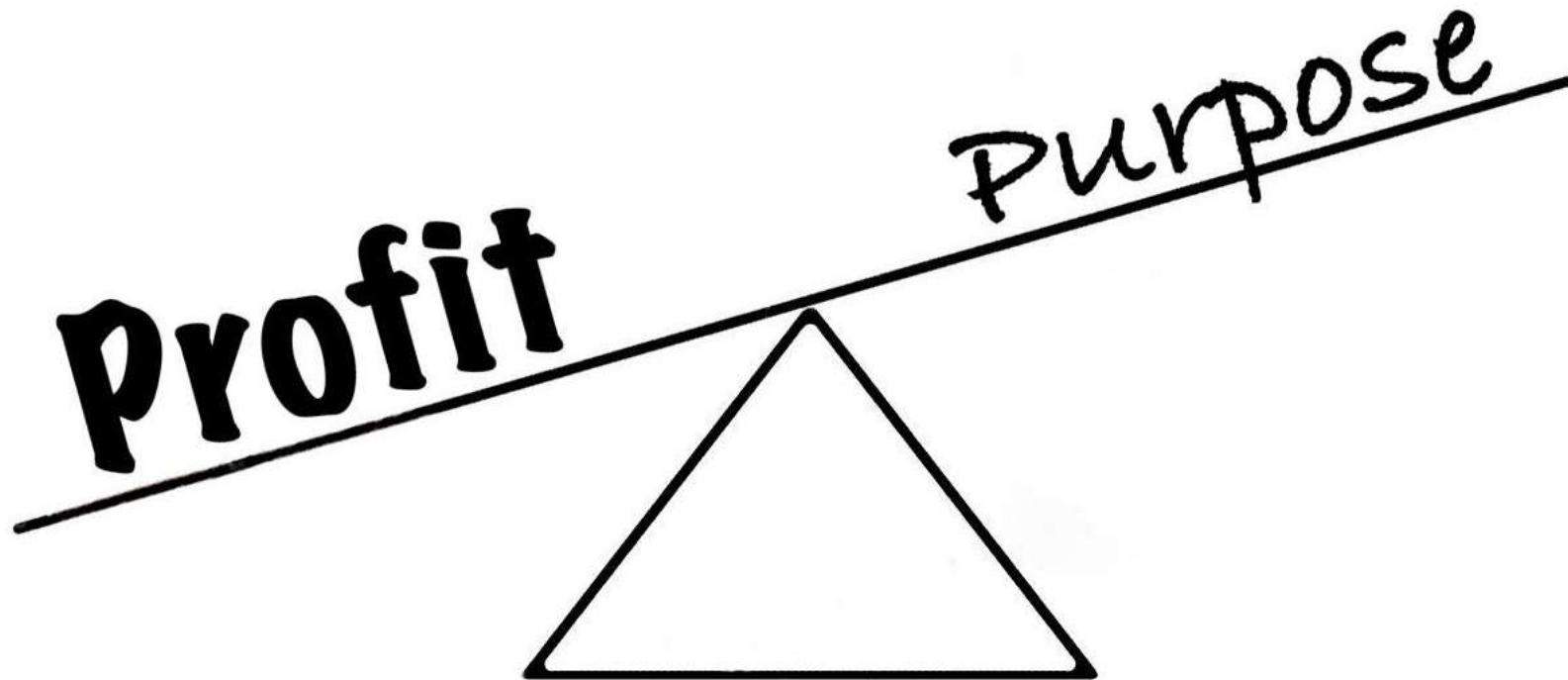


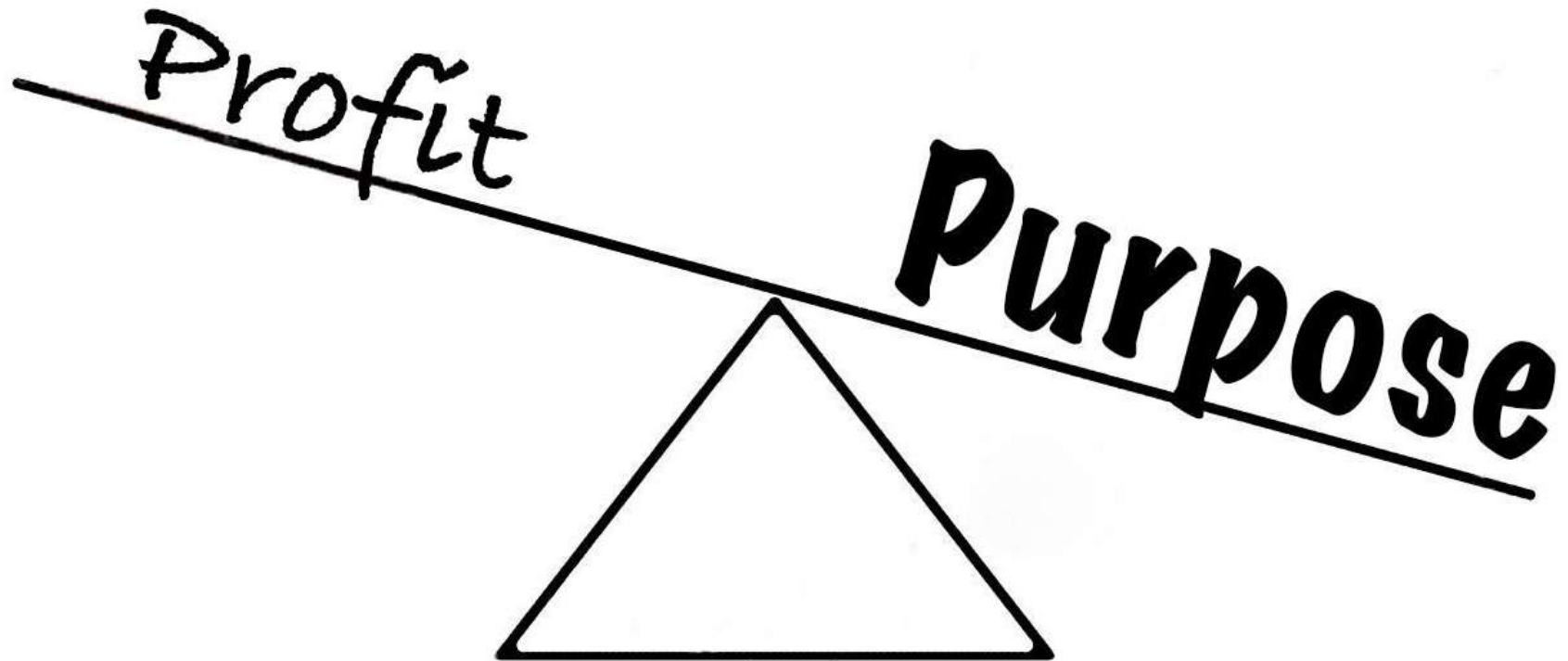
An aerial photograph of a lush green wetland or marsh area. A dark, winding waterway meanders through the dense vegetation, creating a complex pattern of channels and islands. The overall scene is vibrant and natural.

CSR from an investors perspective

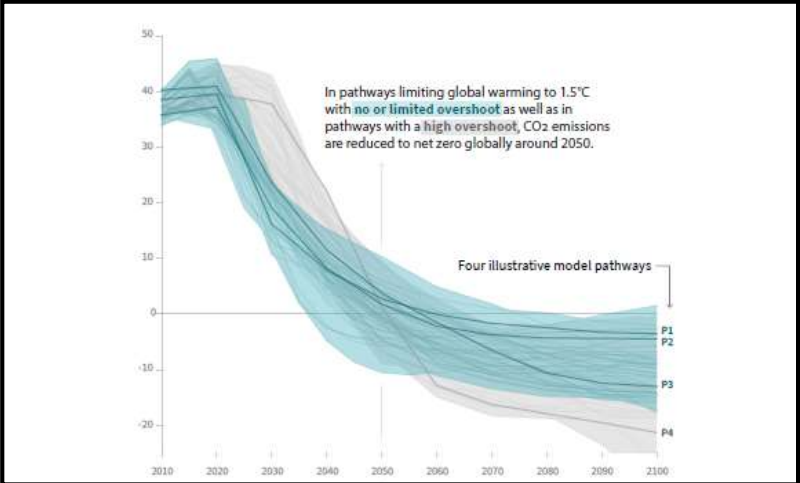
16/3/2018

1. Introduction
2. Drivers of sustainability
3. Consequences
4. ESG integration
5. Conclusive remarks



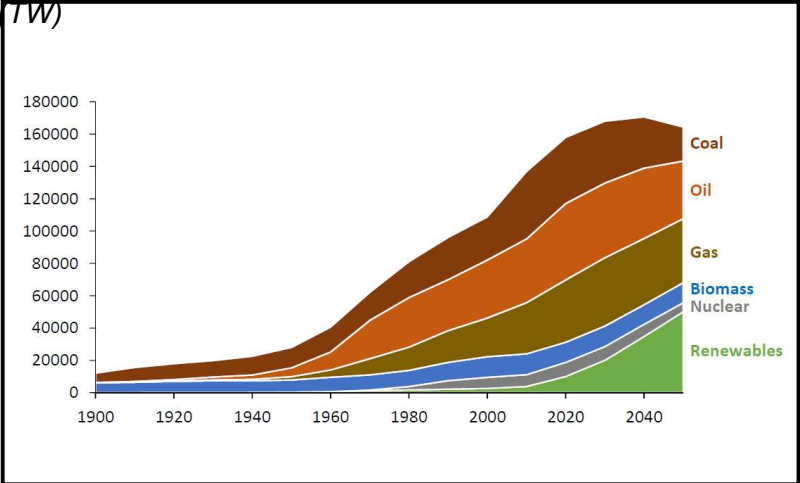


Global total net CO2 Emissions (bln tonnes of CO2/Yr.)



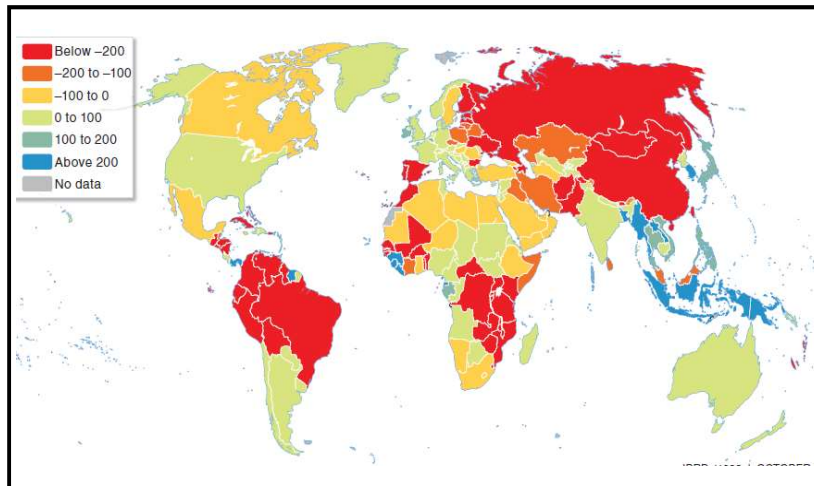
Source: IPCC 2018, Global warming of 1.5, Summary for Policymaker

World Annual Primary Energy Consumption (TW)



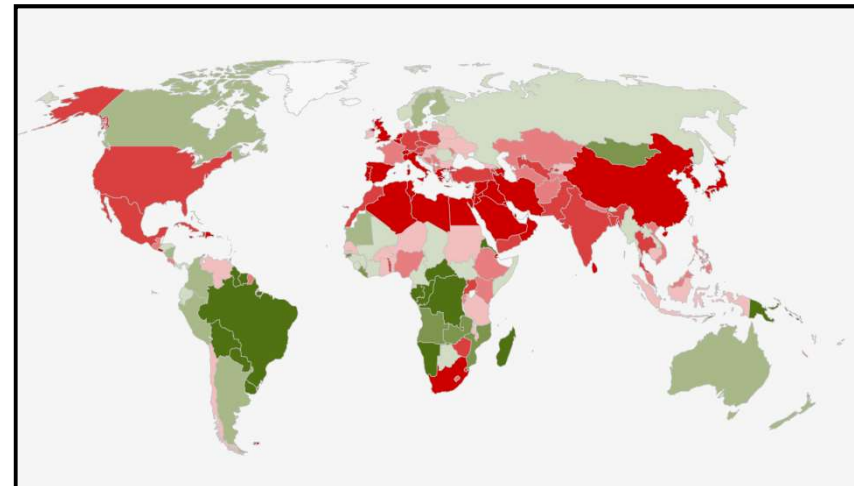
Source: GMO, The race of our lives revisited, 2018

Change in rainfall patterns to 2050



Source: WorldBank, 2015

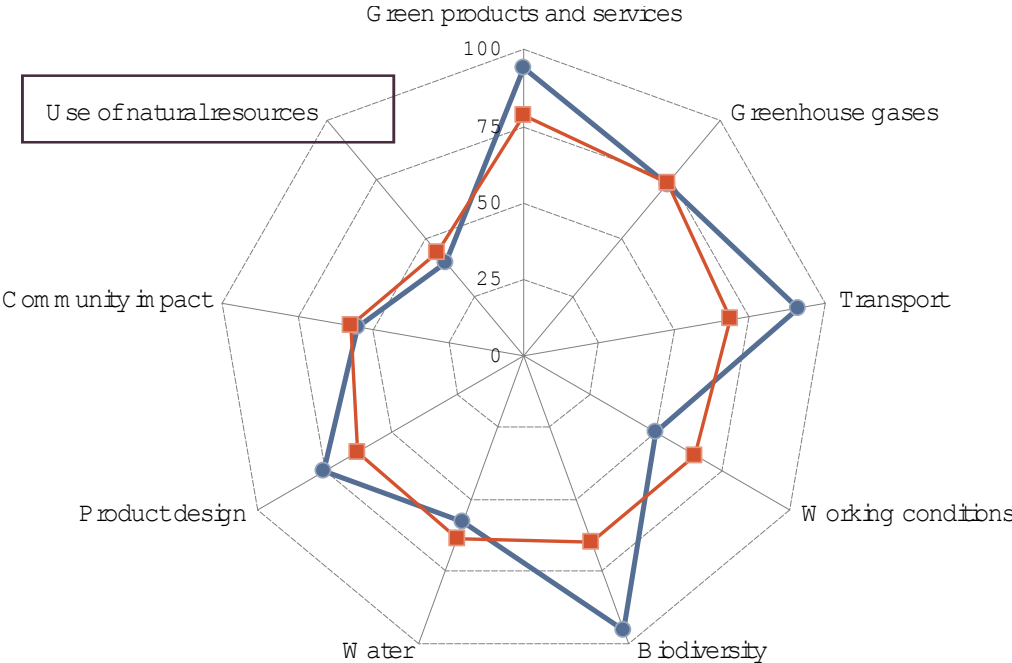
Ecological Footprint per Capita



Source: Global Footprint network

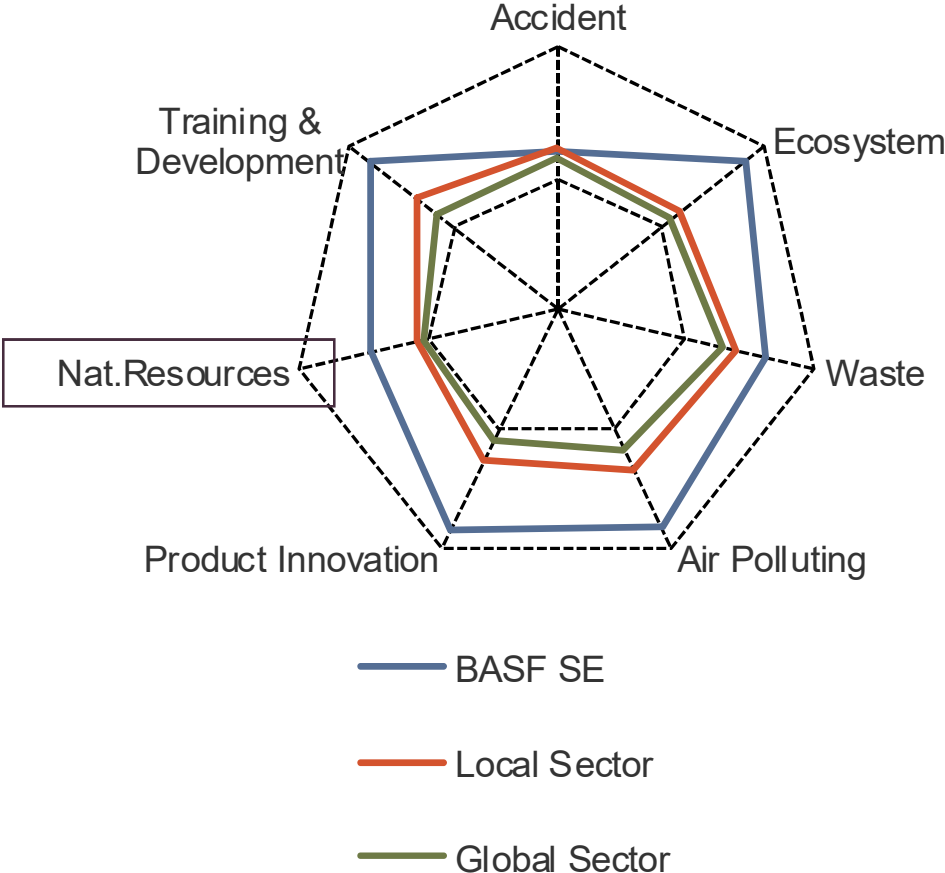
BASF (2011) – Chemicals

Sustainability Chart Categories (the higher the better)

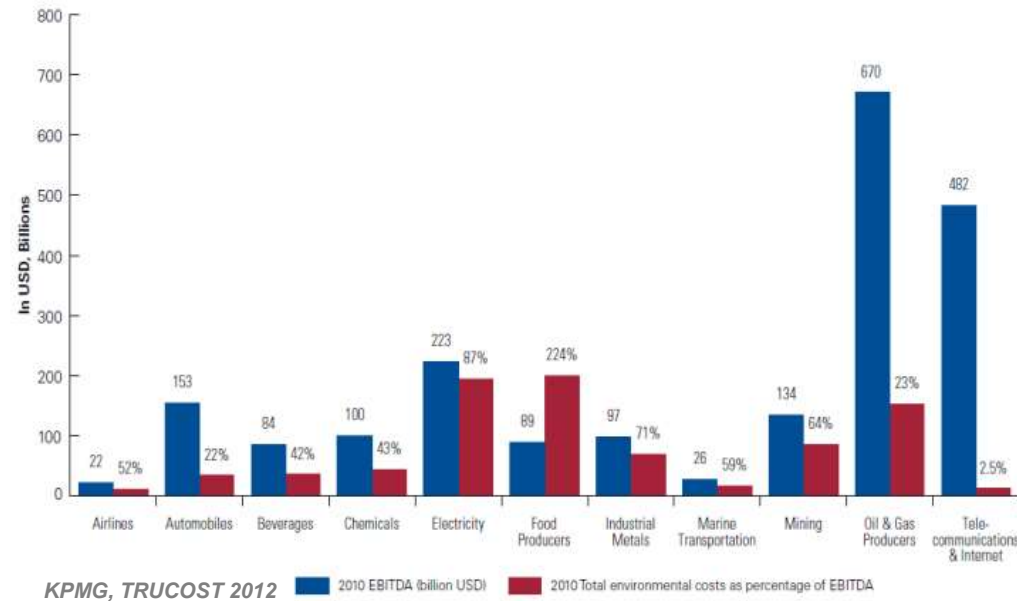


BASF (2014) – Chemicals

Sustainability Chart Categories (the higher the better)

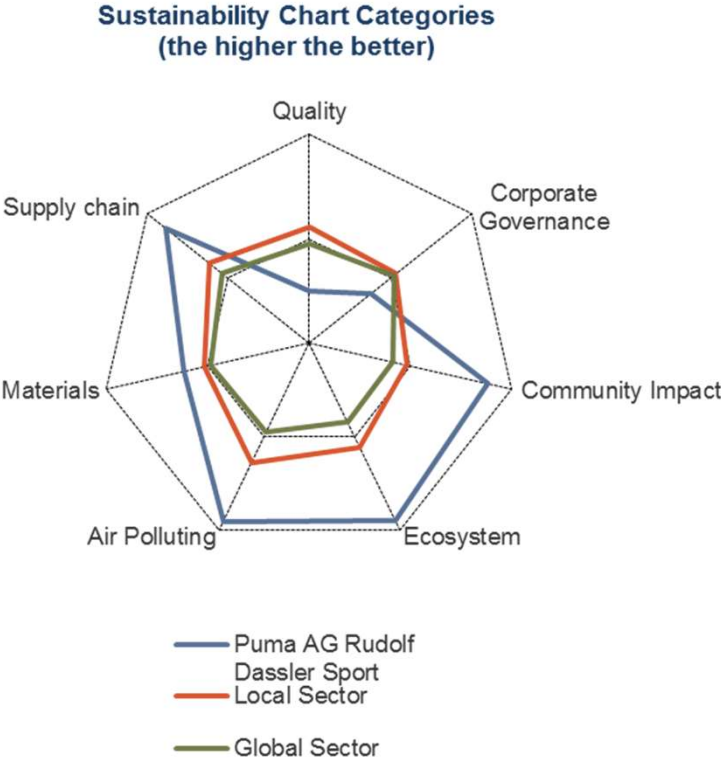


2010 EBITDA and environmental externalities



- \$ 6.6 Trn of environmental costs as a consequence of human activity: 11% world of GDP;
- 1/3 come from the activity of biggest 3000 companies worldwide: 6% of MSCI world, 15% of Ebit and 25% of earnings.
- Opportunities are evaluated at around 5% of GDP. (Vison 2050 WBCSD)

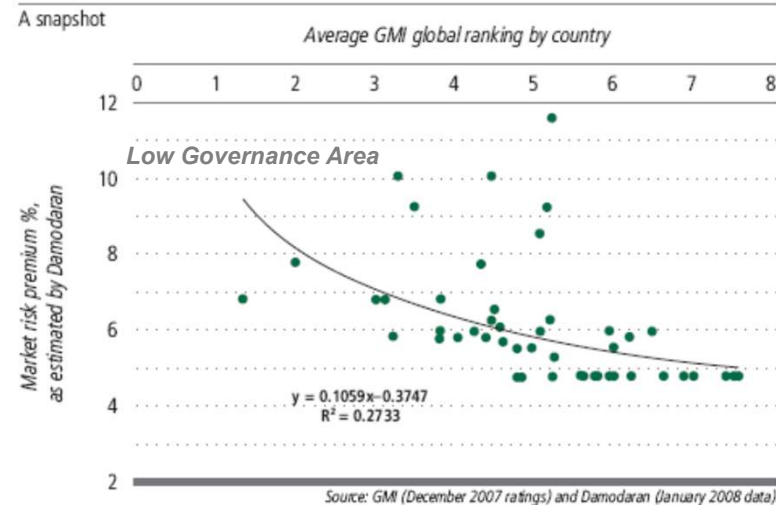
Puma AG – Apparel



2010	Non-financial performance	Economic value € million	Economic value %
PUMA Operations:			
Greenhouse Gases (ktCO ₂ e)	110.1	7.2	7.6%
Water ('000 m ³)	108.8	0.1	0.1%
Tier 1 suppliers			
Greenhouse Gases (ktCO ₂ e)	131.4	8.6	9.1%
Water ('000 m ³)	5,319.8	0.8	0.8%
Tier 2 - 4 suppliers			
Greenhouse Gases (ktCO ₂ e)	476.0	31.2	33.1%
Water ('000 m ³)	72,064.5	46.5	49.3%
Total:			
Greenhouse Gases (ktCO₂e)	717.5	47.0	49.8%
Water ('000 m³)	77,493.1	47.4	50.2%
Total economic value		94.4	100%

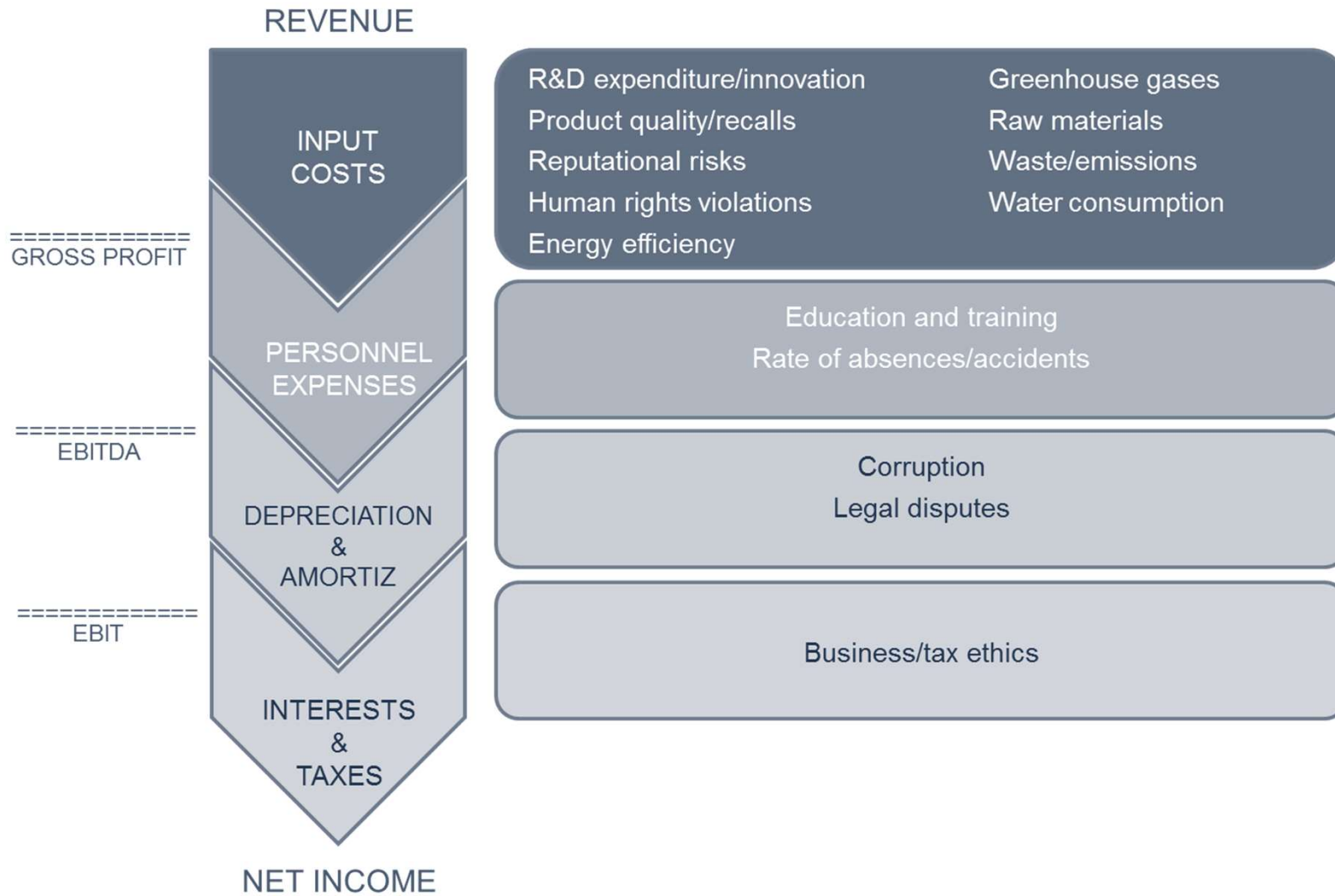
“By identifying the most significant environmental impacts, PUMA will develop solutions to address these issues, consequently minimizing both business risks and environmental effects” Puma.com - Environmental Profit & Loss

Figure 6: Corporate governance and market risk



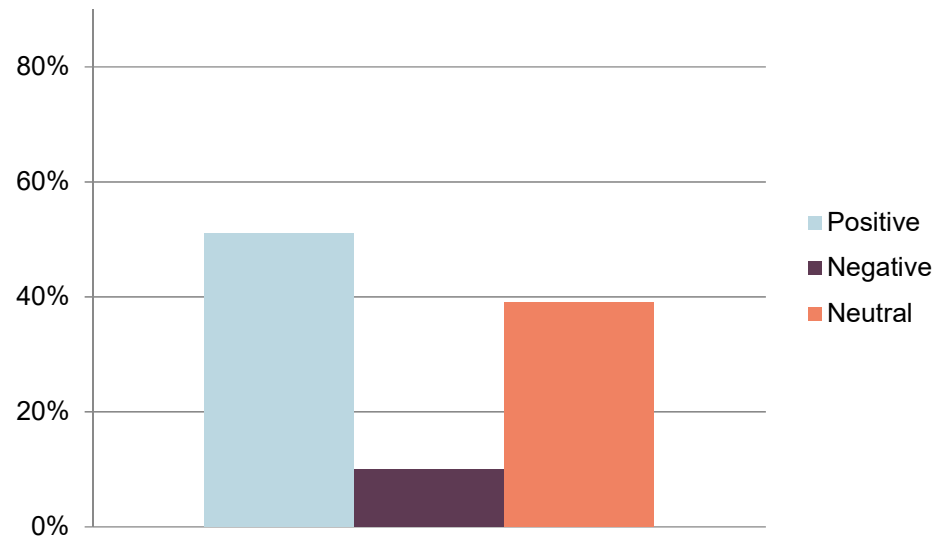
Poor governance is a significant source of risk and market volatility. A more recent research by Hermes reached the same conclusions: “(...) it is not good governance that leads to outperformance, but poor governance that leads to underperformance”. *Hermes IM, Does it just make you feel good, or is it actually good for your portfolio?, 2014*

Consequences

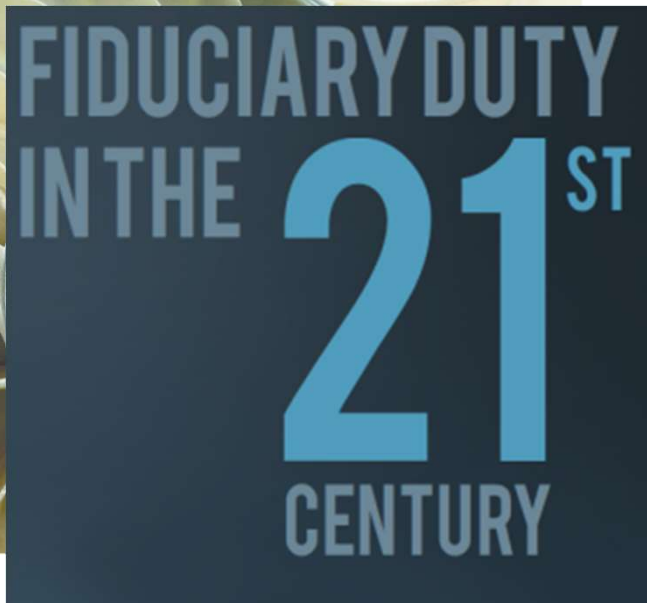


A quite recent meta study* summarized the results of more than 2000 studies which assessed the relationship between ESG aspects and a firm's financial performance.

Relationship between ESG and corporate performance



* Friede, G., Busch, T. & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of Sustainable Finance & Investment*, 5(4), 210–233.



- “.. the links between ESG factors and financial performance are increasingly being recognized. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.” Freshfields Bruckhaus Deringer
- Failing to consider long-term investment value drivers, which include environmental, social and governance issues in investment practice is a failure of fiduciary duty.



Brussels, 8.3.2018
COM(2018) 97 final

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN
CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS

Action Plan: Financing Sustainable Growth

Recently the EU Commission argued that sustainable finance is about two urgent imperatives:

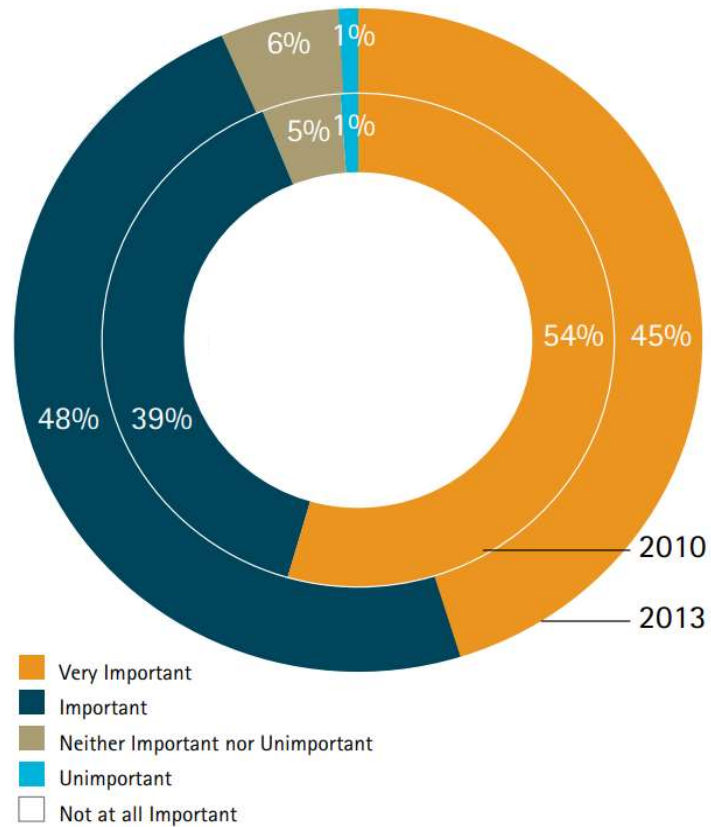
- improving the contribution of finance to sustainable and inclusive growth by funding society's long-term needs;
- strengthening financial stability by incorporating **ESG** factors into investment decision-making;

Main Decisions



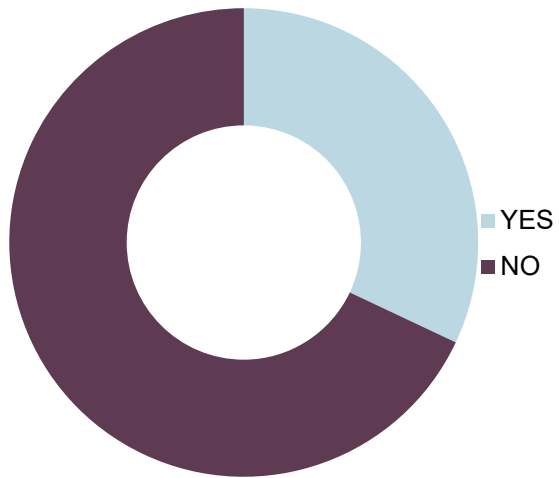
- MIFID II will be amended to take into account sustainability.
- Legislative proposal to explicitly require institutional investors and asset managers to integrate sustainability considerations in the investment decision-making process and increase transparency.
- Assessment of current practices to integrate sustainability in ratings and market research.
- Asset managers will be requested to disclose how they consider sustainability factors in their strategy and investments decision making.

Importance of sustainability issues to future business success

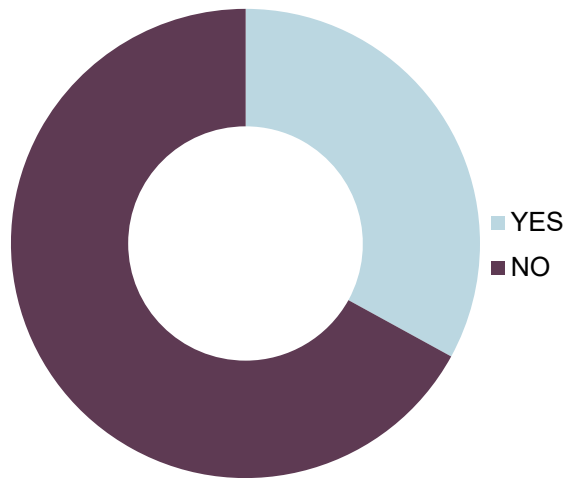


Source: UNGC-Accenture CEO Study 2013, based on 1,000 completed responses

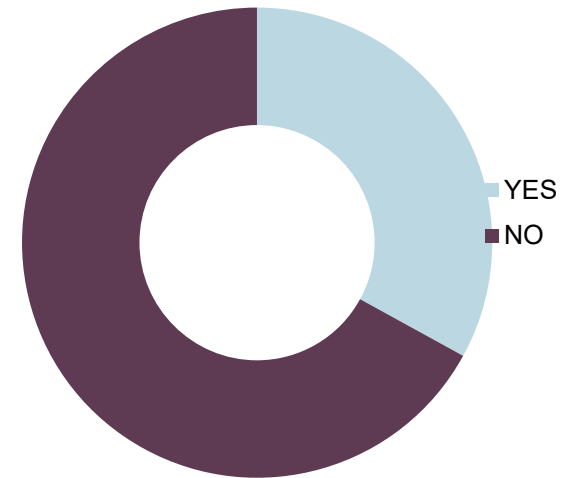
Is world economy on track to meet the demand of growing population?



Is business making sufficient efforts to address global sustainability challenges?



Can you quantify the value of sustainability initiatives?



Source: UNGC-Accenture CEO Study 2013, based on 1,000 completed responses

Value 1

Performance

ROI

Power

Quality

Low costs

.....



Value 2

Ethical

Sustainable

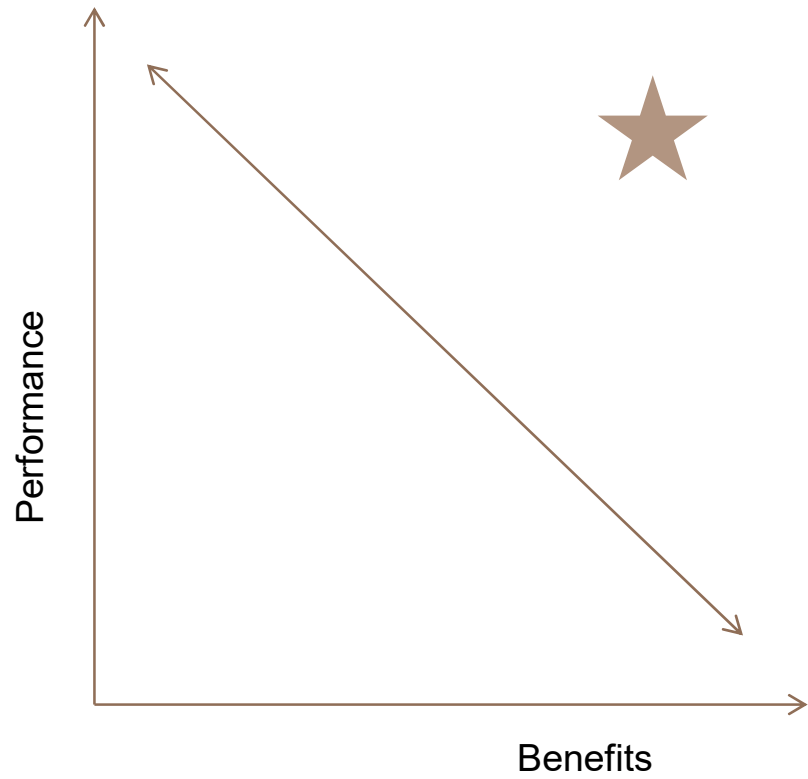
Healthy

Energy efficient

Renewable

.....

Consequences



Nike Grind



Nike Flyknit



Prius Hybrid 1st version



Tesla S P100D

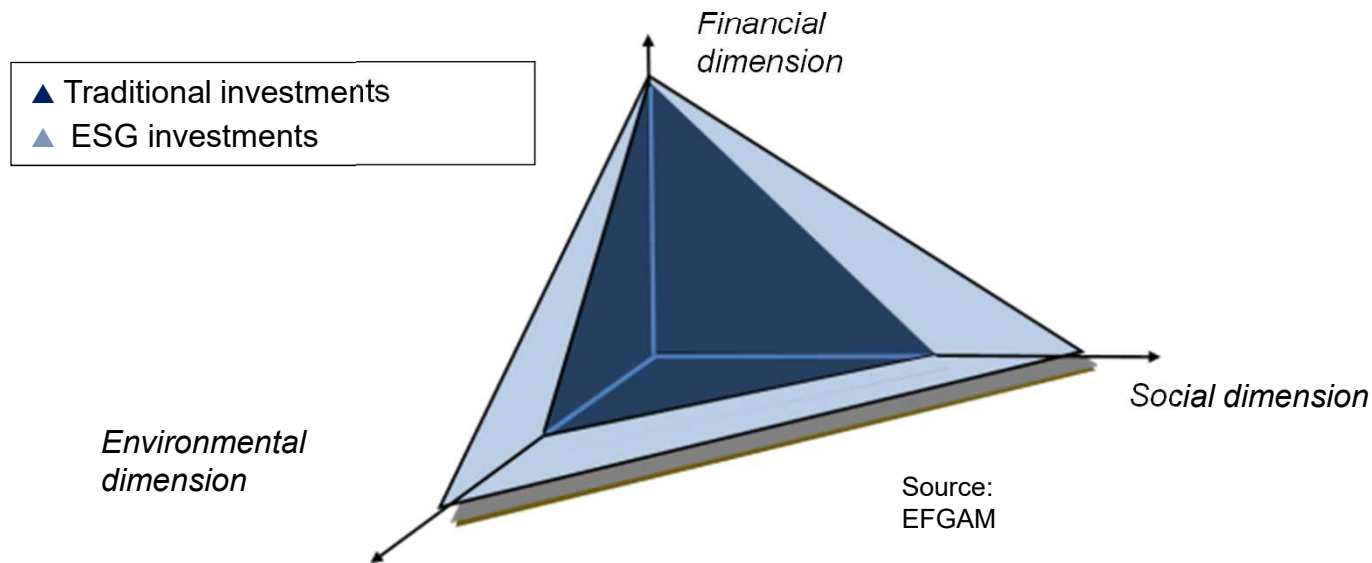


The prisoner paradox.

1. Only one confesses: he avoids detention, the other is jailed for 7 years.
2. Both confess: both jailed for 5 years.
3. None confesses: 1 year each for illegal gun permit.

	To confess	Not to confess
<u>To confess</u>	(<u>5</u> ;5)	(<u>0</u> ;7)
Not to confess	(7;0)	(1;1)

To confess is the equilibrium answer, but it's not the optimal solution.



Adding Environmental, Social and Governance (ESG) criteria to the standard financial analysis framework increases the probabilities of creating and preserving the value of investment. Without being detrimental to performance **ESG can add additional returns in the environmental and social space.**

To what ESG risks are companies exposed?, based on their sector exposure, and how they manage these risks, or profit from opportunities.

We use a **risk-based approach**; risk is further divided into two main components:

Risk Exposure



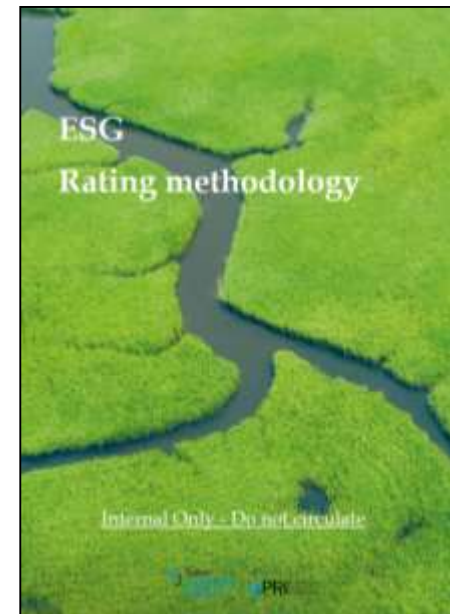
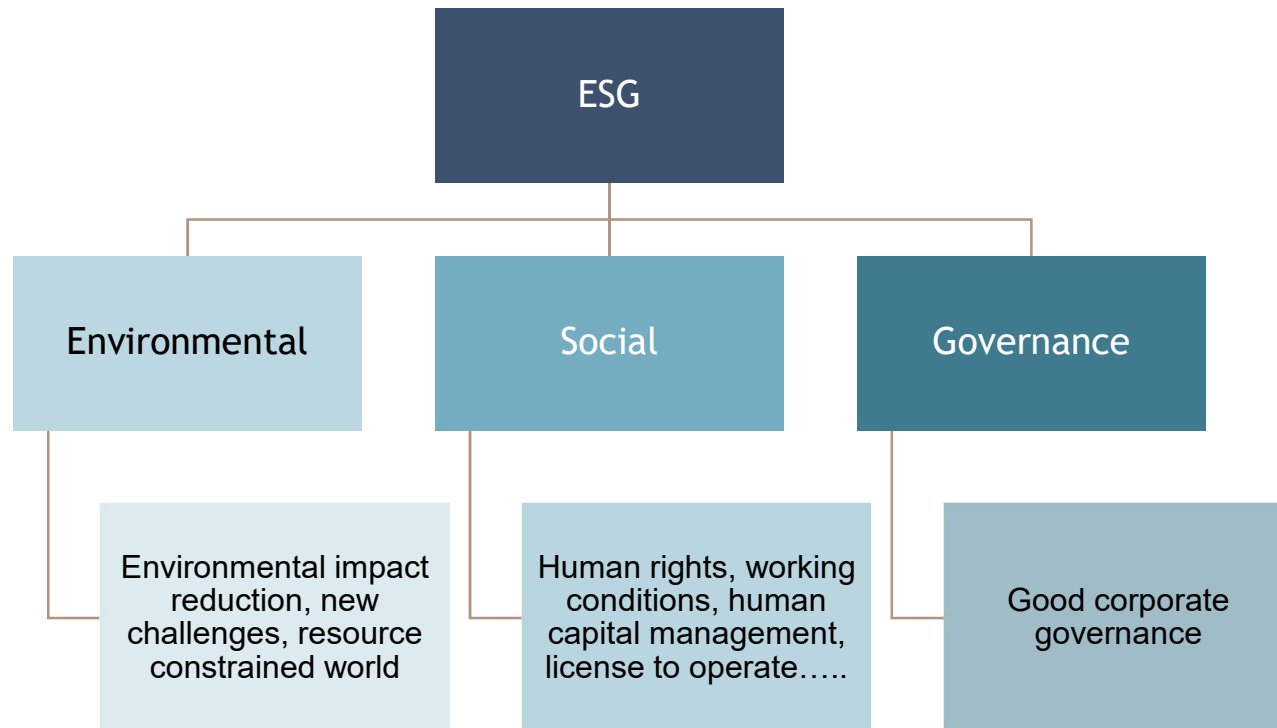
(E.g. intensity of water usage).

Risk Management



(E.g. management of available resources).

The integration of ESG factors allows better understanding of the challenges, risks and opportunities faced by companies.



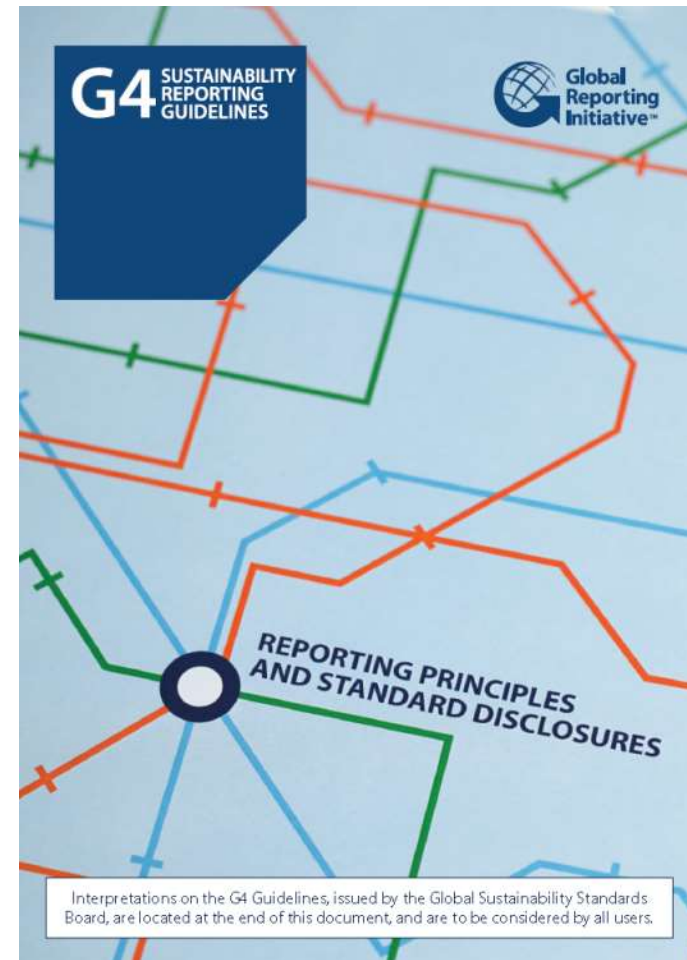
Global Reporting Initiative: (GRI)

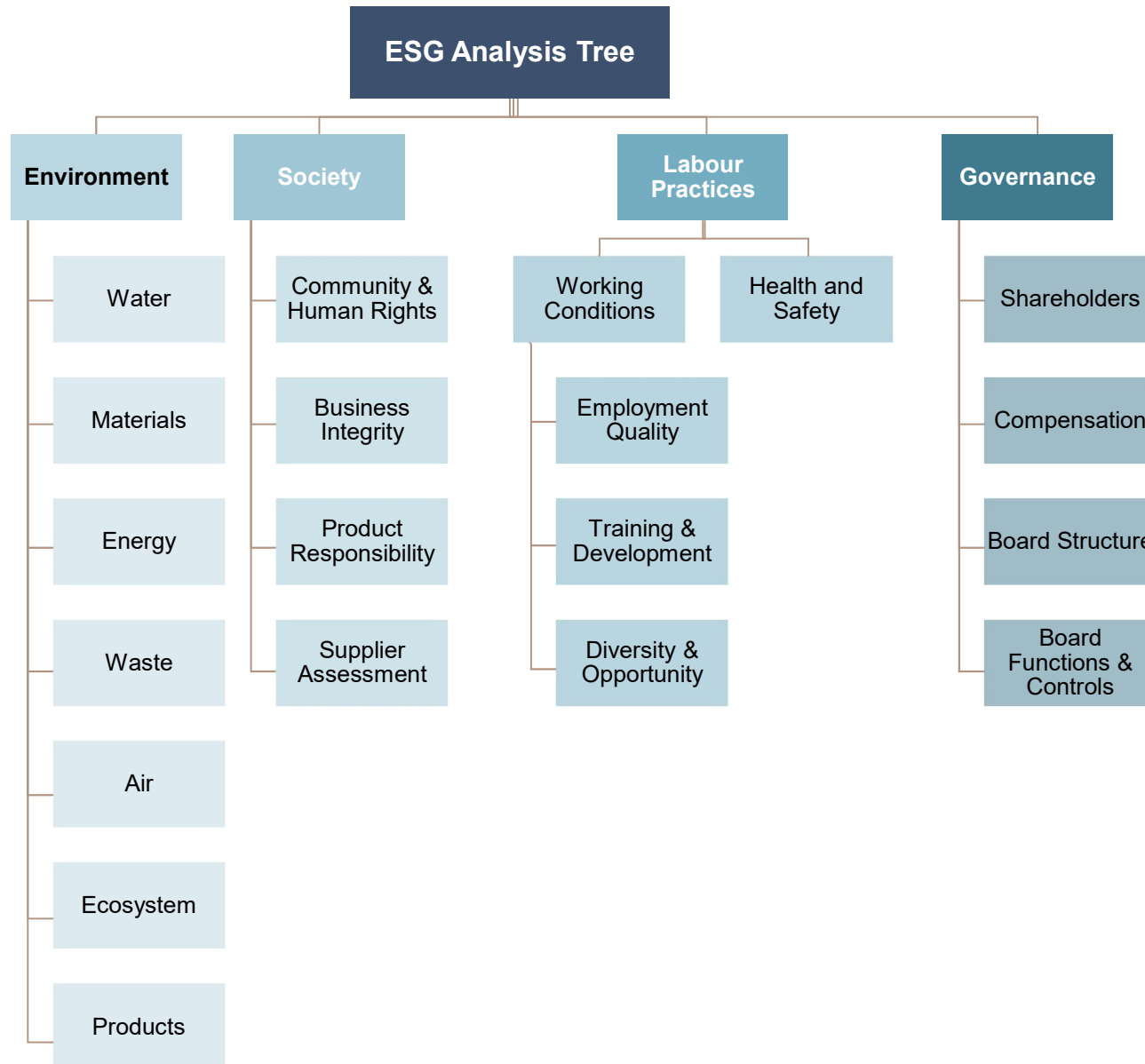
2 Standard,

- General
- Specific

Within specific, 3 main categories

- Economic (4 indicators)
- Environmental (12 indicators)
- Social (4 indicators, 30 sub-indicators)





ESG integration



	Emission Reduction/ Greenhouse Gas Emissions		Emission Reduction/ Waste		Resource Reduction/ Energy Use		Resource Reduction/ Materials		Resource Reduction/ Water Use		Scope 3 emissions	
	10194		2900		107256		893		208075		263	
Aerospace & Defense	38	43	3	43	357	43	1	42	442	37	326	14
Air Freight & Courier Ser	79	30	3	42	994	36	1	41	2'326	22	108	31
Airline Services	733	11	5	38	9'981	15	59	23	998	31	248	16
Automobiles & Auto Par	160	24	16	24	5'876	18	1'647	6	1'088	28	547	6
Banking Services	146	27	9	29	184	47	58	24	166	45	4	50
Beverages	58	36	70	16	852	37	157	16	3'895	17	151	26
Biotechnology & Medica	45	39	8	30	616	41	-	47	496	36	11	47
Chemicals	541	12	495	6	16'684	10	1'182	7	14'022	10	332	11
Coal	2'007	6	239	9	11'681	13	17	31	78'569	7	2'114	1

	Emission Reduction/ Greenhouse Gas Emissions		Emission Reduction/ Waste		Resource Reduction/ Energy Use		Resource Reduction/ Materials		Resource Reduction/ Water Use		Scope 3 emissions	
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Chemicals	541	12	495	6	16'684	10	1'182	7	14'022	10	332	11

Real Estate Operations	328	18	101	14	6'440	17	102	19	2'633	21	121	28
Renewable Energy	128	28	12	26	2'293	28	69	21	1'706	27	166	22
Residential & Commerci	2'564	4	17'105	3	1'118	34	0	46	2'020	25	54	37
Semiconductors & Semi	155	25	6	33	2'899	26	11	34	1'898	26	56	36
Software & IT Services	44	40	0	50	151	50	0	44	145	46	25	41
Specialty Retailers	37	45	6	36	826	39	1	43	520	34	30	40
Telecommunications Ser	52	37	2	48	1'819	30	2	40	148'526	5	21	43
Textiles & Apparel	75	31	7	32	1'208	39	110	18	9'122	12	12	45
Transportation, Ground	208	22	20	22	5'630	19	460	13	354	38	195	20
Water & Other Utilities	249	20	367	8	1'340	31	-	47	292	40	155	25

Defining materiality:

		Employment	Community	Environment				
		30%	35%	35%				
Aerospace & Defense	48%	0.53	0.50	0.41				
Automobiles & Autoparts	55%	0.38	0.69	0.55				
Banks	49%	0.56	0.59	0.34				
Chemicals	49%	0.47	0.38	0.63				
Commercial Services & Supplies	46%	0.52	0.45	0.42				
Construction Materials	61%	0.64	0.39	0.79				
Diversified Retailers	40%	0.42	0.40	0.38				
Energy	50%	0.43	0.59	0.47				
Food & Drug Retailing	49%	0.65						
Food&Beverages	57%	0.64						
Healthcare	41%	0.41						
Healthcare Equipment & Supplies	34%	0.42						
Healthcare Providers & Services	39%	0.32						
Homebuilding, Construction & Engineering	42%	0.64	0.26	0.39				
Hotels	46%	0.43	0.56	0.39				
Households Goods	56%	0.76	0.56	0.38				
Industrial Goods & Conglomerates	43%	0.50	0.39	0.41				
Insurance	41%	0.48	0.42	0.34				
Investment Banks	34%	0.33	0.33	0.34				
Media & Publishing	42%	0.43	0.49	0.35				
Metals & Mining	69%	0.62	0.58	0.85				
Paper & Forest products	53%	0.84	0.23	0.57				
Personal & Household Products	36%	0.32	0.41	0.35				
Real Estate	33%	0.27	0.23	0.50				
Retailers & Luxury	41%	0.36	0.45	0.42				
Semiconductors	30%	0.24	0.26	0.40				
Software	35%	0.29	0.42	0.34				
Technology Equipment	44%	0.30	0.59	0.39				
Telecoms	50%	0.48	0.68	0.35				
Transportation	61%	0.80	0.53	0.54				
Utilities	61%	0.58	0.51	0.73				

	Job Cr.	Wages	Injuries	Lost Days
Banks	0.56	0.77	0.48	0.17

ESG integration



Asset Management

ESG topics to discuss with companies

Industry group *(actual issue development)*

AUTOMOBILES & COMPONENTS

Global Questions

Does the firm have a process for identifying the most material ESG issues? Once (and if) identified, does the firm set ambitious but achievable targets and communicate them?

Does the firm hold units accountable for ESG performance, and do these business units have the personnel and resources necessary to achieve their goals?

Does the firm have a process to listen to stakeholder needs and requirements?

Does the firm proactively engage with policy, NGOs, at industry consortia to tackle the issue at a systemic level?

Specific Questions

CORPORATE	ENVIRONMENT	EMPLOYMENT	SOCIETY
Are there any limitations on the shareholders' rights?	When developing products/activities, is the impact on the ecosystem taken into account (CO2 emissions, waste management, recycling, resource reduction, water consumption, and-of-life product disposal management, eco-friendly products, etc.)?	Has the company been the subject of controversy for unsafe, unsafe working conditions? Is the company reported for issues from high personnel turnover or repeated strikes?	Have there been controversy regarding customer health and safety issues?
Does the board of directors and/or C-suite also oversee the material or accountable for delivering ESG performance and does it have sub-committee and process in place to do so?	Is the company developing a scenario for a potential CO2 tax? What will be its impact? Are they developing scenarios also including capex 3 scenario?	Are the health and safety aspects adequately managed within the company policy and procedure? Are they thoroughly applied and monitored?	Does the company have a policy for monitoring the ESG standard (Human rights, working conditions, modern slavery, environmental aspects etc.) of its supply chain?
Is the senior executive's compensation linked to CSRR/ESG/Sustainability targets?		Does the company employ migrant labor, non-local workers or other workers who are likely to be particularly vulnerable? How are their interests protected?	Has the company been subject to controversy regarding the business ethics (bribery, corruption, intellectual property, anti-competition, human rights, etc.) infringement?
Does the CEO simultaneously chair the board or has the chairman of the board been the CEO of the company?			Does the company claim to apply quality management systems, such as ISO 9000, Six Sigma, Lean Manufacturing, Lean Six Sigma, TQM or any other similar quality principles?
Does the company have an independent board?			Have any products been recalled for same reason?
Have there been controversy regarding management compensation?			Does the company source conflict minerals or other materials from controversial countries? How does it manage the risk of supply disruption of crucial raw materials or tariffs and trade tensions?

- Does the firm have a process for identifying the most material ESG Issues? Once (and if) identified, does the firm set ambitious but achievable targets and communicate them?
- Does the firm hold units accountable for ESG performance, and do these business units have the personnel and resources necessary to achieve their goals?
- Does the firm has a process to listen to stakeholders needs and requirements?
- Does the firm proactively engage with policy, NGOs, at industry consortia to tackle the issue at a systemic level?

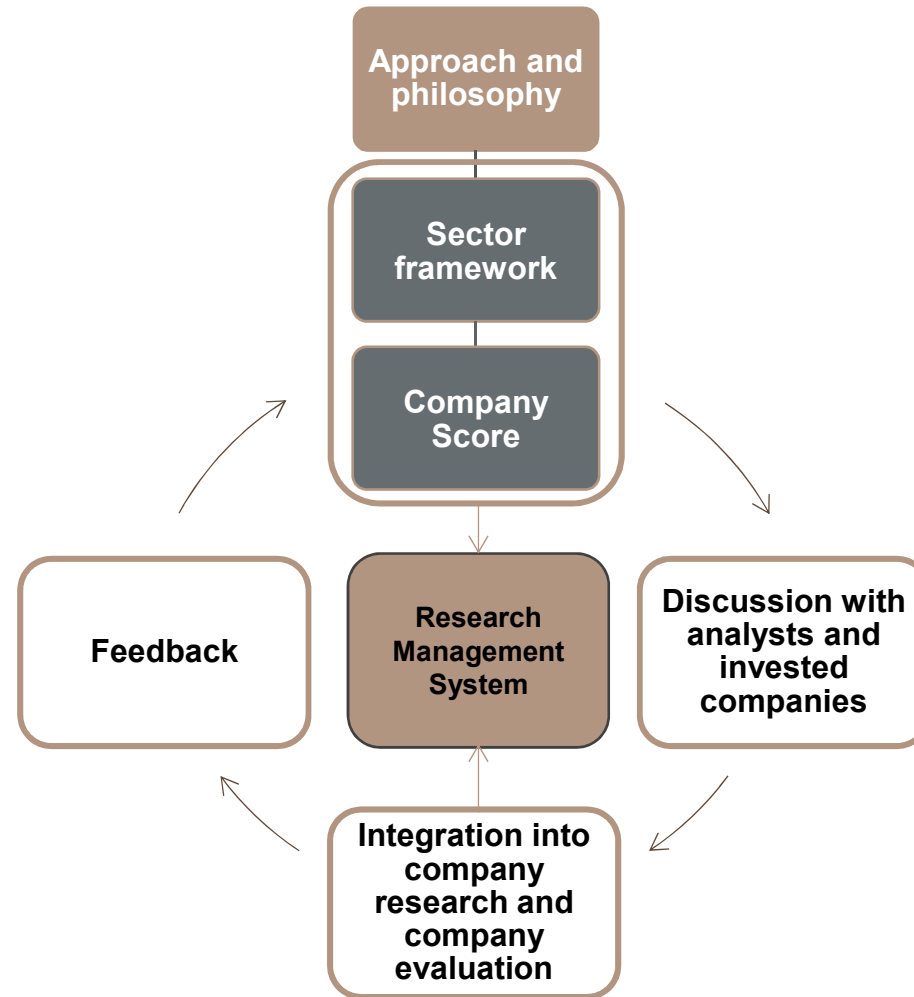
ESG integration



	Corporate Governance	Air & Transportation	Ecosystem	Energy	Materials	Products	Waste	Water	Health & Safety	Working Conditions	Diversity and Opportunity	Employment Quality	Training and Development	Business Integrity	Community Impact	Product Responsibility	Supplier Assessment
Aerospace & Defense																	
Automobiles & Components																	
Banks																	
Chemicals																	
Commercial Services & Supplies																	
Construction Materials																	
Consumer Durables & Apparel																	
Consumer Services																	
Diversified Financials																	
Energy																	
Food & Staples Retailing																	
Food, Beverage & Tobacco																	
Health Care Equipment & Services																	
Homebuilding, Construction & Engineering																	
Household & Personal Products																	
Insurance																	
Internet & Direct Marketing Retail																	
Machinery																	
Media																	
Metals & Mining																	
Paper & Forest products																	
Pharmaceuticals, Biotechnology & Life Sciences																	
Real Estate																	
Retailing																	
Semiconductors & Semiconductor Equipment																	
Software & Services																	
Technology Hardware & Equipment																	
Telecommunication Services																	
Transportation																	
Utilities																	

Different approach to integration:

- Terminal value
- Scenario analysis
- Cash flow adjustment – Capital expenditure
- Balance sheet adjustment – Book value and impairment charge
- Income statement adjustment – Revenues, costs and margins
- Beta and discount rate adjustment
- Sources of alpha
- Volatility proxy
-



ESG integration



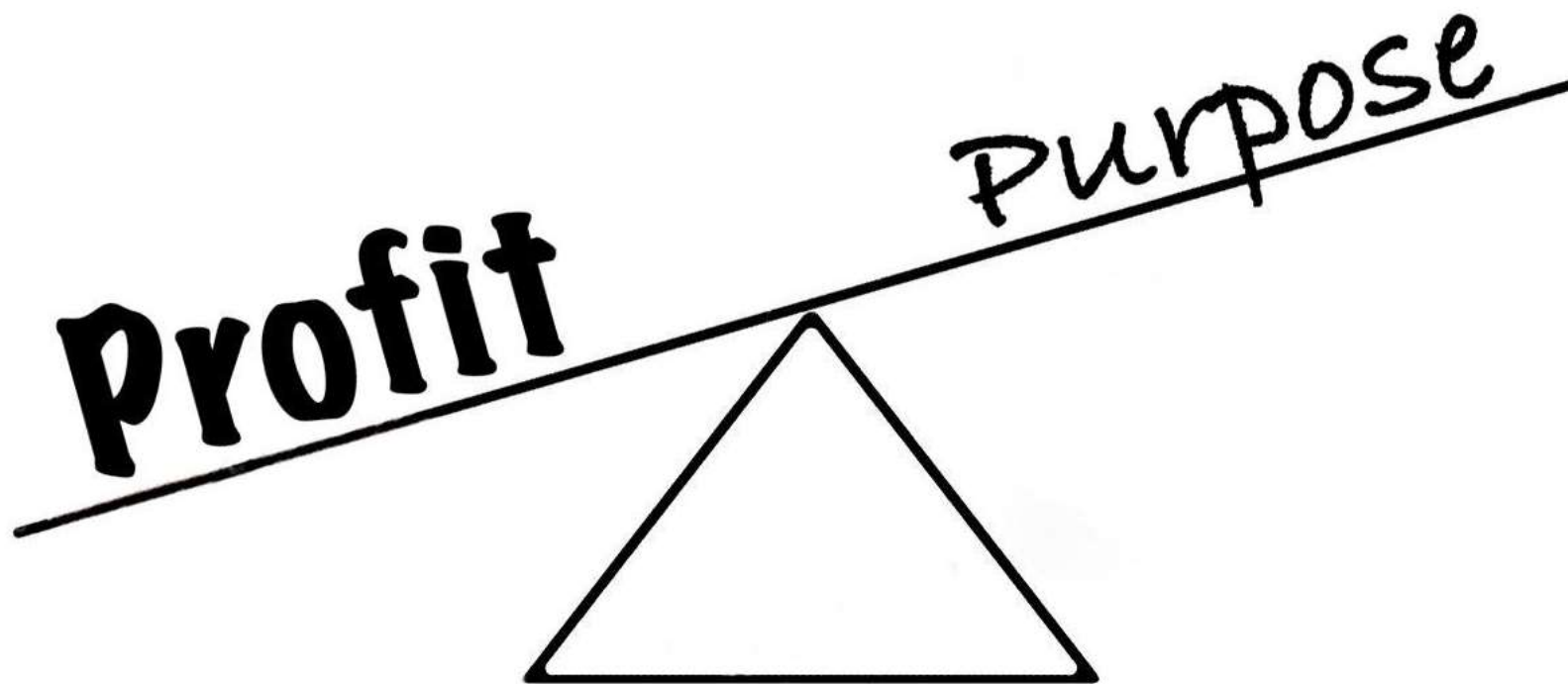
As a signatory of the UN Principles for Responsible Investment (PRI) EFGAM incorporate ESG issues into ownership policies. In addition to that EFGAM thinks that the global challenges addressed by the 17 UN Sustainable Development Goals, such as climate change, resource exploitation or social inequalities among others, needs to be tackled. When possible EFGAM will focus the engagement activity at the crossroad between financial impact and SDGs.

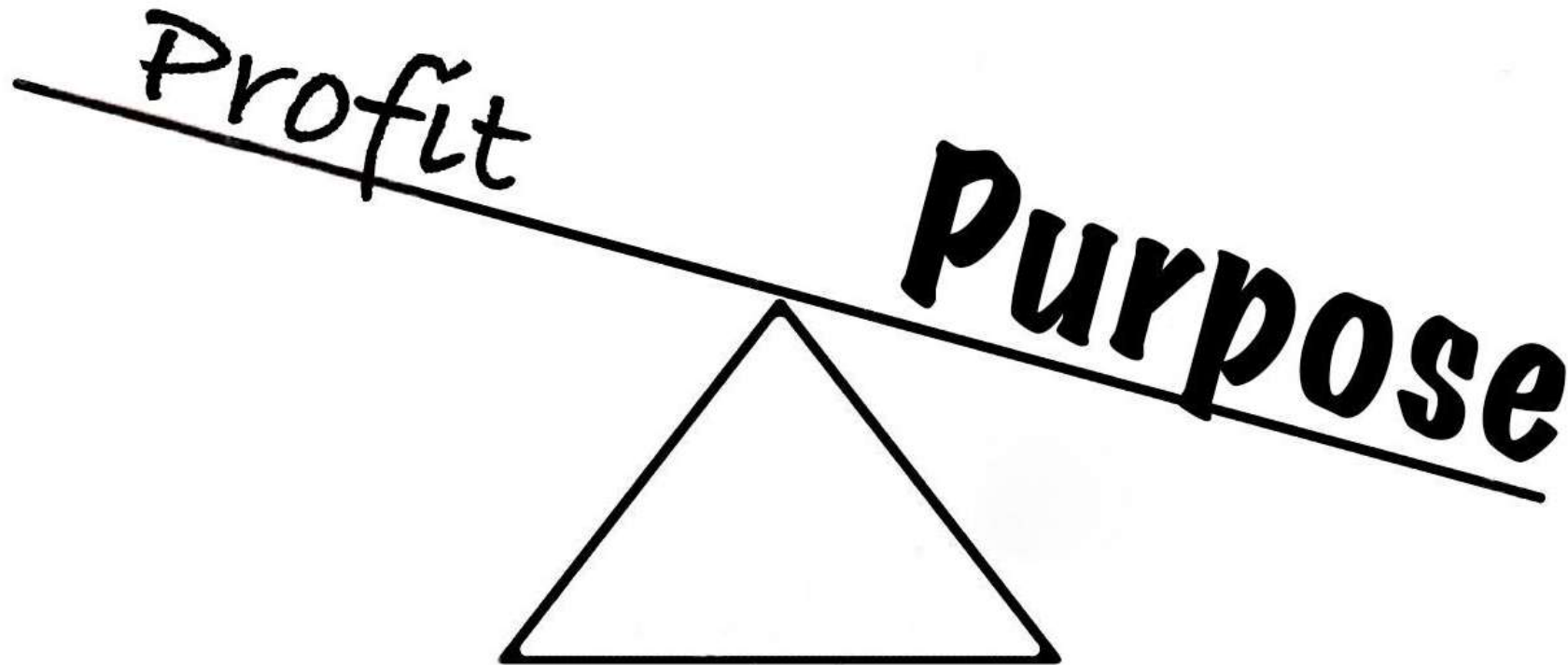


EFGAM selected ISS as a proxy voting provider and defined a “sustainability” voting policy that helps transmitting the recommendations about specific ESG-oriented topics.

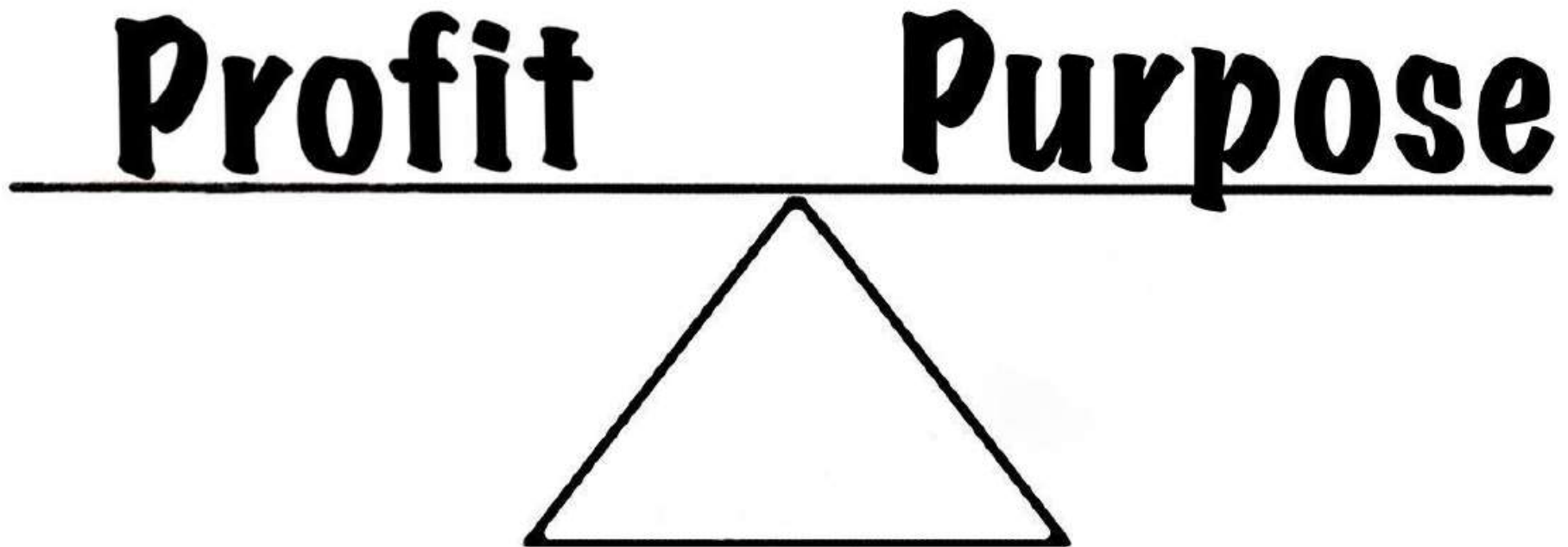
There are different reasons to integrate ESG:

- Widening the lens used (horizon) to analyze companies increases the chances of better understanding the issues they face, and anticipate downside risks to long term performance. For example, ESG integration might help mitigate risks related to company reputation, in a context where intangibles now represent more than 80% of the average S&P500 firm book value.
- On the upside, identify well managed companies based on ESG credentials.
- Follow the flows of institutional and pension funds money that increasingly demands ESG integration.
- Turn the focus toward long term performance.
- Anticipate future regulation.
- Meet growing client interest in sustainability.
- Have some form of impact and communicate.
- Keep pace with competitors.
- The “Universal Ownership Principle” suggests that diversified investors face systemic risks and should invest in ways that reflect their risk assessment and seek to mitigate those risks.





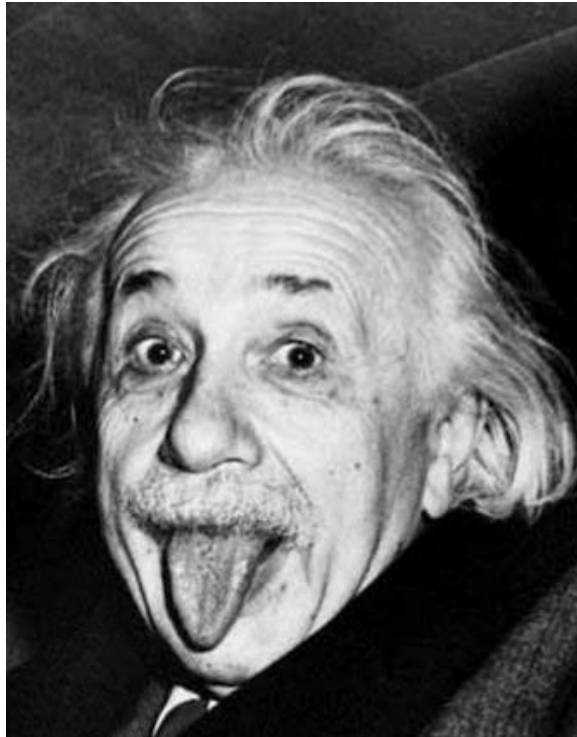




A global approach enables us to find an equilibrium solution, optimal for both.

	To confess	Not to confess
To confess	(5;5)	(0;7)
Not to confess	(7;0)	(1;1)

	Confess	Not Confess
Confess	10	7
Not Confess	7	2



*Not everything that counts can
be counted, and not everything
that can be counted counts.*

attributed to A.Einstein

Thanks