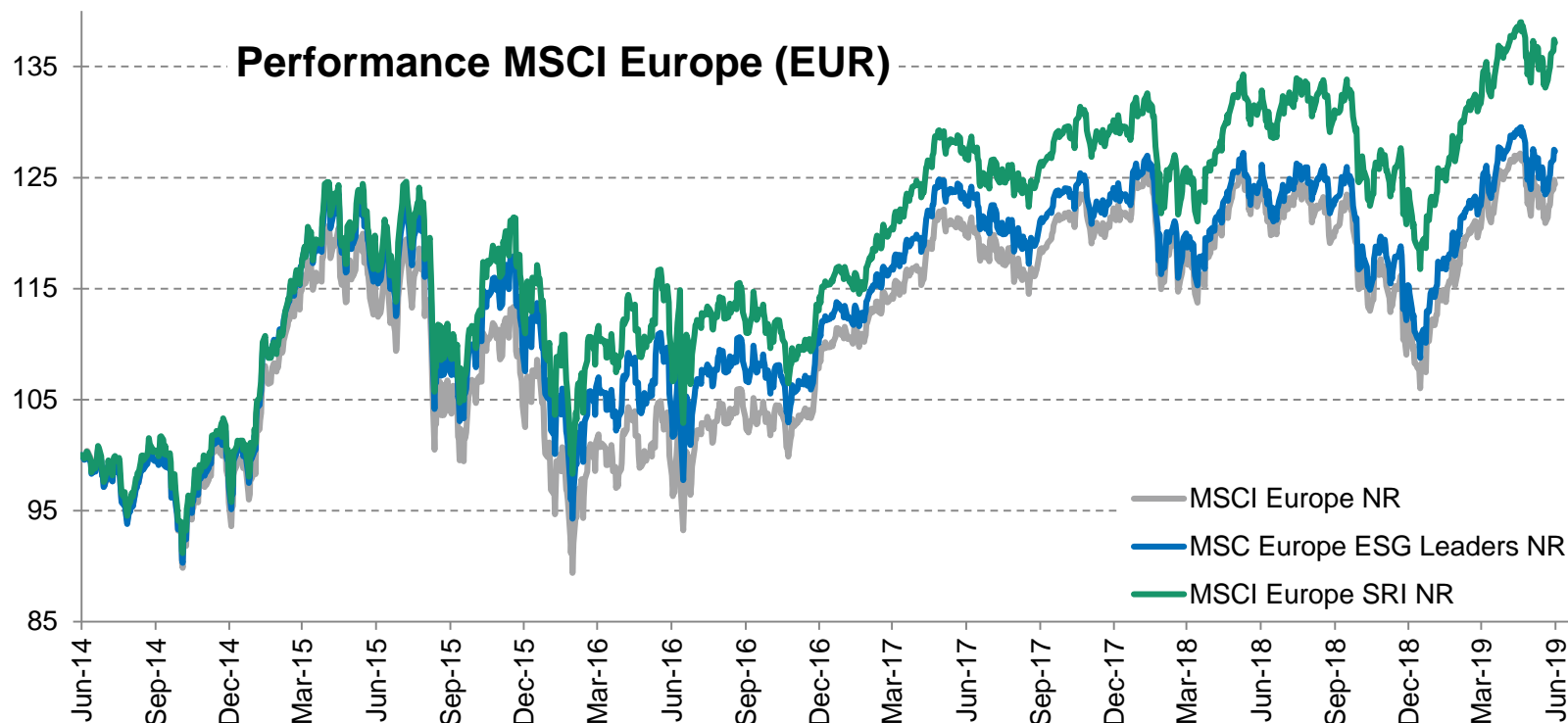
CANDRIAM'S CORPORATE ESG ANALYSIS

A unique approach



PERFORMANCES – EUROPEAN EQUITY

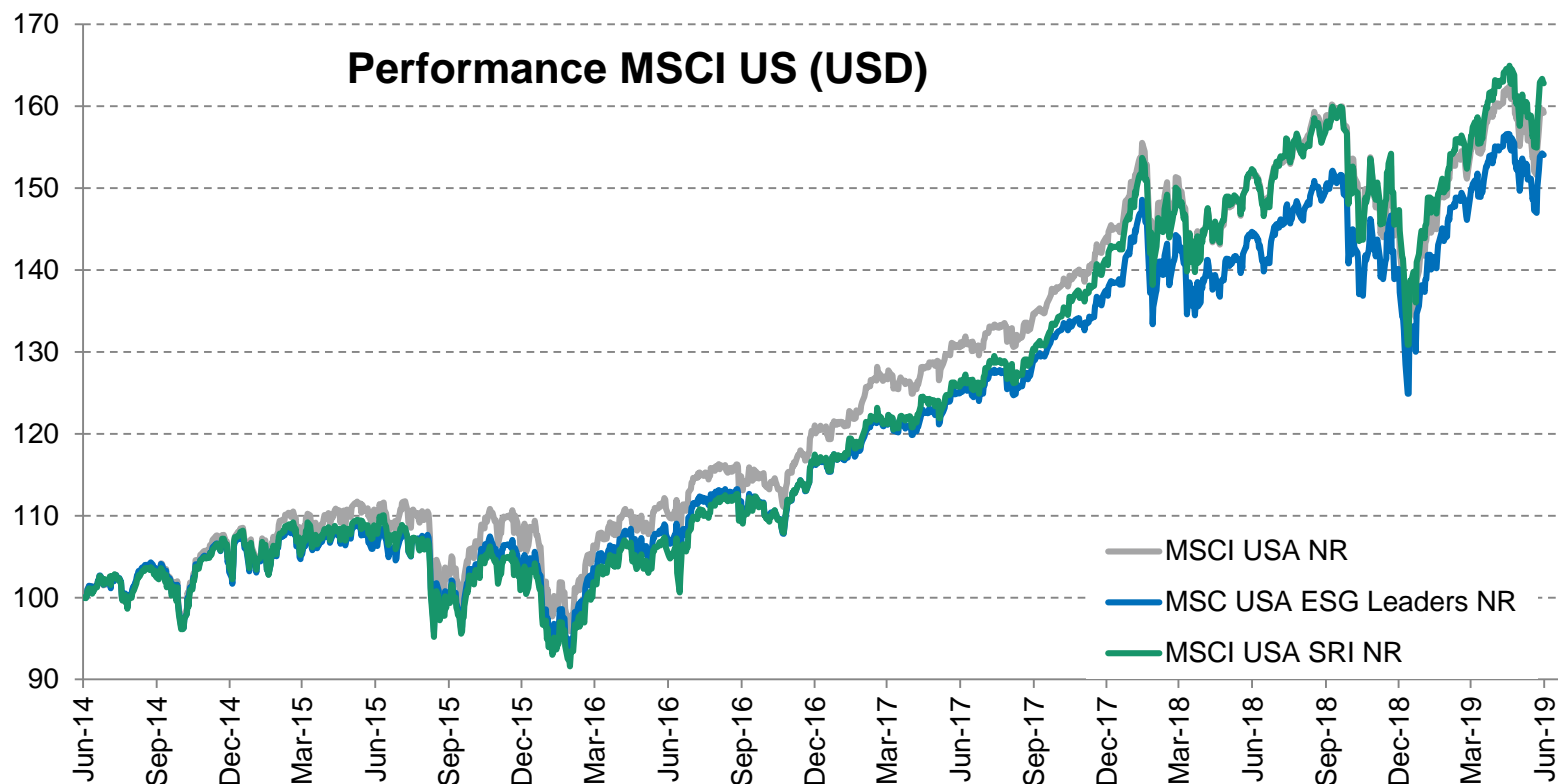
MSCI SRI versus MSCI ESG leaders versus traditional MSCI



Performance EUR (13/06/2019)	Annualised Returns		
	1 Yr	3 Yr	5 Yr
MSCI Europe SRI (25/75)	4.54%	8.13%	6.59%
MSCI Europe ESG Leaders (50/50)	2.26%	7.21%	4.99%
MSCI Europe traditional	1.05%	8.27%	4.50%

PERFORMANCES – US EQUITY

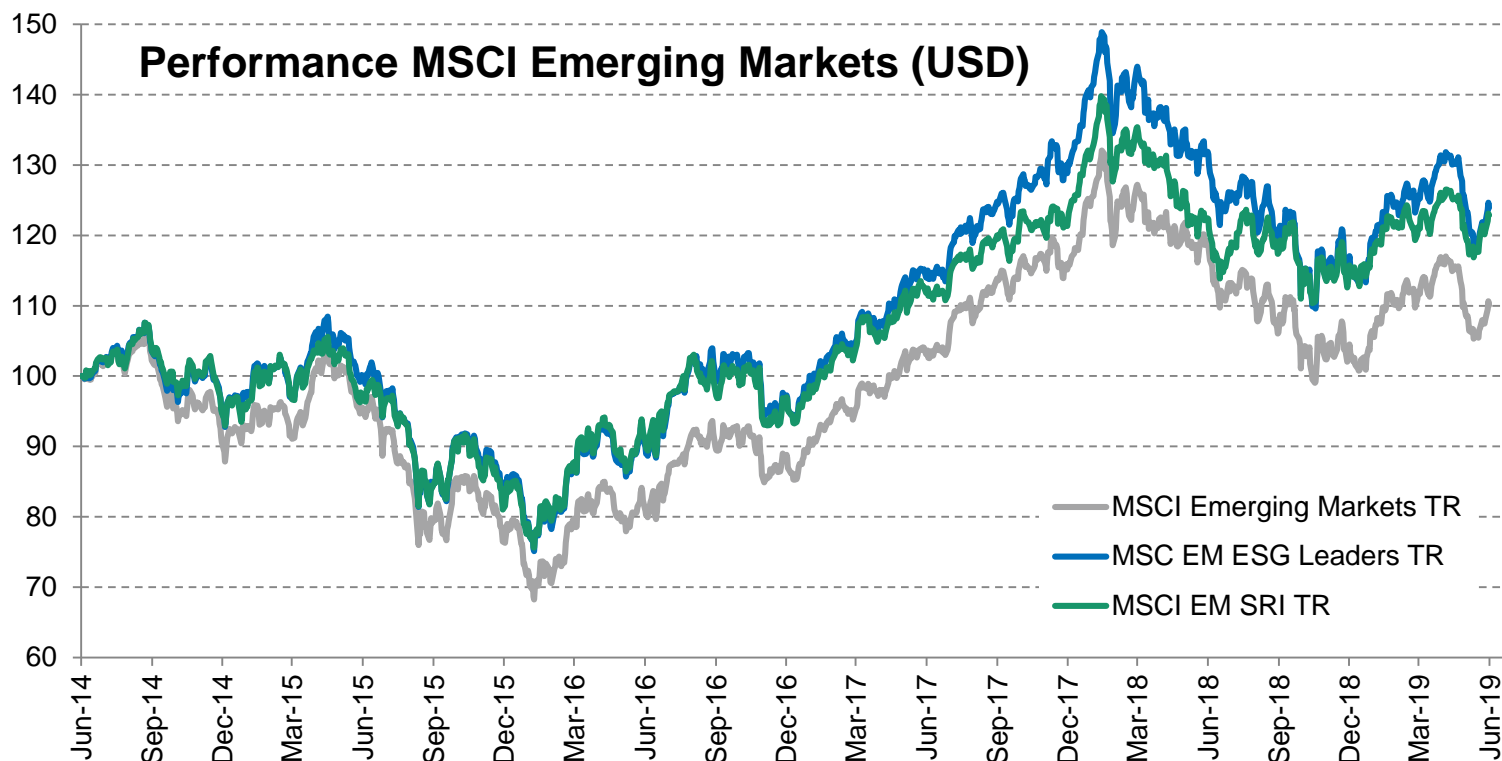
MSCI SRI versus MSCI ESG leaders versus traditional MSCI



Performance USD (13/06/2019)	Annualised Returns		
	1 Yr	3 Yr	5 Yr
MSCI US SRI (25/75)	7.93%	15.93%	10.38%
MSCI US ESG Leaders (50/50)	7.38%	13.12%	9.13%
MSCI US (Traditional)	5.56%	13.27%	9.84%

PERFORMANCES – EMERGING EQUITY

MSCI SRI versus MSCI ESG leaders versus traditional MSCI



Performance USD (13/06/2019)	Annualised Returns		
	1 Yr	3 Yr	5 Yr
MSCI EM SRI (25/75)	-0.30%	10.36%	4.05%
MSCI EM ESG Leaders (50/50)	-6.27%	11.10%	4.27%
MSCI EM (Traditional)	-7.65%	10.68%	1.86%

ASSESSING VARIOUS ESG APPROACHES / PORTFOLIOS THROUGH ESG IMPACT INDICATORS

ESG IMPACT INDICATORS

Environment



Carbon Footprint



Analysis 2 Degrees



Water Footprint



Governance



Board Independence



Significant vote against Pay Practice



Auditor Independence

Social



Targets to improve Health & Safety Performance



Collective Labour Agreement



Human Rights



Female Directors



UN Global Compact Compliance



Companies fully compliant with the UN GC



***“NOT EVERYTHING THAT CAN BE COUNTED,
COUNTS;***

***NOT EVERYTHING THAT COUNTS,
CAN BE COUNTED.”***

***Albert Einstein, Physics
William Cameron, Sociology***



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