

Transatlantic Sustainable Investment Strategies



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WEBINAR TAKEAWAYS

INVESTOR PROFILES

01 PKA

3rd largest pension plan in Denmark with \$50bn in AUM, member-owned with beneficiaries from the healthcare sector. 10% dedicated to climate-related investments with plans to increase it by 2030. PKA targets 7 of the 17 SDGs.

- **Negative screening** in controversial weapons and tobacco sectors, 230 companies on excluded list. Coal revenue restriction limit has been reduced down to 20% from 90% limit. **Impact investing** in the PE team via Climate, Africa and SDG funds. **Microfinance, wind, biomass, green buildings are areas of investment**
- **Tax policy and transparency initiatives** are a focus
- Investor coalitions and active lobbying with political system, and organizations such as IIGCC, PRI, Climate Action 100+

02 Wespath Institutional Investment

Pension fund for United Methodist Church. Sustainable investing driven by mandate to create healthy sustainable financial markets, with focus on social cohesion, long term economic prosperity and environmental

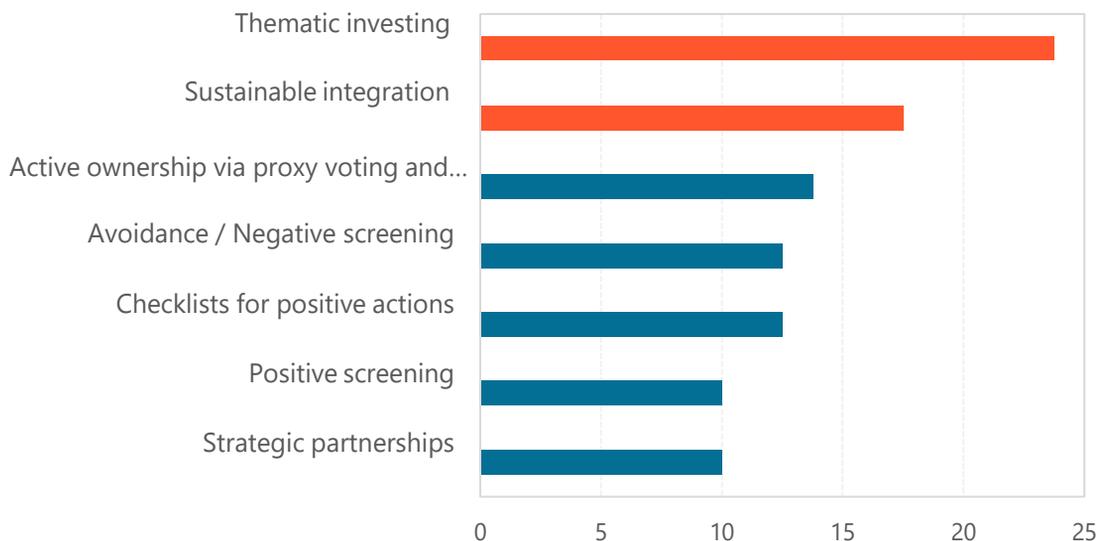
- Investment in **off grid renewable energy, positive social lending program** which includes affordable housing as an important fixed income portfolio diversifier, **\$100mm in sustainable forestry investments**, and **\$500mm in low carbon solutions**. Recently **partnered with BlackRock to create transition-ready investment strategies**
- **Engagement models** to drive board diversity as part of 30% coalition. Part of Midwest investors diversity initiative. Active in Climate Action 100. **Avoidance includes coal**

POLL: Do you expect the current pandemic to accelerate interest in ESG and sustainable investing?



- **Cannot sacrifice return as part of fiduciary duty:** PKA's wind investments with first loss structure or state subsidies was a good investment in the early days. Today, it's difficult to get double digit returns. Emerging areas include microfinance with good return profiles. Forestry did not turn out to be a good investment, even though there are attractive ESG elements.
- **Asset manager ESG due diligence** could be very different based on investment style and mandates. There is no "one size fits all" question. It's important to focus on the core principle of impact on the investment process.
- **Reporting framework:** Annual ESG surveys to all asset managers can be a best practice: this includes basic questions, as well specific questions about ESG integration, resources for engagement and stewardship. Reporting framework is intended to inspire action and momentum when anonymizing the data and sharing peer group reporting with asset managers. Accretive value of having conversation in becoming sophisticated investors.
- **Measuring impact and engagement:** All assets have a positive or negative impact. It's important to map investments with the SDG criteria as part of development of a reporting framework. Continued engagement with portfolio companies, external asset managers, as well as proactive advocacy in terms of signing of investor statements on Coronavirus response.

POLL: What are the key components of your sustainable investing focus?



04 COVID Catalyst for Social

- **In climate investing**, there is a sense of urgency around time constraints as well as broader consensus in much of the world around causes and solutions. Social issues are much more complex and intersectional. There is intersectionality between climate and social issues.
- **Coronavirus and racial justice protests** have heightened focus on Social component of ESG. Wespath participates in the Human Capital Management Coalition - to drive better disclosure and adoption of better practices. Companies are only required to disclose # of employees, and tenure, turnover, diversity, employment status are not mandated for disclosure, but there's advocacy efforts with the SEC to increase transparency.
- There's a **need for pharmaceutical governance** and risk mitigation (Ex. Ensuring Covid vaccines are equitably distributed).

05 Developing Trends

- **ESG tool sets:** All asset owners should have a theory of change. Everyone needs to be doing more, with iterative and open dialogue. Impact opportunities to catalyze new businesses and frontier development exist largely in private markets, while stewardship and shareholder advocacy exists within listed equities.
- **Data focus:** Strengthening data and reporting capabilities will be key to increasing focus on aligning SDG with outcomes as well as expanding impact investment program KPIs. More data would mean less green washing.
- **Advancing with complex issues:** Investors are embracing complexity to develop high performing ESG profiles in sectors that aren't as advanced.
- **Coalitions and industry organizations making an impact:** Climate Action 100+ initiatives, NetZero, IIGCC, HCMC, TCFD, HCMC, Blue Ocean economy, PRI
- **ESG awareness amongst asset managers** is driving from checklist to integration. Firms are thinking about ESG even if they don't have a policy.
- **Investment consultants** are flagging ESG activities, sourcing new ESG ideas, and evaluating ESG integration on behalf of their asset owner clients.
- **The corporate environment accelerated** Major oil and gas companies have been lobbying against methane regulation, as they want certainty so they can plan around. PRI has done great work on inevitable policy responsibility. As more companies and organizations do more work, policy making will follow. Businesses want to support policy inline with investor expectations.

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WEBINARS

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