

Stream 1

## How are portfolio managers integrating long-term sustainability factors into investment decisions for better returns?

13:00 - 13:50

**Milena Glauberzon**, *Portfolio Manager, Public Equities Portfolio*, **PSP Investments**

**Domenico Giuliano**, *Deputy Chief Investment Officer and Portfolio Manager*, **MFG Asset Management**

Moderator: **Sarah Cleveland**, *Founder & CEO*, **Sarah Cleveland Consulting**

# ESG Framework

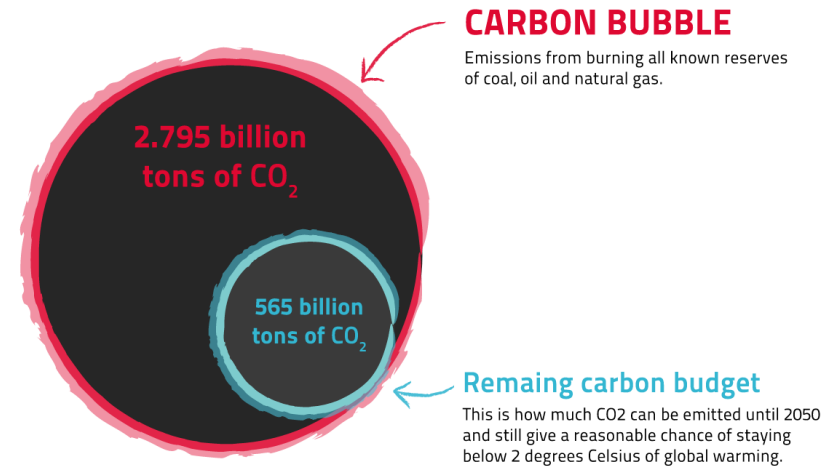
Milena Glauberzon

# Climate change

## Determining investment risks and opportunities for PSP

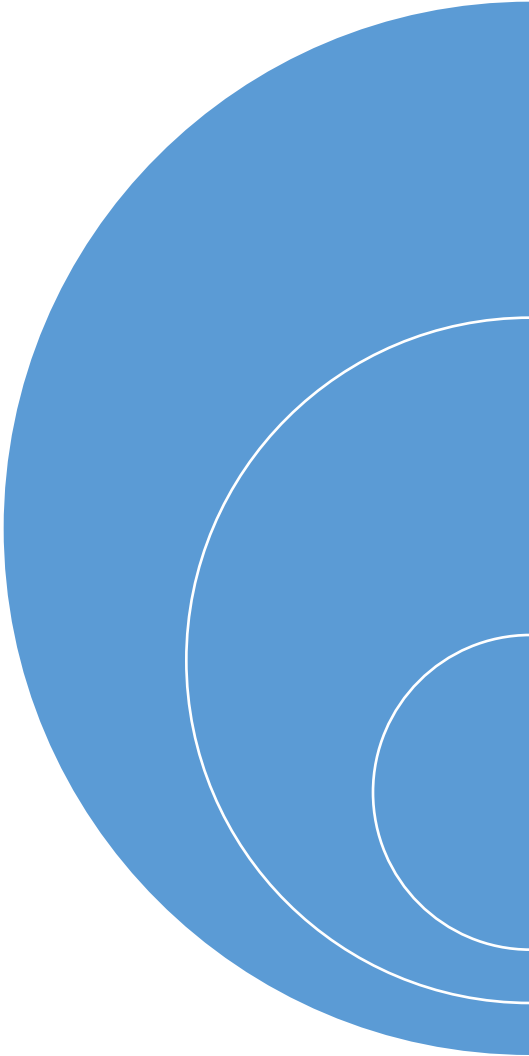
### Current:

- Voting and dialogue
- Case-by-case assessment of CC risks
- Collaboration and advocacy : PRI, CDP, TCFD



# Proxy Voting Guidelines

Address issues of corporate governance on which PSP votes



Quality of the board	<ul style="list-style-type: none"><li>• Independence</li><li>• Appropriate skills, experience, competencies</li><li>• Diversity</li></ul>
Compensation	<ul style="list-style-type: none"><li>• Equity-based compensation</li><li>• Advisory votes on executive compensation</li><li>• Golden parachutes</li></ul>
Others	<ul style="list-style-type: none"><li>• Shareholder rights (e.g. proxy access, by-laws, poison pills)</li><li>• Dilutive transactions</li><li>• Mergers &amp; acquisitions</li></ul>

# Enhanced Due Diligence – 4 assessment types

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## **1. Current carbon performance** versus industry/peers

- Peer relative carbon efficiency assessment
- Reliant upon current carbon data (has limitations though is readily available)

## **2. Quality of climate risk management** versus industry/peers

- Qualitative, peer-relative assessment
- 3<sup>rd</sup> party data on company governance activities (e.g. MSCI)
- 3<sup>rd</sup> party initiatives which rank sensitive companies (e.g. CDP)

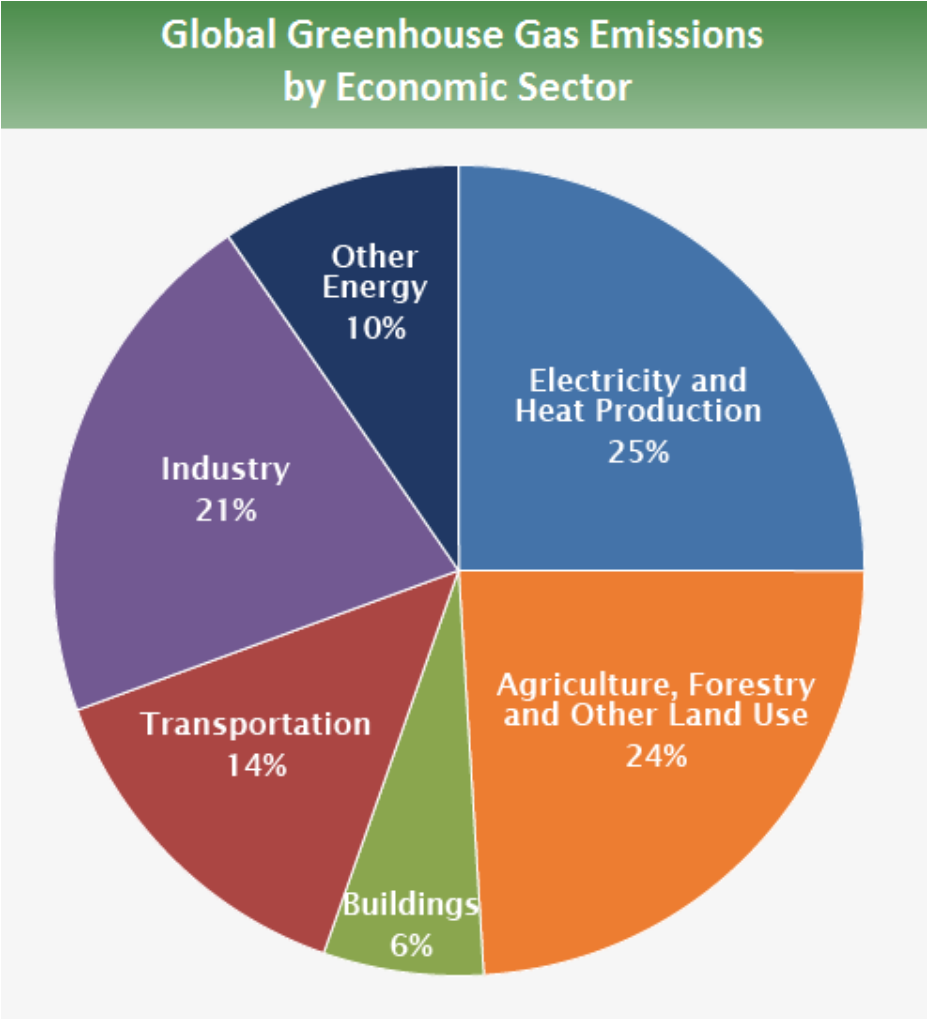
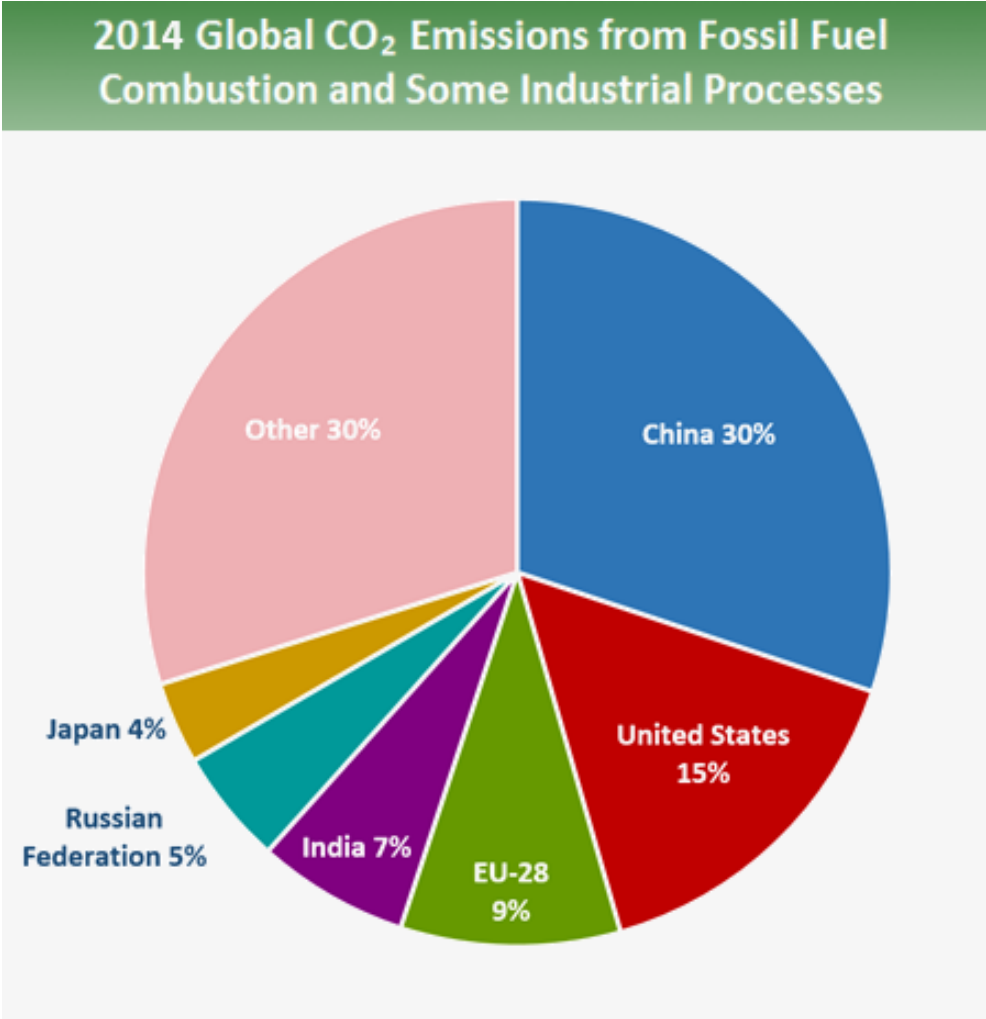
## **3. Financial resilience risk** assessment

- Test sensitivity of NPV to alternate price scenarios or a shadow carbon price
- Consider impact of early plant closures
- Model reduced demand for high-cost, high-carbon FF resources
- Assess cost of production vs peers, or CapEx plans

## **4. Financial Impact of Reputational risk**

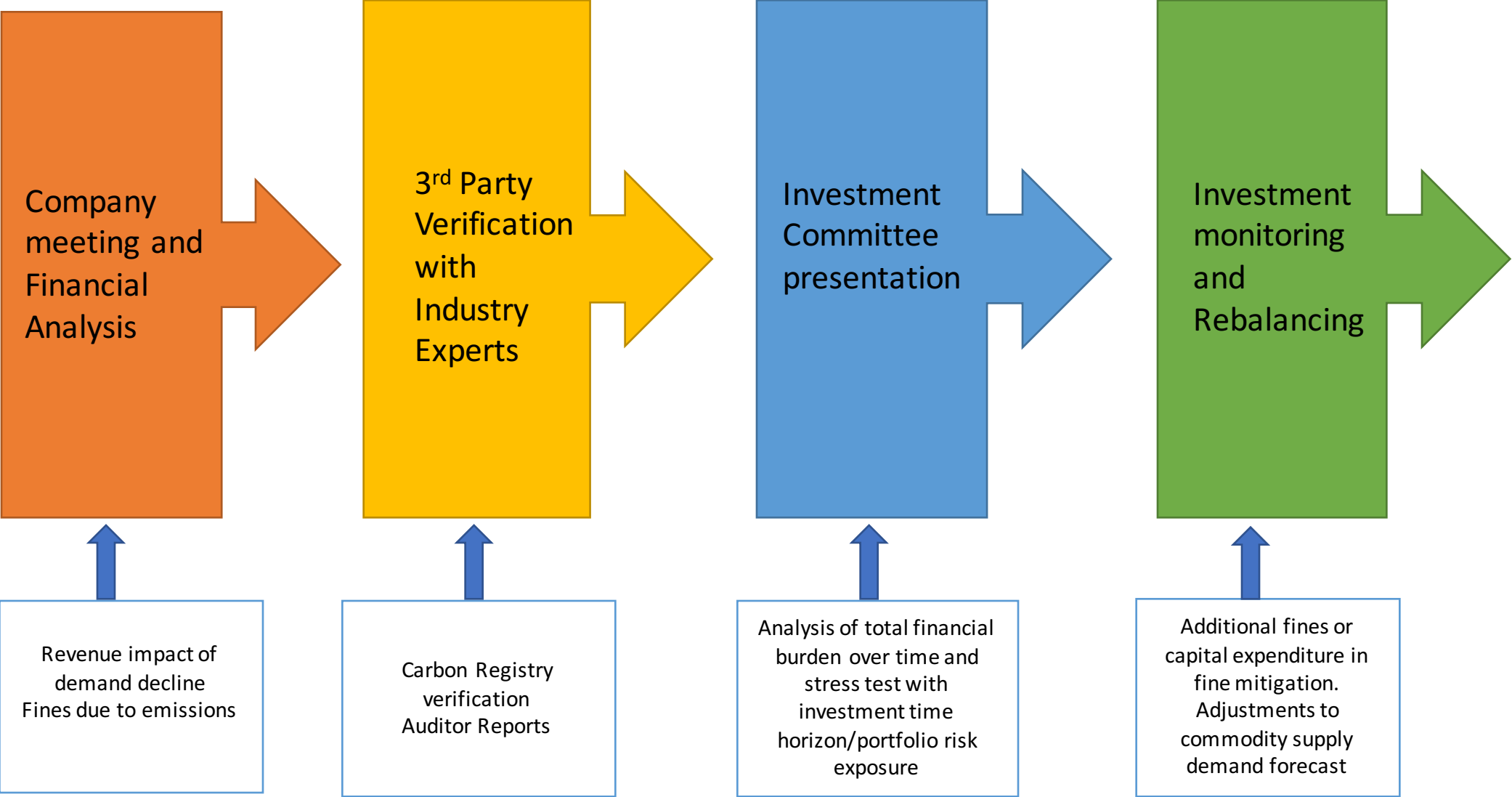
- actors that may pose financial reputational risk to company (e.g. controversies, countries of operation, target of activist groups; Talisman Burma)

Government Actions are Important!



Source : EPA.gov

# Oil & Gas Investment Example



# Global Low Carbon Equities

## RI Americas 2017

6 December 2017

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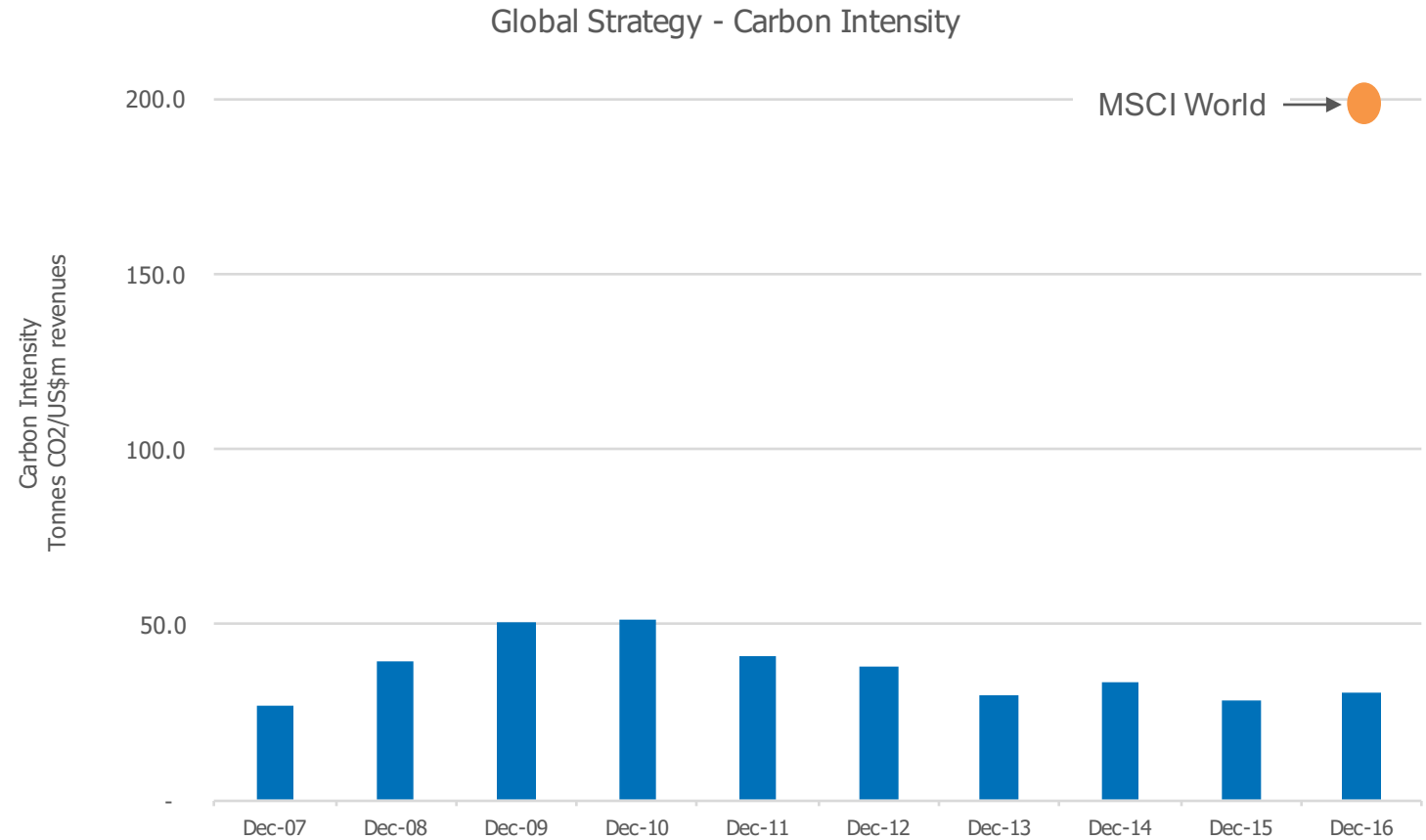




# Magellan Global Low Carbon Strategy

Global Strategy has a long low carbon history

- Reasons the Global Strategy is *inherently* low carbon:
  - Universe excludes pro-cyclical resources, energy and materials stocks
  - Seeks high returns on capital; often leading to capital-light businesses that are typically less carbon intensive



Note: Emissions intensity calculated using the weighted average intensity method, which is a weighted average of the emissions intensity of all companies in the portfolio.  
Source: Trucost; MSCI; Magellan Asset Management Limited.

# Magellan Global Low Carbon Strategy

Global Strategy's history shows low carbon need not come with lower alpha

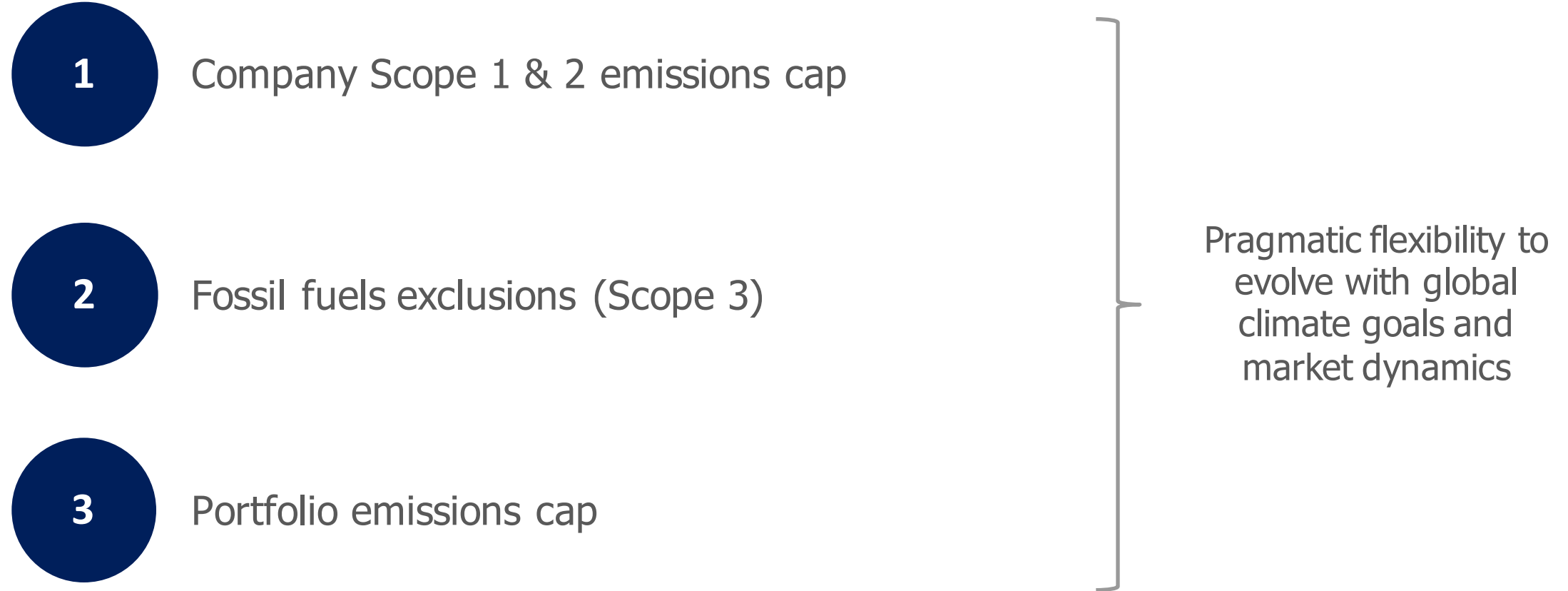
Observations (Gross) <sup>1</sup>	Total Return (% p.a)	Beta	Downside Capture
3 years	10.37	0.68	0.34
5 years	12.93	0.78	0.38
7 years	15.06	0.68	0.35
10 years	11.82	0.73	0.53

eVestment Percentiles (Gross) <sup>1</sup>	Total Return	Beta	Downside Capture
3 years	22nd	83rd	83rd
5 years	24th	85th	86th
7 years	2nd	92nd	95th
10 years	1st	91st	98th

Source: eVestment, quarterly returns period ending 30 September 2017. The eVestment Global Large Cap Equity peer group presented contains 354, 314, 249, and 179 observations for 3, 5, 7 and 10 years respectively.

# Low Carbon Framework

A proprietary three tiered approach to portfolio construction



Definitions:

Scope 1 emissions: directly emitted by companies

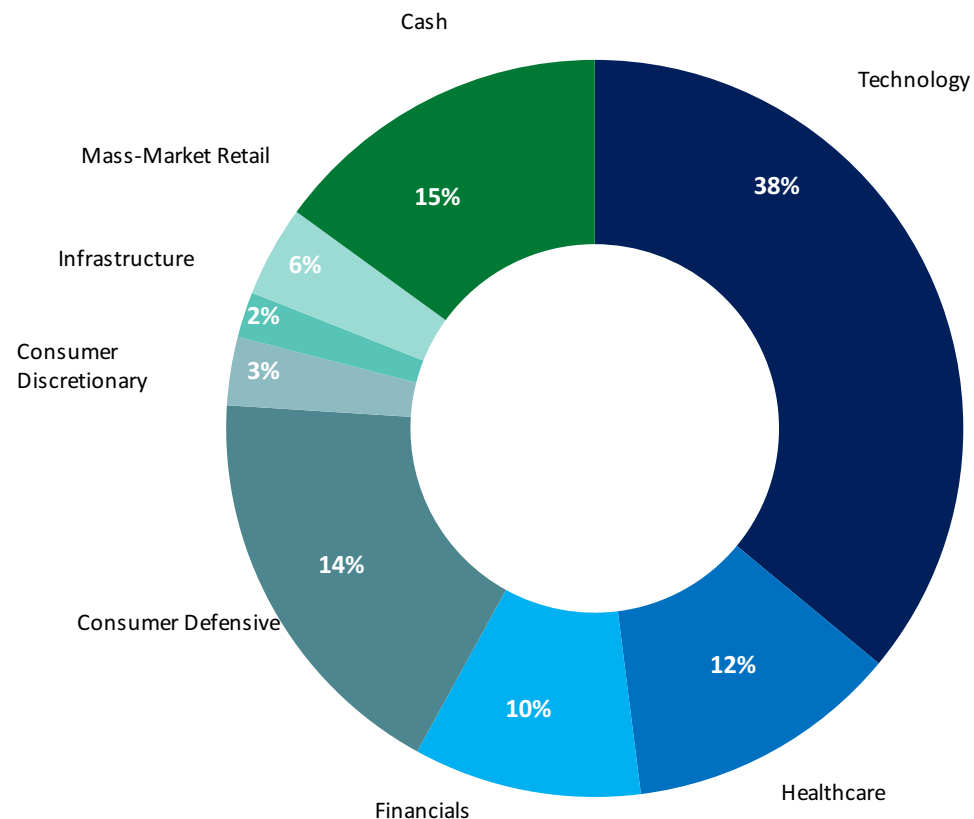
Scope 2 emissions: indirect emissions from energy suppliers (eg electricity)

Scope 3 emissions: other indirect emissions from non-energy suppliers or use of products sold

# How Are We Positioned?

## Global Low Carbon Strategy

38% of portfolio in global technology, yet well diversified



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Stream 1

## Water risk: whether it's too much rain/sea water or too little freshwater, water is becoming a serious risk to business continuity, viability and insurance.

13:55 - 14:45

**Hugh Brown**, *Corporate Governance Analyst, Office of Investment Programs & Governance, State Board of Administration (SBA) of Florida*

**Stephen Kibsey**, *Vice President, Emerging Risk Management, Caisse de dépôt et placement du Québec (CDPQ)*

**Emilie Mazzacurati**, *Founder and Chief Executive Officer, Four Twenty Seven*

Moderator: **Siobhan Collins**, *Manager, Water Program, Ceres*

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# Challenges with Water Risk Assessments

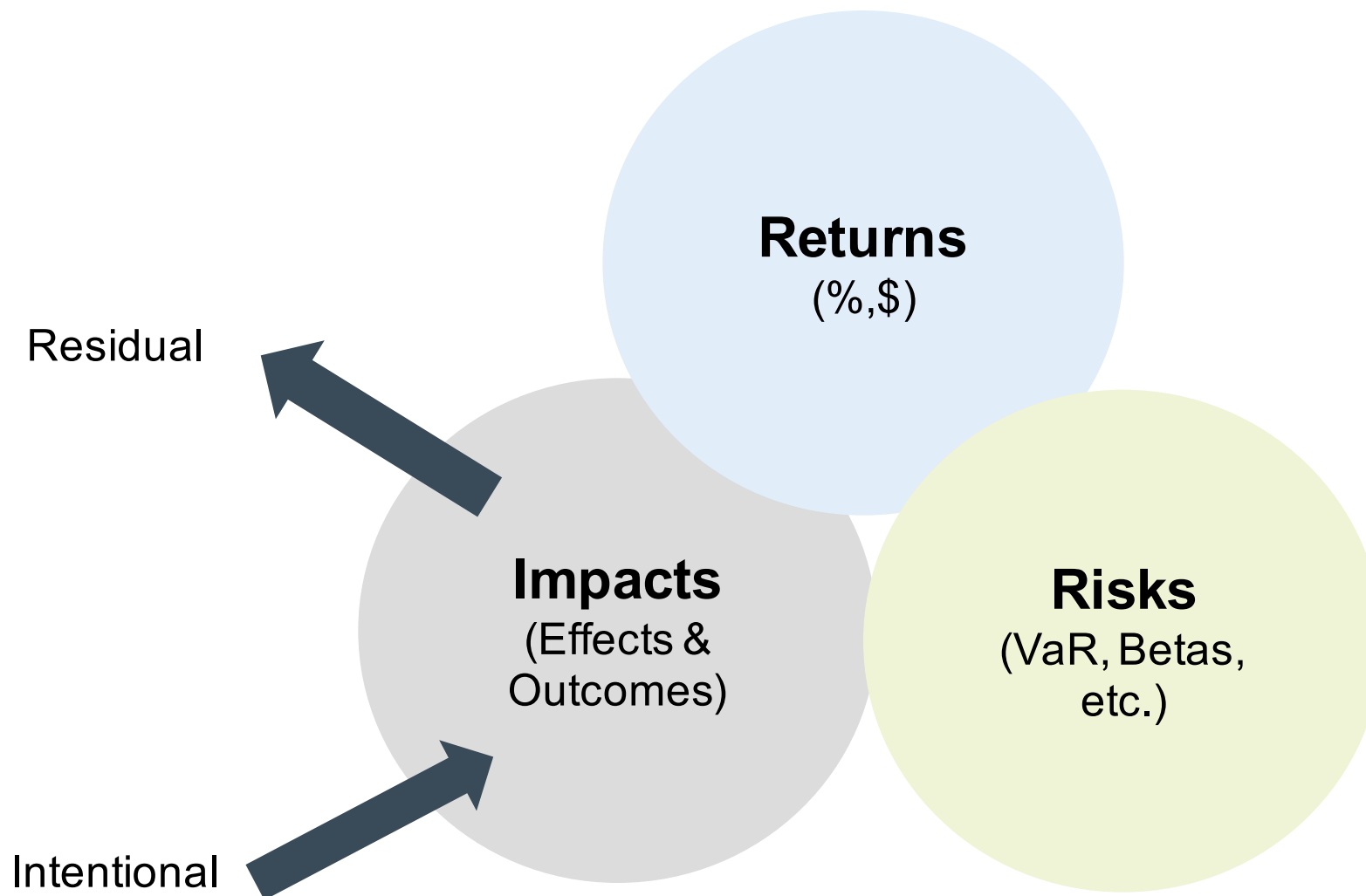
RI Americas | New York

December 6-7, 2017

STEPHEN KIBSEY, VICE-PRESIDENT OF EMERGING RISK MANAGEMENT



# New Era in Sustainable Investing





# Impacts- need to be measured

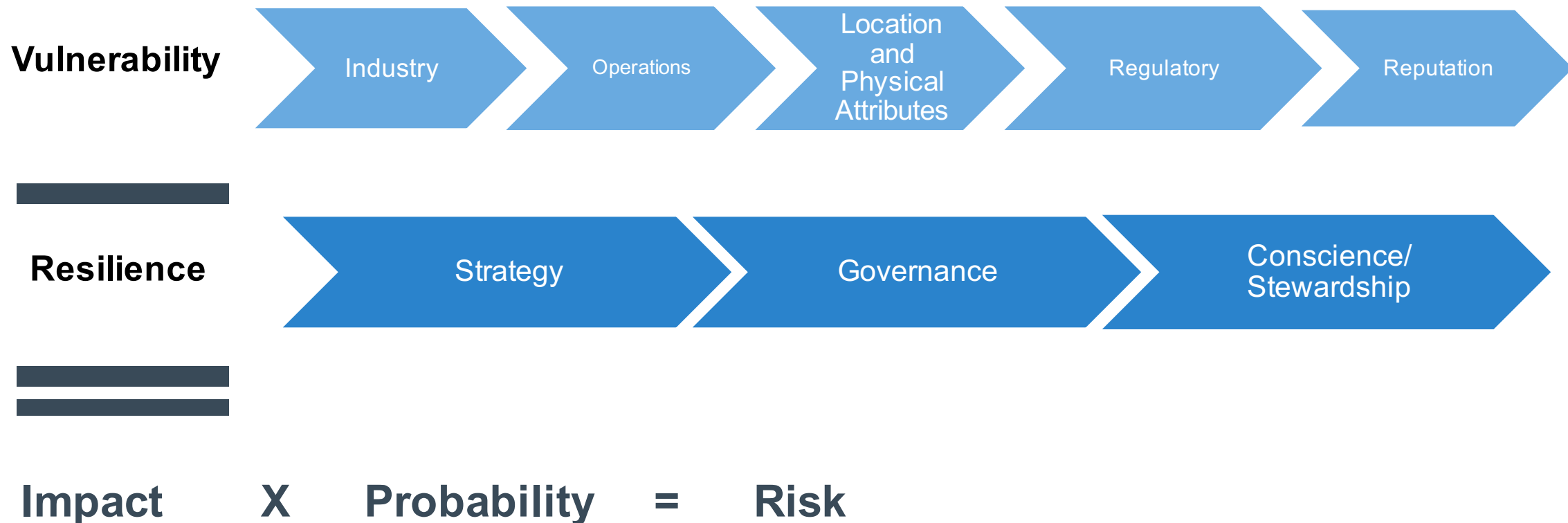
## Sustainable Development Goals

Source :UNITED NATIONS



# Process for judging materiality of the risk

## Analytic tool concept



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# Thank you for listening

RI Americas | New York

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VICE-PRESIDENT OF EMERGING RISK MANAGEMENT



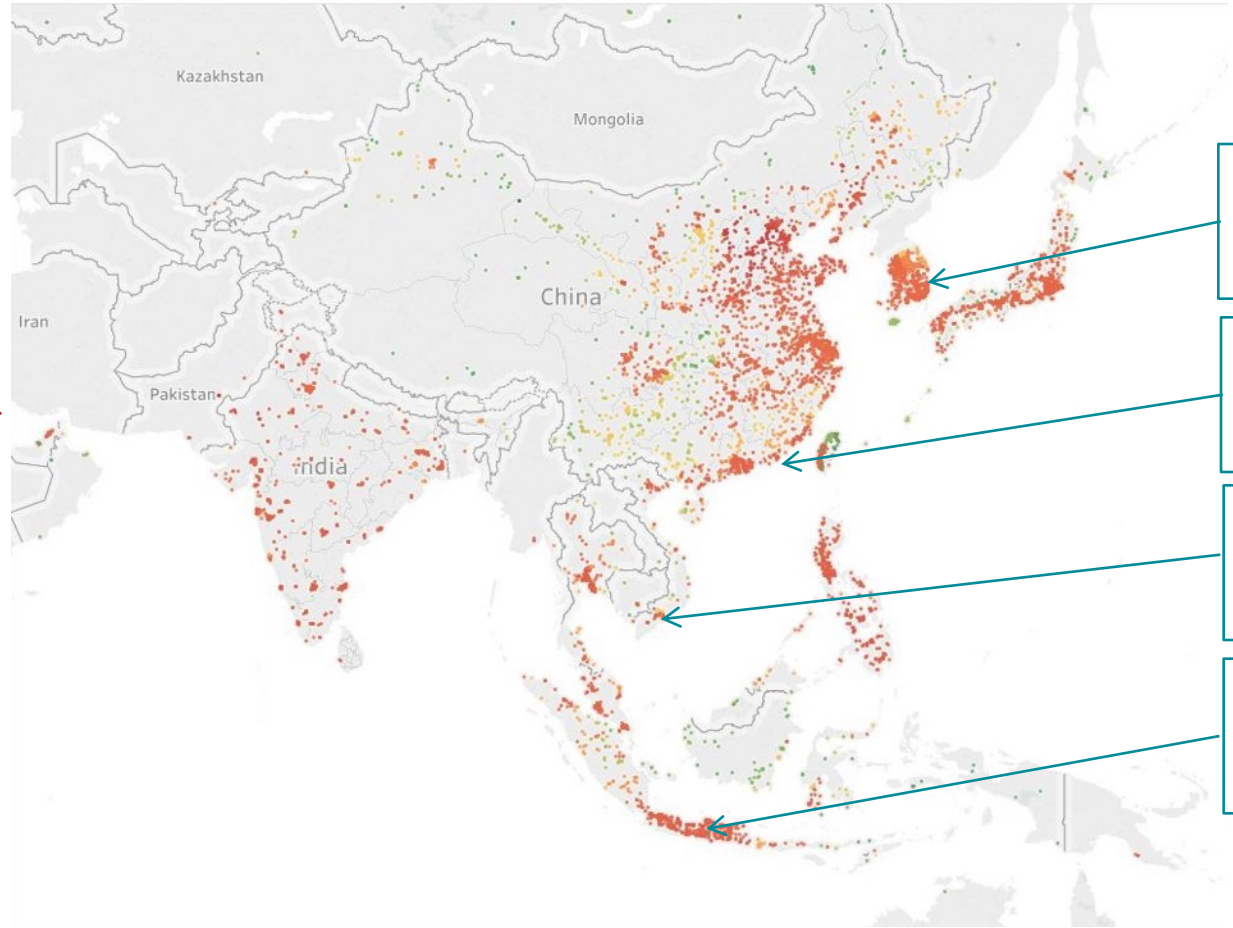
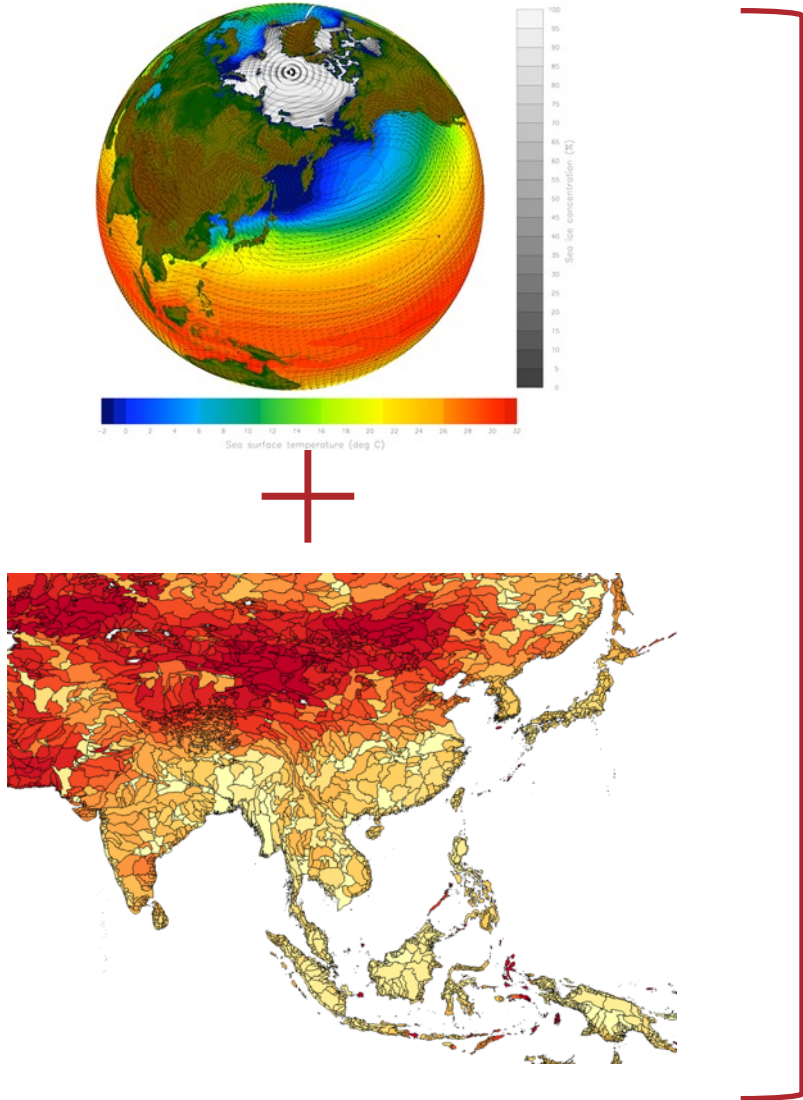


Four Twenty Seven  
Climate Solutions

# Assessing Climate Risk in Financial Portfolios: The Example of Water Risk

Emilie Mazzacurati, Founder and CEO, Four Twenty Seven  
Responsible Investors Americas, December 2017

# + From water and climate data to financial intelligence: asset-level analysis



KEPCO  
Power Plant  
Score: 21

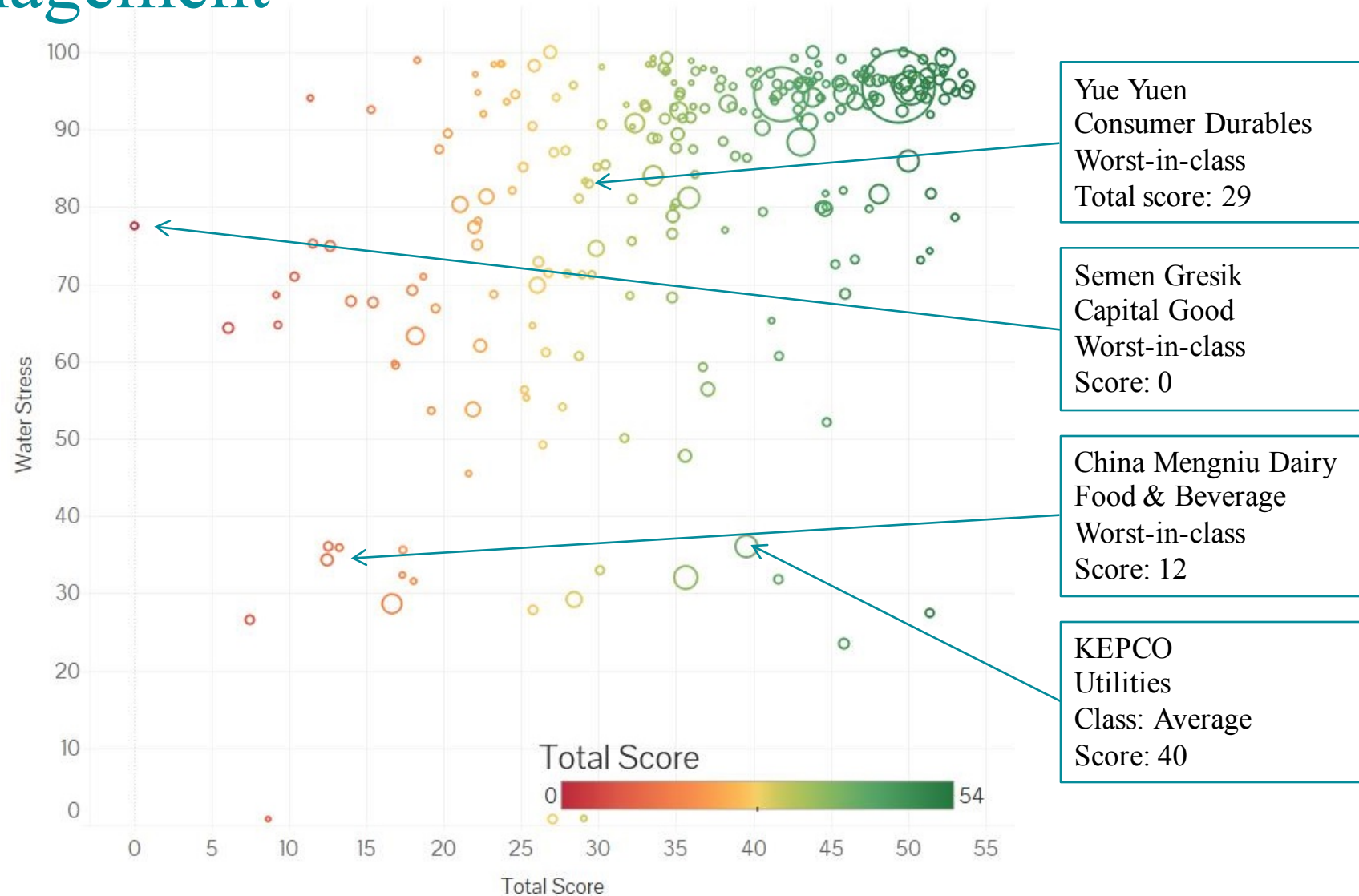
China Mengniu  
Dairy Facility  
Score: 34

Yue Yuen  
Clothing  
Score: 19

Semen Gresik  
Cement Plant  
Score: 5



# + Identify high risk corporations for engagement and risk management





Four Twenty Seven  
Climate Solutions

Climate intelligence for financial institutions,  
business and government

Emilie Mazzacurati – [427mt.com](https://427mt.com) – [emazzacurati@427mt.com](mailto:emazzacurati@427mt.com)



# Ceres' Investor Water Toolkit:

*A Resource for Investors by Investors on Water Integration*



## How-To Guide

Provides investors with a decision-making 'how-to' guide to assist them in understanding water risks in their portfolio



## Risk Assessment

Helps investors discriminate between high and low water risk companies and securities, and provides risk mitigation and engagement ideas



## Resources

Provides guides, case studies, resource lists and databases on specific topic areas or asset classes



## One Platform

Creates a one-stop shop on water integration across the value chain, from asset class analysis, portfolio characterization to buy/sell decision-making



## Easy Access

Exists on a web-based platform that will incorporate evolving water integration best practices, ideas and resources as they improve over time

For more information: [www.ceres.org/investorwatertoolkit](http://www.ceres.org/investorwatertoolkit)





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## Afternoon networking break

14:45 - 15:15

Sponsored by:



Stream 1

## Smart beta: ESG issues are the under-researched value factors that investors are searching for!

15:15 - 16:05

**Brian Rice**, *Portfolio Manager*, **California State Teachers' Retirement System (CalSTRS)**

**Tony Campos**, *Head of ESG Americas*, **FTSE Russell**

Moderator: **Dan Winters**, *Head of Americas*, **GRESB**

# Smart Beta Survey 2017: key themes

## Why smart beta?

Our survey results indicate that risk reduction, return enhancement and improving diversification persist as the primary objectives for use of smart beta. Cost savings continues to grow in importance, indicating that smart beta is increasingly being used in place of active strategies.

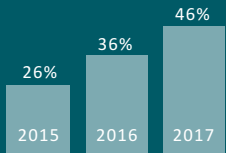
### Primary objectives

- ✓ RETURN ENHANCEMENT
- ✓ RISK REDUCTION
- ✓ IMPROVE DIVERSIFICATION

## Smart beta evolution and adoption

Smart beta adoption rates increased from 2016 to 2017; now, nearly half of asset owners surveyed have a smart beta allocation. Adoption growth was fueled by a record number of asset owners evaluating smart beta in 2016. Looking forward, the pipeline of asset owners evaluating smart beta remains strong and is comprised of first-time evaluators, re-evaluators, and asset owners with an existing smart beta allocation who are considering allocations.

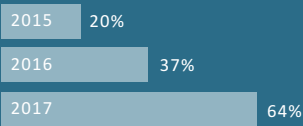
### Global adoption



## Equity smart beta strategies

This year, multi-factor combination strategies have become the most popular smart beta equity strategy used; they are also the most widely evaluated smart beta equity strategy. Among single factor strategies, Value and Low Volatility are most widely used and evaluated.

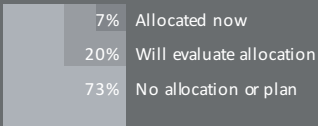
### Use of multi-factor strategies



## Fixed income smart beta strategies

New in 2017, we introduce an analysis of smart beta evaluation and usage for fixed income. Industry consensus about a well-defined set of factors that have historically rewarded investors has not taken place yet for the debt markets; as such, far fewer asset owners indicated they have evaluated smart beta for fixed income. We expect evaluation and usage of fixed income smart beta strategies to grow from this year's baseline.

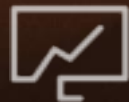
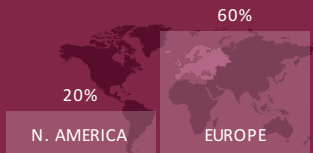
### Adoption and evaluation



## ESG considerations of smart beta

Interest in applying ESG considerations to smart beta is measurable, with the greatest interest coming from European asset owners and asset owners with over \$10 billion in AUM. Primary motivations for using a smart sustainability strategy are investment-led rather than regulatory or social/ethical.

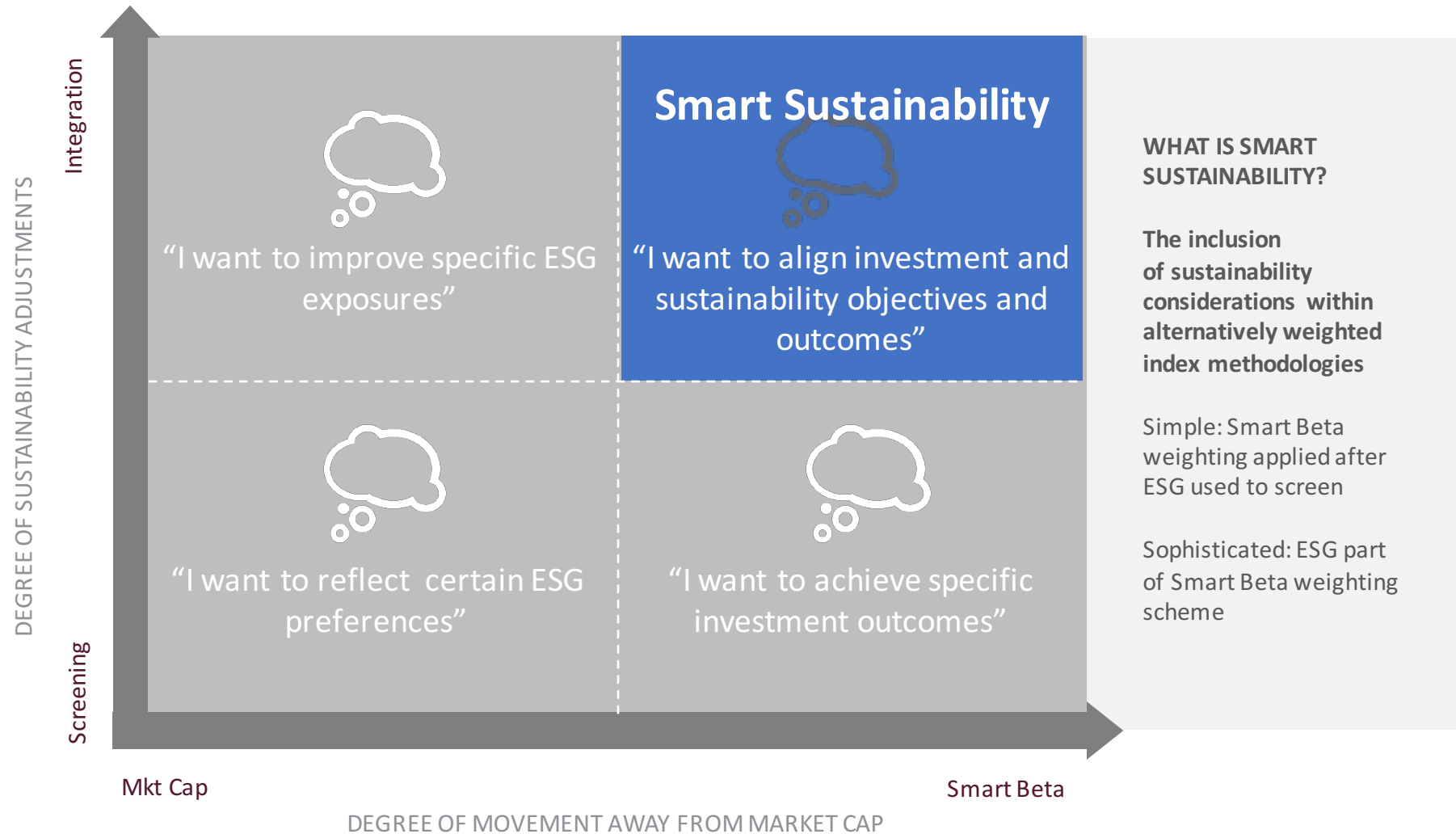
### Interest is worldwide



## Outlook

We expect growth in smart beta to continue at a robust pace, as the adoption expectations of asset owners who are currently evaluating initial or additional smart beta allocations remains strong and satisfaction with smart beta among current users remains high. In particular, we see strong growth prospects in the usage of multi-factor combination strategies and the application of ESG considerations to smart beta.

# Smart beta and sustainability



Source : FTSE Russell

# Smart Sustainability construction



Source : FTSE Russell

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THE END OF DAY ONE



Stream 1

## Applying a long-term sustainable approach to fixed income investing.

09:40 - 10:30

**Marcelo Jordan**, *Senior Portfolio Manager (ESG), The World Bank*

**Tessie Petion**, *Vice President, Responsible Investment Research, Domini Impact Investment*

**Del Anderson**, *Credit Research Analyst, PIMCO*

Moderator: **Carol Jeppesen**, *Senior ↗SNetwork Manager, Principles for Responsible Investment (PRI)*

## **Morning networking break**

10:30 - 11:10



Stream 1

## Green & sustainable bonds: After the initial excitement, what is holding back issuance?

11:10 - 12:00

**Judith Moore**, *Head of Sustainability Research and Policy*, **Affirmative Investment Management**

**Daniel Shurey**, *Analyst*, **Bloomberg New Energy Finance**

**Irene Sánchez Aizpurúa**, *Head of Division, Investor Relations and Marketing*, **European Investment Bank**

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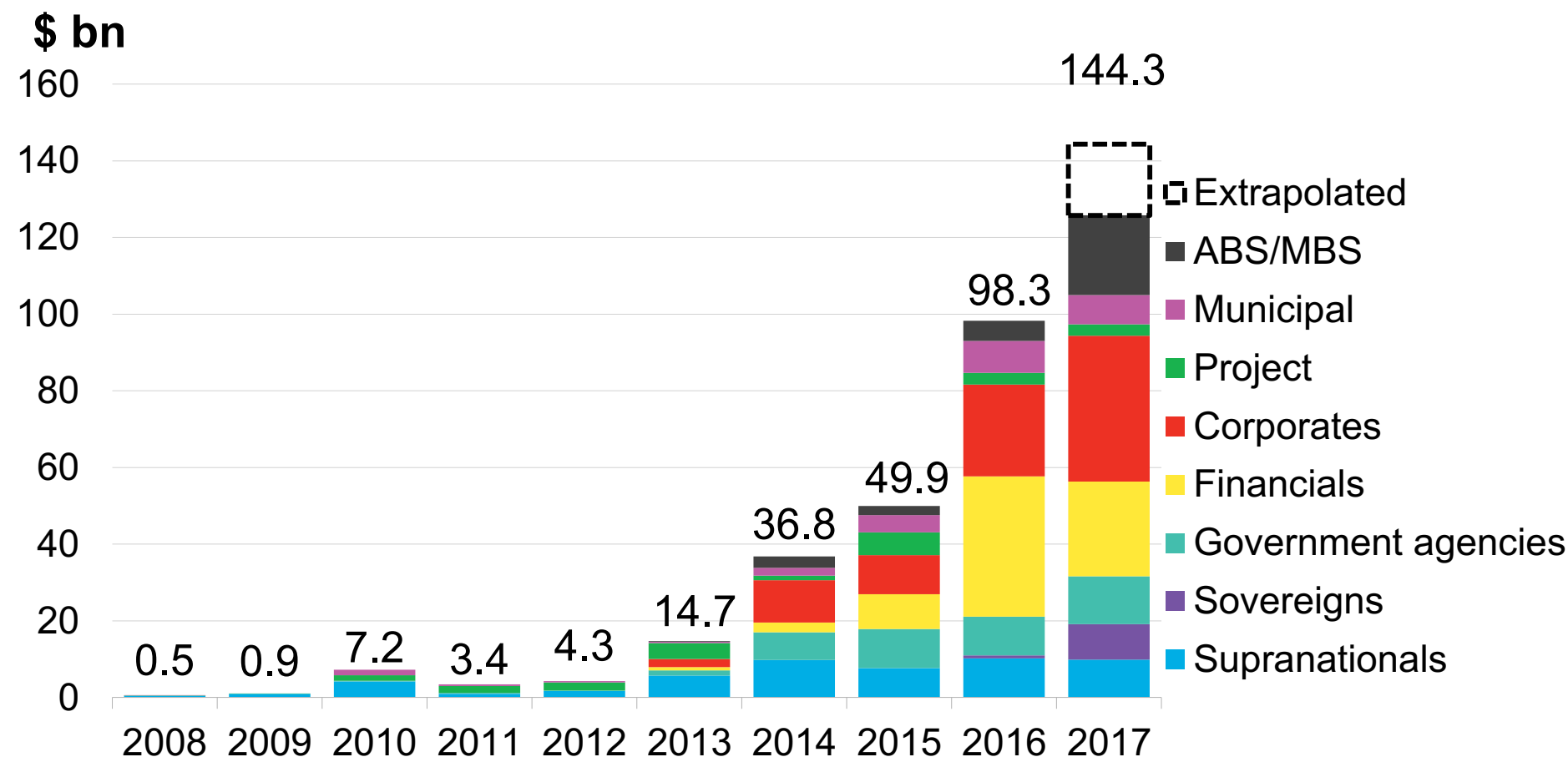
# Green bonds overview

RI Americas 2017

Dan Shurey

December 7, 2017

# Green bond issuance (\$bn)



Source: Bloomberg New Energy Finance

Stream 1

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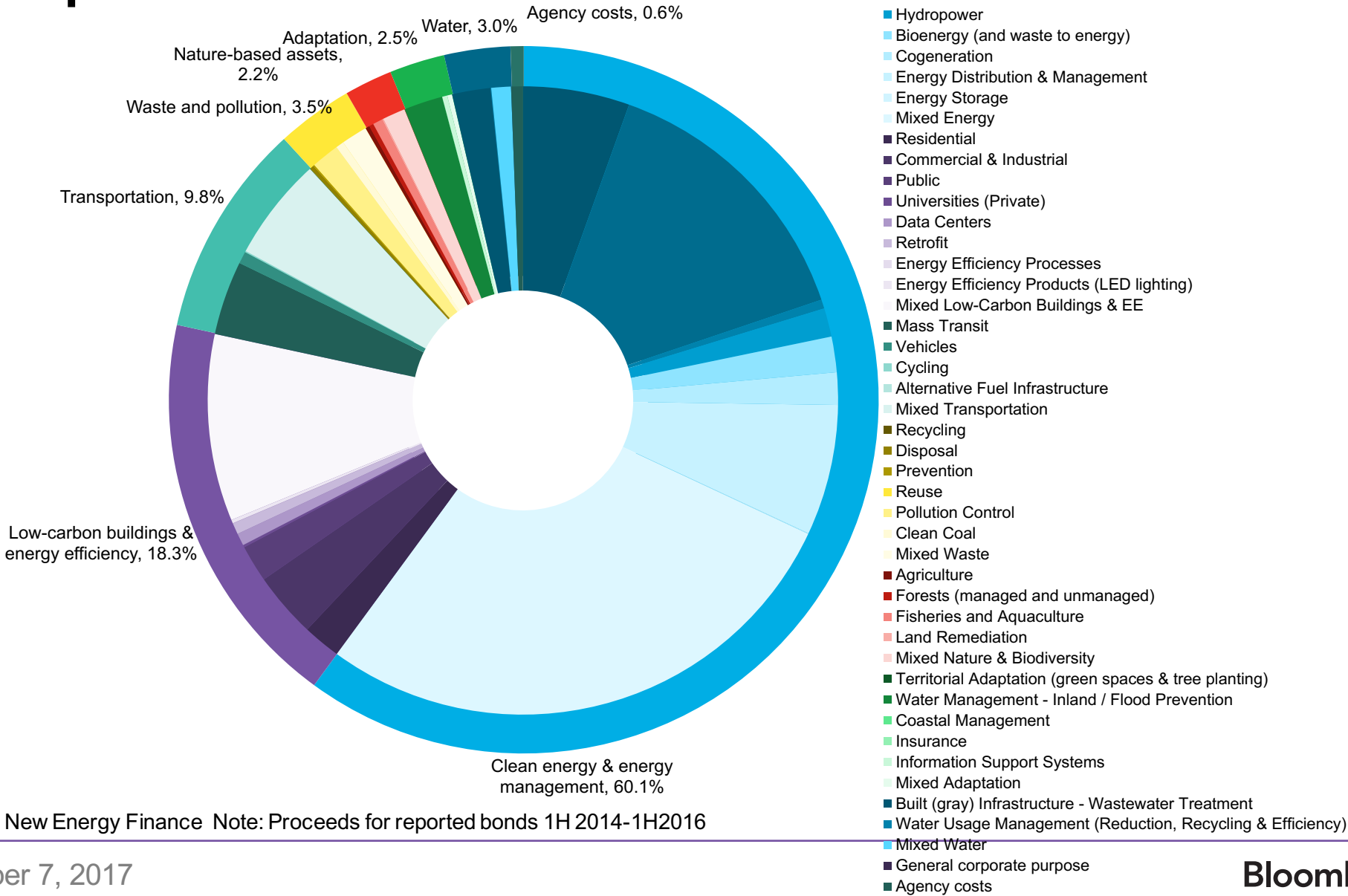
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# Reported proceeds breakdown



Source: Bloomberg New Energy Finance Note: Proceeds for reported bonds 1H 2014-1H2016

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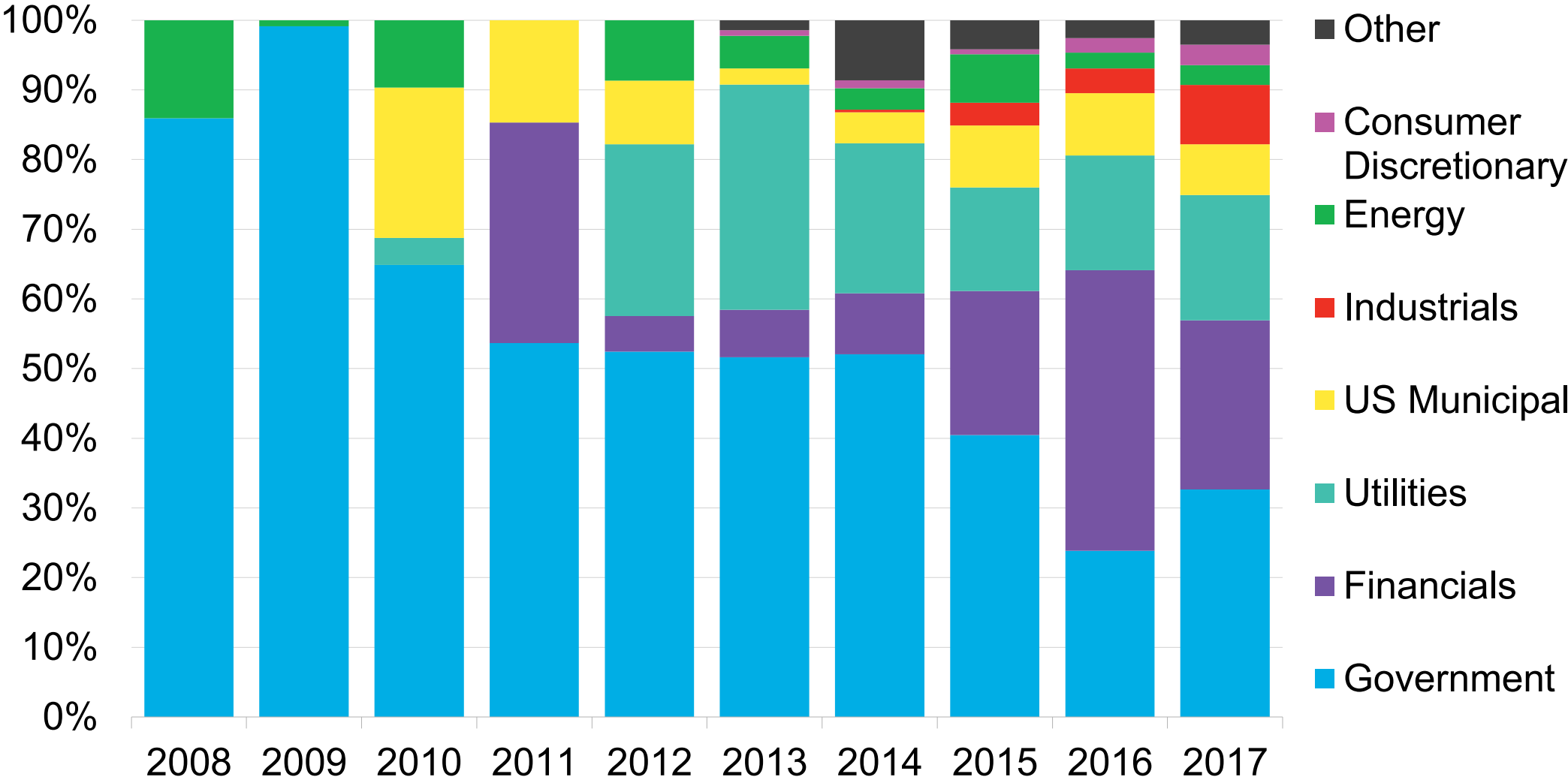
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# Green bond issuer type (%)



Source: Bloomberg New Energy Finance

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Moderator: **Tony Hay**, *Publisher*, **Responsible Investor**



Stream 1

## What are the methods to incorporate sustainability factors successfully within passive investment?

13:00 - 13:50

**Bob Arnold**, *Director of Global Equities, New York State Common Retirement Fund*

**Jennifer Sireklove**, *Director of Responsible Investing, Parametric*

Moderator: **Thomas Kuh**, *Independent Consultant*

Stream 2

## Why and how are investment consultants and asset owners assessing ESG integration in asset allocation, manager selection and review?

13:00 - 13:50

**Roger Urwin**, *Global Head of Investment Content*, **Willis Towers Watson**

**Karen Lockridge**, *Principal*, **Mercer**

**Kate Starr**, *Chief Investment Officer*, **Flat World Partners**

Moderator: **Nalini Feuilloley**, *Head of Canada*, **Principles for Responsible Investment (PRI)**