INVESTING IN THE SDGs:
FOCUS ON CLIMATE

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SI approaches: market size and growth rates

	Exclusion	ESG Integration	Sustainability Focus	Impact
Definition	Strategies that exclude companies from portfolios where they are not aligned to an investor`s value. Includes customized screening services.	Strategies that integrate environmental, social and governance (ESG) factors into fundamental financial analysis to improve risk/return.	Strategies where sustainability is an explicit part of the investment guidelines, universe, selection and/or investment process.	Strategies where the intention is to generate measurable environmental and social impact alongside financial return.
Key requirements	Norms-based or values-based exclusions	Access to and consideration of material ESG information	Tilts toward SI themes, negative and/or positive screening	Measure and understand impacts of investments
Market size (USD trillion)	19.8	17.5	2.9	0.4
Growth (2016-18)	+15%	+30%	+62%	+34%

Stewardship	Exercising shareholder rights by proxy voting on shareholder resolutions and (pro-)actively engaging with companies to influence material ESG topics
Measurement and reporting	Measure and report ESG and/or Impact performance of companies and investment portfolios

Source: UBS Asset Management, for illustrative purposes only. Note: Global Sustainable Investment Alliance, 2018 Global Sustainable Investment Review. The sum of these individual strategies, after adjusting for double counting since some assets are managed using more than one strategy, results in the sustainable assets under management included in the 2018 GSIA report. "Exclusions" includes the sum of the GSIA categories of Norms-based screening and Negative / exclusionary screening. "Sustainability Themed" includes the sum of the GSIA categories of Positive / best-in-class screening and Sustainability themed investing. "Impact" includes the GSIA category of Impact / community investing. "Stewardship" includes the GSIA category of Corporate engagement / shareholder action.

Impact investing: UN Sustainable Development Goals[1]

A FRAMEWORK FOR IMPACT INVESTING

> “An estimated $2.5 trillion per year needs to be invested to achieve the goals by 2030.
>
> Listed Equities are part of the solution.
>
> UNCTAD, World Investment Reports, June 24, 2014

Source: UNCTAD & UNPRI In September 2015 the UN General Assembly issued 17 Sustainable Development Goals – a global call to action for positive change for people and the planet.

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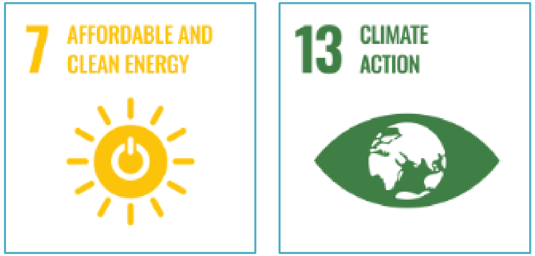
SDGs 7 and 13 as the key focus for Investors



Evolving opportunity set

Aligning to 2°C degree warming

- Economic opportunities generated by the transition to a low-carbon economy could be as much as **USD 26 trn**[1]
- Carbon adaptation can generate **significant opportunities in renewable energy**

Portfolio benefits

Risk management and strong tailwinds support a climate-aware approach

- A 1.5°C scenario leads to **enhanced projected returns** versus 3°C or 4°C for nearly all asset classes, regions and timeframes[2]
- Investors have a **fiduciary duty** to their beneficiaries to ensure they promote and safeguard their interests

The new normal

Climate investing can no longer be considered optional

- New climate investing product opportunities **across asset classes** and across passive and active
- Emerging EU Taxonomy increasing the focus on **low carbon strategies**

1 Source: https://www.wri.org/blog-series/the-26-trillion-opportunity
2 Source: Mercer "Investing in a time of climate change – the sequel", 2019
3 Source: https://climatepolicyinitiative.org/publication/global-climate-finance-2019/

Joining forces on the need for change….

INVESTORS MOBILIZING TO IMPROVE HOW COMPANIES MANAGE AND REPORT ON CLIMATE CHANGE GOVERNANCE, RISKS, AND STRATEGY

Investors

- Climate Action 100+: Over 500 investors representing over USD 74 trillion collectively in AUM; the TCFD is supported by over 1,440 organizations representing a market capitalization of over USD 12.6 trn
- Engaging 100 ‘systemically important emitters’ and over 60 others with the goal to drive clean energy transition

Central Banks

- Network for Greening the Financial System (NGFS) is a group of 66 central banks and supervisors
- Contributing to the development of climate risk management in the financial sector

Disclosure framework

- Adoption of the Task Force on Climate-related Financial Disclosures (TCFD) by companies
- Supported by over 1,000 companies

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