



# ESG Investing: an overview

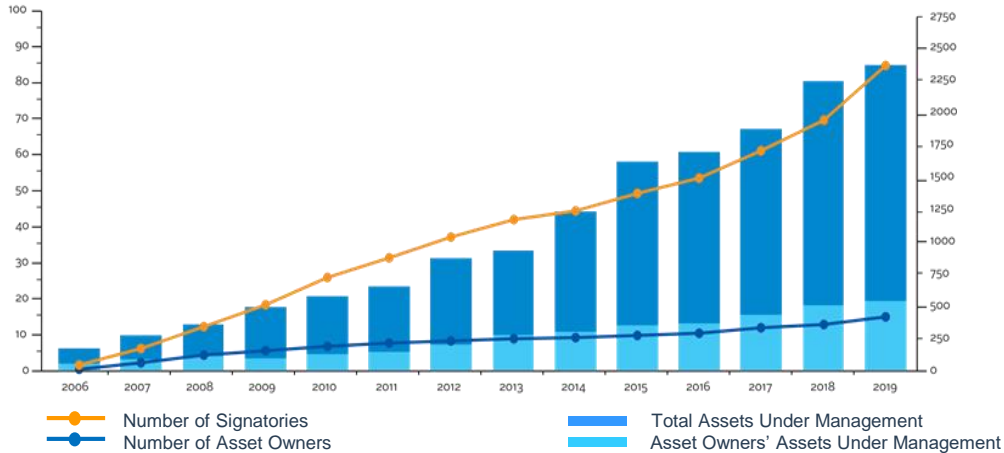
Alessandra Franzosi, Head of Asset Owners & ESG Investing  
Capital Markets, LSEG

Milan, 11<sup>th</sup> February 2020

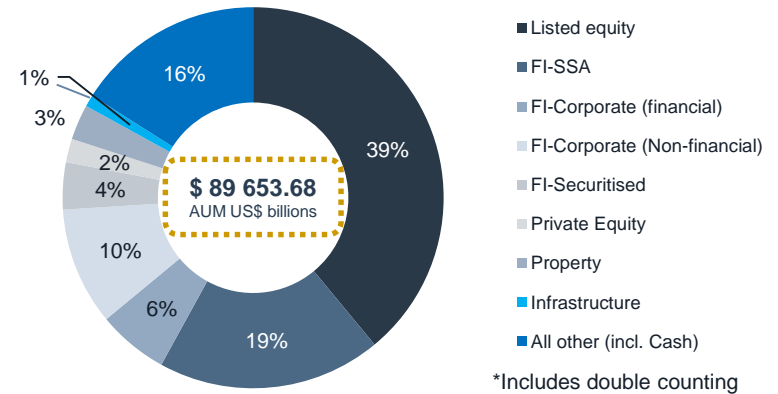
# ESG Investing Mainstream

Assets Under Management (\$ Tn)

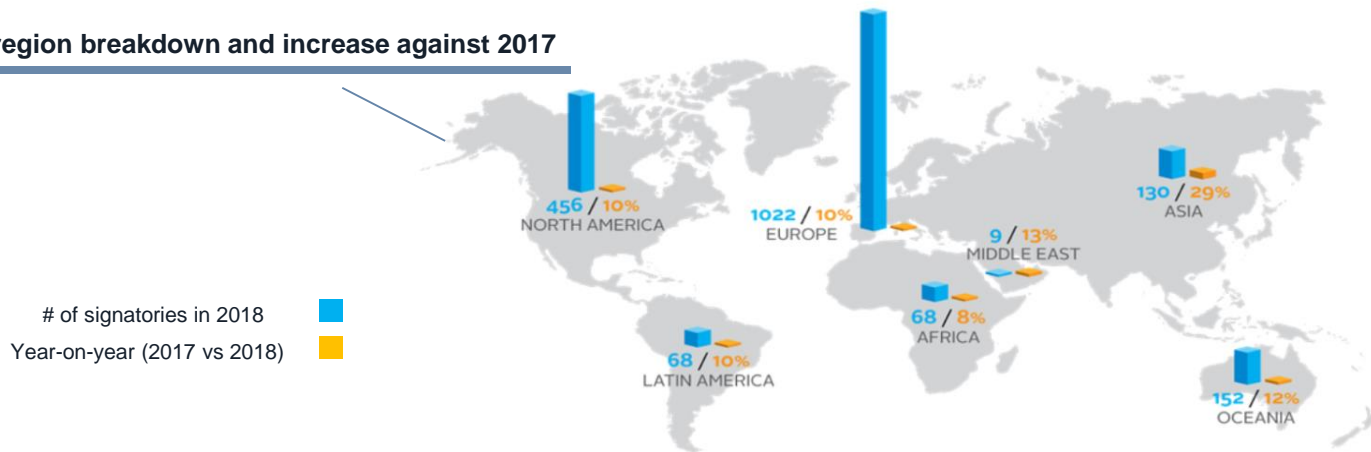
Number of Signatories



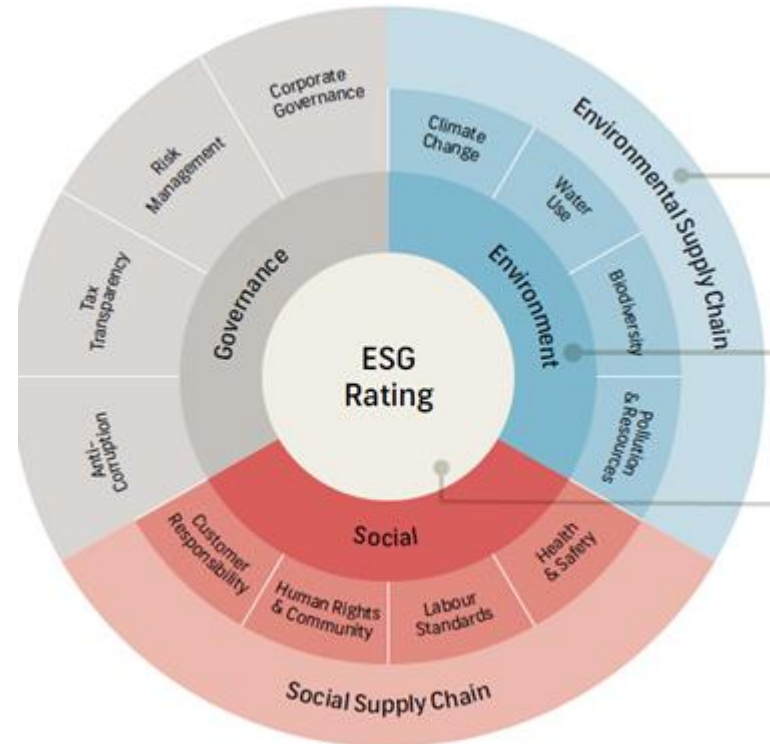
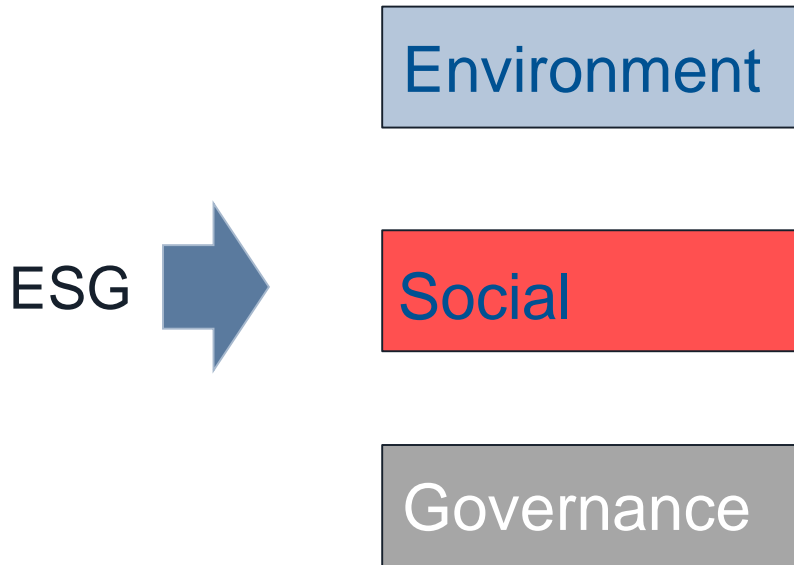
Signatory AUM breakdown by Asset Class\*



PRI Signatories region breakdown and increase against 2017



# 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...



Primary audience:  
**INVESTORS**

## ENVIRONMENTAL & SOCIAL MATERIALITY

...and impact of its activities

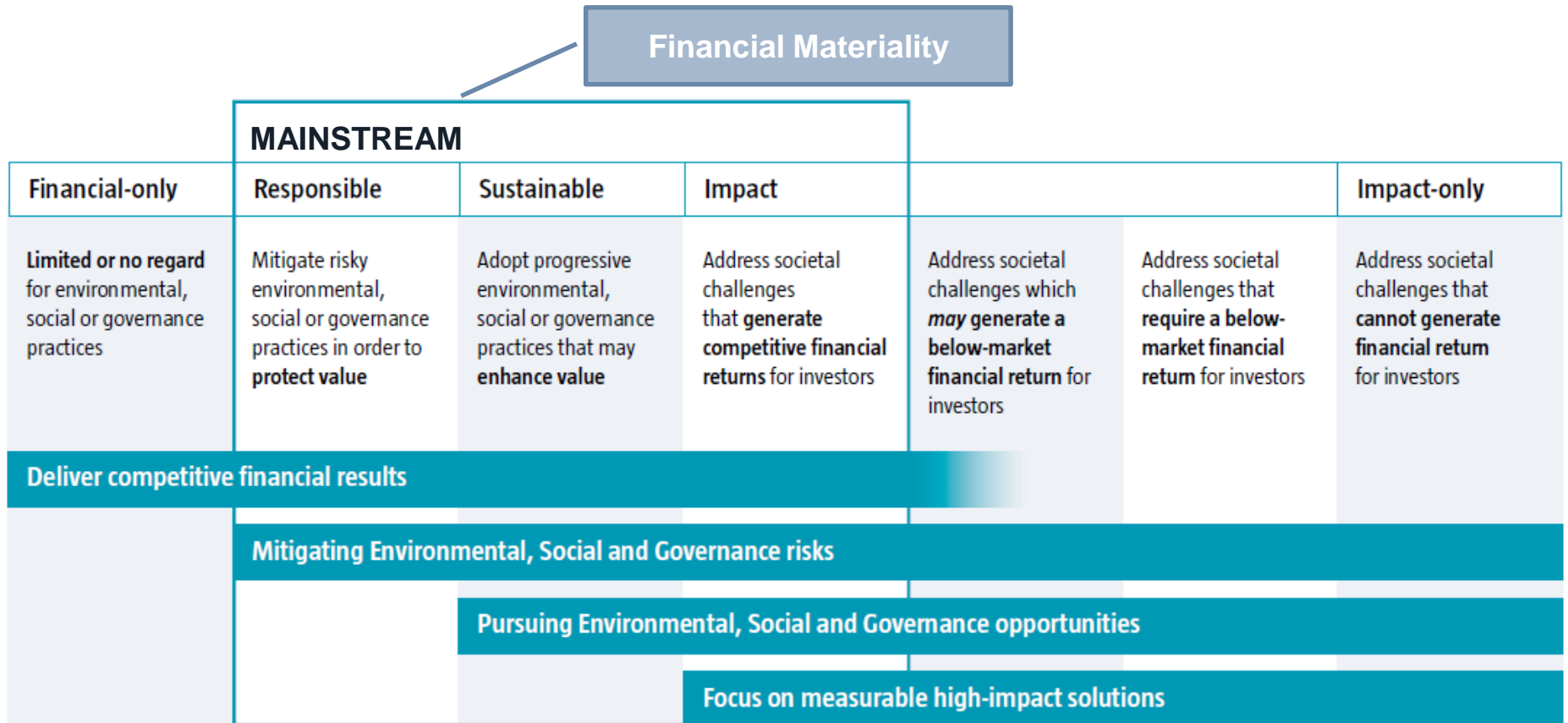


Primary audience:  
**CONSUMERS, CIVIL SOCIETY, EMPLOYEES, INVESTORS**

NFD & EU Regulation



# ESG Approaches Spectrum



# ESG Strategies Diversification

## Core Strategies

Screening strategies that impact portfolio construction

Negative  
Screening /  
Exclusion  
Criteria

Positive  
Screening /  
Positive  
Criteria

Ethical or  
moral  
orientation

Norm-  
based  
approach

Best-in-  
class  
approach

Thematic  
screening

## Broad Strategies

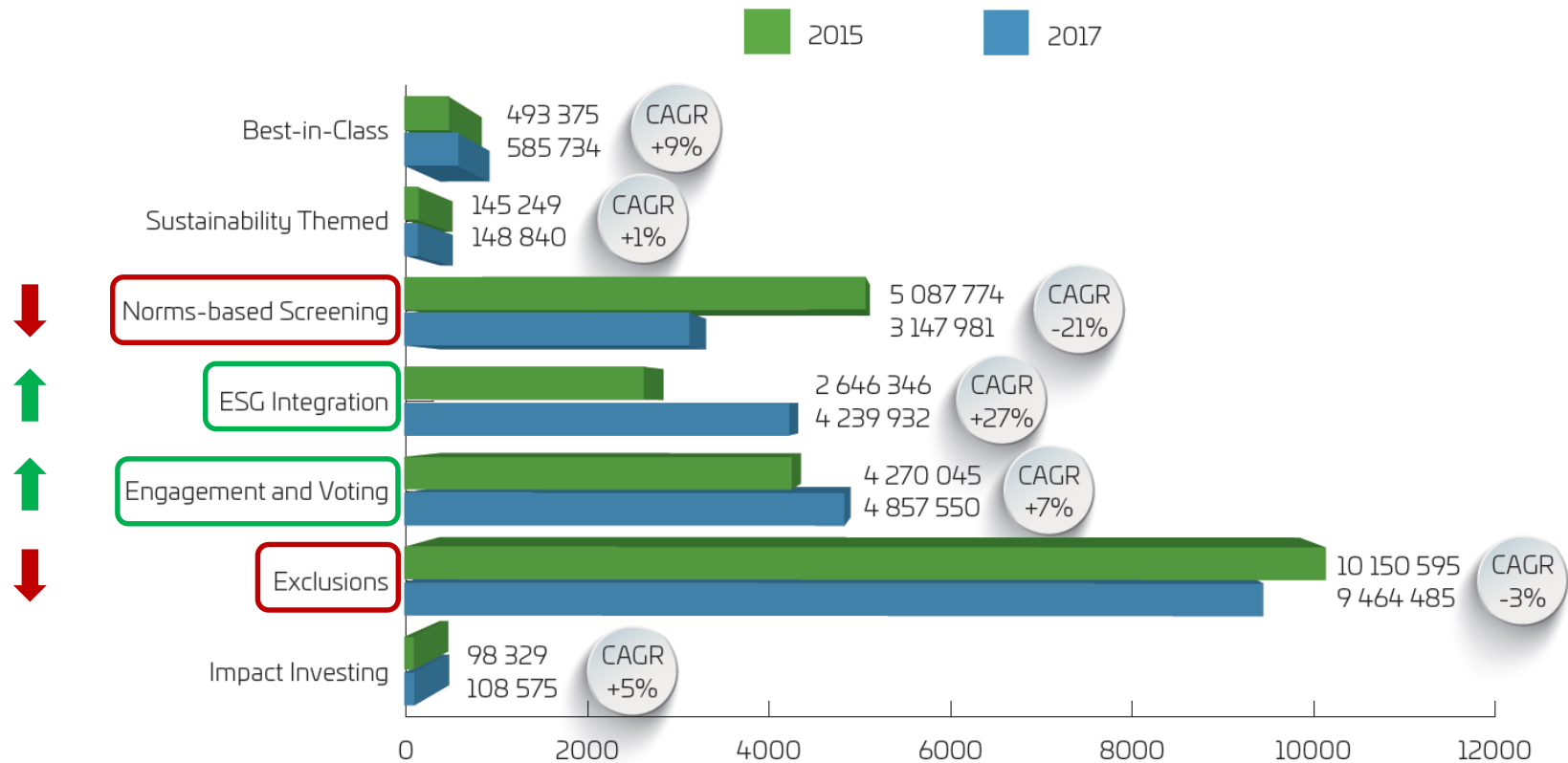
Integration of ESG issues in the investment process

Integration  
of ESG  
criteria

Engagement  
/ Active  
shareholder

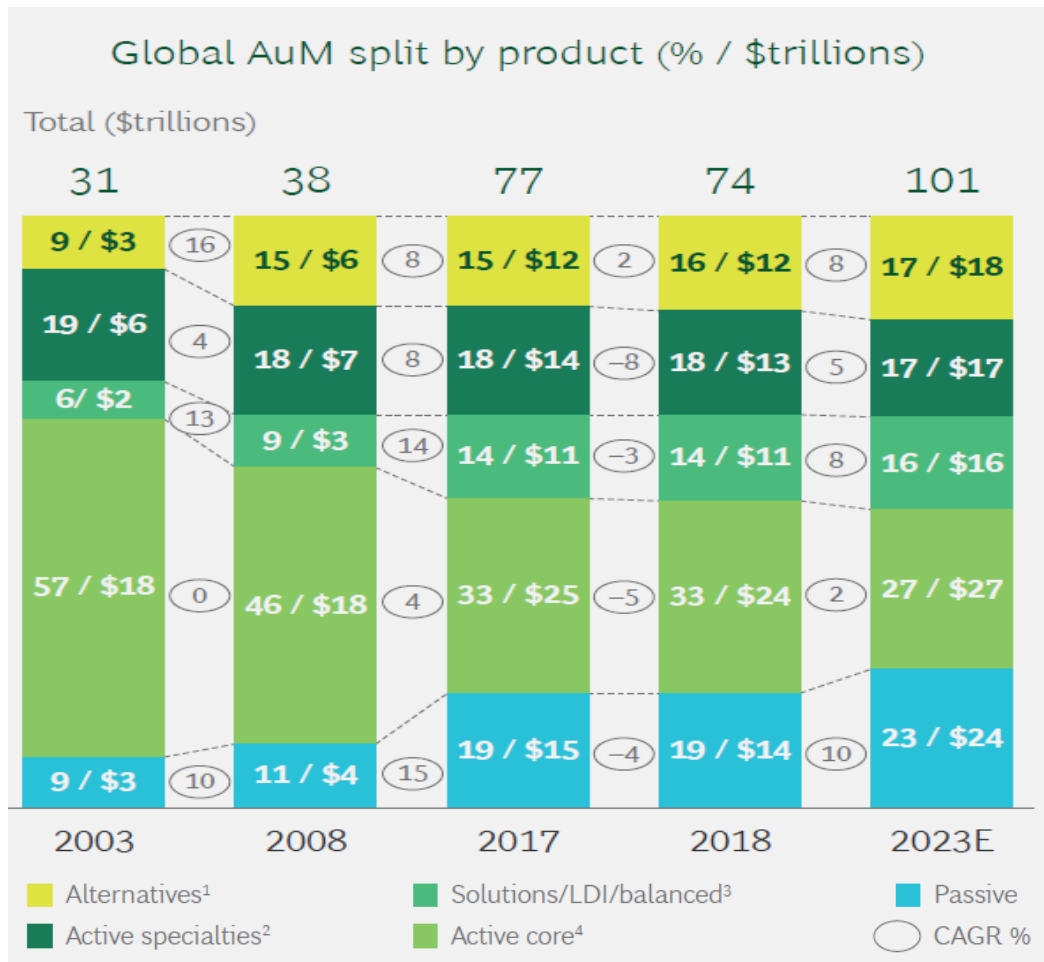
# Evolution of ESG Strategies

## Overview of SRI strategies in Europe (€ M)





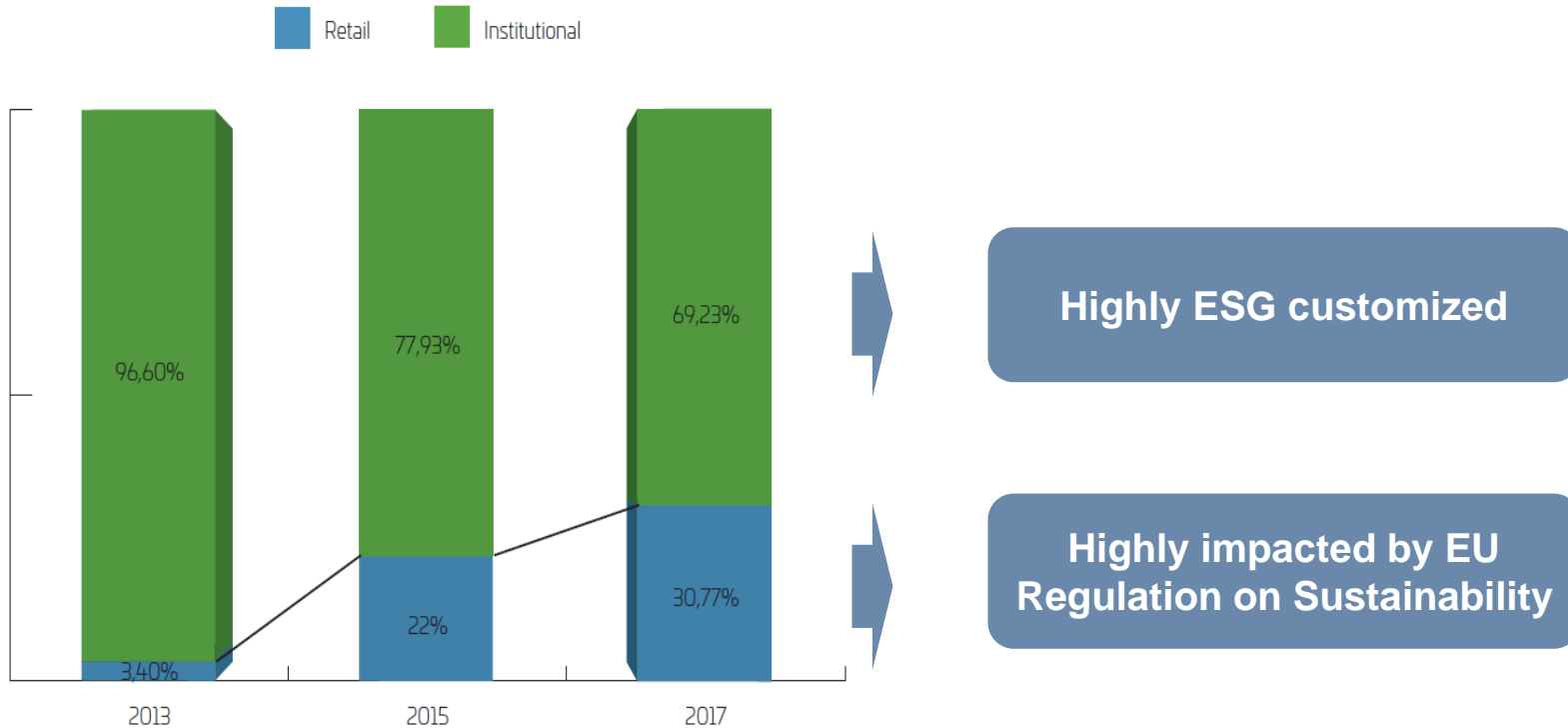
# Investment Styles & Products



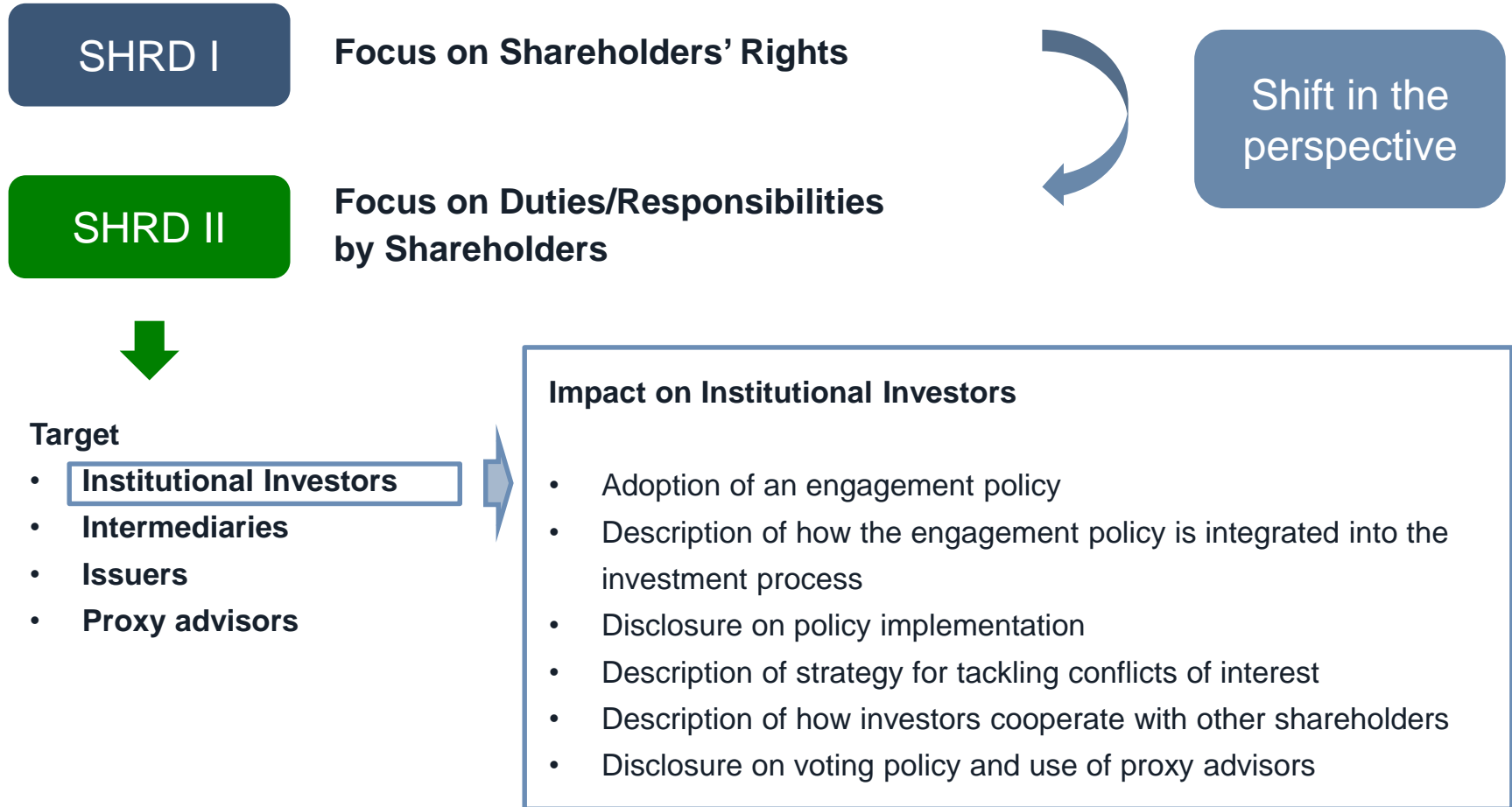
**Active investors:**  
 Focus on minimum ESG ranking, ESG integration into the equity story and engagement

**Passive investors:**  
 Focus on global & comparable datasets and engagement

# Institutional and Retail Final Investors



# SHRD II: disclosure duties on Institutional Investors

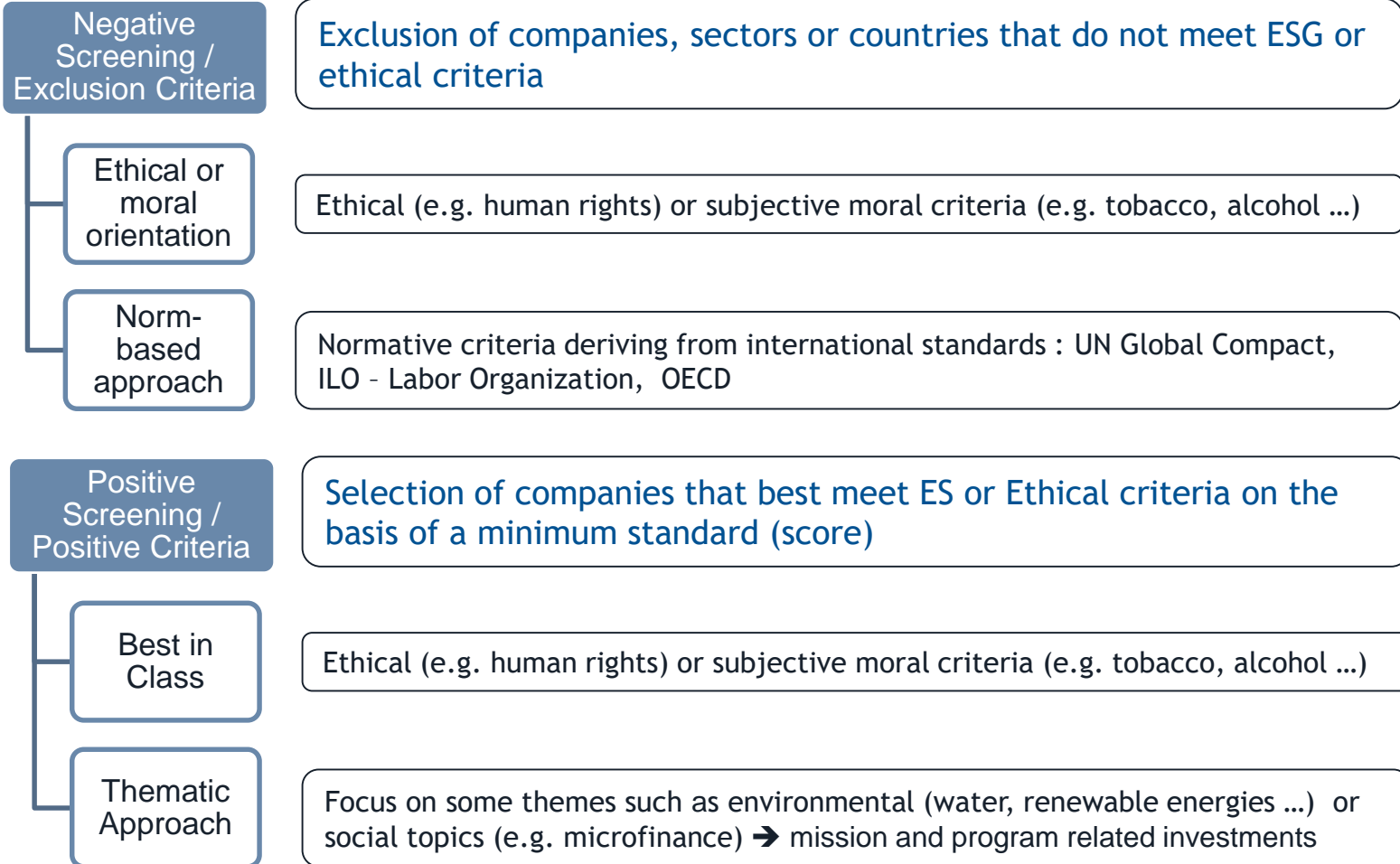




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# Appendix

# Core ESG Strategies





# 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 <sup>17</sup>	PRI-equivalent <sup>18</sup>	EFAMA-equivalent <sup>19</sup>
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	–	–