

SURVIVE THRIVE



Natural Selection

Financial Services Forum

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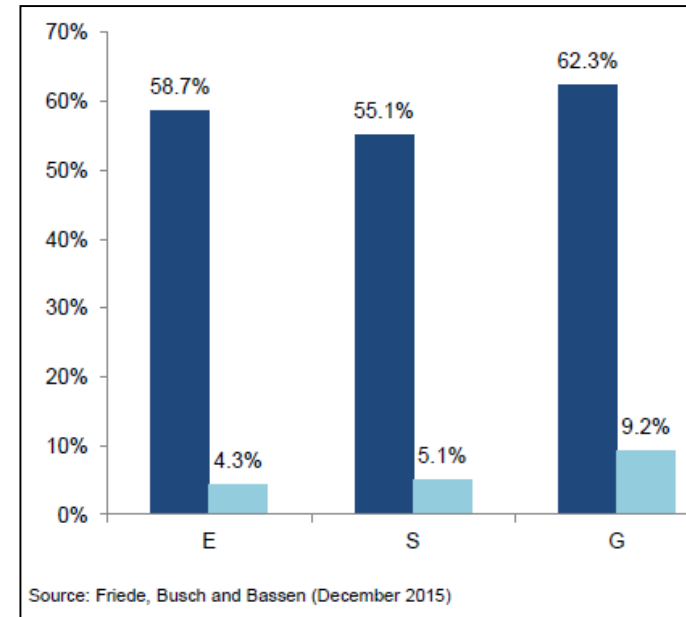
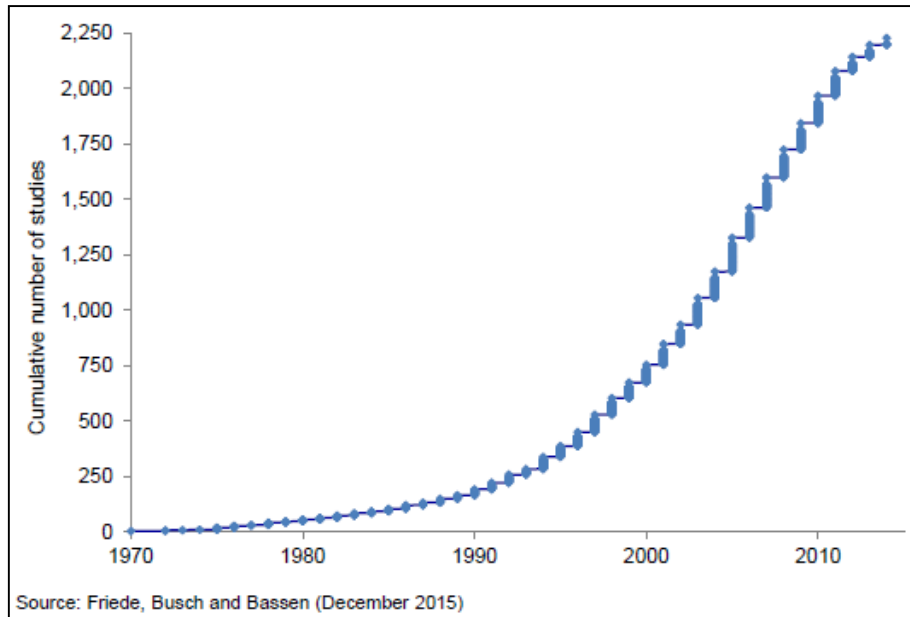
The Impact of ESG on Investment Decision Making

Stuart Wilson, CFA

*This presentation has been prepared for the Actuaries Institute 2018 Financial Services Forum.
The Institute Council wishes it to be understood that opinions put forward herein are not necessarily those of the
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ESG \propto Financial Performance: Smoking Gun?

- Deutsche Bank meta study (2015) found over 2000 research papers
- Most, but not all, found either a neutral or positive relationship



Where to Start: Investment Beliefs Statements

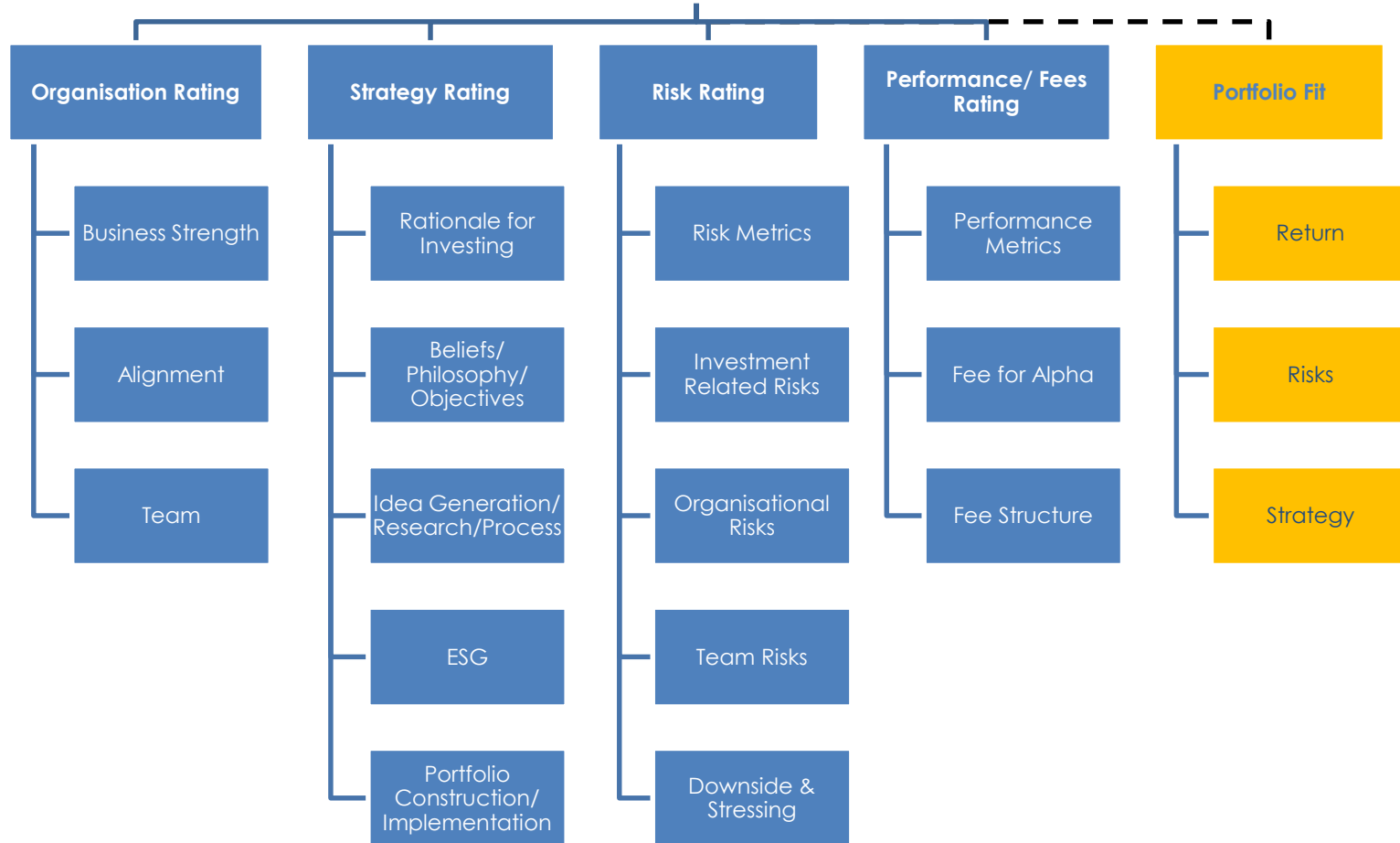
- **Investment markets are somewhat inefficient** and present opportunities to add value through active management...
- ...but **we use active managers** only where they are likely to offer **value for money**
- **Investments that are illiquid, or that are higher risk generate higher long-term returns...**
- ...but risk and illiquidity must be **prudently managed**
- **Long term return forecasts** and the need to deliver **strong competitive returns** underpin our asset allocation
- **Environmental, Social and Governance (ESG), especially good corporate governance** is key to sustainable positive outcomes

The Social Licence to Invest Framework

- Consider materiality, saliency & importance

DIVESTMENT	ACTIVISM	ENGAGEMENT	WATCH
Tobacco	Nuclear & Chemical Weapons	Workplace Safety	Alcohol
Modern Slavery	Climate Change	Corporate Culture	Coal Seam Gas
Cluster Munitions		Environmental Vandals	EDNP Foods
		Poor Corporate Citizens	Poker Machines
		Data Security	Water Management
		Supply Chain Risk	Social Impact Investment
		Aggressive Tax Avoidance	SOE Sovereign Risks
		Civilian Assault Weapons	Unethical Animal Treatment

Overall Praxis Rating



The Nascence of ESG Scores

- Research by GPIF shows a wide dispersion of ESG Scores

