

# Considering Environmental, Social and Governance Factors in the Investment Decision-Making Process

January 2019



# Agenda

- 02 ESG is now “Mainstream”
- 03 Status of ESG Investing: Shifting Perspectives
- 04 SRI Investment Strategies: Europe
- 05 ESG Criteria: Money Managers and Institutional Investors: USA
- 06 ESG ETF / ETP Market Development: Globally
- 07 ESG integration in the investment process: a view of the future

## ESG is now “Mainstream”

- Global demand driven by Investment Managers, Institutional Investors, Investor Advocacy and Retail Investors<sup>1)</sup>
- Europe is seen as a leader (~53% Global ESG AuM), USA (~38% Global ESG AuM)<sup>2)</sup>
- US SRI AuM increased to \$12 trillion in 2018, up 38% from 2016, representing 26% of total US AuM<sup>3)</sup>
- Japan SRI AuM increased to \$474 billion, a 724% annual growth rate from 2012 – 2016<sup>2)</sup>
- Increased Regulation
  - France: Article 173 Energy Transition Law
  - European Commission initiative on Low Carbon & Positive Carbon Impact Indices
  - Japan: Stewardship Code (2014) and Corporate Governance Code (2015)

1) Source: US SIF: Forum for Sustainable and Responsible Investment, 2016

2) Source: Global Sustainable Investment Review, 2016

3) Source: US SIF: 2018 Report on US Sustainability, Responsible and Impact Investing Trends

# Status of ESG Investing: Shifting Perspectives

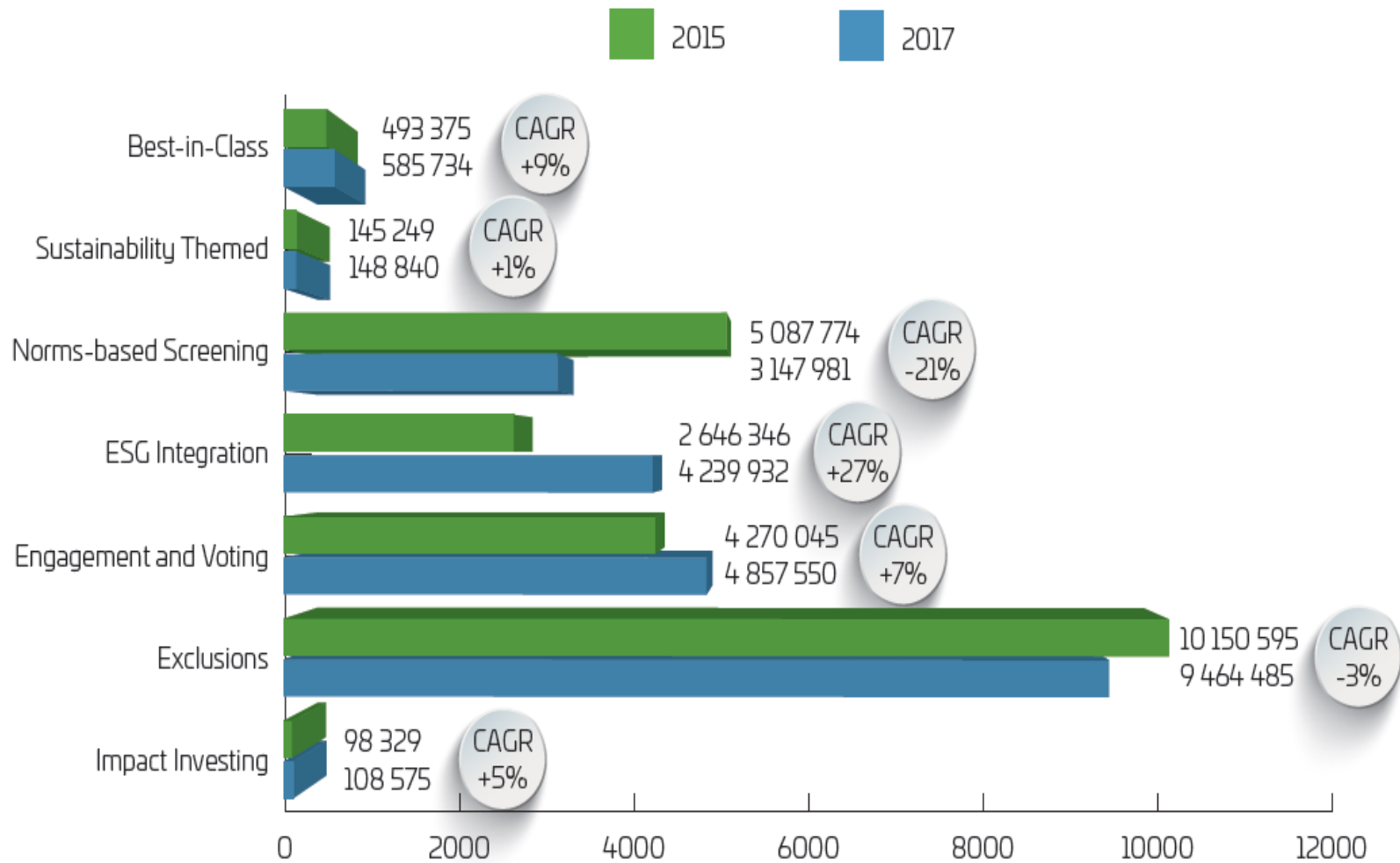
- ESG Integration no longer niche, but essential in Investment Practice
- SRI good from ethical, moral and risk adjusted performance perspective<sup>1)</sup>
- Pressure from Asset Owners to mitigate risks and comply with regulation are key drivers for adoption of ESG
- Shift to increasingly complex solutions that requires integration of granular data from various sources
- STOXX aims at “standardising” exclusions to create ESG compliant benchmarks
  - STOXX Europe 600 ESG-X is the first ESG compliant benchmark

Based on strong demand, Eurex will launch the first ESG Derivatives linked to ESG versions of various STOXX European flagship indices on

**14 February 2019**

1) Sources: McKinsey & Company: From ‘why’ to ‘why not’: Sustainable investing as the new normal, 2017. S&P Global Market Intelligence, 2018, UN PRI Financial Performance of ESG Integration in US investing, 2018



# SRI Investment Strategies: Europe



1) Source: Eurosif: European SRI Study 2018






# ESG Criteria: Money Managers and Institutional Investors: USA

## TOP ESG CRITERIA FOR MONEY MANAGERS

Climate Change/ Carbon	Tobacco	Conflict Risk (Terrorist or Repressive Regimes)	Human Rights	Transparency and Anti-Corruption
				
<b>\$3.00</b> Trillion	<b>\$2.89</b> Trillion	<b>\$2.26</b> Trillion	<b>\$2.22</b> Trillion	<b>\$2.22</b> Trillion

Tobacco exclusions had the greatest growth of any ESG criteria increasing 432% from 2016 to \$2.9 trillion: Climate change most important focus

## TOP ESG CRITERIA FOR INSTITUTIONAL INVESTORS

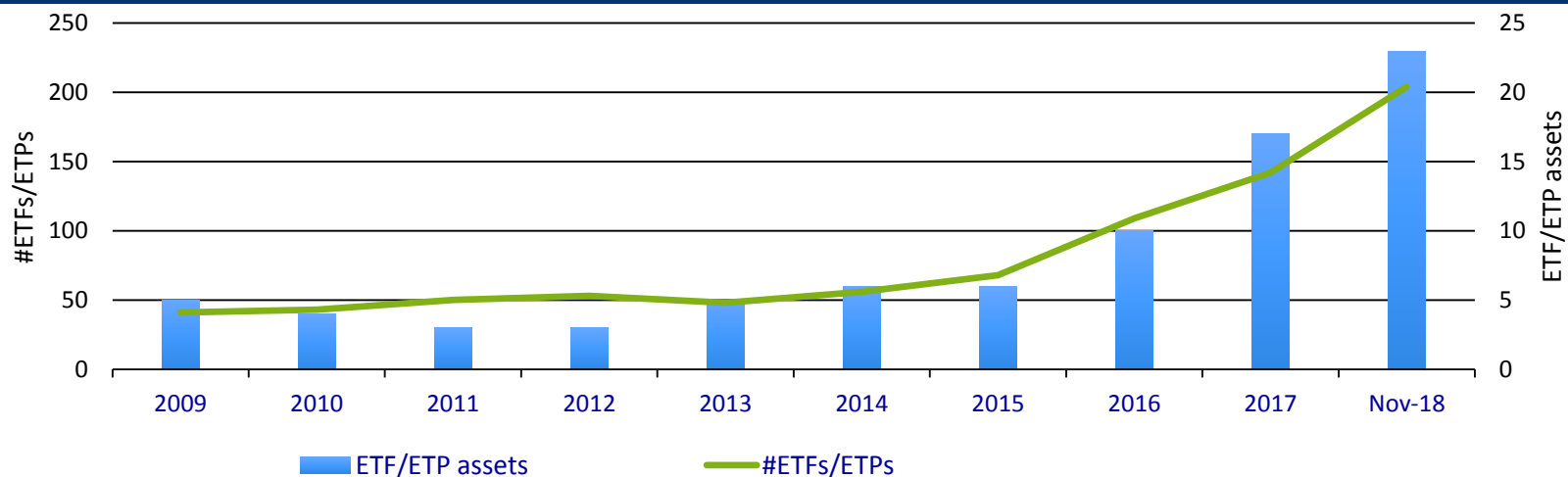
Conflict Risk (Terrorist or Repressive Regimes)	Tobacco	Climate Change/ Carbon	Board Issues	Executive Pay
				
<b>\$2.97</b> Trillion	<b>\$2.56</b> Trillion	<b>\$2.24</b> Trillion	<b>\$1.73</b> Trillion	<b>\$1.69</b> Trillion

1) Source: US SIF: 2018 Report on US Sustainability, Responsible and Impact Investing Trends

## ESG ETF / ETP Market Development: Globally

- ETFGI reported that in 2018 ESG ETF and ETP assets increased 33.8% compared to 4.6% for all ETFs/ETPs listed globally
- 204 ESG classified ETFs/ETPs, with 473 listings, assets of \$23.2bn, from 62 providers listed on 25 exchanges in 23 countries
- Number and Diversity of products increased steadily, 66 new ESG ETFs/ETPs launched during 2018

Global ESG ETF and ETP asset growth as at end of Nov. 2018



1) Source: ETFGI data sourced from ETF/ETP sponsors, exchanges, regulatory filings, Thomson Reuters/Lipper, Bloomberg, publicly available sources and data generated in-house

## ESG integration in the investment process: a view of the future

- ESG investing is not niche anymore, it is mainstream<sup>1)</sup>
- Innovation around products and new data sets
- Integration of granular data from various sources to integrate ESG & Climate to comply to Regulation
- STOXX planning to expand ESG offerings to include Factor and Low Risk Investment Solutions
- STOXX planning to launch further ESG compliant benchmarks, further SRI focused topics
- Listed exchange traded products will provide the following advantages:
  - Increase liquidity with market makers providing liquidity
  - Lower the cost of trading
  - Provide investors with both benchmarks and exchange traded futures that are ESG compliant

<sup>1)</sup> Source: JP Morgan: Sustainable investing is moving mainstream, 2018



# STOXX offices and contacts

## **Zug** (headquarters)

Theilerstrasse 1a  
CH-6300 Zug  
Switzerland  
P +41 43 430 71 60

## **London**

11 Westferry Circus  
London E14 4HE  
United Kingdom  
P +44 207 862 7680

## **Frankfurt**

Mergenthalerallee 61  
65760 Eschborn  
Germany  
P +49 69 211 0

## **Hong Kong**

2904-7, 29/F, Man Yee Building  
68 Des Voeux Road Central  
Central, Hong Kong  
Hong Kong, SAR  
P +852 2530 7862

## **Tokyo**

Marunouchi Kitaguchi  
Building 27F  
1-6-1 Otemachi Chiyoda-ku  
Tokyo 100-0004  
Japan  
P +81 3 5847 824

## **New York**

1155 Avenue of the Americas  
Suite 1950  
New York, NY 10036  
United States of America  
P +1 212 618 6362

## **Call a STOXX representative**

Customer support  
customersupport@stox.com  
+41 43 430 72 72



# Disclaimer

The indices in the presentation and the trademarks used in the index names are the intellectual property of STOXX Ltd., Deutsche Börse Group or their licensors.

The use of the STOXX® indices, DAX® indices or on any other indices supported by STOXX and of the respective index data for financial products or for other purposes requires a license from STOXX or Deutsche Börse Group. STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not make any warranties or representations, express or implied, with respect to the timeliness, sequence, accuracy, completeness, currentness, merchantability, quality or fitness for any particular purpose of its index data. STOXX, Deutsche Börse Group and their licensors, research partners or data providers are not providing investment advice through the publication of indices or in connection therewith. In particular, the inclusion of a company in an index, its weighting, or the exclusion of a company from an index, does not in any way reflect an opinion of STOXX, Deutsche Börse Group or their licensors, research partners or data providers on the merits of that company. Financial instruments based on STOXX® indices, DAX® indices or on any other indices supported by STOXX are in no way sponsored, endorsed, sold or promoted by STOXX, Deutsche Börse Group and their licensors, research partners or data providers.

## **About STOXX**

STOXX Ltd. is an established and leading index specialist, which started in Europe. The launch of the first STOXX® indices in 1998, including the EURO STOXX 50® Index, marked the beginning of a unique success story, based on the company's neutrality and independence. Since then, STOXX has been at the forefront of market developments and has continuously expanded its portfolio of innovative indices. STOXX now operates globally across all asset classes.

STOXX indices are licensed to more than 500 companies, which include the world's largest financial products issuers, capital owners and asset managers. STOXX indices are used not only as underlyings for financial products, such as ETFs, futures and options and structured products but also for risk and performance measurement. In addition, STOXX Ltd. is the marketing agent for DAX® and SMI® indices.