

# ESG: Where are we going?

## Industry Insights and Open Discussion

9<sup>th</sup> November 2023

# Agenda

## Industry Insights and Open Discussion

- 1. ESG in the news**
- 2. Regulation SFDR**
- 3. Greenwashing**
- 4. Industry insights – survey results**
- 5. ESG performance trends**
- 6. ESG – the view from Pictet**

# ESG in the news

## Europe's ESG funds suffer more outflows - Morningstar

Reuters

October 25, 2023 10:33 AM GMT+1 · Updated 2 days ago

LONDON, Oct 25 (Reuters) - The European sustainable fund industry suffered another quarter of outflows in the three months to end-September as investors worried about economic uncertainty and regulatory changes, data provider Morningstar said in a report published Wednesday.

Investors pulled 20.5 billion euros from the European Union's lower sustainability classification, while net inflows in the higher classification were 1.5 billion euros, Morningstar report said.



## ESG fund closures in US outpace launches for first time since 2020 - Morningstar

By Isla Binnie

October 23, 2023 8:42 PM GMT+1 · Updated 4 days ago

NEW YORK, Oct 23 (Reuters) - Money managers in the United States have closed funds with a net of 1.5 billion dollars more than they opened new ones over the past three months as investor appetite

## The Commission consults on the implementation of the SFDR

On 14 September 2023 the Commission launched a [targeted consultation](#) and a [public consultation](#) on the implementation of the Sustainable Finance Disclosures Regulation (SFDR).

The deadline for participating in both consultations is 15 December 2023.

## Shell Greenwashing Challenge Highlights Risk of ESG Claims

But Shell joins a growing list of companies such as Coca-Cola, Exxon Mobil Corp., and Nestle being targeted for alleged deceptions in the climate aspects of their business practices.

## Deutsche Bank's DWS to Pay \$25 Million to Settle SEC Probes

- DWS failed to follow marketing claims on ESG, SEC says
- SEC found no misstatements in financial disclosures, DWS says

## US SEC cracks down on funds "greenwashing" with new investment requirement

By Douglas Gillison and Michelle Price

September 20, 2023 5:35 PM GMT+1 · Updated a month ago

## ESMA to push ahead with ESG fund names guidelines but timeline unclear

EU watchdog confirms efforts are still underway and that ongoing revision to existing EU directive could provide another route to address misleading fund names.

The regulator published draft proposals on ESG fund names in November 2022, suggesting that funds with ESG-related words would have to invest at least 80 percent of assets towards meeting environmental or social characteristics, or sustainability objectives defined in the strategy.

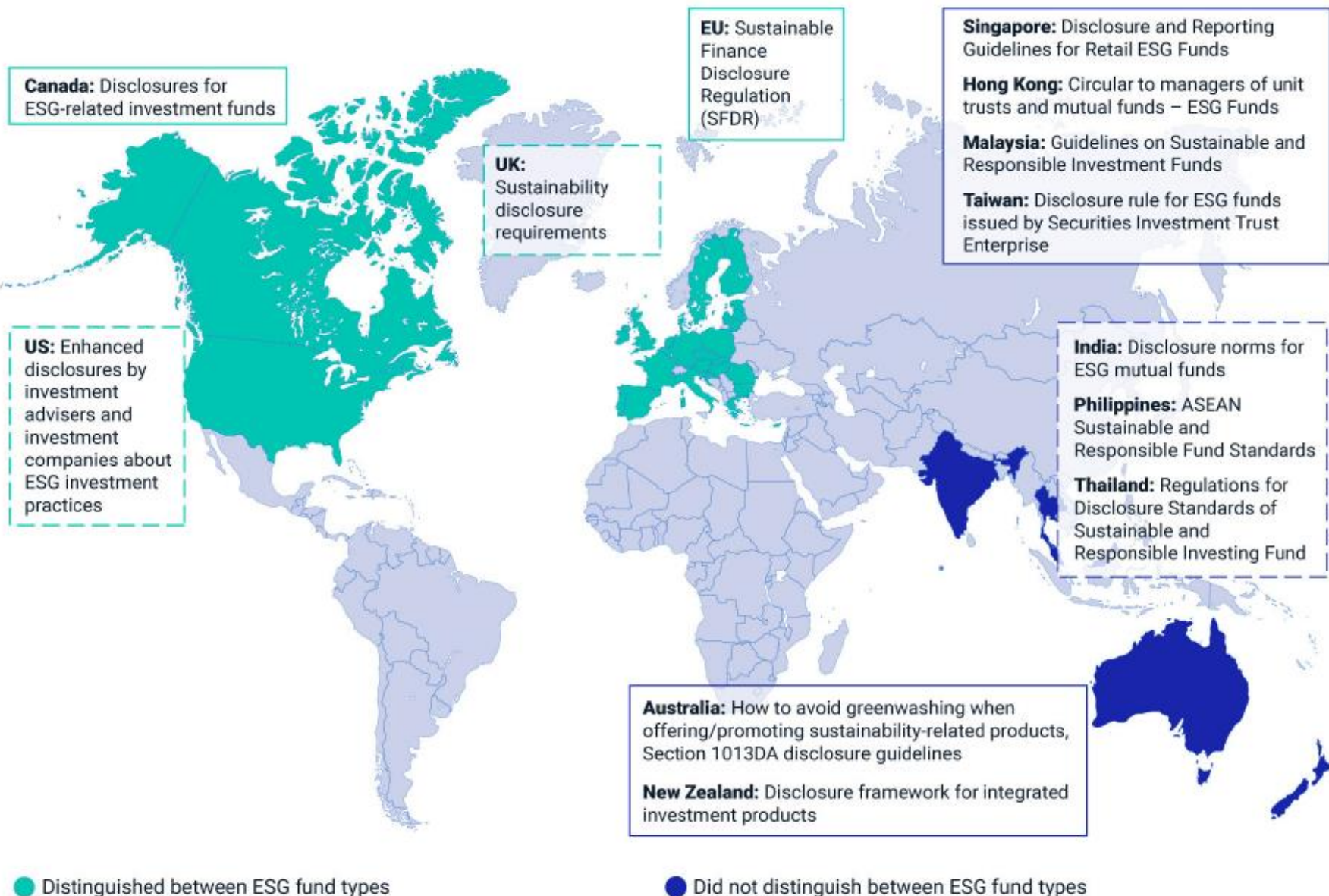


## ESG investing declining in popularity as fears of greenwashing grow

The popularity of ESG investing is declining since 2021, though a majority of investors still consider ESG factors when investing.

9 October 2023

# Jurisdictions with active and proposed regulations or guidelines for ESG funds



## Key:

**Solid** text boxes represent regulations in force, while **dashed** boxes represent proposed or planned regulations

List of jurisdictions with regulations or guidelines proposed or in force for ESG funds:

U.S. (proposed); Canada; EU; U.K. (planned); Singapore; India (proposed); Hong Kong; Australia (including Section 1013DA); Malaysia; New Zealand; Philippines (proposed); Thailand (proposed); Taiwan.

Data as of Oct. 12, 2022

# SFDR – Sustainable Finance Disclosure Regulation

## A reminder of SFDR

- **Article 6:** Funds without a sustainability scope
- **Article 8:** Funds that promote environmental or social characteristics (**light green**)
- **Article 9:** Funds that have sustainable investment as their objective (**dark green**)



# SFDR classifications examples

## ESG SFDR classifications available as filters ...

488 Results | My fund list Empty | Search by name, ISIN or share class | Criteria 2 | Standard view | Export

ESG / Asset Class | Characteristics | Clear all

**SFDR classification or equivalent**

- Article 6
- Article 8
- Article 9

Money Market

- Money Market

Fixed Income

- Emerging Debt
- Core Bonds
- Credit

Multi Asset

- Multi Asset

Product Type | Search fund or ISIN...

Asset Class | Investment Region | Distribution Type | Morningstar Rating | Responsible Investing

Select a filter | Select a filter | Select a filter | Select a filter | Select a filter

ESG APPROACH	SFDR	Labels
<p>AXA IM has developed its internal classification system for its range of Responsible Investment funds with the objective to distinguish funds based on their level of integration of ESG factors. AXA IM continually improves its RI categories and product offering to ensure they follow regulatory requirements and are clear and understandable by clients. This classification system will continue to evolve in the coming years to integrate new requirements of existing and upcoming sustainable-related regulations.</p>	<p>The SFDR is designed to help institutional asset owners and retail clients understand, compare, and monitor the sustainability characteristics of financial products by standardizing sustainability disclosures. One of the ways in which it does this is by requiring asset managers to classify their financial products by reference to whether, among other things, they have a sustainable investment objective (known as an "Article 9" financial product) or promote environment or sustainable characteristics (known as an "Article 8" financial product).</p>	<p>Sustainable finance labels emerged in the early 2000s, accelerating sharply after 2015 under the impetus of the Paris Agreement and are used as a tool to navigate within the responsible investment offer. Each label has its own requirements specifications adapted to its dedicated market with the objective to re-orient capital flows to the financing of sustainable activities.</p>
<input type="checkbox"/> ESG Integrated (197)	<input type="checkbox"/> Article 6 Only (11)	<input type="checkbox"/> Greenfin (14)
<input type="checkbox"/> ESG Integrated Plus (348)	<input type="checkbox"/> Article 8 (718)	<input type="checkbox"/> Towards Sustainability (100)
<input type="checkbox"/> Impact (79)	<input type="checkbox"/> Article 9 (75)	<input type="checkbox"/> ISR (233)
<input type="checkbox"/> Sustainable Investing (258)	<input type="checkbox"/> Not Applicable (228)	

# Greenwashing

## Greenwashing and the “names rule of a fund”

The **European Supervisory Authorities** understand **greenwashing** as a practice where sustainability-related statements, declarations, actions, or communications **do not clearly and fairly reflect** the underlying sustainability profile of an entity, a financial product, or financial services.

## U.S. Securities and Exchange Commission

The Names Rule reflects a basic idea: “A fund’s investment portfolio should match a fund’s advertised investment focus. The fund must adopt a policy to invest at least **80 percent** of the value of its assets consistent with its name.”

“The updated rule will apply ... also to funds whose names suggest a focus in investments with particular characteristics. This includes names suggesting an investment focus on Environment, Social, and Governance (ESG)”

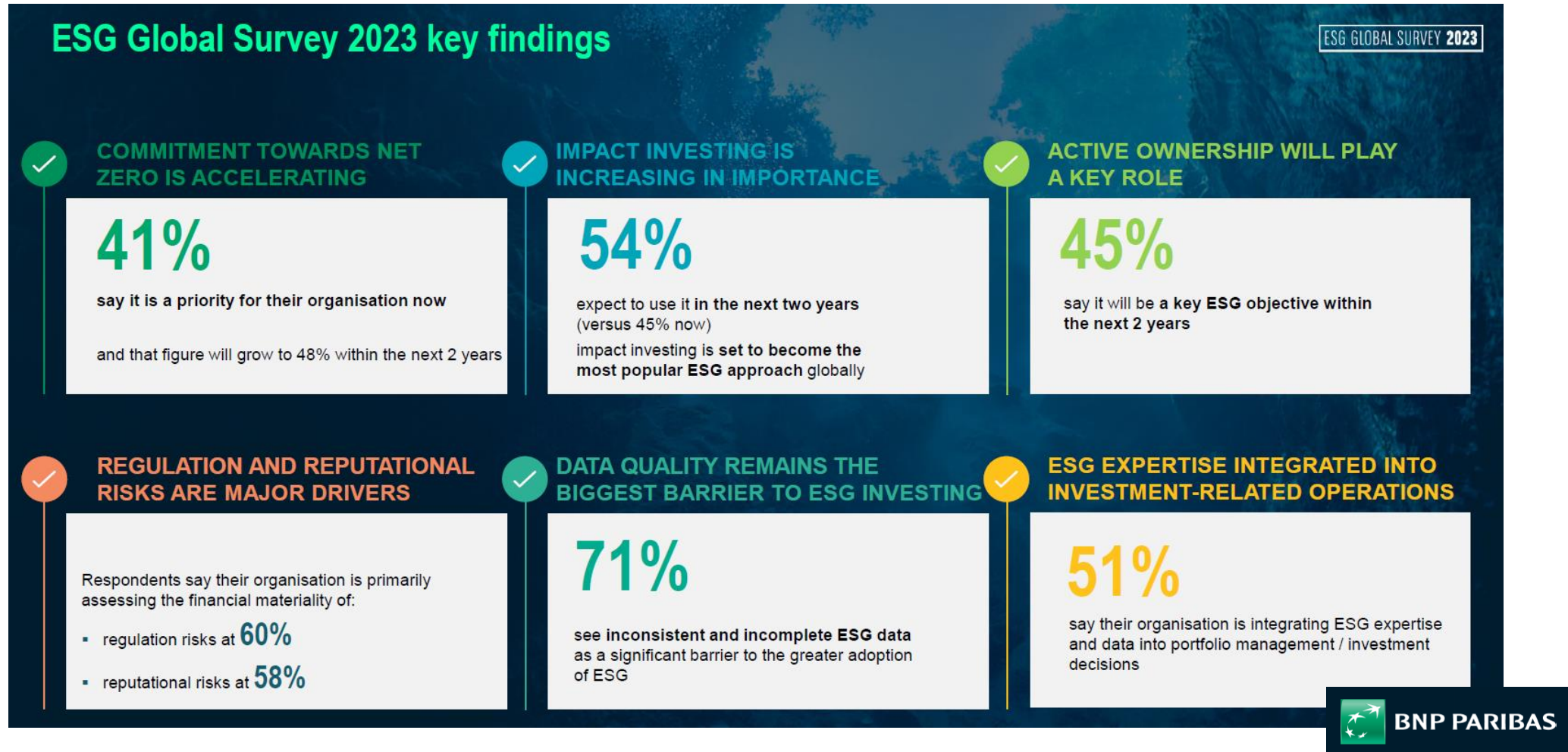


### Deutsche Bank’s DWS to Pay \$25 Million to Settle SEC Probes

- DWS failed to follow marketing claims on ESG, SEC says
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# Industry insights: ESG global survey results

## Key Findings from the BNP Paribas survey



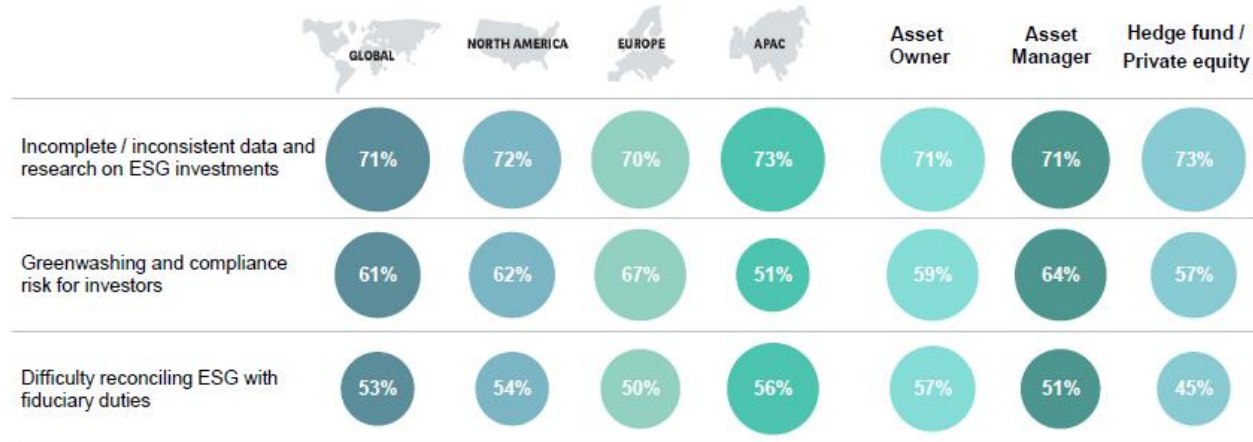


# Industry insights: ESG global survey results

Most significant barriers to greater adoption of your ESG strategy across your investment portfolio today?

## Data issues are the biggest barrier to ESG adoption, ahead of greenwashing

ESG GLOBAL SURVEY 2023



Top3  
% Multiple answers allowed

- Incomplete or inconsistent data on ESG investments continues to be the biggest barrier of greater adoption of ESG strategies in investment portfolios (71%).
- Other highlighted risks are greenwashing (61%) and difficulty reconciling ESG with fiduciary duties (53%). Greenwashing fears are especially ripe in Europe (67%), despite arguably being the market with the most comprehensive ESG regulation.

What are the most significant barriers to greater adoption of your ESG strategy across your investment portfolio today? Pick three most important factors.



The bank for a changing world

# Industry insights

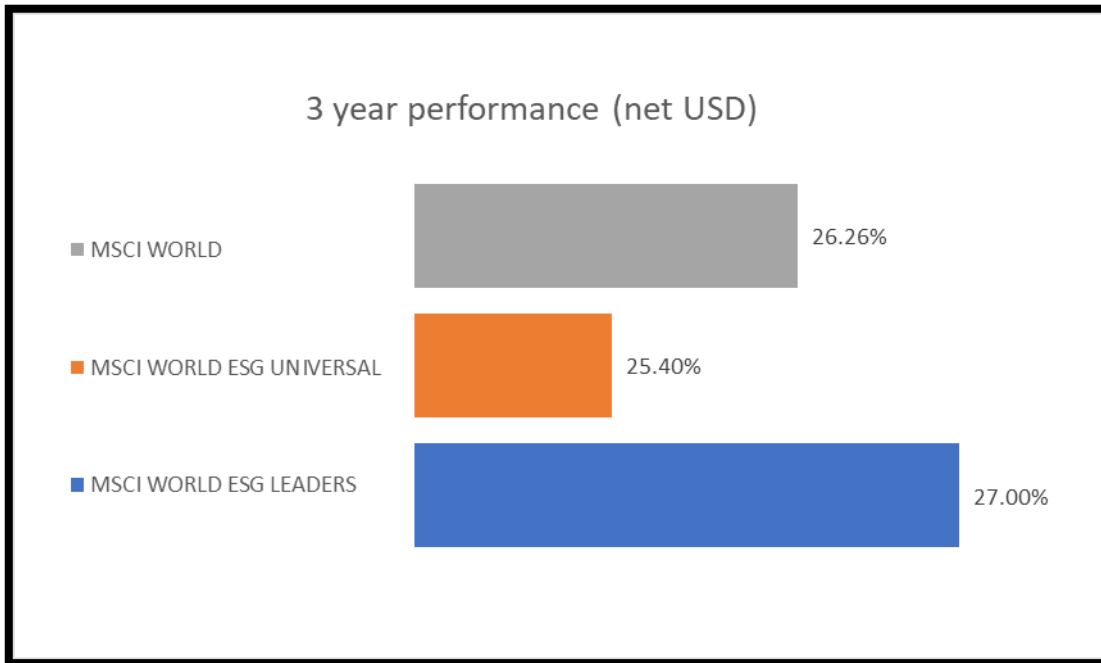
TSG Asset Owner Insights webinar reinforce the same areas of focus

## Future Development in Data Transformation



# Performance of ESG Indices

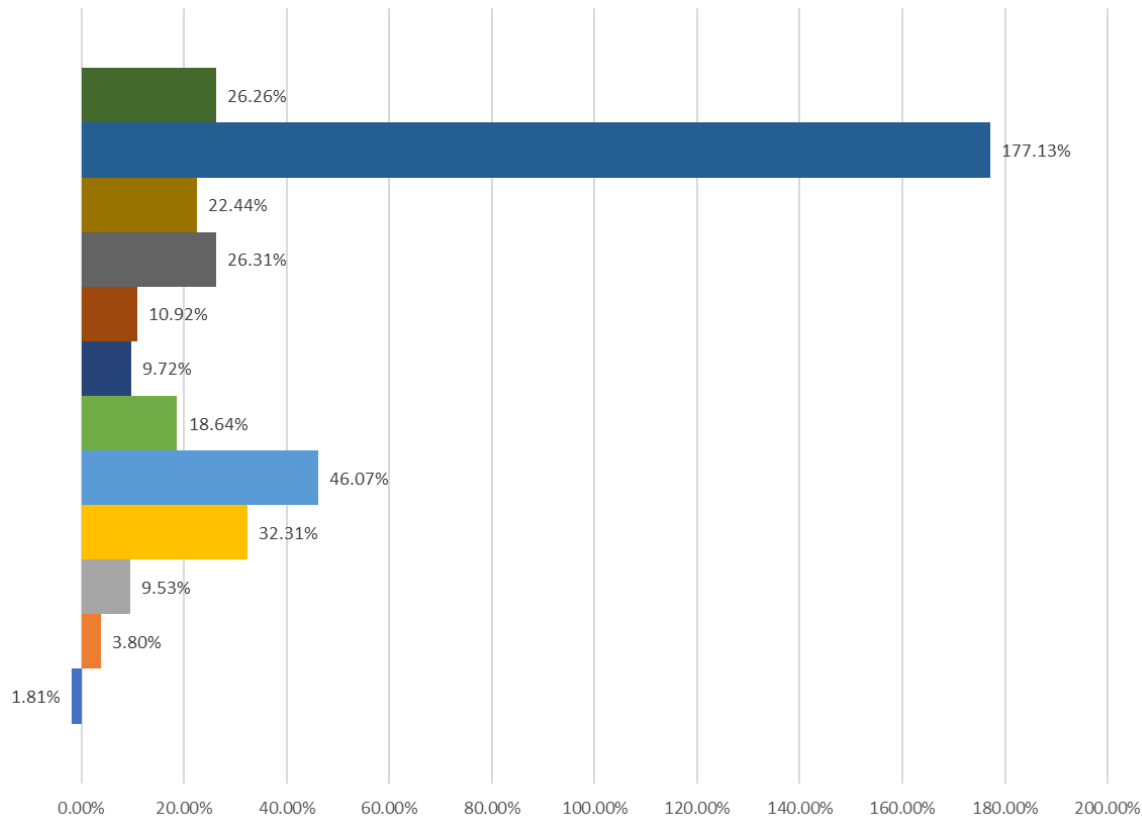
- MSCI standard and ESG index performance
- Net index in US Dollars from September to September



Index Description	Sept 20 to Sept 21	Sept 21 to Sept 22	Sept 22 to Sept 23	Sept 20 to Sept 23	# Cons
<b>MSCI WORLD</b>	28.82%	-19.63%	21.95%	<b>26.26%</b>	1510
<b>MSCI WORLD ESG UNIVERSAL</b>	28.34%	-20.35%	22.67%	<b>25.40%</b>	1477
<b>MSCI WORLD ESG LEADERS</b>	29.01%	-20.30%	23.52%	<b>27.00%</b>	717
<hr/>					
<b>MSCI USA</b>	29.95%	-17.60%	21.03%	<b>29.59%</b>	627
<b>MSCI USA ESG UNIVERSAL</b>	30.98%	-17.28%	23.33%	<b>28.65%</b>	613
<b>MSCI USA ESG LEADERS</b>	29.36%	-18.05%	21.36%	<b>33.63%</b>	292
<hr/>					
<b>MSCI EUROPE</b>	27.25%	-24.80%	28.85%	<b>23.30%</b>	427
<b>MSCI EUROPE ESG UNIVERSAL</b>	24.15%	-26.55%	29.71%	<b>18.28%</b>	416
<b>MSCI EUROPE ESG LEADERS</b>	26.91%	-25.63%	29.25%	<b>21.99%</b>	204

# Performance of ESG Indices

**MSCI World sector performance**  
**Energy (Oil & Gas) has outperformed all other sectors**

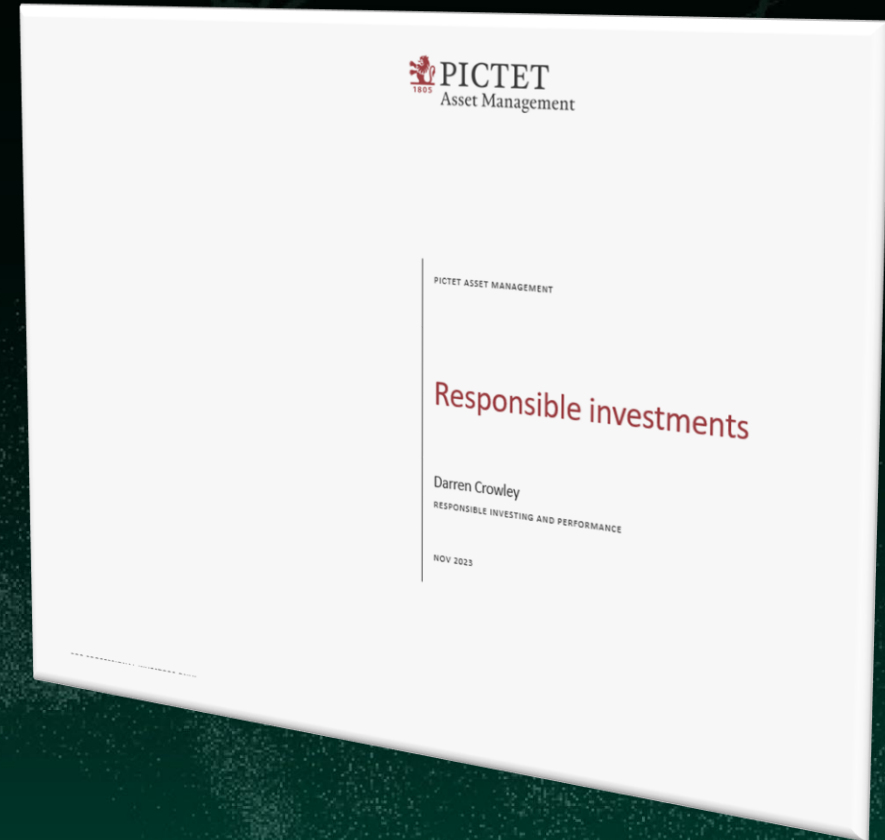


Index Description	Sept 20 to Sept 23
<b>MSCI WORLD</b>	<b>26.26%</b>
MSCI WORLD ENERGY	177.13%
MSCI WORLD MATERIALS	22.44%
MSCI WORLD INDUSTRIALS	26.31%
MSCI WORLD CONSUMER DISCRETIONARY	10.92%
MSCI WORLD CONSUMER STAPLES	9.72%
MSCI WORLD HEALTH CARE	18.64%
MSCI WORLD FINANCIALS	46.07%
MSCI WORLD INFORMATION TECHNOLOGY	32.31%
MSCI WORLD COMMUNICATION SERVICES	9.53%
MSCI WORLD UTILITIES	3.80%
MSCI WORLD REAL ESTATE	-1.81%



# The view from Pictet

Presented by Darren Crowley



# References:

- **MSCI ESG and Climate Trends 2023**  
<https://www.msci.com/documents/1296102/35124068/ESG+and+Climate+Trends+to+Watch+for+2023.pdf>
- **Reuters News**  
<https://www.reuters.com/sustainability/esg-fund-closures-us-outpace-launches-first-time-since-2020-morningstar-2023-10-23/>
- **BNP Paribas survey:**  
<https://securities.cib.bnpparibas/global-esg-survey-2023/>
- **AIC ESG investing declining in popularity:**  
<https://www.theaic.co.uk/aic/news/press-releases/esg-investing-declining-in-popularity-as-fears-of-greenwashing-grow>
- **SEC names rule statement:**  
<https://www.sec.gov/news/statement/gensler-statement-names-rule-092023>