

Why is ESG such an important factor in investment decisions today?

Risks

- ▶ Global risk landscape is dominated by environmental risks¹
- ▶ ESG-related risks have resulted in more litigation cases, financial and reputation losses
- ▶ Regulatory actions to manage ESG risks have grown both globally and locally (e.g., MAS guidelines)
- ▶ Shareholder-related and NGO sustainability activism demands greater accountability

Opportunities

- ▶ Bold sustainability action could deliver at least US\$12 trillion by 2030²
- ▶ ESG-focused stocks have been shown to outperform traditional equity funds during market volatility, such as in Q12020³

In EY CCaSS* Investor Survey 2020,

98%

of nearly 300 institutional investors said they conduct some form of ESG review.

¹ World Economic Forum, The Global Risks Report 2020
² Business & Sustainable Development Commission (2017), Better Business Better World
³ ESG Stocks did best in COVID-19 Slump, Insights, HSBC
 *Climate Change and Sustainability Services (CCaSS)

What is your ESG strategy?

Investors use varied approaches to consider ESG factors in their investment processes, and even across their different funds.

		Responsible investment approaches						
Definition and focus		Traditional investment	Socially-responsible investing (SRI) <i>Negative screening</i>	Positive screening	ESG integration Including shareholder engagement and voting	Sustainability-themed investments	Impact-first	Philanthropy
		Limited or no focus on ESG factors of underlying investments	Avoidance of or divestment from an investment or group of investments, usually based on an investor's or organization's value system.	Positive or best-in-class screening based on criteria defined in a variety of ways (i.e. by product, activity, sector, international norms).	The use of qualitative and quantitative ESG information in investment processes, at the portfolio level, by taking into account ESG-related trends or at the stock, issuer or investee level.	The selection of assets, that contribute to addressing sustainability challenges such as climate change or water scarcity.	Investments that target social and environmental returns. May deliver market or below-market financial returns.	Grants which target social and environmental needs without expectation on financial returns
Features		Delivers competitive financial returns						
			Avoids or mitigates ESG risks					
				Actively pursues ESG opportunities				
					Intentionality: delivery of impact is central to underlying investment			
						Impact of investment is measured and reported		

Source: Adapted from UN PRI and AON

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Leading practices

- ▶ Leadership oversight on ESG
- ▶ Responsible investment principles and goals articulated via policies or position statements
- ▶ Integration of ESG factors into investment decision-making
- ▶ ESG risk factors incorporated into fund's risk management framework
- ▶ Active portfolio engagement including monitoring, supporting companies on their ESG initiatives
- ▶ Active participation in external initiatives and guidelines that encourage responsible investment and transparent reporting (e.g., UN PRI, IFC's Operating Principles for Impact Management, SDGs Impact Practice Standards for PE funds)

How would you answer the following?

- ▶ What ESG risks are material to your assets and investors? Are you managing those issues adequately, with sufficient board or executive oversight?
- ▶ What are your sustainability-related opportunities and are you capitalizing on these?
- ▶ Have you assessed the opportunities and risks related to the transition to a low-carbon economy?
- ▶ Can you access the ESG data needed to monitor performance and achieve targets? Is it reliable?
- ▶ Are you meeting evolving ESG stakeholder expectations and compliance obligations?
- ▶ How does your sustainable investing approach compare to that of your peers?



**Building a better
working world**

How EY teams can help

Environmental responsibility, social responsibility and governance professionals working together with financial services professionals under one roof to provide you with a highly integrated approach to transaction support.

The ESG team consists of various subject matter professionals with in-depth domain experience in environmental, social and governance matters. The dedicated team of professionals, supported by EY financial services and transactions teams, bring detailed insights and understanding of the ESG risks and opportunities to the investment lifecycle and portfolio companies.

Our services | How EY teams can help across the investment cycle

1 Strategy	2 Pre-investment	3 Ownership	4 Monitoring	5 Exit	6 Evaluate and review
<ul style="list-style-type: none"> ESG policy development Advise on strategic positioning Training of investment teams on ESG ESG integration with ERM systems 	<ul style="list-style-type: none"> Pre-investment screening and assessment for ESG ESG due diligence (risk as well as value creation identification) ESG consideration for 100-day Action Plan 	<ul style="list-style-type: none"> ESG materiality assessments Integration of ESG improvements in 100-day plan Corrective actions and improvement programs for ESG ESG training at target 	<ul style="list-style-type: none"> Quantification of ESG initiatives & establish monitoring indicators ESG reporting from portfolio companies Publicly available ESG reporting ESG reporting to investors or Limited Partners (LPs) 	<ul style="list-style-type: none"> IPO or exit-readiness assessment on ESG Vendor due diligence on ESG 	<ul style="list-style-type: none"> Outcomes measurement and impact valuation Internal audit and review of control frameworks

Select EY global credentials

Select ESG Framework and Strategy Development for financial institutions and asset managers

US\$140b+ global investment firm	<ul style="list-style-type: none"> Developed global strategy and operational approach for ESG integration Developed ESG policies across various asset classes including Private Equity, Energy & Infrastructure, Real Estate, Fixed Income and Publicly Listed Equities
Private equity firm in ASEAN	<ul style="list-style-type: none"> Created an ESG policy and high-level approach to ESG integration Developed a risk assessment tool and identified material risks Recommended toolkits to support ESG due diligence and monitoring Developed ESG report for investor communications
Leading private equity fund in ASEAN	<p>Performed landscape analyses to inform the fund's strategy on:</p> <ul style="list-style-type: none"> Climate-related risks and opportunities for its portfolio by sectors and geography, and provided accompanying strategy, position paper and action plan Global green finance market covering green finance hubs, green finance instruments and standards and taxonomies, and provided recommendations on scaling of the local market
Multinational bank in Australia	<p><u>Multi-year ESG support, including:</u></p> <ul style="list-style-type: none"> Developing a responsible lending framework and various policies and position papers Assisting in DJSI, CDP and NGERS reporting Carrying out an analysis of emissions from its projects' finance exposures to the energy sector

Select ESG due diligence and implementation for portfolio companies

Chemical waste management and recycling	<p><u>ESG due diligence covering</u></p> <ul style="list-style-type: none"> ESG policy and governance frameworks in place Quantification of associated environmental liabilities, environmental management Health and safety systems, employee engagement, stakeholder relationships, sustainability, modern slavery Aspects of governance including bribery, fraud, money laundering, sanctions, whistleblowing
Aeronautic parts manufacturing	
Mechanical engineering for oilfield business	
Wealth management - asset management, insurance	
Downstream oil and gas storage and distribution	
Glass bottle production for pharma industry	
Private healthcare group	
Packaging manufacturing	
Equity release mortgage business	
Pharmaceutical business	
Airfield guidance and ground control systems	<p><u>Post-deal ESG implementation</u></p> <ul style="list-style-type: none"> Developing improvement roadmaps for targets post-deal Health and safety systems and processes implementation Environmental monitoring Renewable energy strategy implementation Business practices, governance policies and processes
Software solutions	
Airport ground support equipment	

Select Impact Management Assurance

S\$1.7b investment firm	Performed limited assurance over alignment of its impact fund with the Operating Principles for Impact Management
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Let's continue the conversation



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