



responsible-  
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ESG and sustainable finance

**ESG**  
Magazine

# The state of the art of responsible investment

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# responsible-investor.com

- ESG and sustainable finance
- 3,500+ Subscribers
- Daily RI News Alerts
- RI Agenda: rolling calendar for responsible investors
- RI Jobs: responsible investment job announcements
- RI Webinars

## RI Events:

- **RI Asia** – Apr 25<sup>th</sup> & 26<sup>th</sup> – Tokyo, Japan
- **RI Europe** – Jun 6<sup>th</sup> & 7<sup>th</sup> – London, UK
- **RI Americas** – Dec 6<sup>th</sup> & 7<sup>th</sup> – NYC, USA

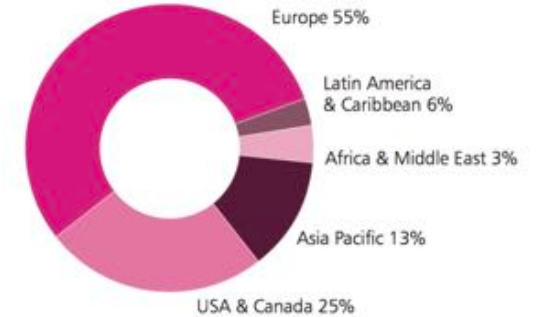
The screenshot shows the homepage of responsible-investor.com. At the top left is the logo and tagline 'responsible-investor.com ESG and sustainable finance'. On the right, there is a user greeting 'Welcome, Responsible Investor | Subscriber Account | Log Out' and a banner for 'RI EUROPE 2017 County Hall, London, 6 & 7 June'. Below this is a navigation menu with links for Home, News, Extra, Agenda, Jobs, RI-TV, RI-Events, Reports, 日本語, About, RSS, and a search bar. The main content area features 'NEWS HEADLINES: NOVEMBER 22ND, 2016' with a prominent article about Norway's €3bn green fund. A list of other news items follows, including a sovereign wealth fund study, a green bond round-up, and a microfinance award. A 'Not a subscriber? Click here for a Free Trial' button is visible. The 'FEATURES' section includes a profile of Paul Hodgson and a multi-billion dollar global industry article. On the right, there is a 'RI AGENDA: THE ROLLING CALENDAR FOR RESPONSIBLE INVESTORS' with a list of upcoming events like the GRI Regional Hub China Annual Reporters Meeting and the Inaugural Meeting of the Green Action Programme. A graphic for 'ESG THE SUSTAINABLE FINANCE REVOLUTION' is also present.

# ESG Magazine



- Quarterly Print: March, June, September & December
- 13,000+ Global Distribution
- RI members & PRI signatories
- [www.esg-magazine.com](http://www.esg-magazine.com)

### Global Splits



### Regional Spotlights

Europe ex-UK	36%
Ger/Aust/Swi	9%
BeNeLux	9%
Australia/NZ	7%
Nordics	7%

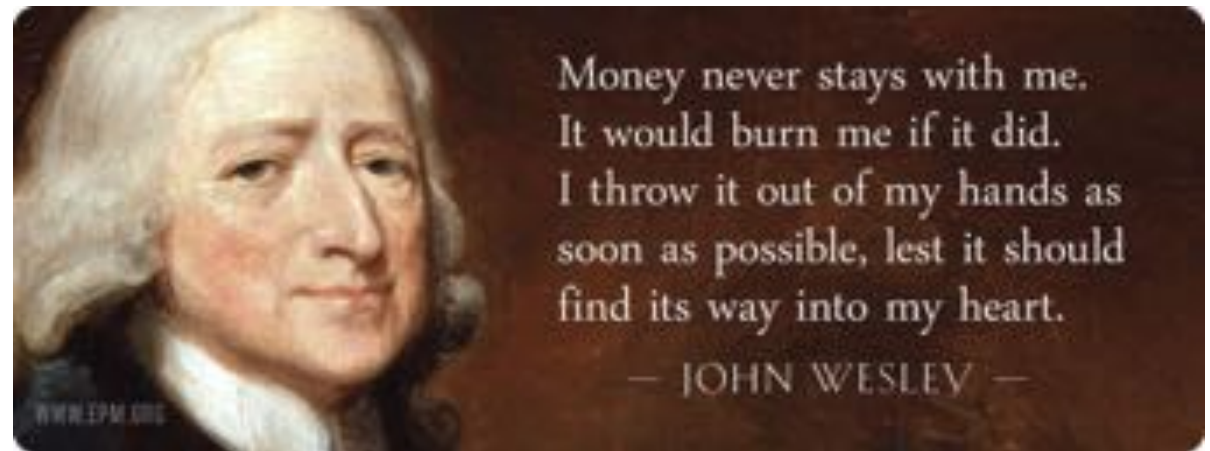
### Top 10 Countries

USA	20%
UK	19%
France	9%
Netherlands	8%
Australia	6%
Canada	5%
Switzerland	5%
Brazil	4%
Germany	4%
Japan	3%

# Past: The Methodists and Quakers

**Good ethics: start of social investment screens**

**Not a great investing strategy!**





# Past: Original sin

- **Avoid: alcohol, tobacco, fast food, gambling, pornography, weapons...**



# Past: Campaigning on big issues

- **Segregation (Martin Luther King), war (Vietnam), human rights boycotts (South Africa).**



# Present: The arc of responsible investment

- **Continuation of ethics**
- **Respect of international 'norms'**
- **Criminal activity**
- **Financial crises and corporate failures**
- **Brand/market advantage: sustainability of that**

= risk/return implications

## Why?

**Increased NGO/public campaigns – litigation risk (big fines) – consumer trends – rapidly tightening regulation – poor market behaviour – consumer mistrust**

# Present: Deeper Research

**Investment materiality and risk/opportunity of the issues on previous slide.**

**Environment (E):** climate change (COP21), water use, economics of energy, technology, pollution, divestment, decarbonisation.

**Social (S):** supply chains/safety, human capital, equality, land rights, human slavery, brand quality/durability.

**Governance (G):** shareholder/stakeholder rights, company governance/oversight, pay/succession, audit/accountancy, response to societal/consumer shifts

**Insurance sector: risk research/premium assessment (insurance/re-insurance)**



# Present: Campaigns/Coalitions

**Ethical Issues, corporate integrity, ESG integration and market health/materiality.**

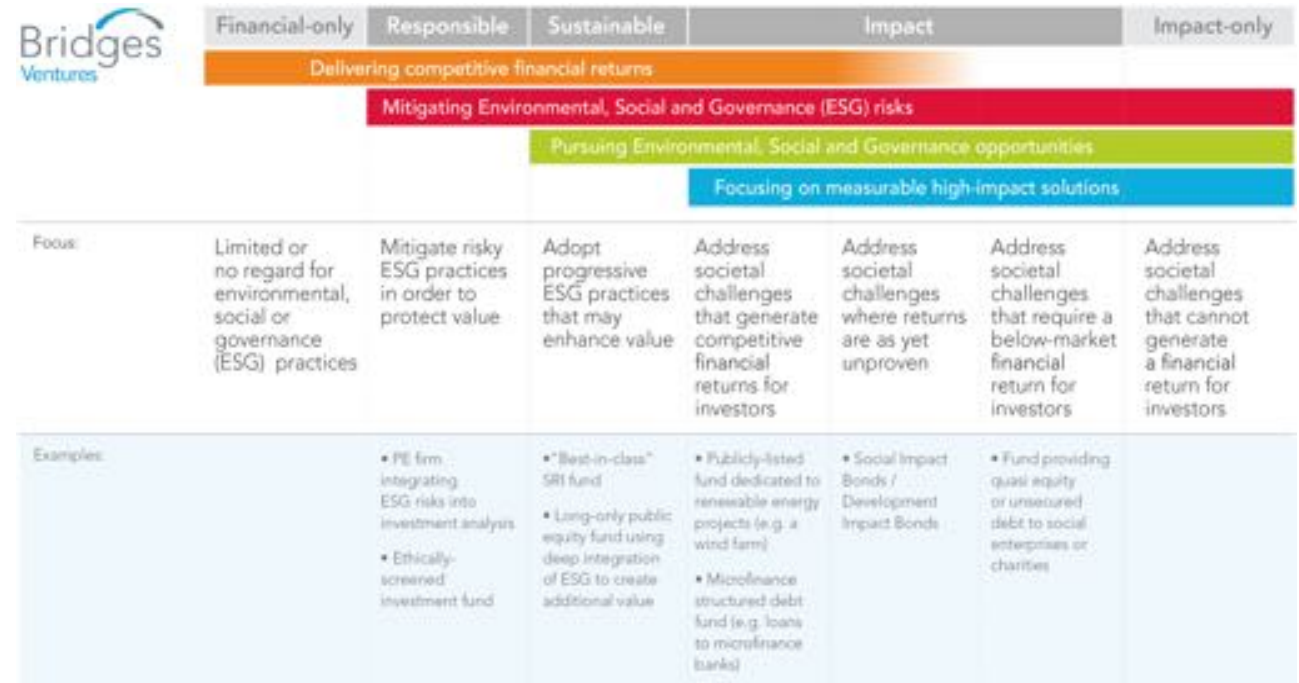
**Corporates:** UN Global Compact, Global Reporting Initiative, Integrated Reporting, CDP, etc

**Investors:** PRI membership (1,500 signatories, 50 countries, US\$60 trillion), SIFs, investor groups on climate change, numerous coalitions: Aiming for A, etc.

**Insurers:** Principles for Sustainable Insurance (PSI). UN backed: 85+ organisations, 20% of world premium volume US\$14 trillion AUM.

# Present: Investment outputs

- SRI funds
- Specialist thematic funds
- Broad ESG integration across investments/ asset classes
- Voting and stewardship
- Impact investing
- Measure economic/ social output of investments.
- Long-term investing
- Green bonds/infrastructure





# The Numbers

**Global:** sustainable investing assets +61% (2012 – 2014) = US\$21.4 trillion

**US SIF: 2016** – Sustainable, responsible and impact (SRI) investing = \$8.72 trillion – up by 33% from \$6.57 trillion in 2014.

**Australia 2016:** Volume +62% vs 2014  
AUD 633 billion ESG compliant

**Eurosif: 2016** – “double-digit growth” for SRI vs broad European investment market (+25%)  
+385% for Impact Investment  
+ 146% Sustainability Themed investments  
€22 trillion across all ESG strategies

**LatAm ?**

**Caveat:** Positive numbers, but broad brush

# Future: Big policy backdrop

- **COP21. NDCs in 2020**
- **G20**
- **UN Sustainable Development Goals**
- **Financial Stability Board: Taskforce on Climate Related Financial Disclosure**
- **300 major regulations worldwide**
- **EU HLEG**



# Future: Tightening Regulation



- **EU**
- **IORP Directive**
- **Corporate governance directive**
- **Capital Markets Union**
- **France: Article 173. Switzerland and Sweden.**
- **Increasing recognition in investment**



# Future: Consumer opportunity in financial services

- **Jack Ma: “Opportunities lie where the complaints are”**
- **Ant Financial**
- **World Benchmarking Alliance**
- **Green financing**
- **Real stewardship**



# Future Problems: Education and Business

- **Education**
- **Language**
- **Corporates: fossil fuels pushback, lobbying, profitability.**
- **Risk misalignment and economic growth**
- **Business models/vested interests**
- **Investors: products, practices, and pressure on costs/fees: MIFID II, PRIIPS.**

# Future Problems: Politics

**Brexit, Trump, populism?**

**Despite that... broadly positive evolution**

- 1) First they ignore you**
- 2) Then they abuse you**
- 3) Then they crack down on you**
- 4) And then you win**





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**Thank you!**