

Welcome to our Webinar on ESG Investing.

27 July 2022

Housekeeping

- **Questions** can be submitted during the Webinar by clicking on the Q&A Button and typing in your Question
- The Webinar will be **recorded** for anyone who would like to watch back after.
- The **slides** will also be made available after the Webinar.

Disclaimer: None of the content in this Webinar constitutes financial advice

Agenda

- General Market update
- What is ESG?
- Where it came from.
- What ESG is and Isn't?
- Why do people want to invest in ESG?
- Q&A

Your Presenters

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Market Update.

Market Update: Asset Classes

Interest Rates

Increasing Fast. Central Banks globally are increasing rates to fight inflationary pressures. The US Federal Reserve increased the base rate by an unprecedented 0.75% in mid-June. Europe increased by 0.50% last week

Bonds

Rising Yields... Bond yields had been at historically depressed levels, but have started to increase, impacting on the Price of Bonds

Equity Markets

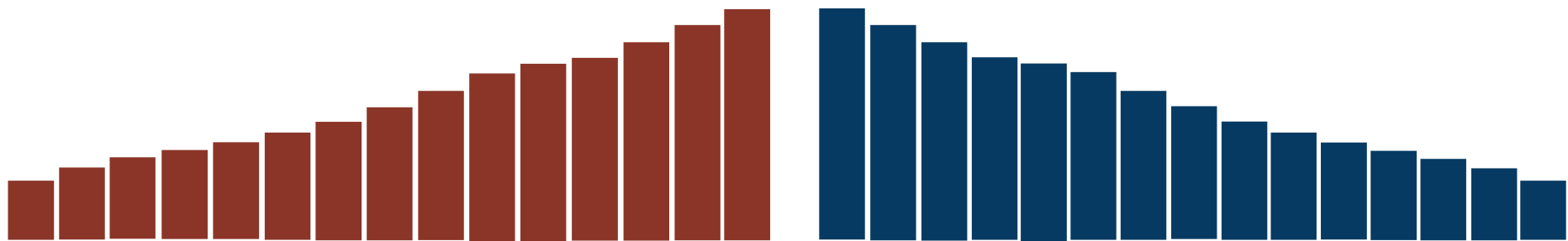
Unprecedented Volatility: US Market officially entered a 'Bear Market' with a 20% peak to trough fall. Markets have been in a sell-off for a number of months now

Alternatives / Others

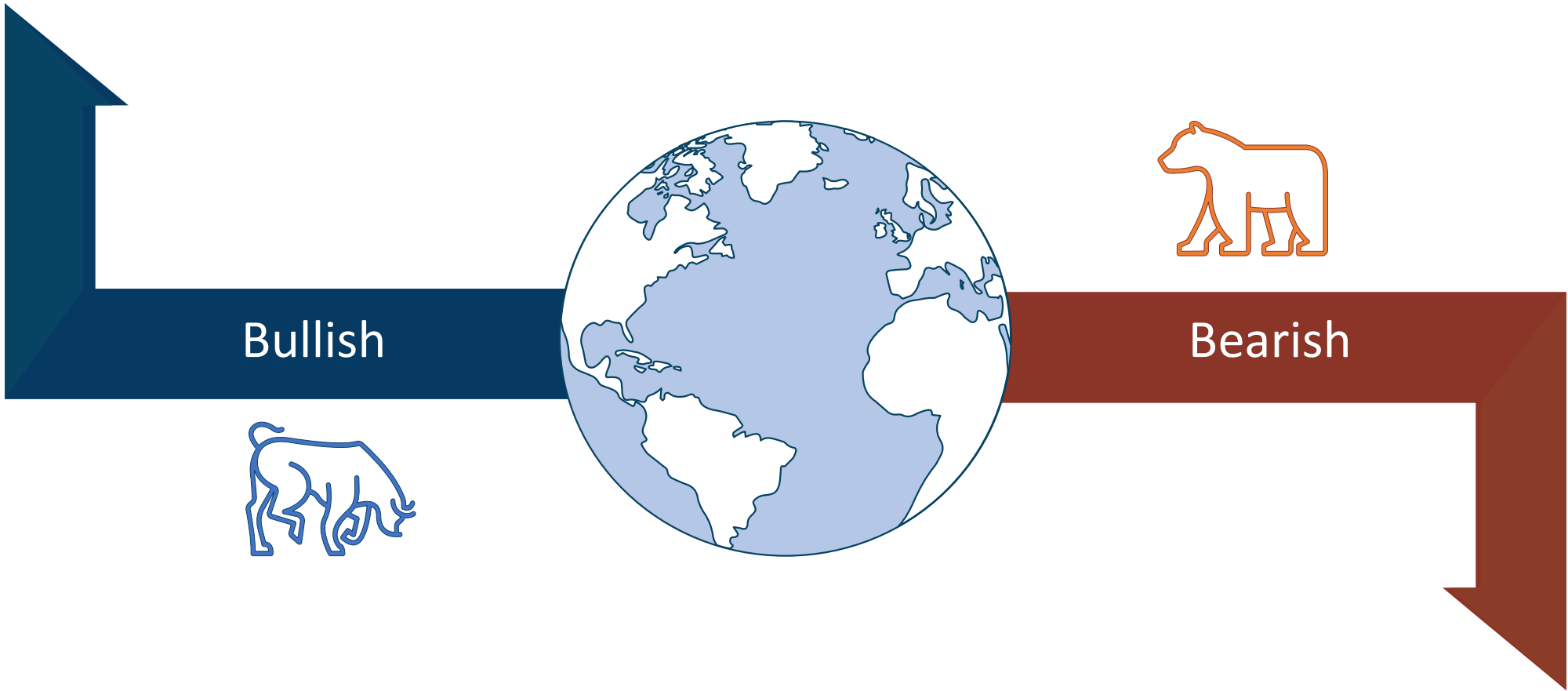
Mixed: Certain Commodities have seen huge jumps (Oil, Natural Gas etc.). Cryptocurrencies have suffered significantly

Summary Highlights

- The **US Treasury Market** had it's worst ever 6 month period. Contrary to what market history shows us, **both Bonds & Equities** have both been struggling at the same time
- **Inflation** is running extremely hot globally. In recent weeks there have been some potential indications of a cooling off in inflation expectations
- **Central Banks** globally have started to **increase interest rates** dramatically to combat inflation
- The **Russia – Ukraine** conflict dominated year to date and has brought about huge uncertainty for the global economy and by extension, Investment Markets
- **Stagflation** has now become a key risk over the medium term, whereby the growth in economies would be lower than inflation

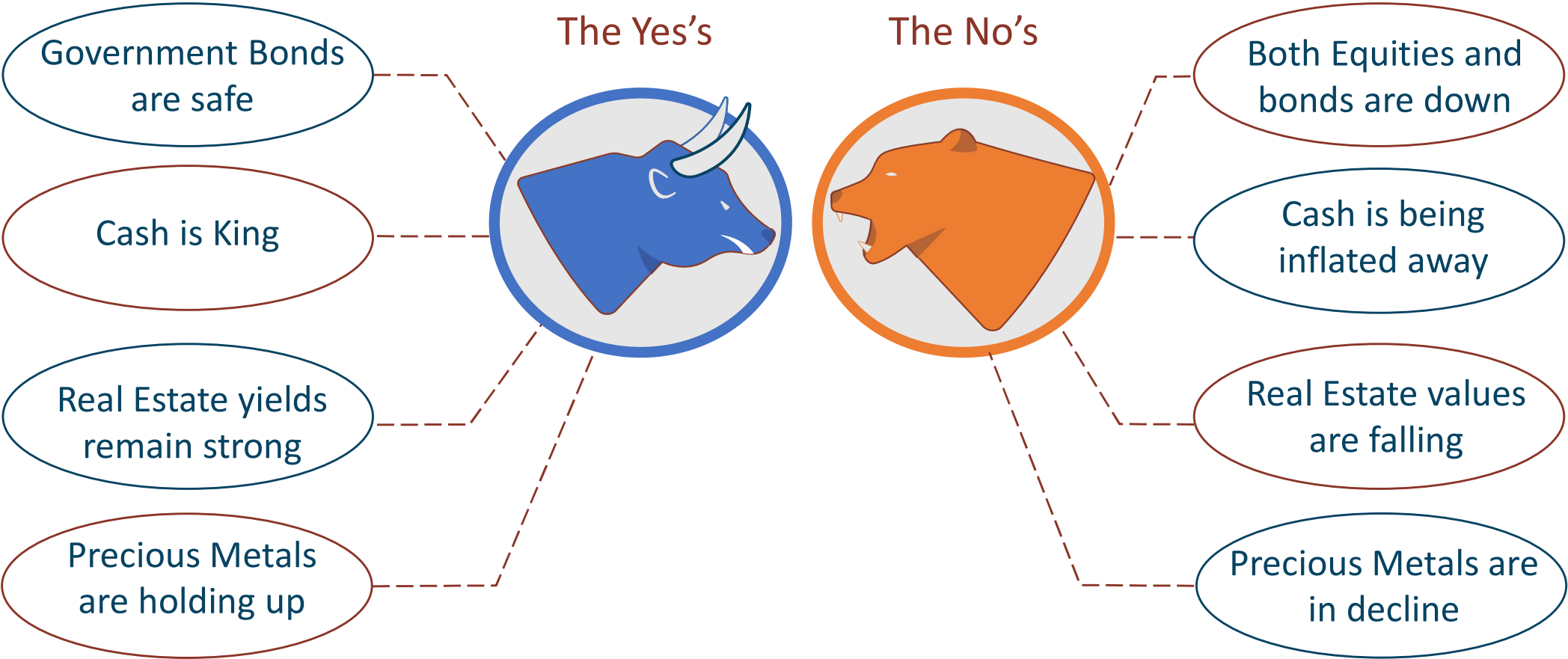


Market Sentiment: Looking Forward?

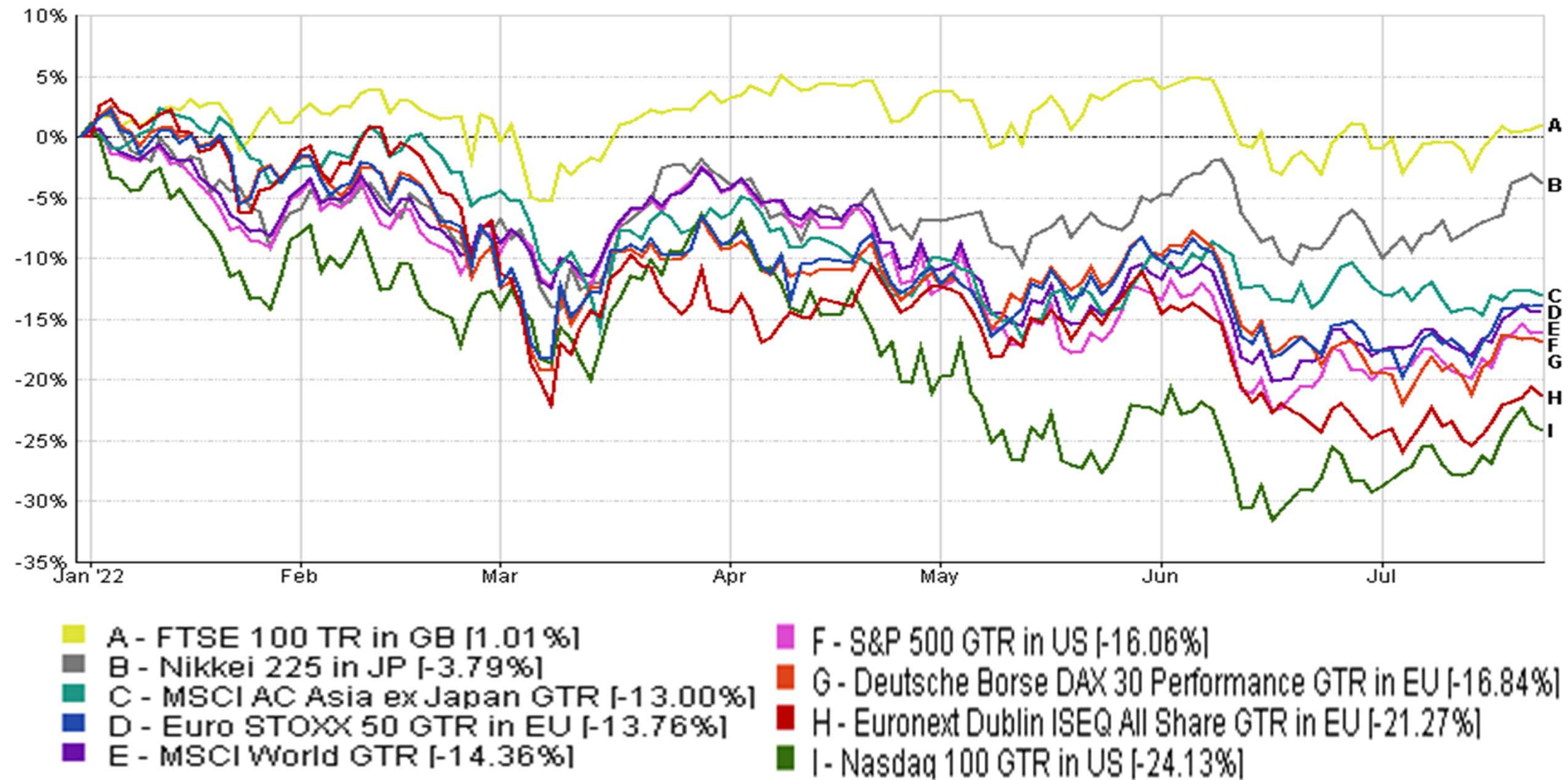


Where to find value

Is a safe haven emerging?



Market Indices on Local Currency YTD



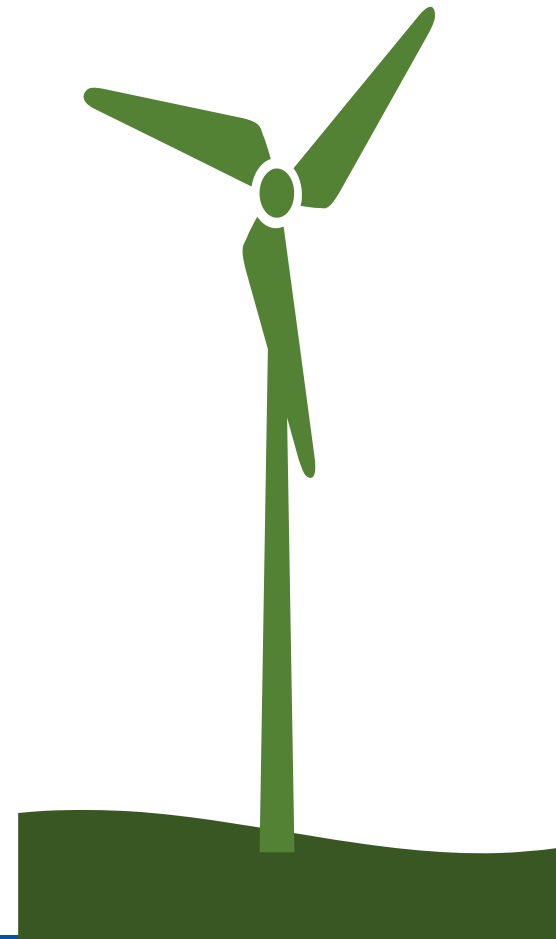
What is ESG?

What is ESG?

E.S.G stands for **Environmental, Social** and **Governance**, and refers to the three key factors when measuring the sustainability and ethical impact of an investment in a business or company.

Put simply, ESG is a framework used to reflect a company's impact on the world and what it is doing about it.

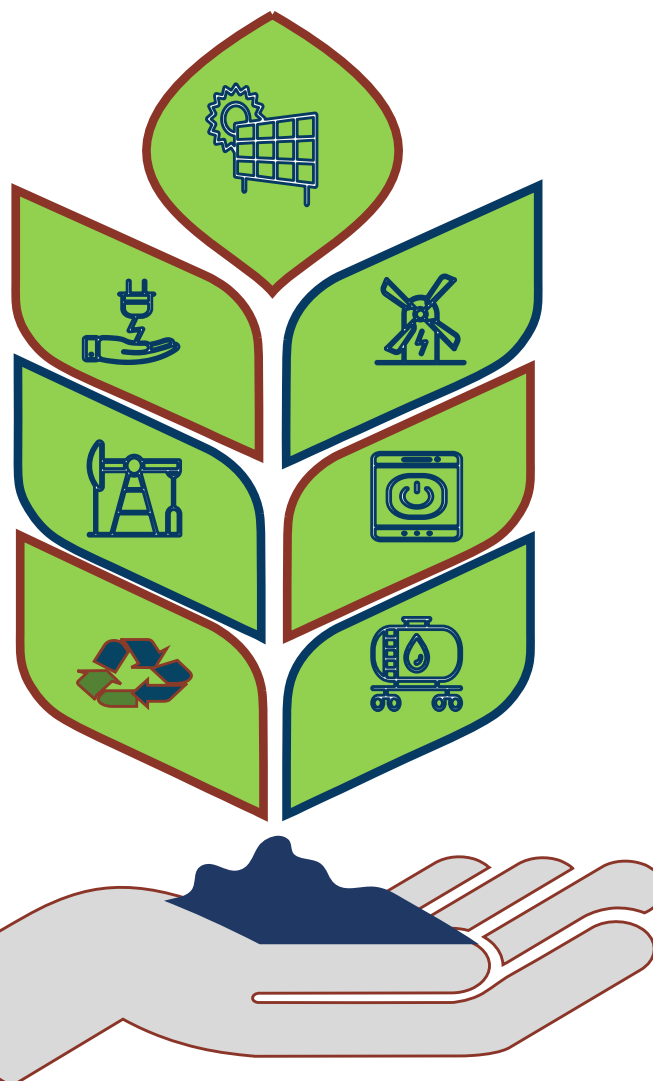
- In the investment arena, it is a generic term used in capital markets and commonly used by investors **to evaluate the behavior of companies**, as well as determining their future financial performance.
- **The number of investment funds** that incorporate ESG factors has been growing rapidly since the beginning of this decade, and is expected to continue rising significantly over the decade to come.



E - Environmental

Concerned with:

- Renewable Fuels
- Greenhouse gas (GHG) emissions
- Energy Efficiency
- Climate Risk
- Water Management
- Recycling processes
- Emergency preparedness



Risks for Investors:

Transition Risk: arising from the shift to the green, low carbon economy.

Policy & Legal Risk: associated with new climate change regulation, pledges, and global commitments.

Technology Risk: the impact that low carbon technology can have on companies' operations and employees.

S - Social

Concerned with:

- Health & Safety
- Working conditions
- Employee Benefits
- Diversity and inclusion
- Human rights
- Impact on local communities



Risks for Investors:

- **Human rights breaches:** Poor Workplace practices.
- **Strike actions:** Workers unions.
- **Community Impact:** Waste and emissions have a significant social impact.

G - Governance

Concerned with:

- Ethical standards
- Board diversity and governance
- Stakeholder engagement
- Shareholder rights
- Pay for performance



Risks for Investors:

- **Non-Diverse Boards:** To Facilitate diversity of gender and thoughts.
- **Strike actions:** Workers unions.
- **Community Impact:** Waste and emissions have a significant social impact.

Why does ESG Matter?

- | | | |
|-----------------------------|---|--|
| • Investors | Companies with a strong ESG Approach outperformed weak ESG companies by up to 5%. | Up to 5% out-performance by top 20% on material sustainability issues over bottom 20% over a 20 year period. |
| • Regulators | Regulation on ESG topics is tightening and no. of disclosures are increasing. | Over 2,300 climate-related laws and policies are already in place globally. |
| • Customers | Customers are favouring Companies with a good ESG story. | 76% of consumers would refuse to purchase a product if the company supported an issue contrary to their beliefs. |
| • Employees | Good ESG helps win the Competition for talent. | 16% higher productivity for employees working at progressive ESG-thinking companies. |
| • Partners/Suppliers | Businesses are requiring ESG adherence from vendors. | Setting emissions standards for supply chains help capture €12 Billion in savings for the surveyed group of major companies in 2021. |

Quick Poll

Who wasn't ESG enough this year?



Where ESG came from.....

The Origins of ESG: Then vs Now

1928 - The First Socially Responsible Investing (SRI) fund is launched

1930s – Corporate Scandals lead to more focus on Governance Issues

1971 - The First Socially Responsible Mutual fund is Launched

1980s – Widespread disinvestment from South Africa in protest of Apartheid

1990s – The ecological word 'Sustainability' was coined in investing.

2006 - The U.N launches the Principles for Responsible Investing (PRI)

2008 - The World Bank issues the first labelled Green Bond.

2015 – The U.N sets the Sustainable Development Goals (SDGs)

U.N Sustainable Goals 2030

- The 17 Sustainable Development Goals as set out by the United Nations in 2015 that Corporations seek to adhere to in terms of their level of influence.



The Regulation of ESG today

ESG sits within a complex regulatory landscape



United Nations Intergovernmental Panel on Climate Change (**UN IPCC**), United Nations Environment Programme (**UNEP**), Sustainability Related Disclosure in the Financial Services Sector Regulation (**SFDR**), The Sustainability Accounting Standards Board (**SASB**), The International Integrated Reporting Council (**IIRC**), Non-Financial Reporting Directive (**NFRD**), The Task Force on Climate-Related Financial Disclosures (**TCFD**), and Streamlined Energy and Carbon Reporting (**SECR**), the Carbon Disclosure Project (**CDP**), Taskforce on Nature-related Financial Disclosures (**TNFD**).

What ESG is and Isn't.

What ESG is and Isn't

What ESG Is

- A viable Framework for Improving Corporate responsibility
- An Opportunity for businesses to align themselves closer with Government initiatives
- An Opportunity for the Public to gain more of an insight into business practices and acts as an aid to make more informed decisions about whether to invest.

What ESG Isn't

- Its not a silver bullet
- Its not the next Bitcoin
- Injustice and unjust practices will unfortunately remain in business but now under more scrutiny than before
- It isn't suitable for all investment strategies – by its very nature it will exclude certain companies

Quick Poll

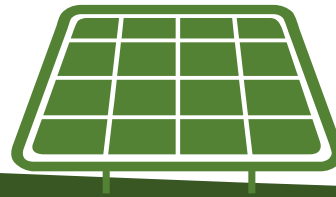
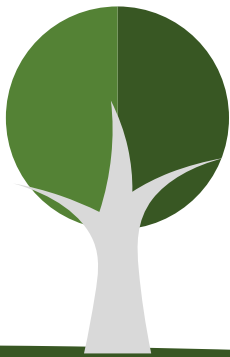
Test your ESG Compliance-o-meter!



Why do people want to invest in
ESG?

What is the Attraction?

- For the positive contribution it makes globally
- A Win-win for society & the planet
- For the financial returns
- For Lower Risk
- Reduced Fund Manager pricing



Forms of 'Principled' Investing

Ethical Investing

Selecting investments that avoid dealing with products and services that may be considered harmful or fall short of personal values.

Faith-based Investing

Aligning Investments based on religious belief. E.g. The Catholic church adheres to the Pope's guidance on investing mandates.

Green/Environmental

A direct focus on improving the environment or to avoid investing in those that damage it.

Impact Investing

Where ESG factors and values have been integrated into the investment process.

Socially Responsible Investing

A blend of investment approaches that must include Responsible, Sustainable or ethical investing.

Stewardship Investing

Regarding yourself as part owner of the company and running all decisions for the benefits of the shareholders.

Investing through the ESG lens

ESG measures how companies Make Money...rather than just how much money they make



Investing through the ESG lens

ESG factors throughout the Investment Processes



Where Investors look for performance



The factors the drive returns



Construction and maintenance of Portfolios



Active ownership and influence



Tracking and explaining performance against goals

<p>1 NO POVERTY</p>	<p>2 ZERO HUNGER</p>	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>4 QUALITY EDUCATION</p>	<p>5 GENDER EQUALITY</p>	<p>6 CLEAN WATER AND SANITATION</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>10 REDUCED INEQUALITIES</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>	<p>14 LIFE BELOW WATER</p>	<p>15 LIFE ON LAND</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>

ESG conflict

- **E, S and G can be in conflict – there are no easy answers..**

Q: Should we fund a hydroelectric dam which may reduce CO2 and in particular pollution, but which may lead to habitant loss?

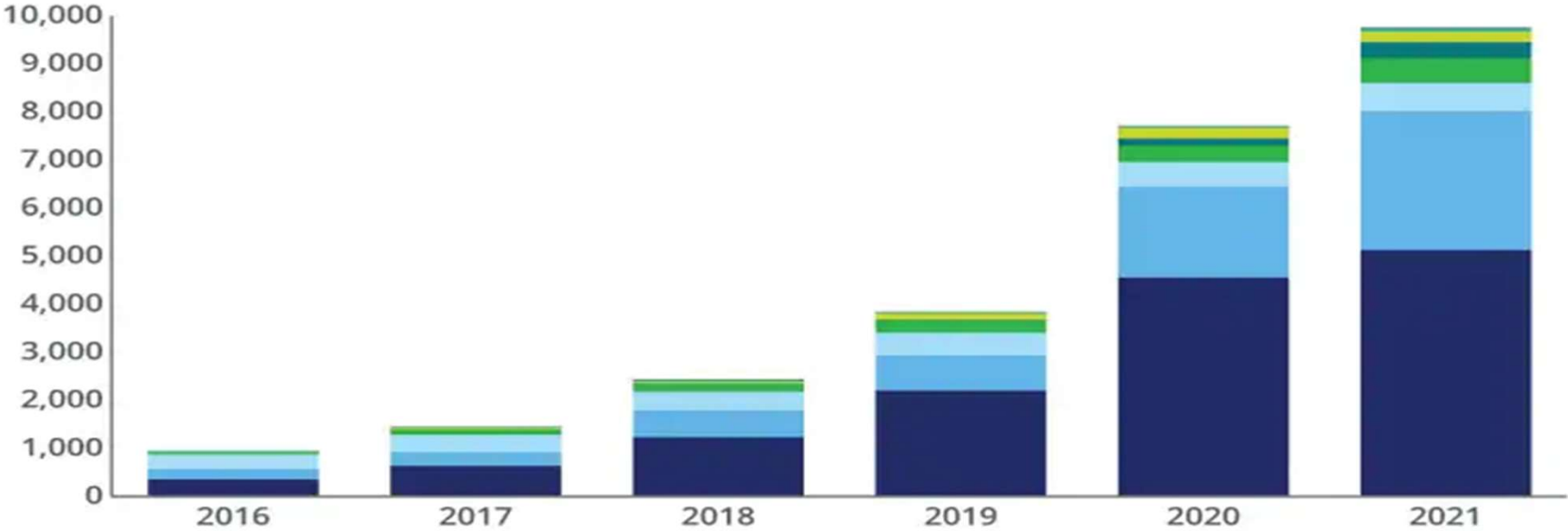
Q: Should we lend on a new road bridge that reduces journey distance / emissions, but is likely to increase car use at the expense of public transport?

Q: Should we lend to help property owners adapt to climate risk even though the additional debt risks making them mortgage prisoners if the market does not reward the building work.

ESG Investment by discipline type

- How ESG investors are currently allocating their capital

■ General ESG ■ Renewables ■ Water ■ Climate-focused ■ Electric vehicles
■ Religious values ■ Gender equity ■ Empowerment ■ Impact



The Numbers..

€160.5 trillion

The total sum of money traded across all stock markets in 2021

€51.4 Trillion

The total value U.S Assets under management (AUM) in 2021

€17.1 Trillion

The total invested in Sustainable Companies
(or €1 in every €3 invested)

ESG-mandated assets are projected to make up half of all professionally managed assets globally by 2024

Global assets under professional management (\$T)



Fund managers views...

22,000

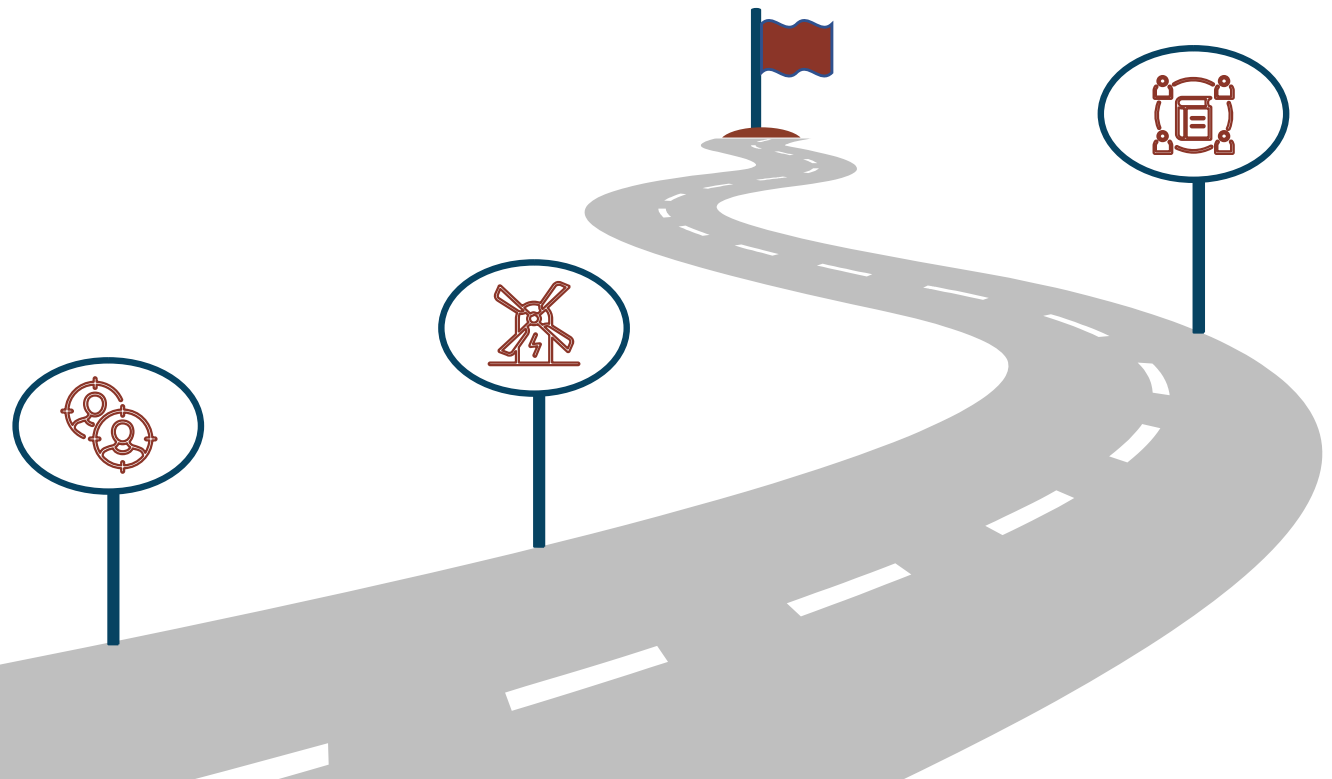
This is the number of European Fund Managers surveyed by PwC in 2022 who confirmed the following:

- **71%** of the surveyed Fund managers were willing to halt all non-ESG product launches in the coming years.
- More than **60%** are planning to do so by the end of **2024**.
- PwC added that it foresaw long-term challenges for Fund managers that maintain a hybrid ESG/non-ESG product range as the shift materialises.
- ESG assets domiciled in Europe could grow to between **€7.4 trillion euros and €9 trillion euros by 2025** and account for up to **56%** of total European mutual fund assets, against **37%** at the end of last year.

Q&A.

Q&A

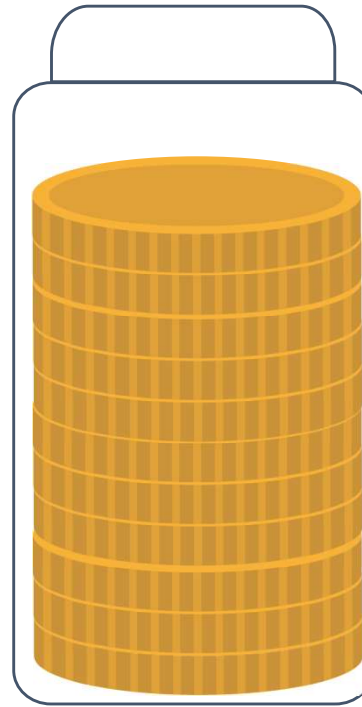
- Q: Is there a clear winner in terms of ESG sector to invest in?



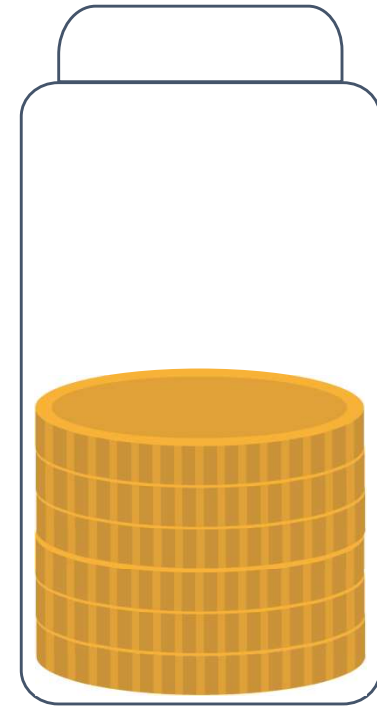
Q&A

- Q: Will the consideration of ESG in a Portfolio lead to underperformance?

Non-ESG Portfolio

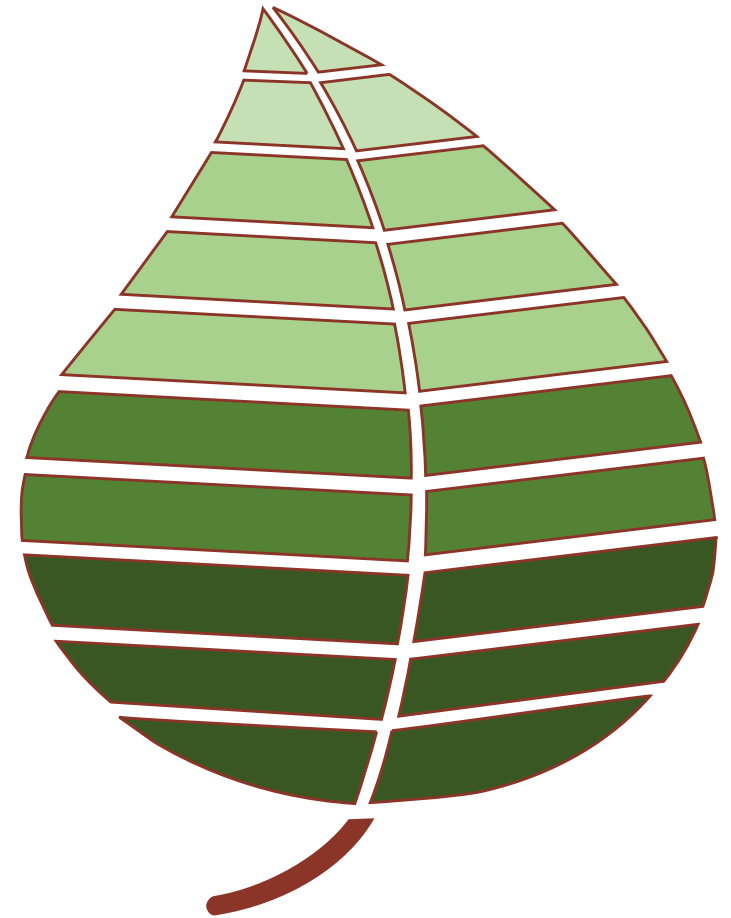


ESG Portfolio?



Q&A

- Q: Where is the Future of ESG?



Examples of ESG



Disclaimer

- The content of this presentation does not constitute Financial Advice.
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