

# **Sustainable finance from Niche to Mainstream**

**International Forum - Responsible investments in the CIS region**  
**Frankfurt, 17 December 2019**



# Content

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- **Sustainable Finance : what it is and what is not?**
- **ESG vs Impact**
- **EU Action plan of Financing Sustainable Growth**
- **Key trends**

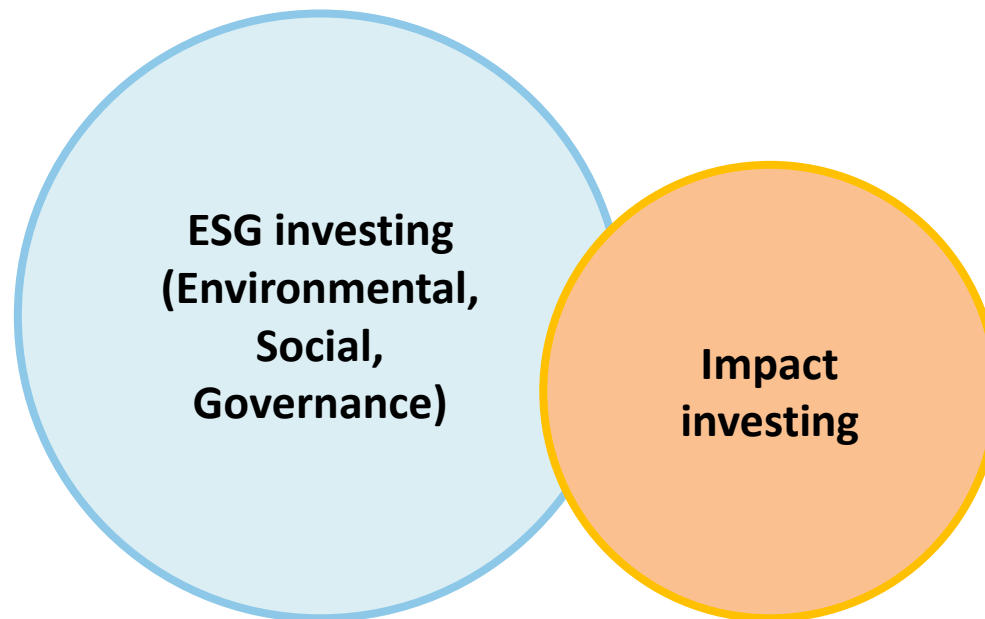
# Sustainable finance: What it means

Sustainable finance refers to any form of financial service integrating environmental, social and governance (also referred to as ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large.



# Distinction between ESG and Impact Investing

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Add a layer of risk management and extra-financial information to traditional investing to **generate alpha**

Primarily **listed** companies

**ESG policy & reporting** (Materiality)

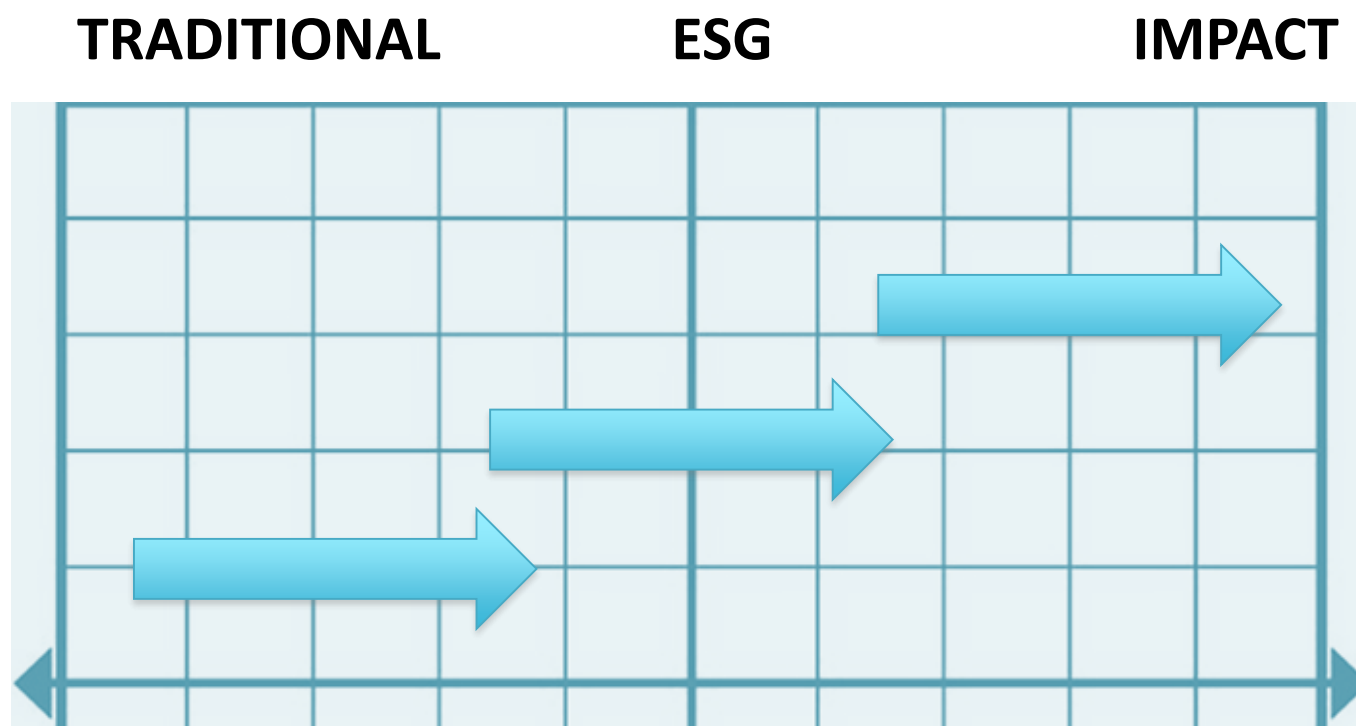
Create a measurable **positive social** and/or **environmental impact** alongside financial returns

Often **projects** or **non-listed companies**

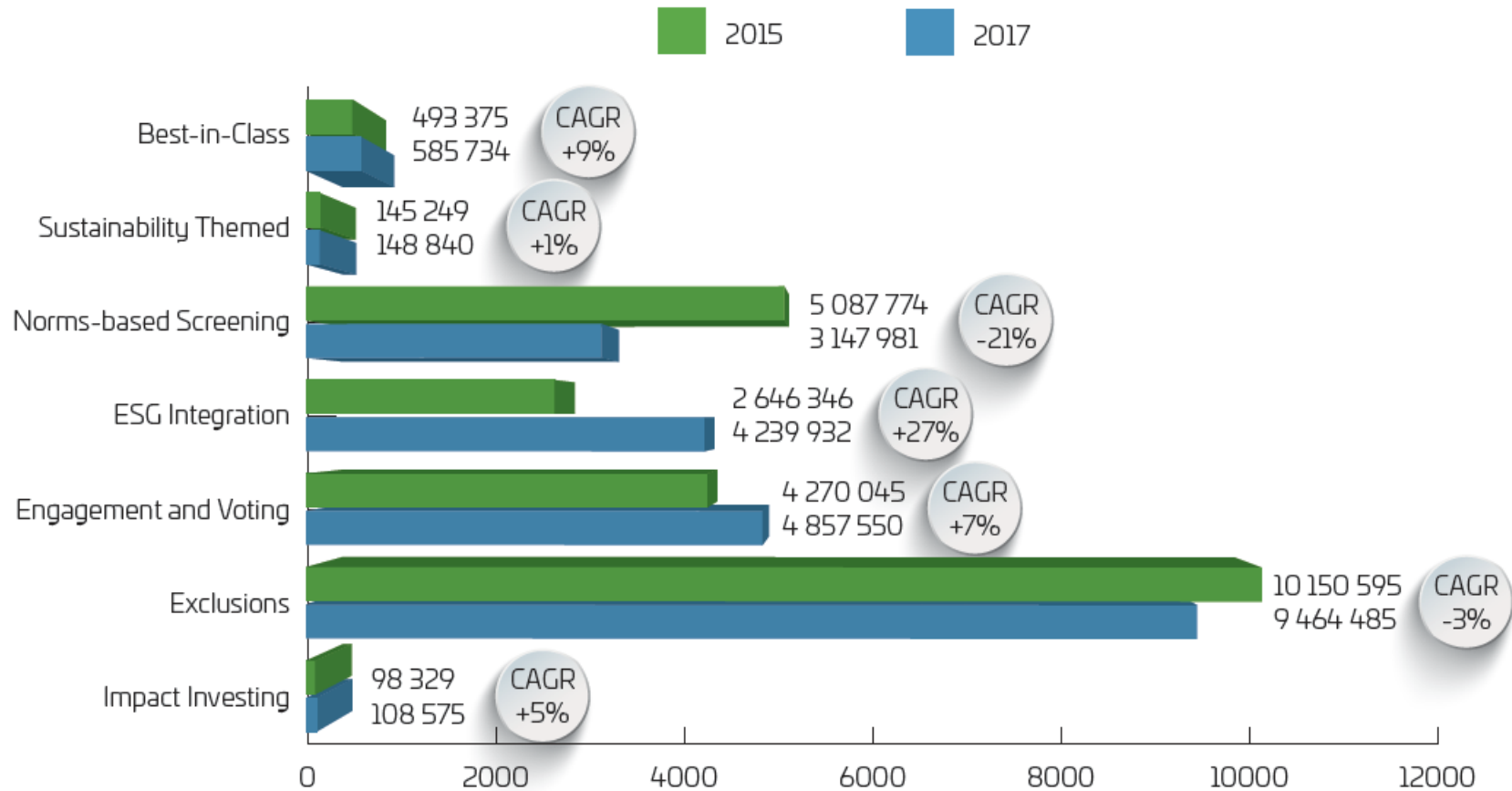
Extensive **impact reporting**

## The market changes

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# Growth of Sustainable Investment strategies in Europe



Source: Eurosif 2018

## REASONS FOR SUSTAINABLE INVESTING:

IMPACT

INNOVATION

COMPETITIVE ADVANTAGE

RISK MANAGEMENT

LONG-TERM RETURNS

CLIMATE CHANGE

EMPOWERMENT

(...)





# Compliance or Communication or SPIRIT?

## Sustaining Competitive Advantage of Sustainability



Source: Eurosif 2018



# EU Action Plan on Sustainable Finance

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- EU High-Level Expert Group on Sustainable Finance (**HLEG**)  
**Report**
- Proposal for a regulation on
  - the establishment of a framework to facilitate sustainable investment (**'EU taxonomy'**)
  - **disclosures** relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341 (first report issued)
  - low carbon **benchmarks** and positive carbon impact benchmarks
  - and amendments to delegated acts under **MiFID II** and the **Insurance Distribution Directive** to include ESG considerations
- **Technical Expert Group** (TEG) to set up taxonomy until 2022 which serves as basis for EU Eco-Label



Source: European Commission Action Plan on Sustainable Finance and Legislative Proposals

# EU Action Plan on Sustainable Finance

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- Common standards / definitions are being worked out but still no one fit for all
- Regulators / policy makers are closely monitoring
- Investors are moving from purely exclusionary to integrated ESG/Sustainability strategies
- Investment strategies will be increasingly powered by multiple sources of ESG data
- Growing demand to understand ESG performance of the portfolio against desired objectives will drive the need for enhanced reporting
- Mainstreaming of ESG will drive investments in talent and infrastructure
- All time high danger of Green / ESG / SDG washing resulting in all time high importance of independent verifications/ certifications/labels

