



香港退休計劃協會

The Hong Kong Retirement Schemes Association

**Webinar:**

**ESG and Sustainability Investing in the context of pension investment**

**17 July 2020**

# Active is:

## Shaping the world of tomorrow together

ESG and Sustainable  
Investing in the Context of  
Pension Investment

HKRSA Webinar - July 17<sup>th</sup> 2020

Diana Enlund  
Head of Institutional Sales Australia

Dr. Steffen Hörter  
Global Head of ESG Integration & Solutions



## Why sustainable investing is important to us?



As an **active manager** we understand that capital allocation and company engagement are the **key drivers of positive change**.

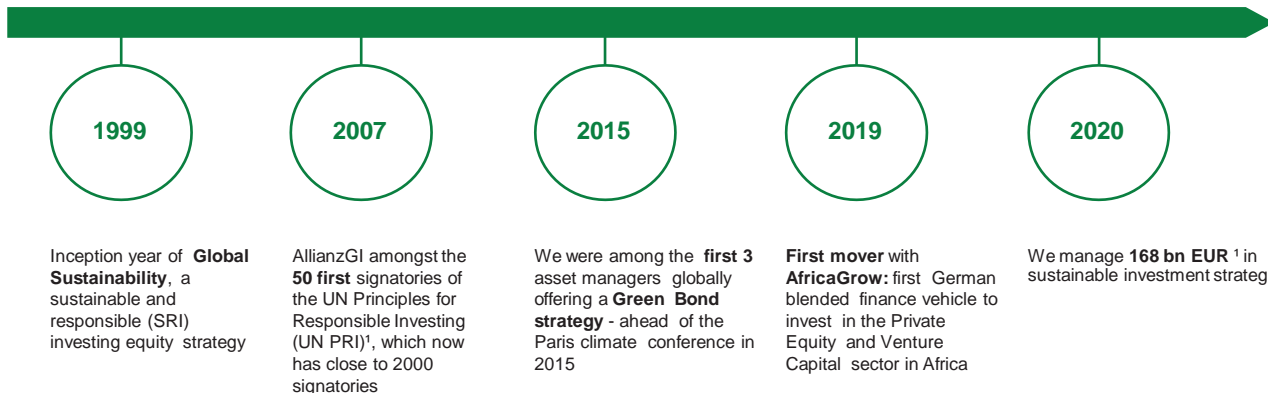
By **integrating ESG considerations** in our active investment decisions, our clients partner with us to strike a new path towards a **more sustainable economy and society**.

**Active is: Shaping the world of tomorrow together**

## Since 1999 AllianzGI has been driving sustainable solutions forward

For the **third year in a row**, AllianzGI has received the highest score “**A+**” from the PRI for its overarching approach to ESG Strategy and Governance

Continued innovation to support a **socially responsible** transition to a **low carbon economy**



<sup>1</sup> Source: [Allianz Global Investors](#), January 2020

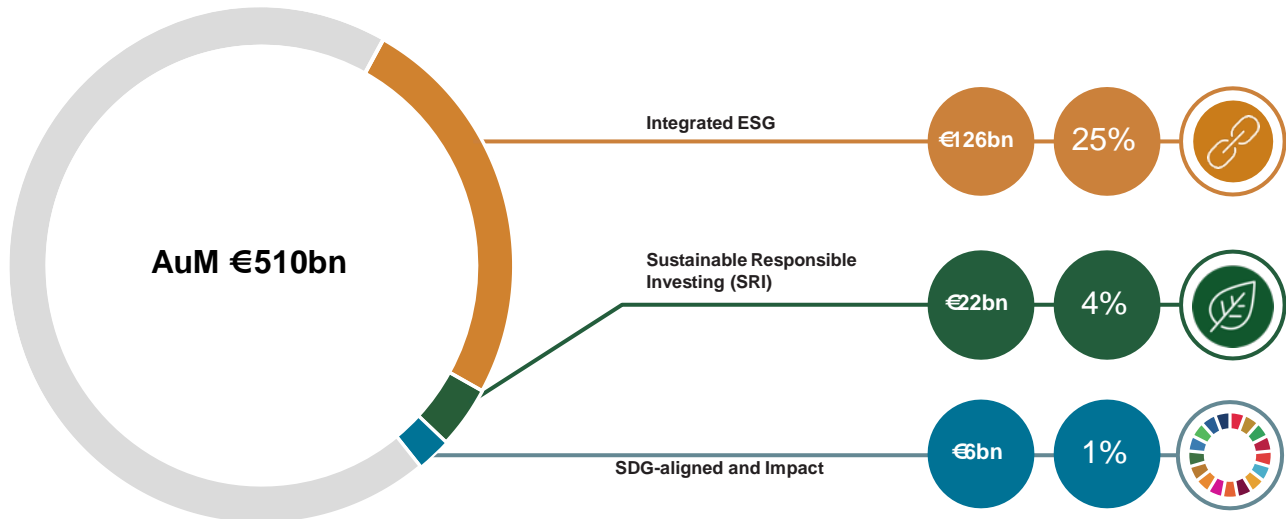
## How we approach Sustainable Investing

Our strategy offerings fall into four categories based on our client's preferred outcomes



## How we approach Sustainable Investing

We are committed to integrating ESG factors into all investment decisions and across all asset classes



Source: Allianz Global Investors, as at March 2020. Any differences in totals are due to rounding. Impact comprises different strategies targeting climate transition, environmental projects and renewable energy. Environmental, social, governance (ESG); Sustainable & responsible investing (SRI); Allianz Global Investors supports the UN Sustainable Development Goals (SDGs).

# 01

## Global Drivers of Sustainable Investing



## Drivers of ESG: Client demand, investment alpha and regulation

### ESG Client Demand

#### Long duration, liability-matching clients

- Public Pension Funds
- Corporate Pension Funds
- Insurance-linked Investors

#### ESG Affine clients

- High Net-Worth Individuals
- Family Offices /Endowments
- Younger Generations

### Global ESG Regulation

10 points of the EU Action Plan Sustainable Finance

FCA and PRA

China Green Finance Regulation

### ESG Alpha

#### Better ESG Risk Management



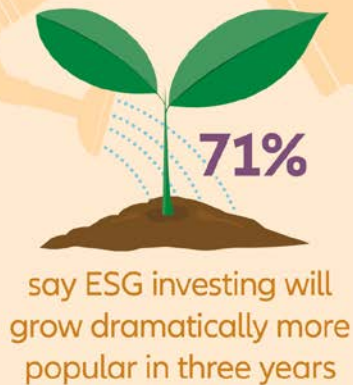
#### 17 UN SDG Sustainability Impact





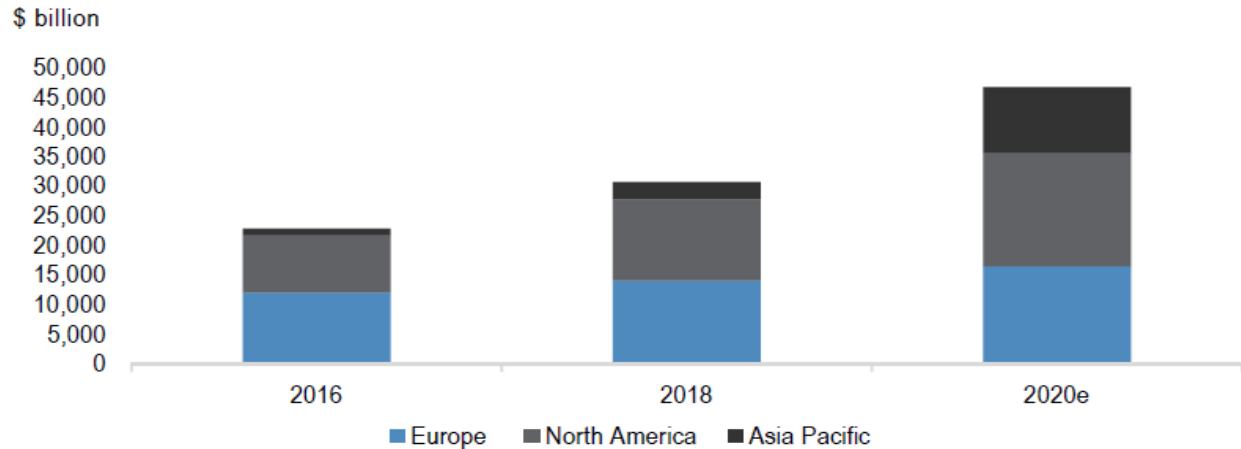
## Investor Appetite for ESG is blooming

### INVESTOR APPETITE FOR ESG IS BLOOMING



## Some impressions on Sustainable Investing Gaining Momentum

### Historically a European focus, ESG is spreading to other geographies

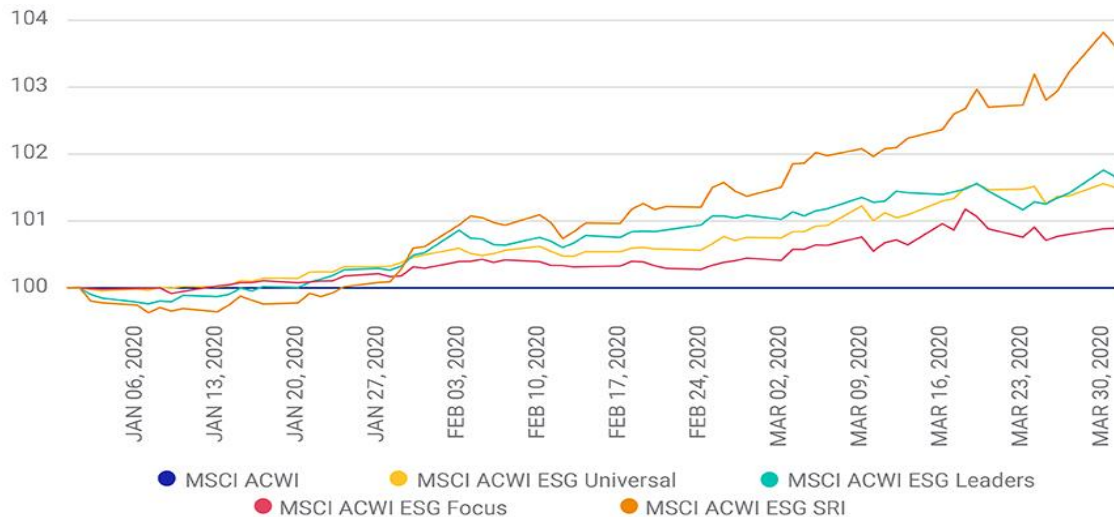


Source: GSIA, J.P. Morgan

Past performance or any predication, projection or forecast, is not indicative of future performance

## ESG Strategies: Q1 2020 Performance

**Relative performance of select MSCI ESG Indexes to MSCI ACWI Index**



Source: MSCI. Data from Dec. 31, 2019, to March 31, 2020. MSCI ESG Universal Index represents an ESG weight-tilt approach; MSCI ESG Leaders a 50% best-in-class sector approach; MSCI SRI a 25% best-in-class sector approach; and MSCI ESG Focus an optimized approach designed to maximize ESG exposure. Past performance or any predication, projection or forecast, is not indicative of future performance

# 02

## Sustainable Investing Case Studies



# ESG risks moving to the top of the agenda

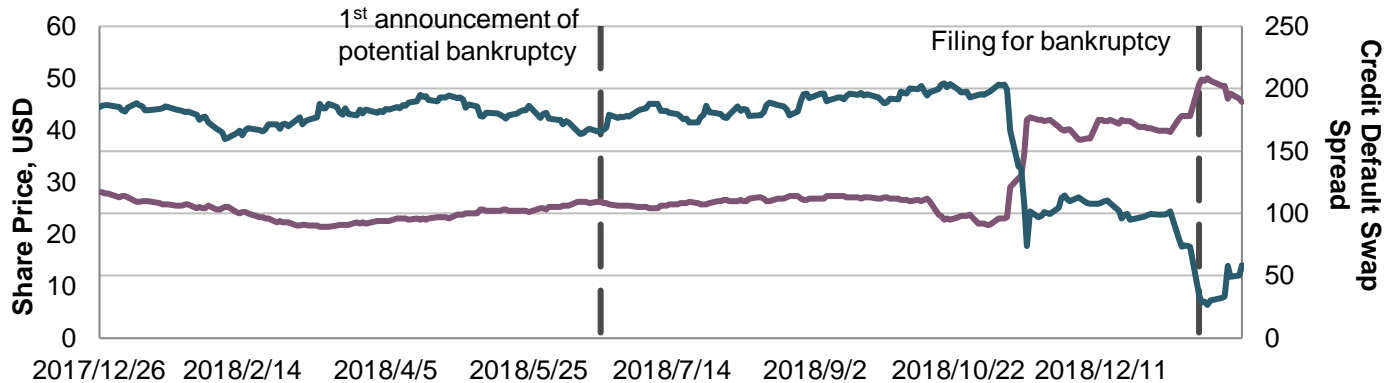
Top 5 Global Risks in Terms of Impact according to World Economic Forum surveys 2009 – 2020



Source: World Economic Forum 2020, The Global Risks Report 2020, 15th edition, p.2. Global risks may not be strictly comparable across years, as definitions and the set of global risks have evolved with new issues emerging on the 10-year horizon. For example, cyberattacks, income disparity and unemployment entered the set of global risks in 2012. Some global risks were reclassified: water crises and rising income disparity were re-categorized first as societal risks and then as a trend in the 2015 and 2016 Global Risks Reports, respectively.

## Climate risk: Pacific Gas & Electric

### Credit Default Swap Spread and Share Price of PG & E



## AllianzGI: significant increases in ESG engagements

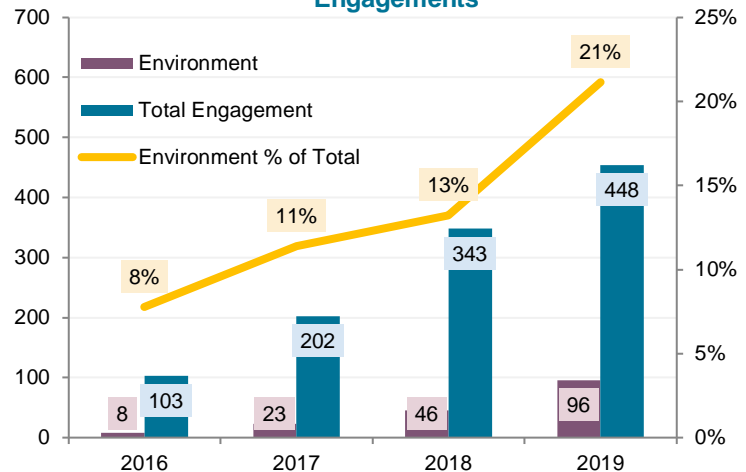
### Broadening the conversation

- Substantial increase in focus on ESG within the industry and more broadly within communities/society. This has mirrored an increase in engagement activity with company managements and boards.
- Internally, engagements are increasingly co-led/led by fundamental analysts and portfolio managers recognizing the investment risks inherent in ESG-related areas.

### Improving corporate communication & disclosure

- While companies can often do more in terms of disclosures, there are fundamental questions around the frameworks and indicators which would be most valuable.
- Continued engagement with stakeholders from all across the value chain is important to validate which issues need to be incorporated within company disclosures.
- Investors can use their privileged position to clearly communicate about which issues/data they consider most material and understand any barriers companies may face.

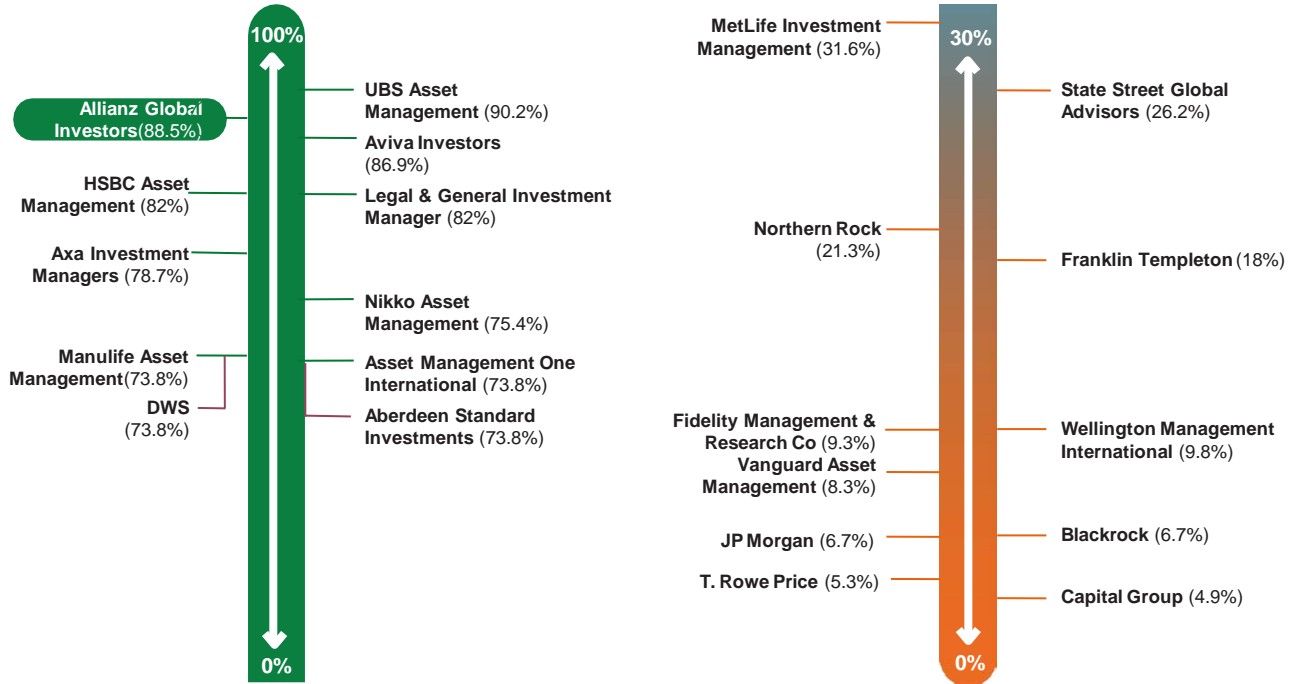
**The Growth of Environment as a % of Total Engagements**



Climate change is increasingly important for companies to address

We are actively using our shareholder rights to push for climate action

**TOP AND BOTTOM 10 ASSET MANAGERS BASED ON PERCENTAGE VOTES SUPPORTING CLIMATE-RELATED SHAREHOLDER PROPOSALS**



Source: ShareAction – Voting Matters, Are Asset Managers using their proxy votes for climate action?, November 2019.



# The United Nations 2030 Agenda Sustainable Development Goals (SDG 17)

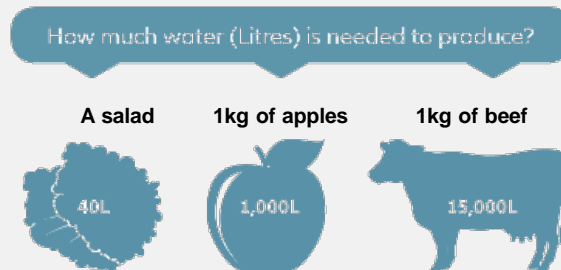


## The sustainability of global water resources



### Did you know...?

- 70% of available water is used for irrigation within agriculture.
- One hamburger takes 1,700 litres of water to produce.<sup>1</sup>
- Formally the world's fourth largest lake, the Aral Sea, has been shrinking since the 1960s after the rivers that fed it were diverted by irrigation projects. By 1997, it had declined to 10% of its original size.
- Utilities lose USD 9.6 billion p.a. on water leakage.<sup>2</sup>
- Smart water networks can save utilities up to USD 12.5 billion p.a.



<sup>1</sup>Ecobab, Closing Keynote Presentation from the Financial Times Water Summit from Doug Baker, CEO of Ecobab. Emerald Edible. Water, Waste & Energy. Converted US gallons to litres, rounded to nearest 10 litres.  
<sup>2</sup>[https://cdn.ymaws.com/www.ncsafewater.org/resource/collection/A0650A28-4C94-471B-B98E-B0DFD4F76C35/Water\\_T\\_AM\\_09.10\\_Walsby.pdf](https://cdn.ymaws.com/www.ncsafewater.org/resource/collection/A0650A28-4C94-471B-B98E-B0DFD4F76C35/Water_T_AM_09.10_Walsby.pdf)

# 03

## Sustainable Pension Investing



## WBCSD - ARA Toolkits

- World Business Council on Sustainable Development (WBCSD) has launched a global initiative enabling companies to better align retirement assets (ARA) with their overall sustainability goals by integrating ESG considerations. AllianzGI is on the Steering Committee of the ARA initiative.



Published: Mon, Dec 3, 2018

### What is a responsible retirement plan?

This toolkit features the basics of how retirement plans are governed and operated



Published: Tue, Jun 11, 2019

### How to develop and implement a responsible retirement plan?

This toolkit features case studies from companies. There is a global and a US version available.



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Q & A Session



**Dr. Steffen Hoerter**  
**Global Head of ESG Integration and Solutions**

Since 2016, Steffen Hoerter is the Global Head of ESG at Allianz Global Investors which he joined in 2001. He is internationally responsible for AllianzGI's ESG investment integration strategy, ESG Policy and ESG Client Investment Solutions.

Since July 2018, Steffen is also a member of the Technical Expert Group on Sustainable Finance which assists the European Commission in developing its legislative proposals.

Steffen is a regular conference speaker and has published various whitepapers and thought leader pieces on financial materiality of ESG in Equities, ESG in Corporate Fixed Income and ESG in Sovereign Bonds. An additional research focus is Climate Change and its integration into Strategic Asset Allocation and Portfolio Implementation. Between 2010 and 2016 he has been advising institutional investors, in particular pension funds in Europe on investment strategy, risk management and ESG integration.

Steffen is a lecturer for Sustainable Responsible Investing with focus on insurance companies at European Business School/Germany.



**Dianna Enlund**  
**Head of Sales, Australia Institutional**  
**Allianz Global Investors Sustainability Team**

22 Years of Financial Markets Experience | Sydney

Dianna Enlund is Head of Sales, Australia Institutional for Allianz Global Investors, responsible for leading the firm's institutional business in Australia, including client coverage and relationship management. She also assumes the role of Sustainability Specialist for Asia Pacific within Allianz Global Investors' Global Sustainability Team.

She joined Allianz Global Investors in 2013, based in Singapore, as Senior Product Specialist. In this role, she represented the firm's Asian fixed income and global fixed income strategies covering institutional, private banking and retail client channels in Asia and Europe.

Before joining Allianz Global Investors, Dianna worked at Schroder Investment Management in Singapore for 10 years as a Product Manager for Asian Bonds and in Institutional Marketing. Prior to that, she was based in Australia where she worked in various fixed income and private client research and marketing roles at Ord Minnett and JP Morgan. She commenced her career as an Auditor at Arthur Andersen in Australia.

Dianna has a B.Econ in Accounting from Macquarie University, Australia. She is also a Certified Practicing Accountant of Australia (CPA).

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**Thank You!**