



Stream 3

ESG and Financial reporting and measurement by asset owners and asset managers

Anne-Catherine Husson Traore, Caisse des Dépôts, *Chief Executive Officer*, **Novethic**
Ingrid Holmes, *Director*, **E3G**

Moderator: Mandy Kirby, *Director of Reporting, Assessment and Accountability*, **Principles for Responsible Investment (PRI)**



Fixed income: corporates and the value of sustainability research/allocations - green and sustainable bonds

Felipe Gordillo, *Senior SRI/ESG Analyst*, **BNP Paribas Asset Management**

Myriam Durand, *Managing Director - EMEA Corporate Finance Group*, **Moody's Investors Service**

Moderator: Eric Lounsbury, *Director, Ventures*, **Carbon Trust**



Stream 3

How do issues around environmental, social and governance effect the sustainability of sovereign debt and how can investors examine the associated risks?

James Lockhart Smith, *Head of Financial Sector Risk*, **Verisk Maplecroft**

Graham Stock, *Emerging Markets Senior Sovereign Strategist*, **BlueBay Asset Management**

Moderator: Sophie Robinson-Tillett, *Deputy Editor*, **Responsible Investor**

ESG, political risk and sovereign debt

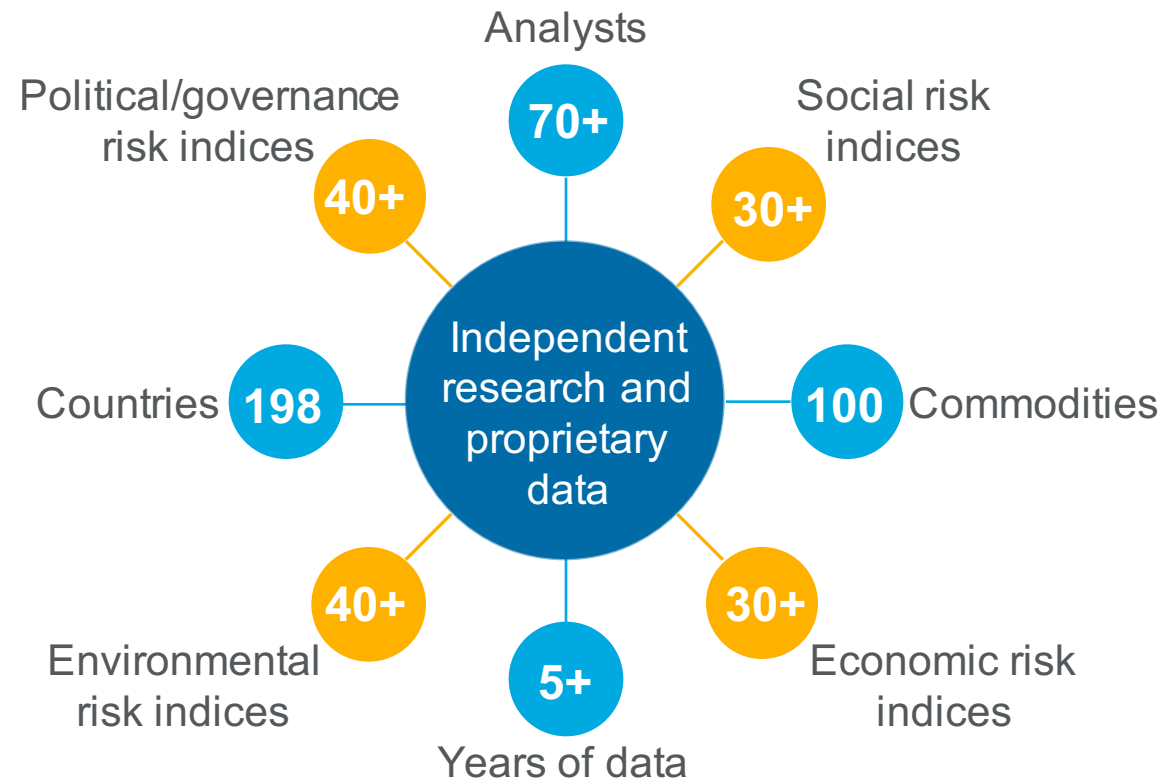
The case for ESG+P integration



Verisk Maplecroft: data-driven insight

Data and expert insight to understand ESG and political risk

- Founded in 2001
- Work with institutional investors, banks and corporates
- Focus on forward-looking holistic analysis across multiple asset classes
- The leading global dataset on country ESG+P risk
- On-the-ground expert research and advisory
- Used for risk management and alpha generation



Why could ESG integration be the key for sovereign debt?

Problem

ESG sovereign debt ≠ equities

- Some evidence of ESG materiality, but less industry/academic research
- Limited upside: focus on downside risk and conflict with fiduciary duty
- Engagement ≠ effective change driver
- Exclusion less feasible



Solution

ESG integration?

- Integration provides feasible way forward for mainstream PRI signatories
- Political / institutional factors shape risk premiums...
- ...and many ESG risks correlate closely with or even drive political risks
- ESG+P sits outside market risk pricing and can give early warning

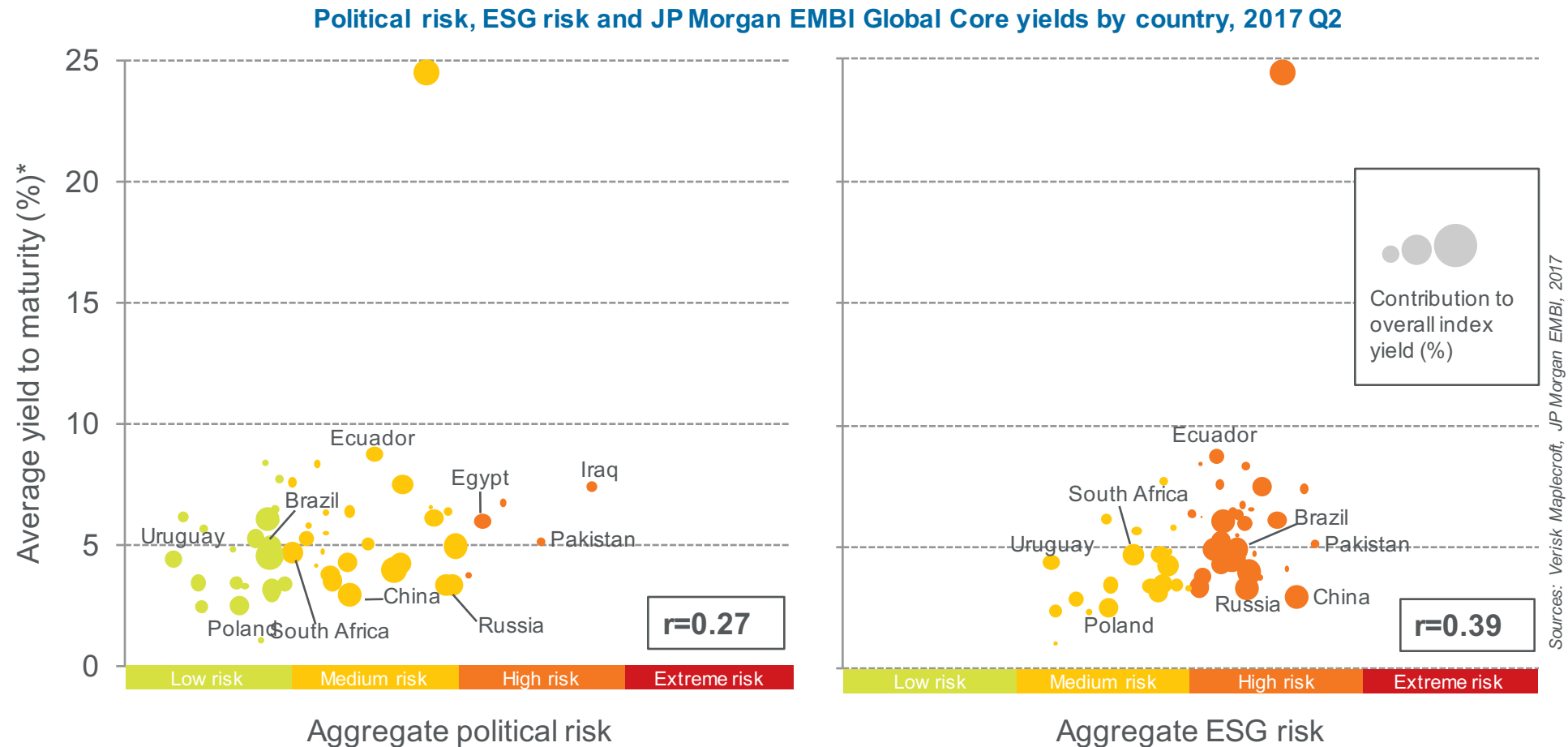
ESG and political risks: closely interconnected

- Correlations widespread because both ESG and political risks stem from same institutional/developmental factors
- However some causal relationships also exist – in both directions
- Deterioration in ESG indicators can presage wider policy and political failures
- Impacts can be relevant in ST (especially governance) or LT (especially environment)

Political and modern slavery risk by country and income group, 2017 Q2



ESG+P risks are often poorly priced in, and the investment process is enhanced by integrating them



*as of 30 May 2017



Stream 3

Exclusions

Hilde Jervan, *Chief Advisor*, **Council on Ethics for the Norwegian Government Pension Fund Global**

Oshni Arachchi, *Vice President, Global Norms Research Lead, Sustainable & Responsible Investment Research*, **ISS-Ethix**

Moderator: Howard Pearce, *Executive Director*, **HowESG**



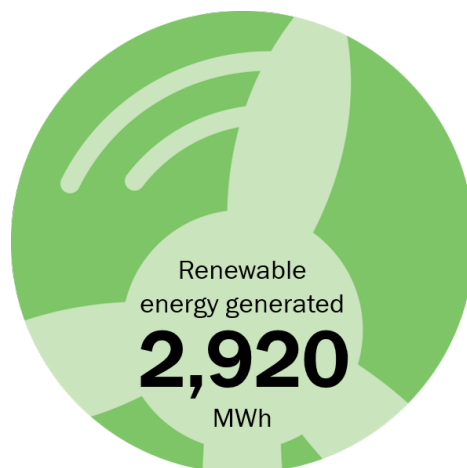
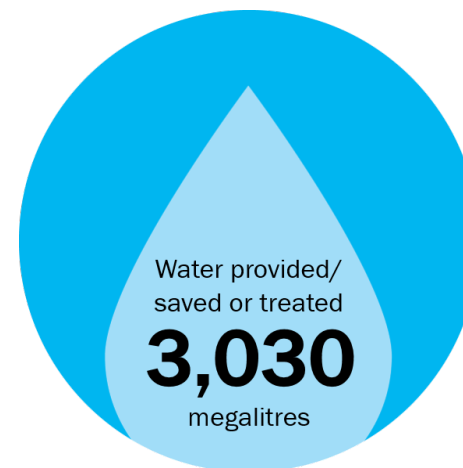
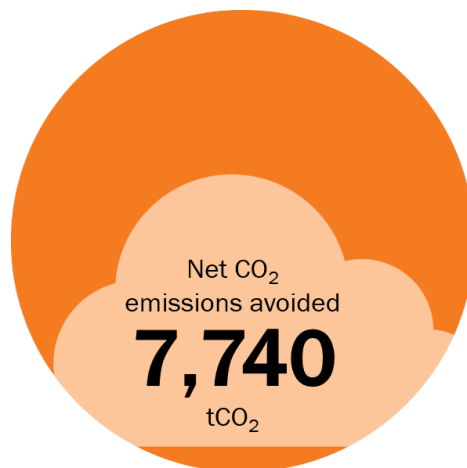
Mainstreaming impact: Can impact investing be done in listed securities, and what are the investment parameters?

Aubre Clemens, *Vice President*, **J.P. Morgan Private Bank**

Sophie Robé, *Founder & Chief Executive Officer*, **Phenix Capital**

Moderator: Meg Brown, *Director*, **Impax Asset Management**

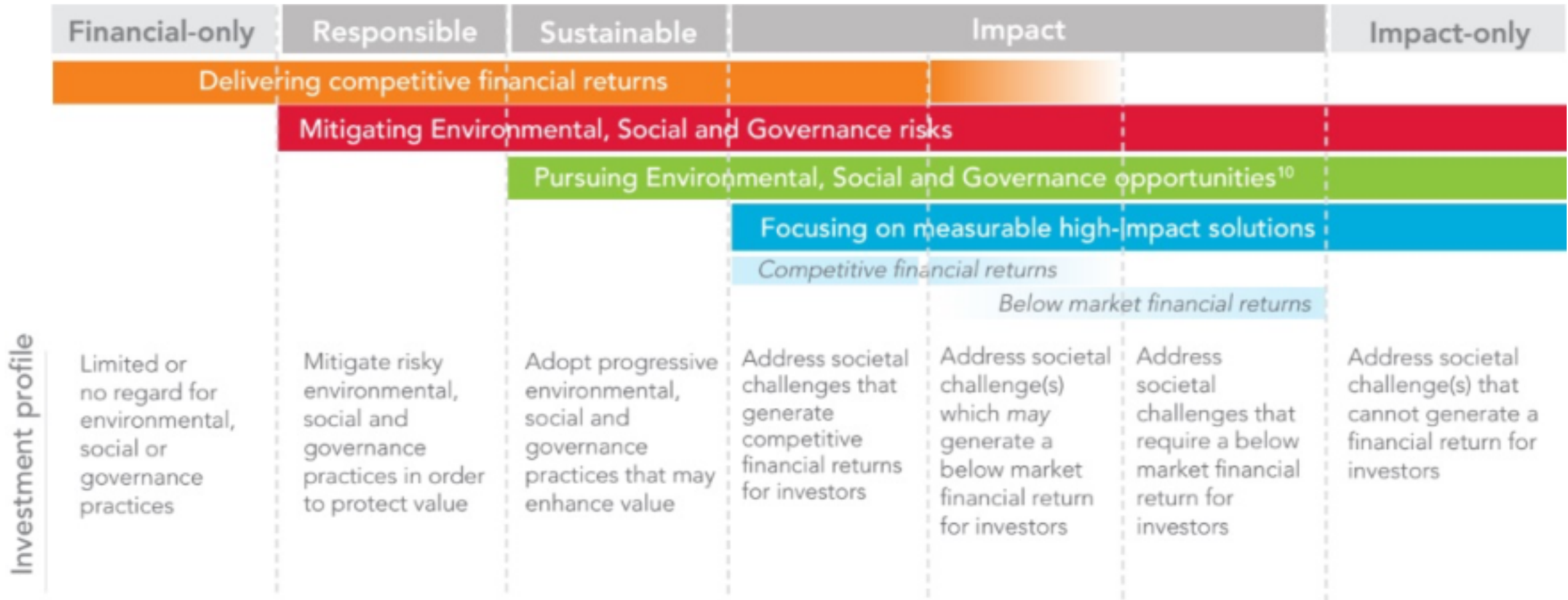
Specialists strategy: environmental impact of £10m investment



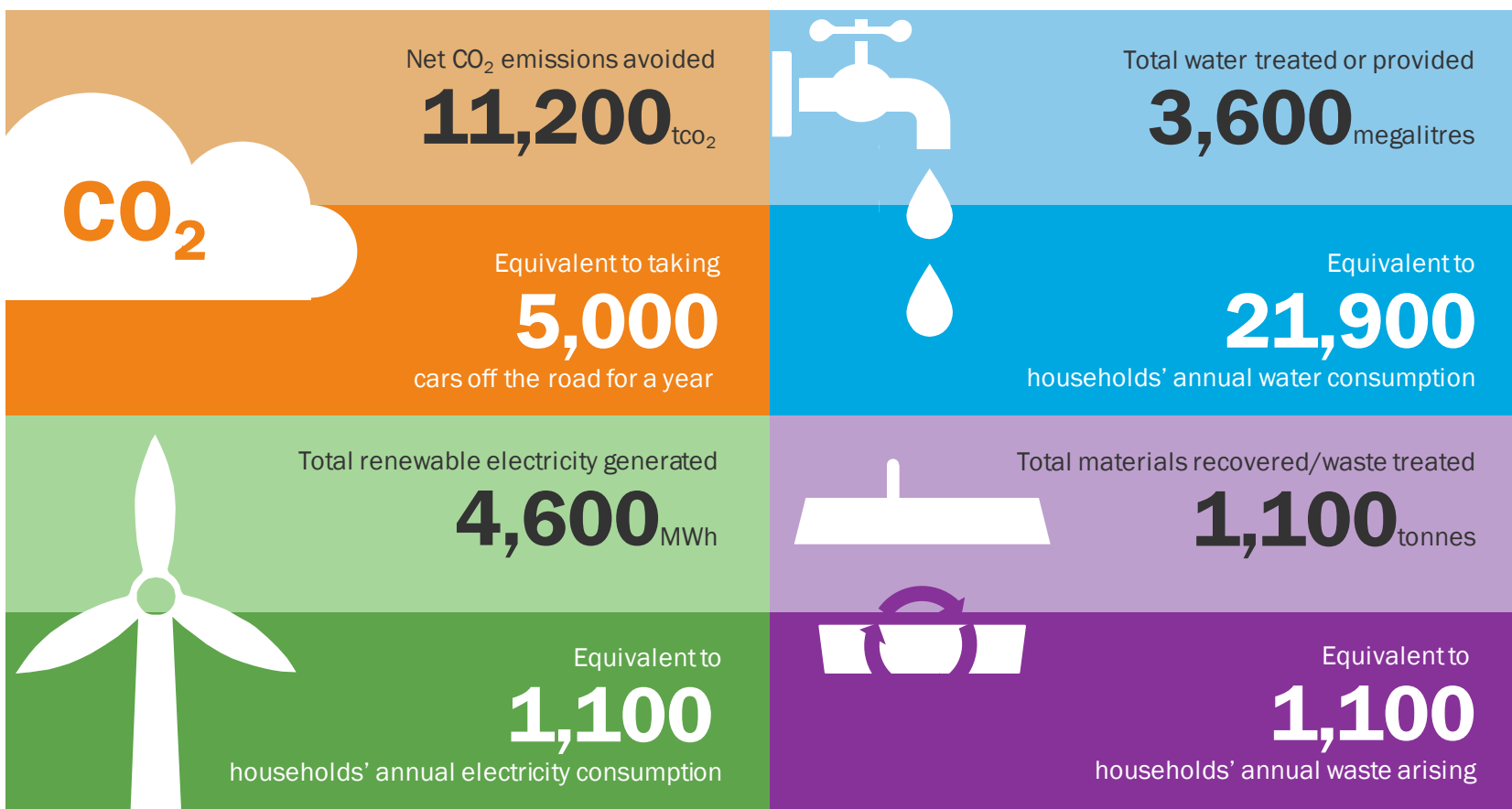
Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the Impax Specialists strategy as at 31 December 2016. Methodology has been assured by Ernst & Young LLP. For further explanation of our impact methodology (which is based on equity value) please see <http://www.impaxam.com/about-us/impact-investing>

How to implement impact and sustainable development investing

Our focus



Specialists strategy: environmental impact of £10m investment

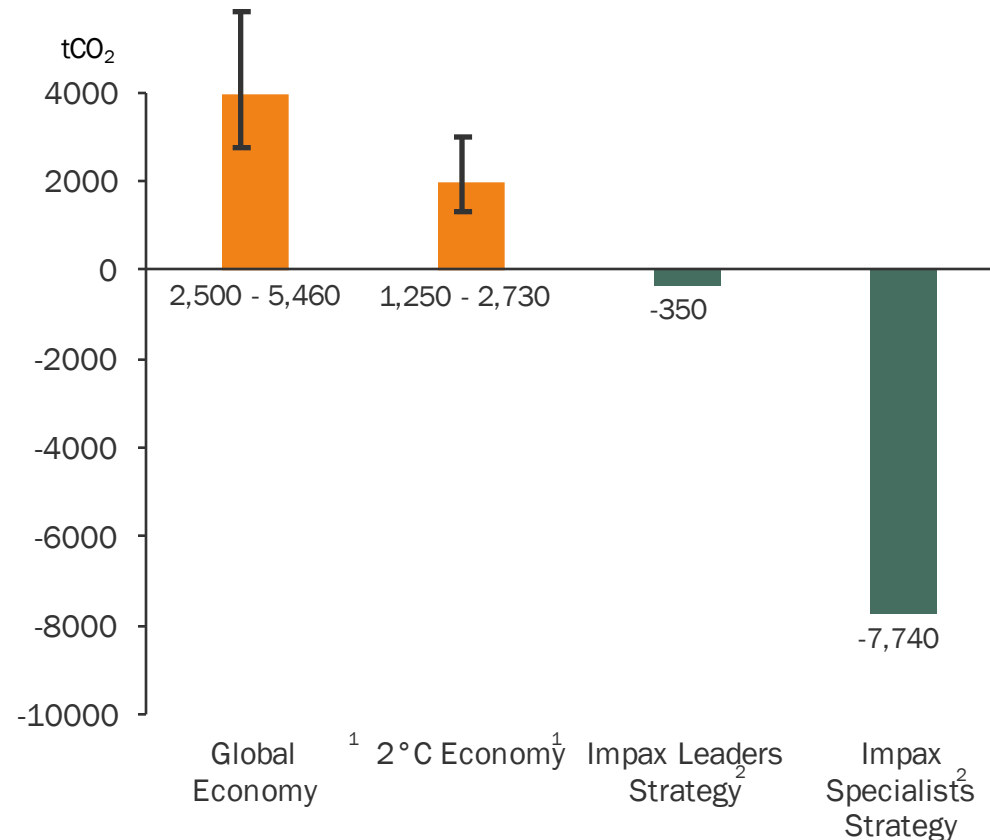


Impact of £10m invested in the strategy for one year. The UK Green Investment Bank's calculator was used to translate the impact into everyday equivalents (e.g. cars on the road, household energy use). Based on most recently reported annual environmental data for holdings in the Impax Specialists Strategy as at 31 December 2015. Methodology has been assured by Ernst & Young LLP.

Impax strategies are contributing to the low carbon energy transition

- Capital invested in the global economy is producing an unsustainable level of CO₂ emissions
- A “2°C economy” still emits CO₂, but less
- The Leaders and Specialists strategies surpass the “2°C economy” benchmark
- CO₂ abatement solutions include renewable energy, energy efficiency and waste treatment
- The impact methodology for the Leaders and Specialists strategies has been assured by Ernst & Young LLP

NET CO₂ IMPACT PER £10M INVESTED



¹ Source: United Nations Framework Convention on Climate Change (UNFCCC), 2016. Aggregate effect of the intended nationally determined contributions: an update – synthesis report by the secretariat, McKinsey Global Institute, Haver, BIS, Deutsche Bank estimates, 2014, and IMF, National Central Banks and Statistical Offices, Thomson Reuters, 2014. Black bars reflect the range of estimates of value invested. ² Impax Asset Management, 2017. For further explanation of our impact methodology (which is based on equity value) please see <http://www.impaxam.com/about-us/impact-investing>



Measuring impact

Daniel Ingram, *Vice President, Responsible Investment Research & Consulting*, **Wilshire Associates**

Emma Doner, *Project Manager, Innovation Department*, **Vigeo Eiris**

Moderator: Geoff Burnand, *Chief Executive*, **Investing for Good**



Socialising impact: Looking at the impact benefit for an entire portfolio for better returns and social value.

Sarah Forster, *Chief Executive Officer*, **The Good Economy**

Alix Foulonneau, *Director, Sustainable Investors*, **UBS Asset Management**

Moderator: Patricia Hamzahee, *Founder & Principal Consultant*, **Integriti Capital**

THE GOOD ECONOMY

Investing to create financial returns and social value

Sarah Forster, Founder & CEO, The Good Economy Partnership
Responsible Investor Conference
7 June 2017

Creating portfolios that deliver financial and social returns

1. Set goals – ‘impact expectations’
2. Define performance measures and social due diligence process
3. Screen and identify eligible universe
4. Build and test model portfolio
5. Manage live portfolio
6. Measure and report on social and financial performance

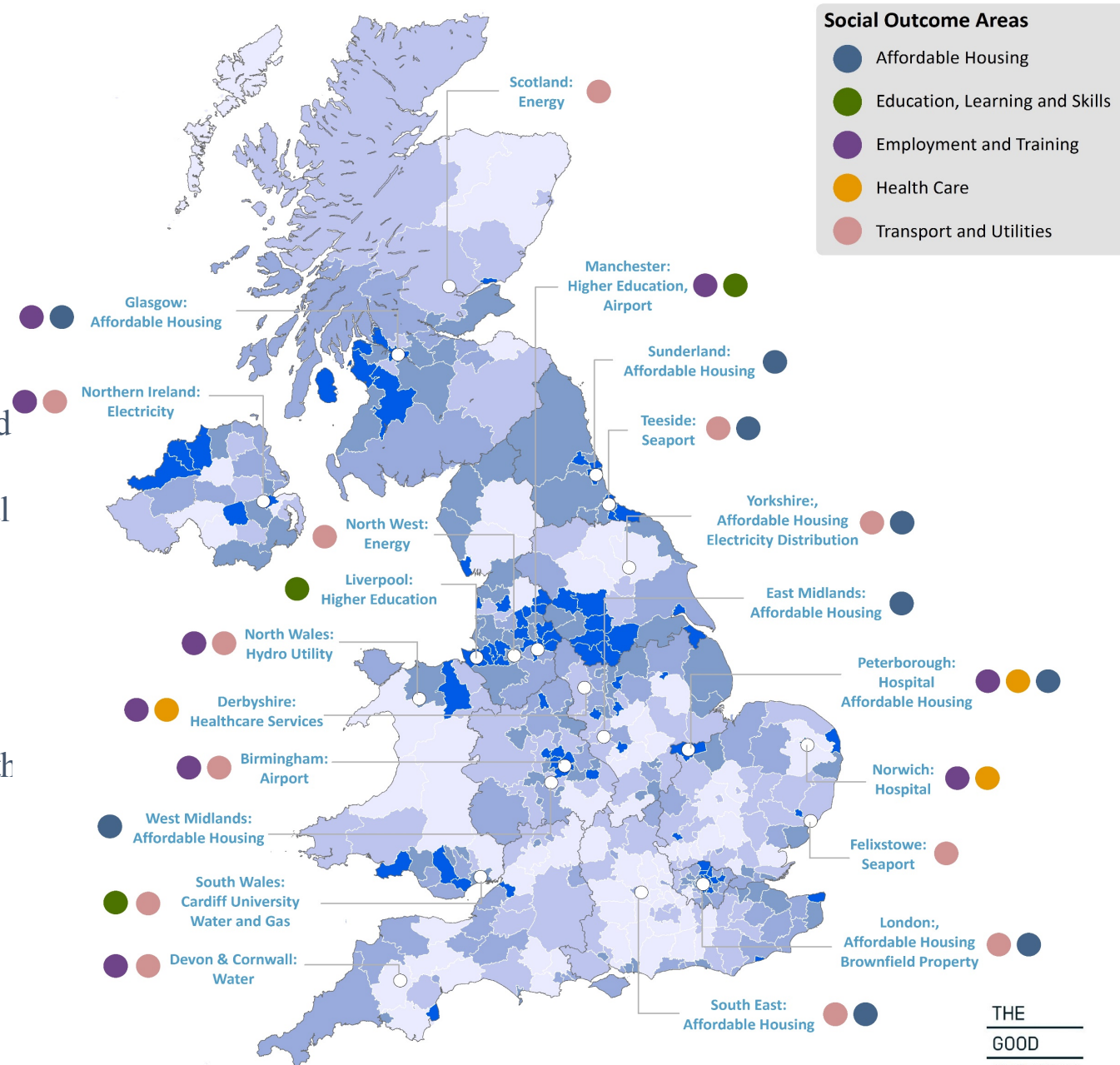
Transparency and accountability are key

THE GLOBAL GOALS For Sustainable Development



Threadneedle UK Social Bond Fund

- Launched Jan 2014, in partnership with Big Issue Invest
- £100m raised from institutional and retail investors
- Social outcomes: diversified portfolio w. orientation toward Affordable Housing (18%), Transport & Communications (17%), Utilities & Environment (18%) and Health & Social Care (9%)
- 88% of bonds are UK-based; remainder have international development outcomes
- 75% favour regional development outside the Greater South East, 28% of bonds benefit deprived local communities
- 3D Investing 5* Rating; UNPRI A+ Rating



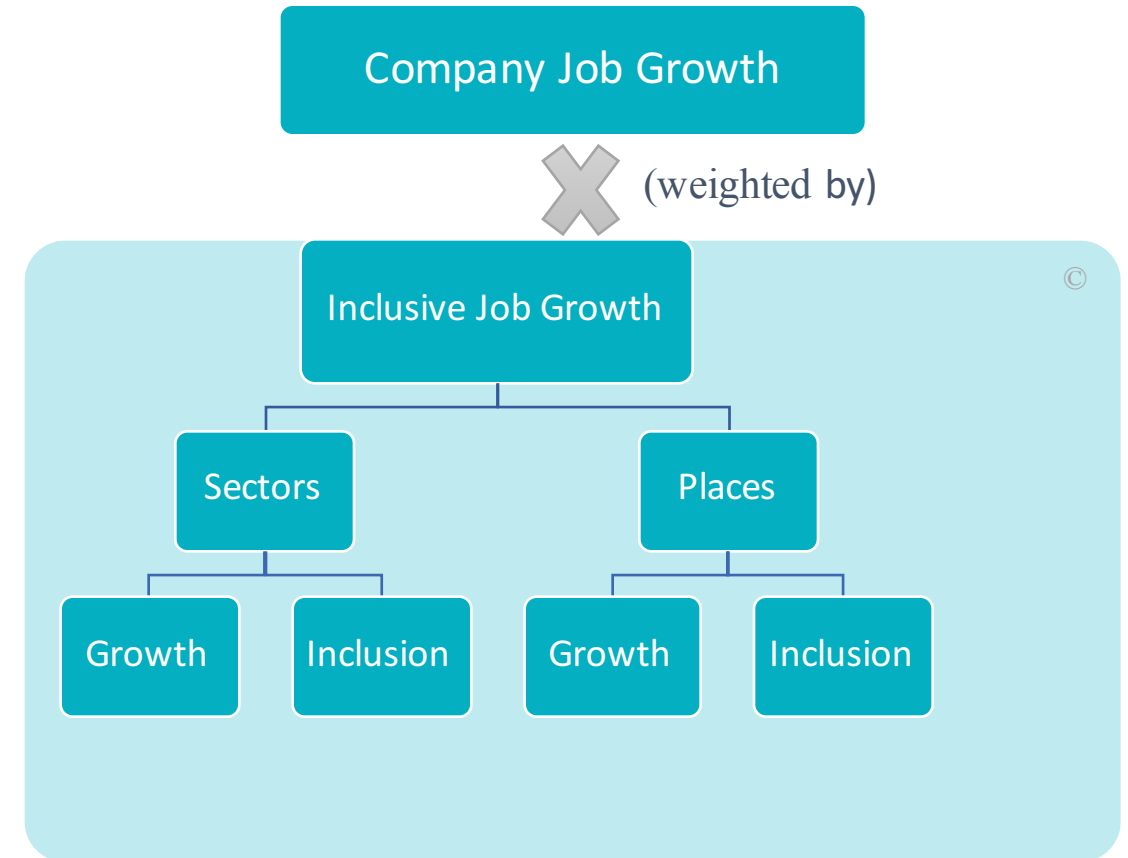
The Missing SDG – Goods Jobs and Inclusive Growth



- Fundamental to all SDGs, in both developed & developing countries
- High social value but no market opportunity value
- Treat as positive externalities created by all firms

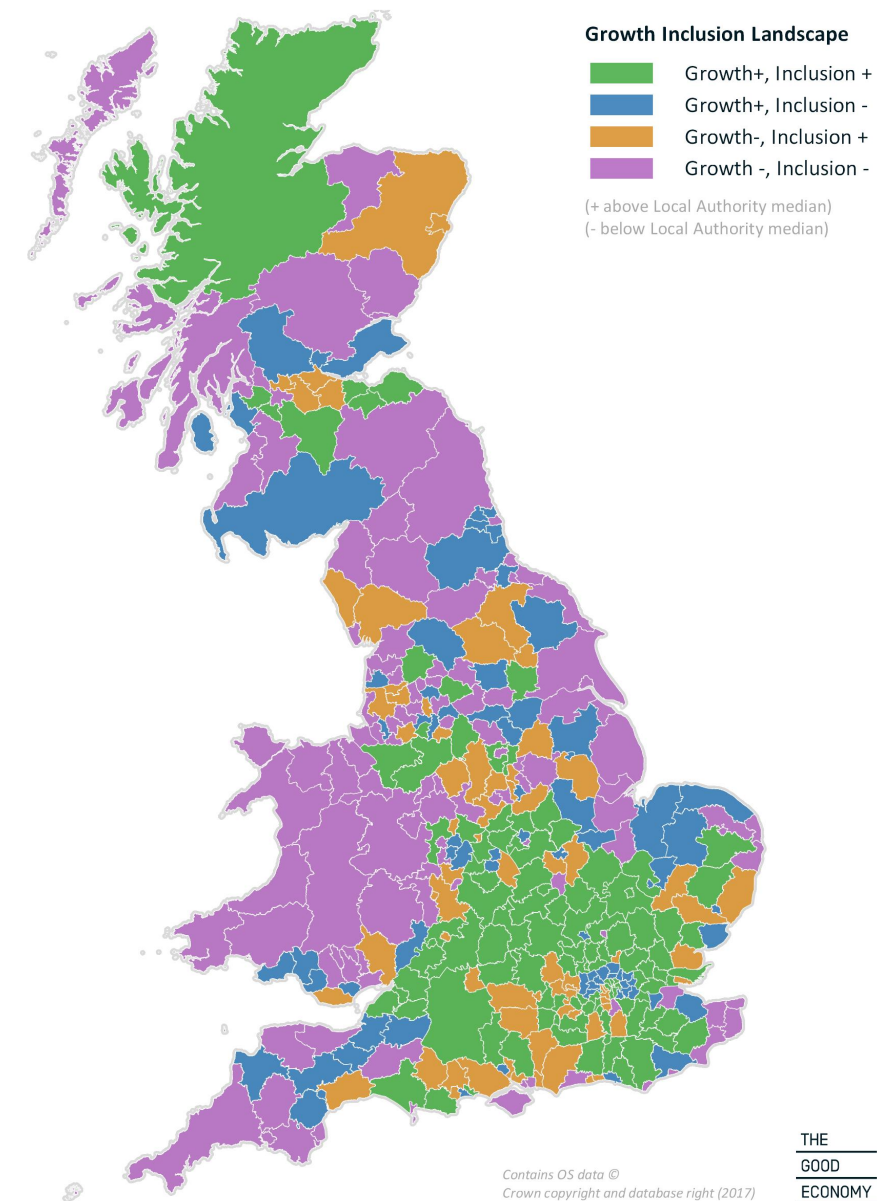
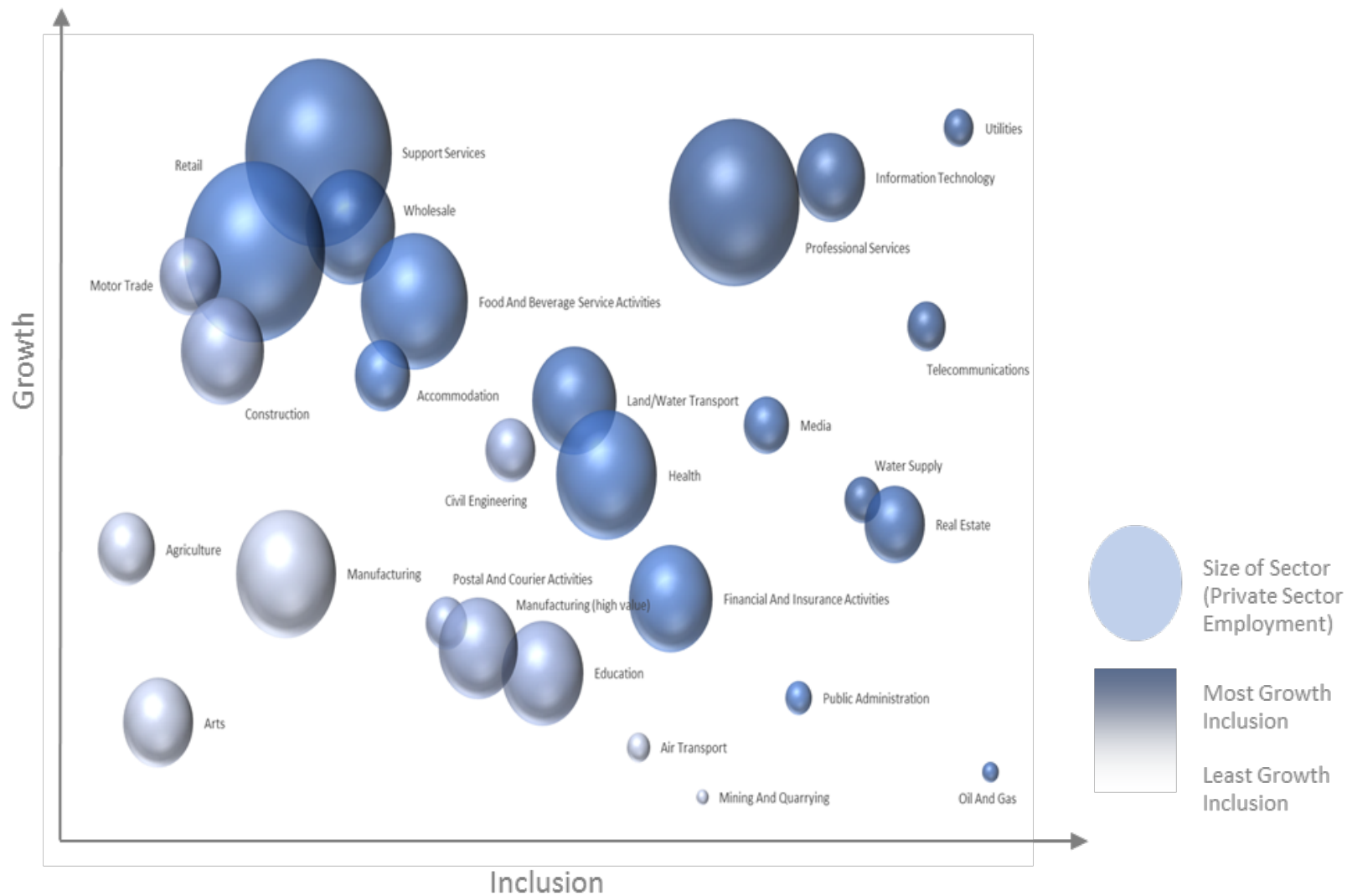


TGE Jobs Assessment Methodology

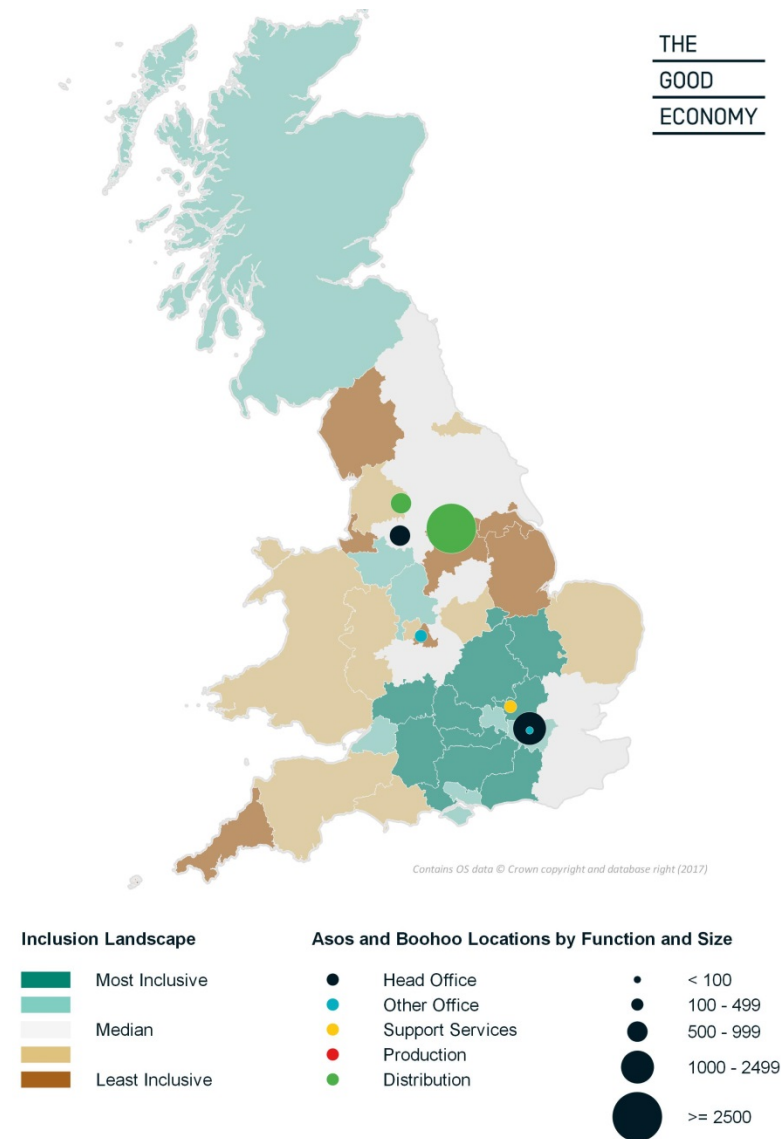
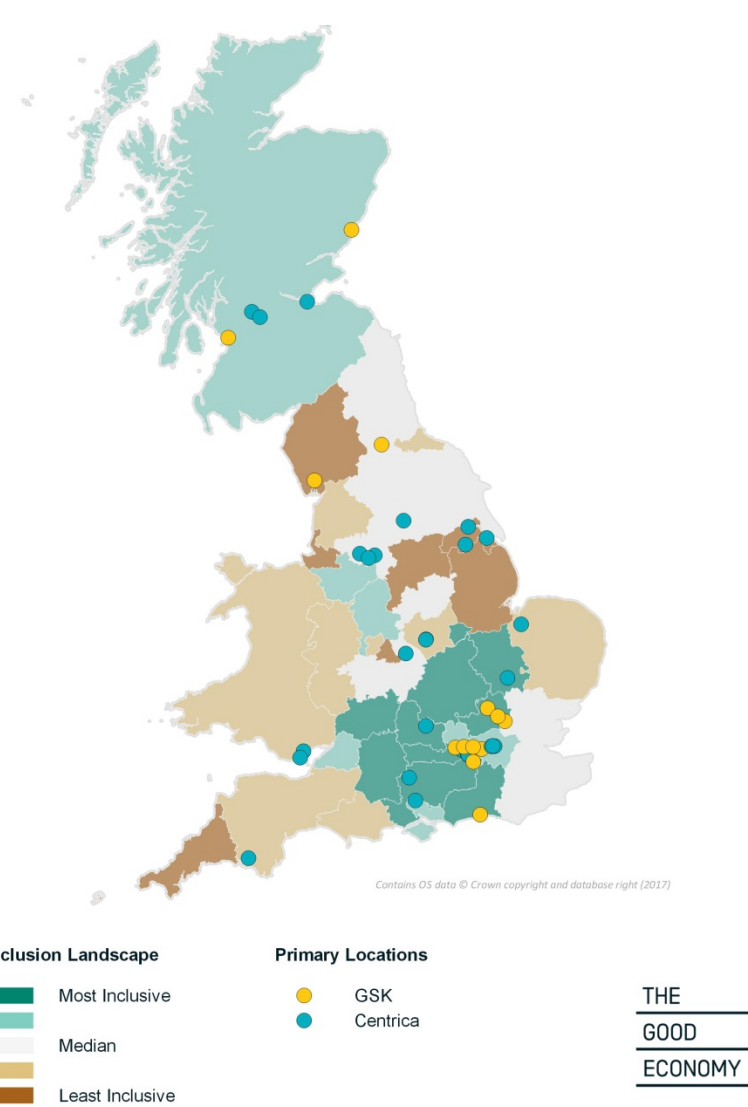


Common metrics: scale and rate of job growth, sector & SME multipliers; earnings quality, job security, young people

Sector and Place Ratings by Inclusive Growth



Companies on the Inclusive Growth Landscape



Company and Portfolio Social Ratings by Inclusive Growth metrics

Company Good Job Ratings

© Company	Sector	Company Level			Sector Level			Geography Level			Overall Company Score	Overall Company Rating
		Job Growth	Inclusion	Company Score	Growth	Inclusion	Company Score	Growth	Inclusion	Company Score		
N...	Utilities	6	13	9.5	1	2	1.5	5	4	4.5	6.25	A
S...	Information Technology	4	12	8	2	4	3	15	3	9	7.00	A
B...	Construction	4	10	7	10	16	13	7	11	9	9.00	A
B...	Wholesale	6	14	10	6	18	12	16	13	14.5	11.63	B
A...	Retail	16	7	11.5	8	24	16	4	12	8	11.75	B
G...	Construction	14	10	12	10	16	13	13	25	19	14.00	B
G...	Food And Beverage Services	22	6	14	4	25	14.5	24	11	17.5	15.00	C
B...	Manufacturing (High Value)	23	13	18	20	21	20.5	10	19	14.5	17.75	C
W...	Retail	24	13	18.5	8	24	16	20	24	22	18.75	C
R...	Financial And Insurance	16	25	20.5	21	9	15	24	25	24.5	20.13	D

Royal Dutch Shell

HSBC Holdings

BP

British American Tobacco

GlaxoSmithKline

Vodafone

Diageo

AstraZeneca

Rio Tinto

Glencore

Lloyds Banking

Reckitt Benckiser

Unilever

Shire Plc

Prudential

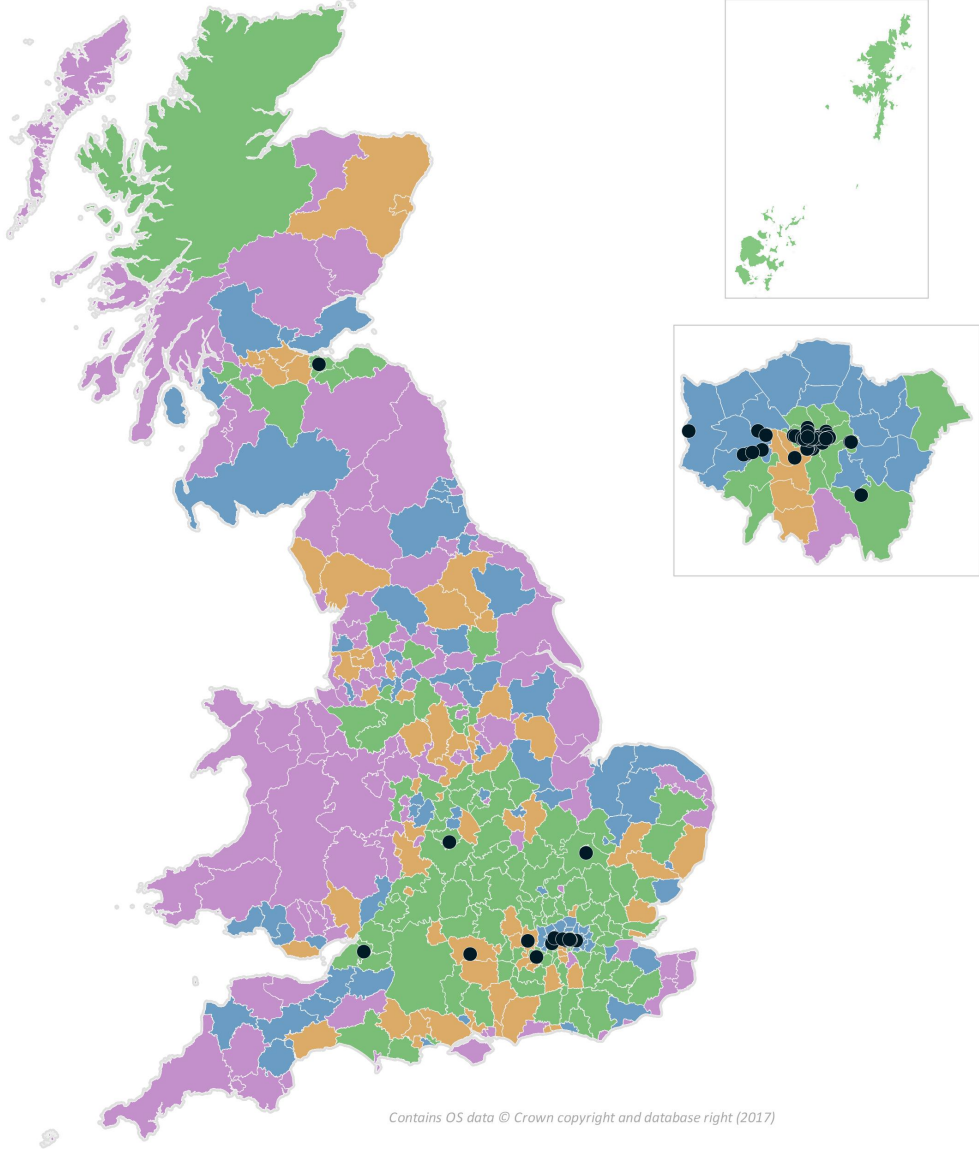
Imperial Brands

National Grid

BT

Royal Bank of Scotland

Compass



Growth Inclusion Landscape

- Growth+, Inclusion +
- Growth+, Inclusion -
- Growth-, Inclusion +
- Growth -, Inclusion -

● 20 Largest Equity Holdings
Head Office Locations

Thank you

sarah@thegoodeconomy.co.uk

www.thegoodeconomy.co.uk



Deep dive on the United Nations Sustainable Development Goals (SDGs)

11:50 – 12:30

Kirsi Keskitalo, *Portfolio Manager and Responsible Investing Specialist*, **Elo Mutual Pension Insurance Company**

Helena Vines Fiestas, *Head of Sustainability Research*, **BNP Paribas Asset Management**

Moderator: Kathryn Nwajiaku, *Head of Secretariat*, **International Dialogue on Peacebuilding and Statebuilding**

SUSTAINABLE DEVELOPMENT GOALS

INVESTING FOR CHANGE

HELENA VINES FIESTAS
London, 7 June 2017



BNP PARIBAS
ASSET MANAGEMENT

The asset manager for a changing world

SDG 3 for the auto sector



No NOx and towards 100% electric

	% NOx Gap between real and test driving conditions	1 = Good; 11 = Bad Score
BMW	3,28	1
PSA	4,06	2
VW	4,23	3
Ford	4,24	4
Toyota	4,35	5
Daimler	5,10	6
Hyu-Kia	6,66	7
GM	7,52	8
FCA	7,53	9
Nissan	8,49	10
Renault	9,18	11

	% of diesel in EU sales	1 = Good; 11 = Bad Score
Toyota	21,0%	1
GM	35,0%	2
FCA	39,0%	3
Hyundai	42,0%	4
Ford	45,0%	5
Nissan	49,0%	6
VW	55,0%	7
Renault	57,0%	8
PSA	58,0%	9
Daimler	64,0%	10
BMW	70,0%	11

	PHEV BEV as % of global sales 2015	1 = Good; 11 = Bad Score
Toyota	13%	1
Nissan	3%	2
Daimler	2%	3
Ford	1%	4
BMW	2%	5
Renault	1%	6
Hyu-Kia	1%	7
GM	0%	8
PSA	0%	9
VW	1%	10
FCA	0%	11

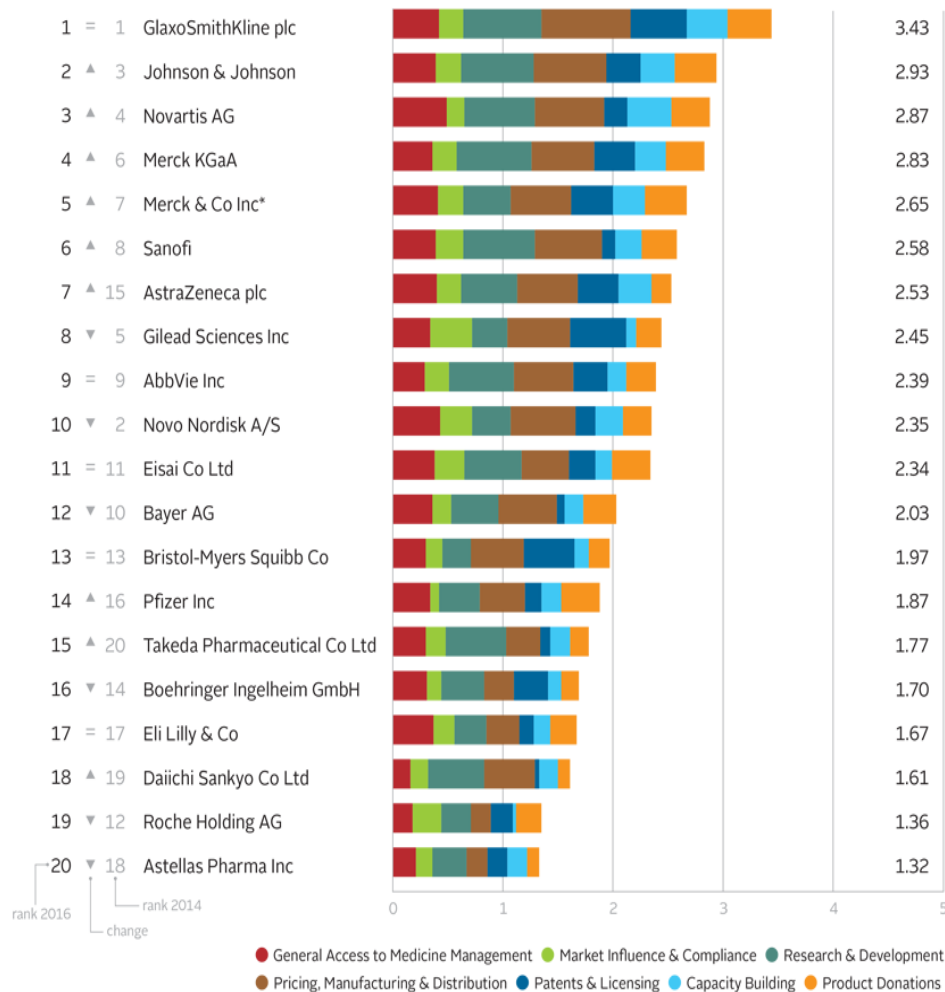
NOx real world vs on paper
(mix of Euro 5 and Euro 6)

Diesel mix in sales

Plug-in hybrid Electric Vehicle,
Battery Electric Vehicle % sales

Source: BNP Paribas AM Sustainability Research, Automobiles Sector Review 2017

Access to Medicine Index 2016



R&D as an example

- Tie R&D commitments to the 2030 Agenda for Sustainable Development in addition to local assessments of product needs.
- Around 11 companies have provided evidence of making this connection.
- Yet, R&D investments are poorly aligned
- Transparency remains wishful thinking, with two companies as an exception (publish details about their relevant investments).

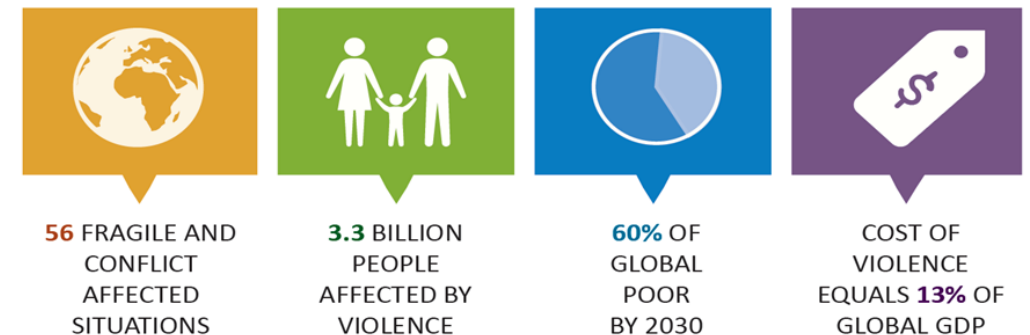
Source: Access to Medicine Index 2016, available at <https://accesstomedicinefoundation.org>

A multi-stakeholder approach with a tech hedge

Three initiatives can help address these risks thus enabling investors to
DO GOOD WHILE DOING GOOD BUSINESS



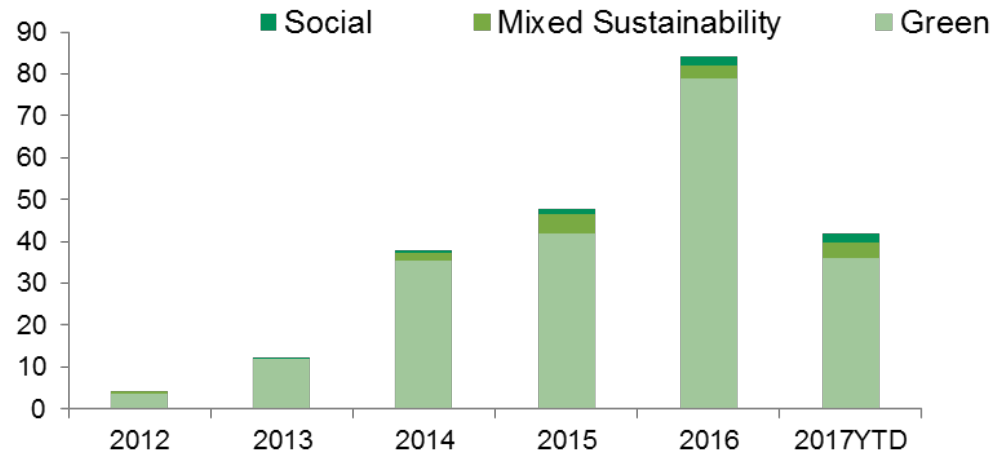
Stimulate a conversation between investors, the governments of FCS, their development partners, civil society and other key actors, about how they can individually and collectively contribute to promoting more and better investment in fragile environments



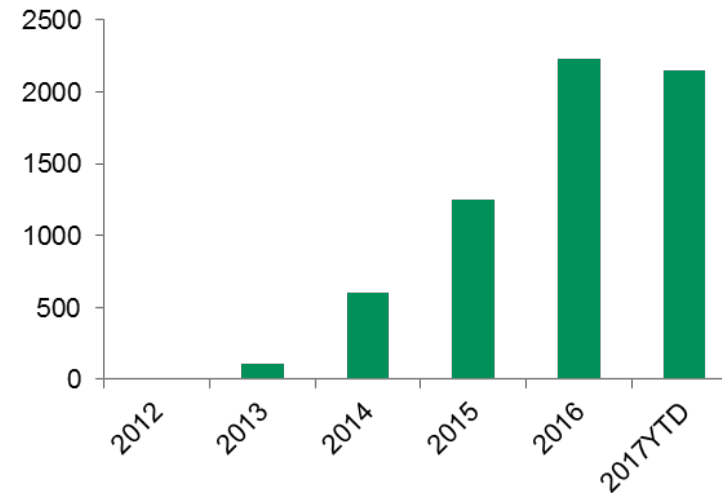
Source: International Dialogue on Peacebuilding & Statebuilding and BNP Paribas Asset Management (2016)

Social Bonds and the Sustainable Development Goals

In USD bn



Social Bonds



USD 500mn 3-year 1.75% (Priced 03/2017)

Use of Proceeds:

- Banking on Women
- Inclusive business

SDGs supported:



Plus Social & Green Funds and Indices

- BNP Paribas Easy Low Carbon 100 Europe UCITS ETF
- BNP Paribas Social Business
- BNP Paribas Human development
- BNP Paribas Aqua
- BNP Paribas Climate Impact
- BNP Paribas SmartFood

Source: Bloomberg, BNP Paribas

Solactive Sustainable Development Goals World RC 10 USD

