Increasing investor focus on ESG and the industry reaction

Franziska Jahn-Madell
Manager – Responsible Investment
What does Responsible Investment look like?
Populism and ESG
Investor preference
UN PRI
Integrating ESG considerations
## RI spectrum

<table>
<thead>
<tr>
<th>Financial return</th>
<th>Environmental and social impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional</strong></td>
<td><strong>Screening</strong></td>
</tr>
<tr>
<td><strong>Responsible investing</strong></td>
<td><strong>ESG integration</strong></td>
</tr>
<tr>
<td>Limited or no focus on ESG factors of underlying investments</td>
<td>Focus on ESG risks ranging from a wide consideration of ESG factors to negative screening of harmful products</td>
</tr>
</tbody>
</table>
Populism
Existentialism

“When we are no longer able to change a situation... we are challenged to change ourselves.”

Frankl
Investor preference

The world’s most influential companies, committed to 100% renewable power.

Money Pours Into Sierra Club at Frantic Pace After Trump Victory

Business and world leaders criticise Trump’s Paris exit

Top US investors and companies unite to promote low carbon future ahead of Trump inauguration

US pension giants team up with blue-chip companies to press Trump on low carbon

Landmarks around the world light up green in protest over Donald Trump pulling out of Paris accord
$68tn PRI AUM

300% growth in UK ethical investment

78% AOs ESG as top five issue

69% UHNW millennials interested
Existentialism

“He, who has a why to live for, can bear almost any how.”

Nietzsche
Climate change

COP21 conference 2015

2ºC

Five year updates

Starts 22 April
Climate change
Paris Agreement and Trump
Investor preferences
Consultants
Transition Pathway Initiative (TPI)
TPI and Ruffer

Management Quality: Oil & Gas

Level 0
Awareness
Pioneer Natural Resource

Level 1
Building capacity
Anadarko Petroleum
Concho Resources
EOG Resources
Marathon Petroleum
Occidental Petroleum
Phillips 66

Level 2
Integrated into operational decision-making
Apache Corp
BP
Canadian Natural Resources
Chevron
ConocoPhillips
Devon Energy
Exxon Mobil Corporation
Valero Energy

Level 3
Suncor Energy
Total

Level 4
Strategic assessment
Eni
Royal Dutch Shell
Woodside Petroleum
UN PRI signatory base

Source:
The world's leading responsible investment conference

Due to unprecedented demand, registration is closed.

We are no longer accepting registrations for PRI in Person 2017 as the conference is fully booked. Audio and video highlights will be available here after the conference.

Make sure you don't miss out on PRI in Person 2018 and register your interest now. We will inform you as soon as registration opens in late 2017.

(Confirmed speakers or partners: please contact events@unpri.org if you have not yet registered.)

Date: 25 - 27 September 2017
Location: InterContinental Berlin

PRI in Person is the leading global conference on responsible investment, which offers a platform for PRI signatories and other investment professionals to learn, network and collaborate in person over a three day period. The annual event allows attendees to discuss topical issues and share experiences from their own organisation and region with peers from around the world.
<table>
<thead>
<tr>
<th>First assessment 2016</th>
<th>Second assessment 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy and governance</td>
<td>A+</td>
</tr>
<tr>
<td>Listed equity – incorporation</td>
<td>A</td>
</tr>
<tr>
<td>Listed equity – active ownership</td>
<td>A</td>
</tr>
</tbody>
</table>
In New Zealand

<table>
<thead>
<tr>
<th>Responsible investment approach</th>
<th>2016 Responsible investment AUM ($bn)</th>
<th>2015 Responsible investment AUM ($bn)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Screening (including negative, positive, best in class and norms-based screening)</td>
<td>42.3</td>
<td>1.3</td>
<td>3,219%</td>
</tr>
<tr>
<td>Sustainability themed investing</td>
<td>0.4</td>
<td>0.3</td>
<td>34%</td>
</tr>
<tr>
<td>Impact investing and community finance</td>
<td>0.1</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Core responsible investment total</strong></td>
<td><strong>42.7</strong></td>
<td><strong>1.6</strong></td>
<td>2,649%</td>
</tr>
<tr>
<td><strong>Broad responsible investment total</strong></td>
<td><strong>88.6</strong></td>
<td><strong>77.1</strong></td>
<td>15%</td>
</tr>
<tr>
<td>ESG integration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL RESPONSIBLE INVESTMENT</strong></td>
<td><strong>131.3</strong></td>
<td><strong>78.66</strong></td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: Responsible Investment Benchmark Report 2017 New Zealand, Responsible Investment Association Australasia
The butterfly effect
Stewardship

I almost think of ESG investors, particularly in the extractive industry... as an early warning system for us, they are the ‘canaries in the coal mine.’ They are ahead of everyone else in terms of understanding what are the risks, and eventually governments and society will ask you similar questions...”

Corporate Responsibility, Extractive Industry, North America
Integrating ESG Stewardship

– company engagement
– voting at AGMs
Investment process
– profitability
– opportunity
– competitive edge
– materiality
– risks
# ESG engagement at Ruffer

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Labour standards</td>
<td>Board effectiveness</td>
</tr>
<tr>
<td>Water scarcity</td>
<td>Indigenous rights</td>
<td>Board composition</td>
</tr>
<tr>
<td>GHG emissions, ie HFC</td>
<td>Dakota pipeline</td>
<td>Remuneration</td>
</tr>
<tr>
<td>Arctic drilling</td>
<td>Cluster munitions</td>
<td>Bribery and corruption</td>
</tr>
<tr>
<td>Transitioning to 2°</td>
<td>Conflict minerals</td>
<td>Poison pill</td>
</tr>
<tr>
<td>Environmental pollution</td>
<td>Sustainable Development Goals</td>
<td>Succession planning</td>
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<tr>
<td></td>
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<td>Cross-shareholdings</td>
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