

ESG: a miérttől a hogyanig

BÉT Kibocsátói Fórum, 2020. július 16.

Nagy Zoltán, MSCI

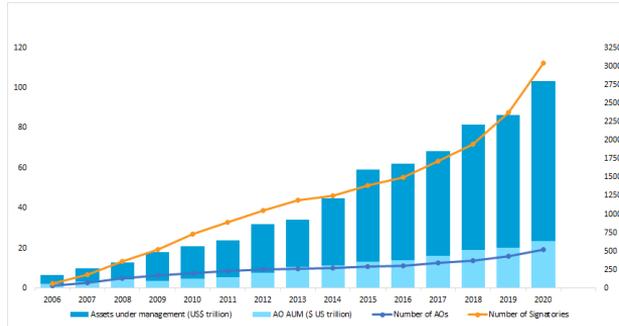


▼ Tartalom

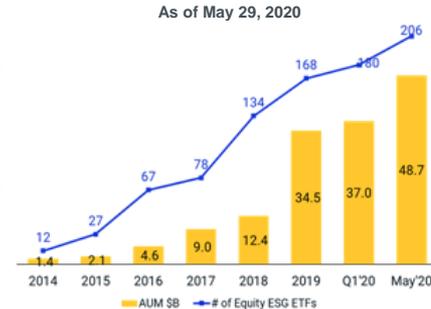
1. Az intézményi befektetők motivációi
2. ESG modellek összeállítása
3. ESG integráció a gyakorlatban
4. Koronavírus: az életnagyságú teszt

ESG investing is growing dramatically...why now?

UN PRI* Has Grown to Over 3,000 Signatories with \$110 Trillion in AUM*



MSCI ESG Index linked equity ETFs ² 140% growth of assets YOY



HERE'S WHY:

1. Investors have become less tolerant of corporate ESG incidents

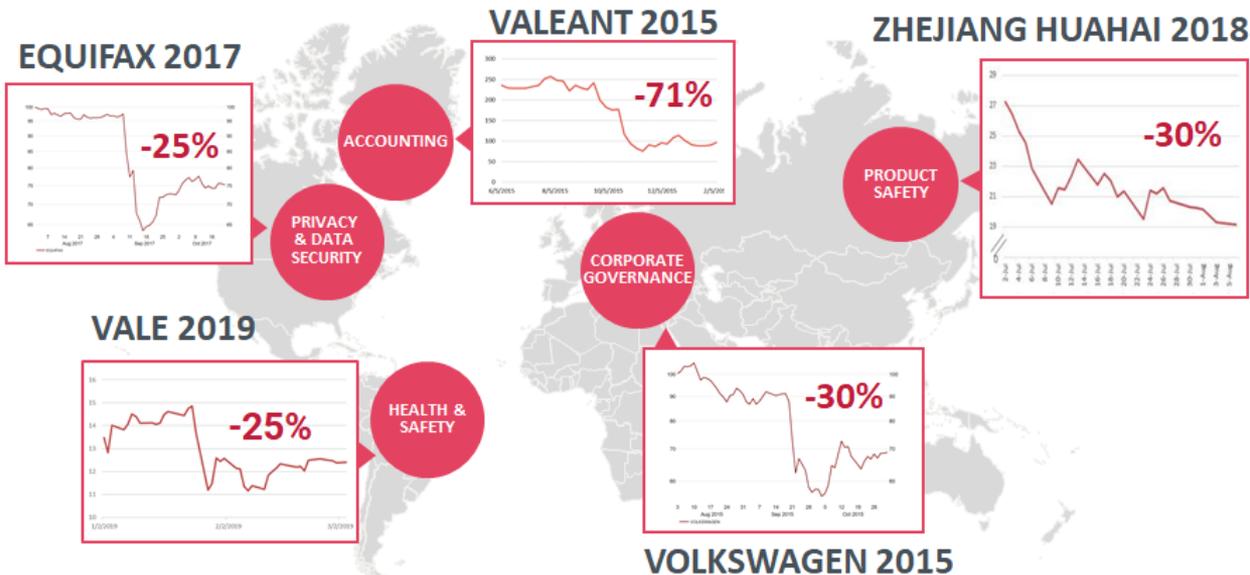
2. Investors demonstrating willingness to act

3. Greater understanding of potential financial benefit

4. Improved ESG ratings

Investors have become less tolerant of corporate ESG incidents

30 years ago, Exxon's stock price barely moved when Exxon Valdez spilled 11mm gallons of oil on the Alaskan shore.* Today, with social media allowing for immediate, global communication of issues, investors are making companies accountable for their actions.



*Source: <https://www.fool.com/investing/general/2014/03/24/25-years-on-from-exxon-valdez-what-weve-learned-wh.aspx>; Examples only. Past performance is not indicative of future results, which may differ materially.

Greater understanding of potential financial benefits

ACADEMIC STUDIES BUILD CASE FOR FINANCIAL IMPLICATIONS

Higher cost of capital

for poor ESG performers, including loan debt, bond debt, and cost of equity.

Higher volatility

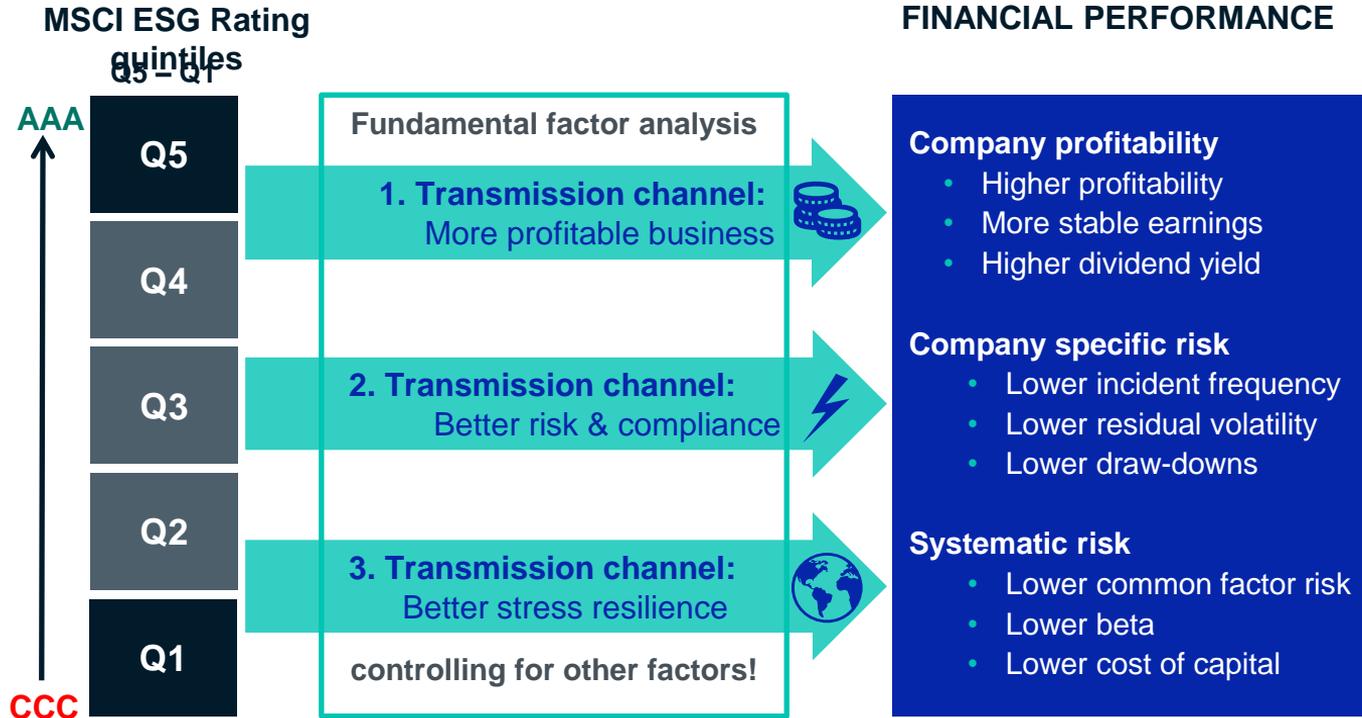
for poor ESG performers and after ESG events such as spills, labor strikes, and fraud.

Accounting irregularities and performance

linked to ESG and broad governance factors.

Foundations of ESG Investing

POTENTIAL IMPACTS ON PROFITABILITY, COMPANY RISK AND SYSTEMATIC RISK

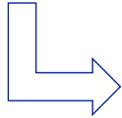


ESG, Meet Industrialization

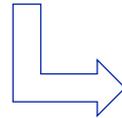
FROM...



*hand-crafted,
1 company: 1
analyst*



*'scale' driven,
specialization*

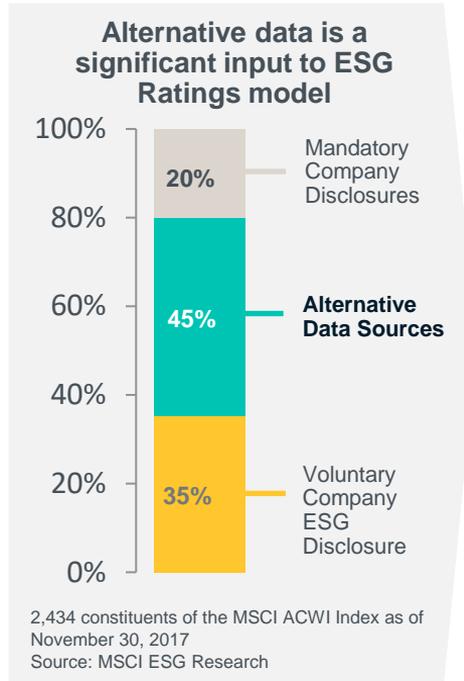


TO...



*scale + insight,
tech-enabled human
insights*

Alternative data helps minimize reliance on voluntary disclosure to deliver key insights

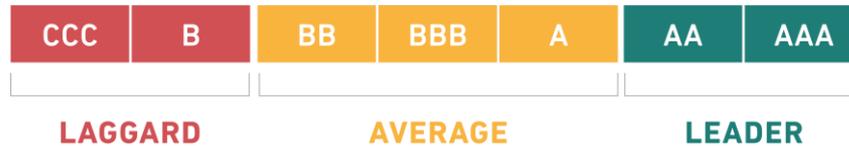


Alternative data sets are *information about a company published by sources outside of the company*. We use them to:

- Deliver insight not captured with voluntary company disclosures
- Identify unexplored risks and opportunities
- Create innovative signals



ESG Ratings methodology



COMPANY, INDUSTRY, AND THEMATIC REPORTS



RATINGS, SCORES AND DATA



PORTFOLIO ANALYTICS & ESG INDEXES

ESG Ratings focus on **most relevant** ESG factors by industry

INDUSTRY-SPECIFIC		UNIVERSALLY APPLICABLE	
ENVIRONMENTAL (E)	SOCIAL (S)	GOVERNANCE (G)	
Climate Change Carbon Emissions Product Carbon Footprint Financing Environmental Impact Climate Change Vulnerability	Human Capital Labor Management Health & Safety Human Capital Development Supply Chain Labor Standards	Corporate Governance Board Pay Ownership Accounting	
Natural Capital Water Stress Biodiversity & Land Use Raw Material Sourcing	Product Liability Product Safety & Quality Chemical Safety Financial Product Safety Privacy & Data Security Responsible Investment Ins. Health & Demographic Risk	Corporate Behavior Business Ethics Anti-competitive Practices Corruption & Instability Financial System Instability Tax Transparency	
Pollution & Waste Toxic Emissions & Waste Packaging Material & Waste Electronic Waste	Stakeholder Opposition Community Relations* Controversial Sourcing		
Environmental Opportunities Clean Tech Green Building Renewable Energy	Social Opportunities Access to Communications Access to Finance Access to Health Care Nutrition & Health		



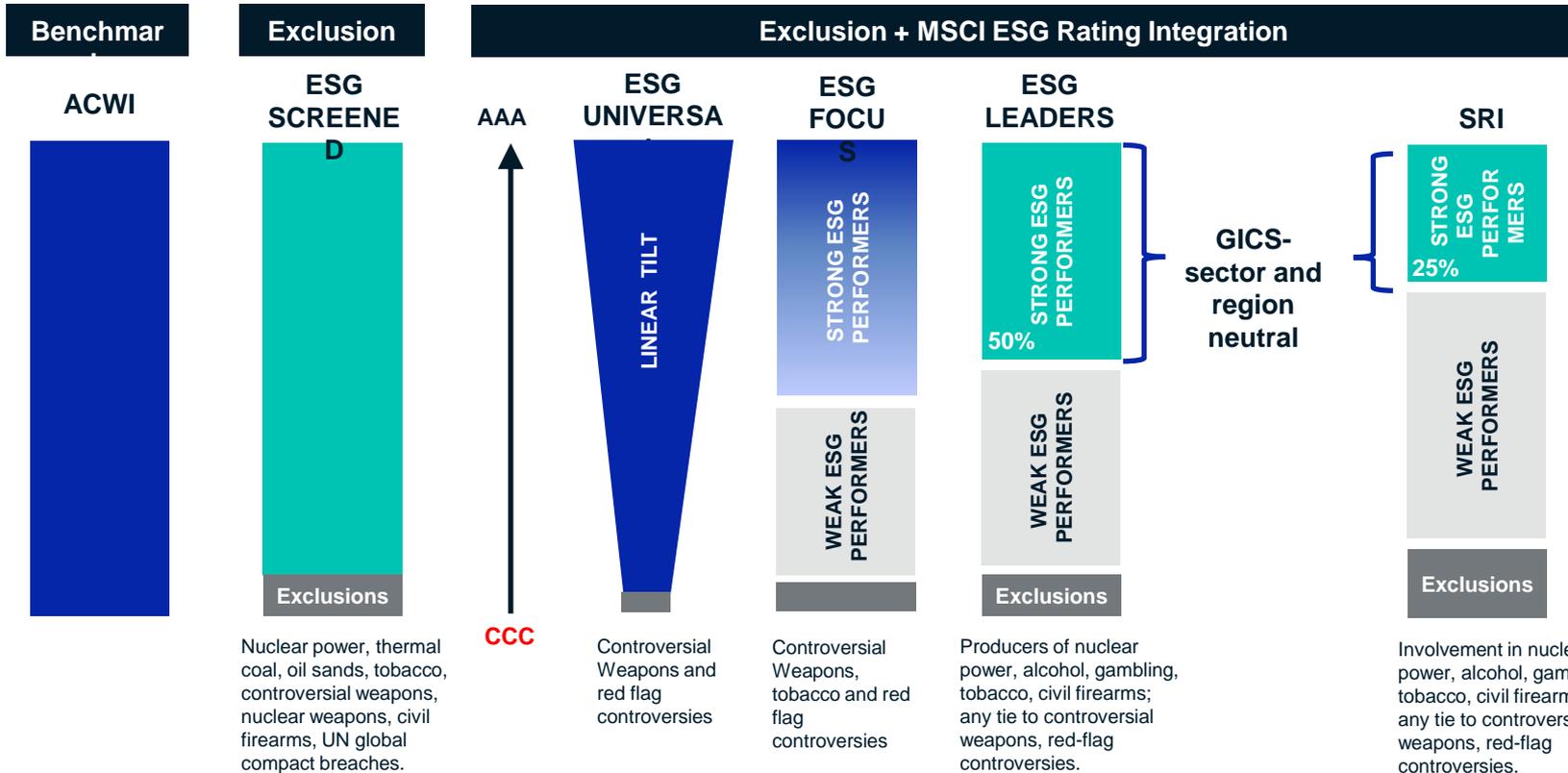
ESG

Align investor objectives with investment design

Incorporating ESG into investment strategy or creating products typically starts with understanding client objectives, which may combine elements of managing long-term risk, reflecting values and positive impact.

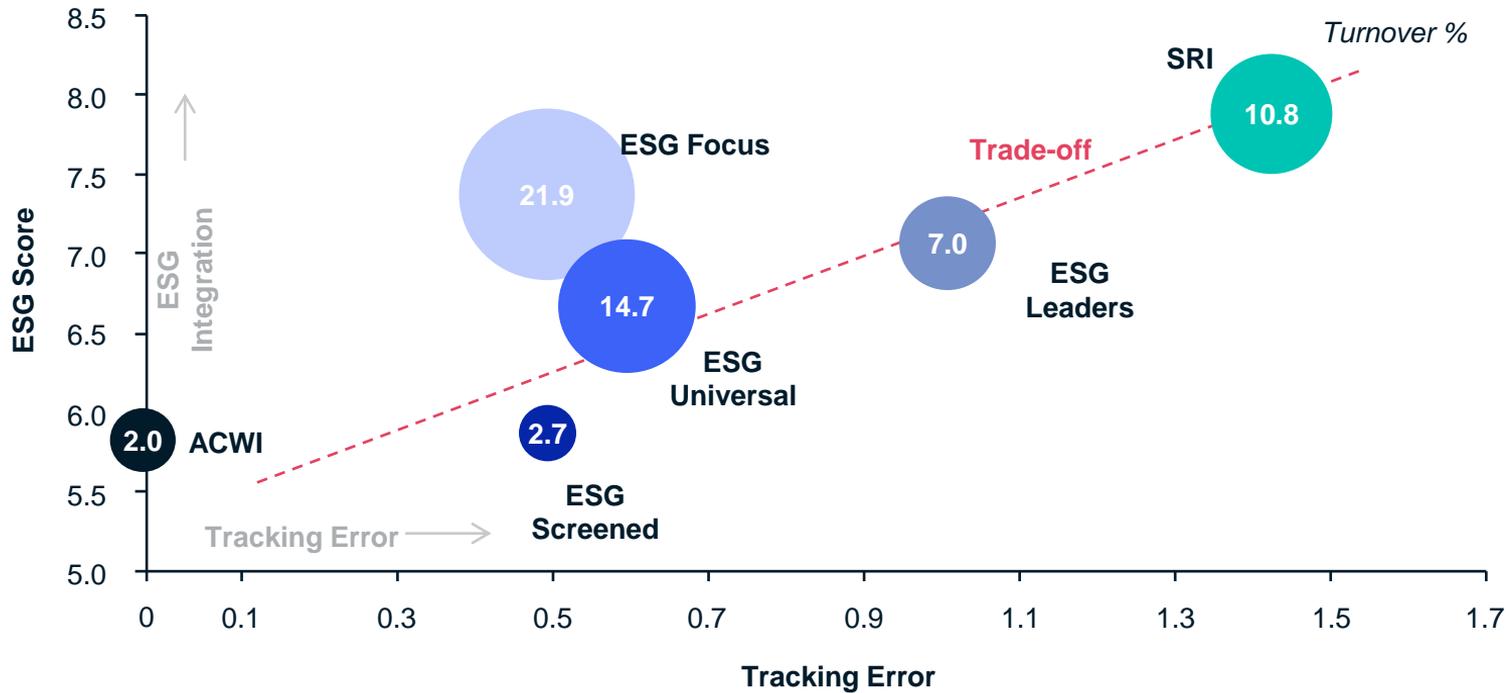


How to integrate ESG into indexes



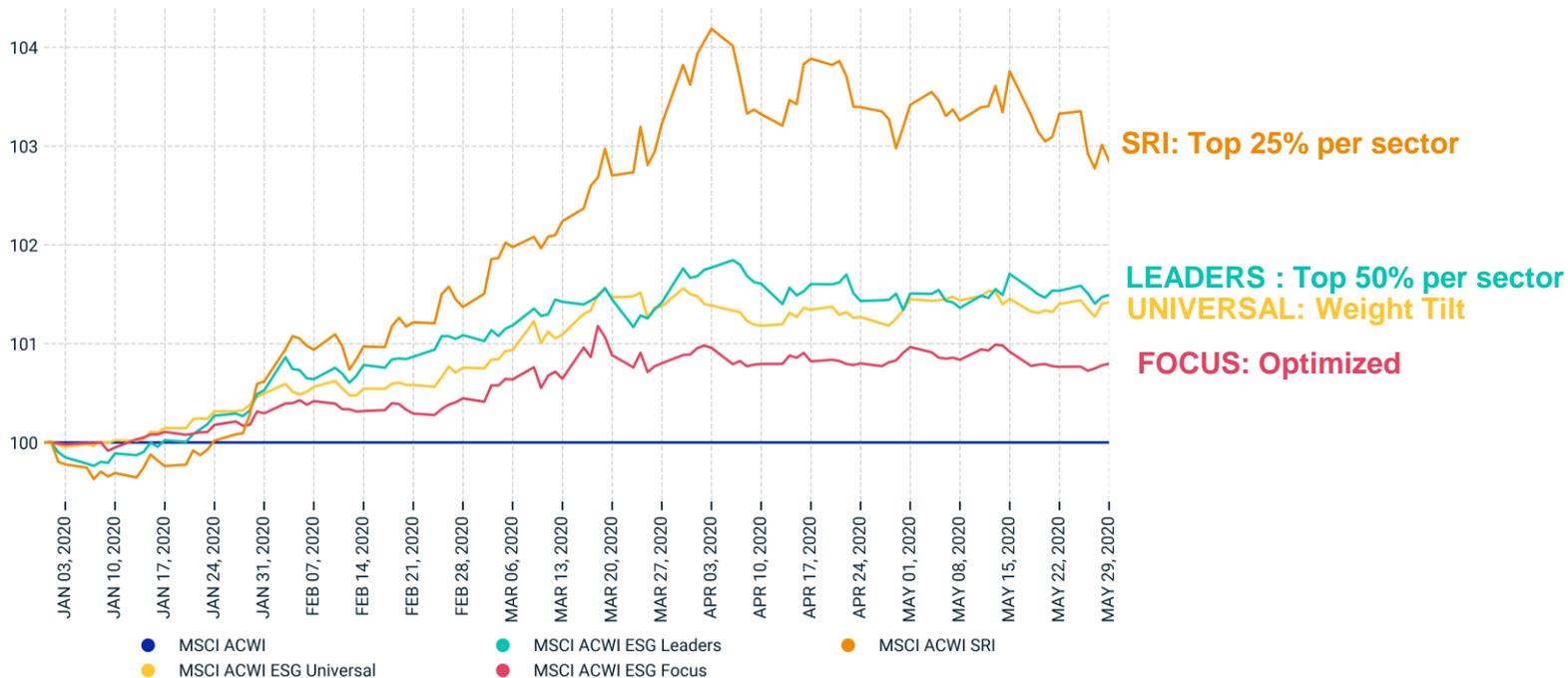
MSCI ESG Index construction approaches

Trade-off: ESG integration versus tracking error and turnover



MSCI Indexes during the COVID-19 market crisis

Relative performance from 31 December 2019 to 31 May 2020



MSCI Indexes during the COVID-19 market crisis

Active return attribution from 31 December 2019 to 31 May 2020

Attribution is done with a global equity factor model supplemented with an **ESG factor**

It allows us to **separate** the pure ESG effect from quality, low volatility and other effects



Konklúziók

- **Intézményi befektetők** oldalról továbbra is növekvő igény van ESG szempontok figyelembe vételére a befektetések kezelése során, ideértve a klímaváltozás okozta kockázatokat
- A gyenge gazdasági növekedés mellett, és a terjedő hozamsivatagban egyre kevésbé megbocsáthatóak a **látható veszteséget** okozó vállalati botrányok és botlások
- Növekvő jelentési kötelezettségek mellett alternatív adatforrások használatával és innovatív adatbányászati technikákkal szolgálható ki a kapcsolódó **adatigény**
- A koronavírus kiváltotta válsághelyzetben relatíve jól teljesítettek a **defenzív** jellegű ESG befektetések

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