

ESG Integration in Fixed Income

April 11, 2019

Henry Shilling

FIASI ESG Integration in Fixed Income Conference

Sustainable investing 101

Time	Speaker/Topic	Time	Speaker/Topic
2:00—2:10	<u>Defining ESG Integration</u> Henry Shilling, Director of Research, Sustainable Research & Analysis LLC	3:40—4:00	<u>Networking Break</u>
2:10—2:20	<u>Sustainability, Corporate Performance and Investment:</u> Professor Sris Chatterjee, Gabelli Chair in Global Security Analysis, Finance & Business Economic University	4:00—5:00	<u>Panel Discussion—The Rating Agencies:</u> Moderator — Ralph DeCesare, TD Asset Management <ul style="list-style-type: none"> ➤ Andrew Steel, Fitch Ratings ➤ James Hempstead, Moody's Investors Service ➤ Lisa Schroeer, S&P Global
2:20—2:40	<u>Evolution of ESG ratings:</u> Thomas Kuh, PhD, Head of Index, Truvalue Labs	5:00—6:00	<u>Panel Discussion—ESG Integration in Non-Investment Grade Fixed Income:</u> Moderator — Henry Shilling, Sustainable Research & Analysis LLC <ul style="list-style-type: none"> ➤ Robert Kricheff, Shenkman Asset Management ➤ Joshua Linder, APG Asset Management US ➤ Kristal Yee Seales, TIAA Investments
2:40—3:40	<u>Panel Discussion—ESG Integration in Investment Grade Fixed Income:</u> Moderator — Mark Howard, BNP Paribas Securities <ul style="list-style-type: none"> ➤ Kathleen Bochman, Loomis Sayles ➤ Matt Daly, Conning ➤ Thomas Socha, JP Morgan Asset Management 	6:00—7:00	<u>Closing Remarks</u> followed by <u>Cocktails & Networking</u>

Sustainable investing 101

Sustainable investing is the idea that investors can achieve a positive societal outcome or impact with their investments. Optimally, this should be accomplished without sacrificing long-term financial returns.

Sustainable investing is an umbrella term that encapsulates ethical investing, socially responsible investing and responsible investing. It also seems that the term sustainable investing is morphing into ESG investing.

While the definition has been changing over time, today sustainable investing refers to a range of five overarching investment approaches or strategies. Most practitioners agree that these encompass the following strategies:

1. Values-based investing
2. Negative screening or exclusions
3. Thematic and impact investing
4. ESG integration
5. Shareholder/bond engagement and proxy voting

Drivers of ESG integration in US capital markets

EQUITY INVESTMENTS		FIXED-INCOME INVESTMENTS	
Risk management	63%	Risk management	59%
Client demand	60%	Client demand	57%
Regulation	18%	Fiduciary responsibility	20%
Alpha	16%	Regulation	16%
Fiduciary responsibility	15%	Alpha	9%

Note: Percentages represent those who thought each item was a main driver. Survey respondents could choose more than one answer.

Source: CFA Institute and PRI, 2018

Assets sourced to sustainable strategies-US (\$AUM)

TWO VIEWS

Sustainable mutual funds and ETFs

Sustainable and responsible investing in the US

