

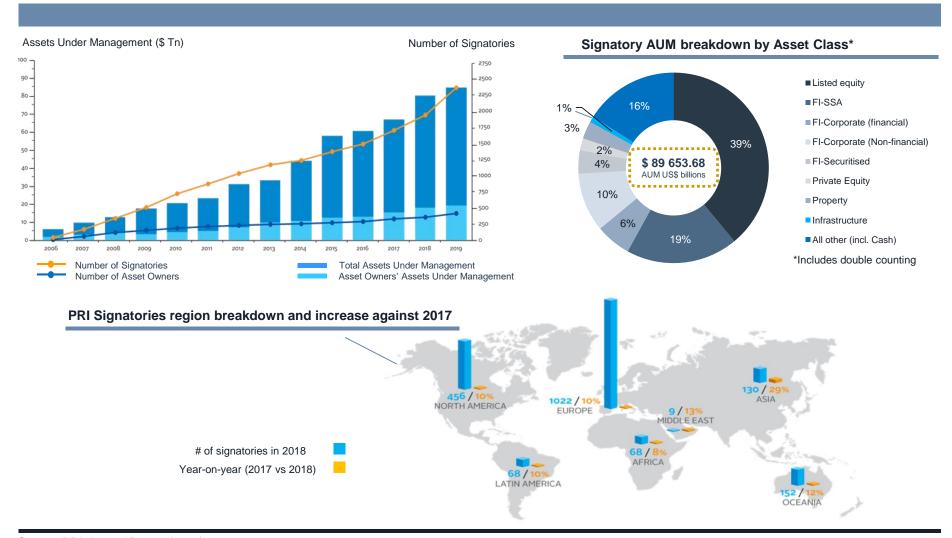
ESG Investing: an overview

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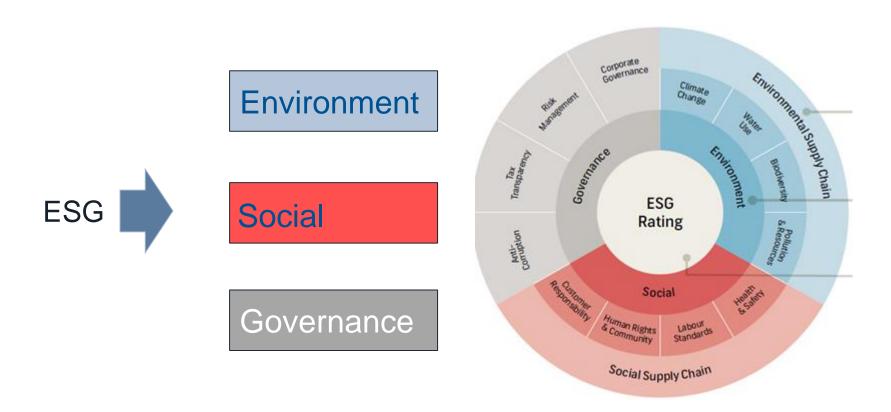
ESG Investing Mainstream



Source: PRI, Annual Report (2018)



ESG Framework





Possible drivers for mapping ESG Investors

1	Materiality
2	ESG Approach
3	ESG Strategy
4	Investment Style
5	Final Investor Served
6	Commitment/Dedicated Investments



Financial and Sustainable Materiality

Focus on identifying the main intangible factors (e.g. sustainability factors) related to companies' ability to create long-term value

FINANCIAL MATERIALITY

To the extent necessary for an understanding of the company's development, performance and position...

ENVIRONMENTAL & SOCIAL MATERIALITY

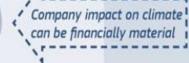
...and impact of its activities







CLIMATE









CLIMATE

Primary audience:

INVESTORS

Primary audience:

CONSUMERS, CIVIL SOCIETY, EMPLOYEES, INVESTORS

NFD & EU Regulation



ESG Approaches Spectrum

Financial Materiality							
	MAINSTREAM						
Financial-only	Responsible	Sustainable	Impact			Impact-only	
Limited or no regard for environmental, social or governance practices	Mitigate risky environmental, social or governance practices in order to protect value	Adopt progressive environmental, social or governance practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges which may generate a below-market financial return for investors	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate financial return for investors	
Deliver competitive financial results							
Mitigating Environmental, Social and Governance risks							
	Pursuing Environmental, Social and Governance opportunities						
	Focus on measurable high-impact solutions						



ESG Strategies Diversification

Core Strategies

Screening strategies that impact portfolio construction

Negative Screening / Exclusion Criteria Positive Screening / Positive Criteria

Ethical or moral orientation

Normbased approach Best-inclass approach

Thematic screening

Broad Strategies

Integration of ESG issues in the investment process

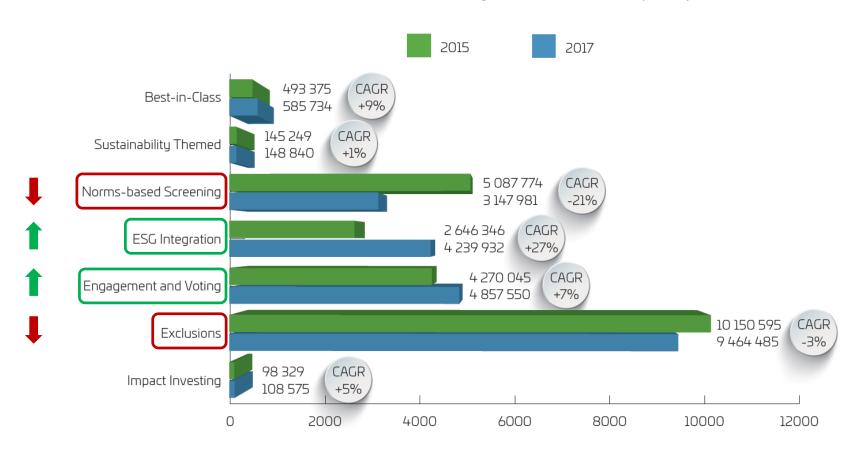
Integration of ESG criteria

Engagement / Active shareholder



Evolution of ESG Strategies

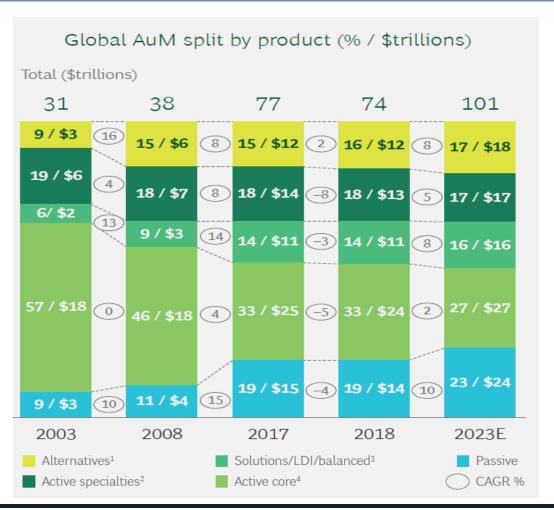
Overview of SRI strategies in Europe (€ M)



Source: Eurosif (2018)



Investment Styles & Products



Active investors:
Focus on minimum ESG
ranking, ESG integration
into the equity story and
engagement

Passive investors:
Focus on global &
comparable datasets and
engagement



Institutional and Retail Final Investors



Source: PRI, Annual Report (2018)



SHRD II: disclosure duties on Institutional Investors

SHRD I

Focus on Shareholders' Rights



Shift in the perspective

SHRD II

Focus on Duties/Responsibilities by Shareholders



Target

- Institutional Investors
- Intermediaries
- Issuers
- Proxy advisors

Impact on Institutional Investors

- Adoption of an engagement policy
- Description of how the engagement policy is integrated into the investment process
- Disclosure on policy implementation
- Description of strategy for tackling conflicts of interest
- Description of how investors cooperate with other shareholders
- Disclosure on voting policy and use of proxy advisors



Appendix



Core ESG Strategies

Negative Screening / Exclusion Criteria

Exclusion of companies, sectors or countries that do not meet ESG or ethical criteria

Ethical or moral orientation

Ethical (e.g. human rights) or subjective moral criteria (e.g. tobacco, alcohol ...)

Normbased approach

Normative criteria deriving from international standards: UN Global Compact, ILO - Labor Organization, OECD

Positive Screening / Positive Criteria

Selection of companies that best meet ES or Ethical criteria on the basis of a minimum standard (score)

Best in Class

Ethical (e.g. human rights) or subjective moral criteria (e.g. tobacco, alcohol ...)

Thematic Approach

Focus on some themes such as environmental (water, renewable energies ...) or social topics (e.g. microfinance) → mission and program related investments



Broad ESG Strategies

Integration ESG Criteria

ESG are taken into account along all the investment process

UN PRI - Principles for Responsible Investment

UN PRI were published in 2006 (Kofi Annan initiative) and provide a guideline for investors who wish to integrate ESG criteria into the investment process. Voluntary adherence but signature oblige to apply and report regularly. At August 2014, 1260 signatories.

Active Shareholder Policy / Engagement

Influence on corporate policy by voting rights or dialogue with management / board

Carbon Disclosure Project

Launched in 2000, not-for-profit organization to monitor on behalf of investors climate change strategies of thousands of organizations globally

Impact investing

Focus on business model, positive impacts of services and goods.



Classification of ESG Strategies

Eurosif	GSIA-equivalent ¹⁷	PRI-equivalent ¹⁸	EFAMA-equivalent19
Exclusions	ESG Negative screening	ESG Negative / Exclusionary screening	Negative screening or Exclusion
Norms-based screening	Norms-based screening	Norms-based screening	Norms-based approach
Best-in-Class selection	ESG Positive screening and Best-in-Class	ESG Positive screening and Best-in-Class	Best-in-Class policy
Sustainability-themed	Sustainability-themed	ESG-themed Investments	Thematic investment
ESG integration	ESG Integration	Integration of ESG issues	-
Engagement and voting	Corporate engagement and shareholder action	Engagement (three types)	Engagement (voting)
Impact investing	Impact / Community investing	-	-

Source: Eurosif (2018)