

Sustainable Investing

Is this trend impacting my business?

NC State Energy Conference

April 17, 2018



What is Sustainable Investing (*Environmental, Social, Governance – ESG*)

1. Exclusionary



2. Impact



3. Integrated ESG



Focus Today: Relevance to Your Business

ESG as an investment criteria –
can your company compete?



*ESG –
Environmental,
Social,
Governance

Where Energy Fits in ESG Investing

What is considered important on the ESG checklist?

ESG Factors	Healthcare	Financial	Transportation	Technology and Communication
GHG emissions			Dark	Light
Air quality			Dark	
Energy management	Dark		Light	Dark
Fuel management	Light		Dark	
Water and wastewater management	Dark		Light	Dark
Waste and hazardous materials management	Dark		Light	Light
Biodiversity impacts			Light	

Dark boxes denote material risk for this sector.

Source: SASB Materiality Map, BlackRock "Exploring ESG", 2016

ESG performance & access to capital

“while companies may be unaware of being evaluated on ESG, it can be a silent capital killer...”

Nearly 75 percent of investors ...said they take ESG into consideration during the investment process.”

Greenbiz, August 2017

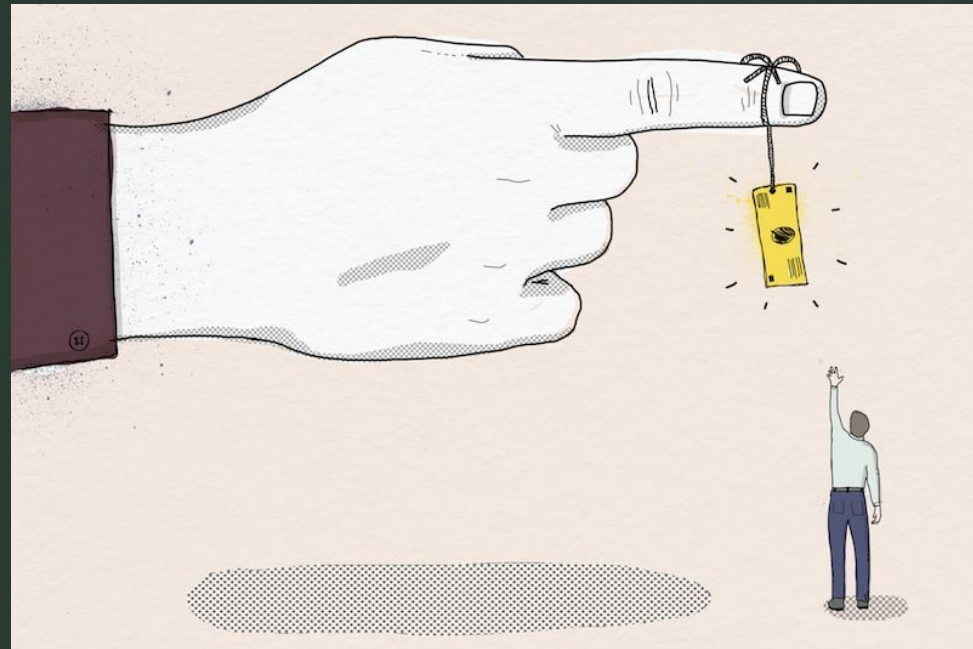


Photo source: <http://www.canadianbusiness.com/blogs-and-comment/why-canadian-companies-need-access-to-higher-risk-financing/>



Myths and Realities of Integrated Sustainable Investing

Myth #1
Sustainable Investing is a Niche

Reality:

75% of investors are interested
in sustainable investing

Source: 2017 Allianz Global Investors Survey

Myth #1
Sustainable Investing is a Niche

30% Millennials believe the #1
priority of business is to
improve society

\$30 trillion transferred wealth
to Millennials over next few decades

Sources: 1) 2017 Allianz Global Investors Survey 2) 2014 Deloitte Millennial survey

Myth #1
Sustainable Investing is a Niche

BlackRock, Vanguard, S&P, State Street
calling for disclosure of climate risk for ALL
companies in their portfolios



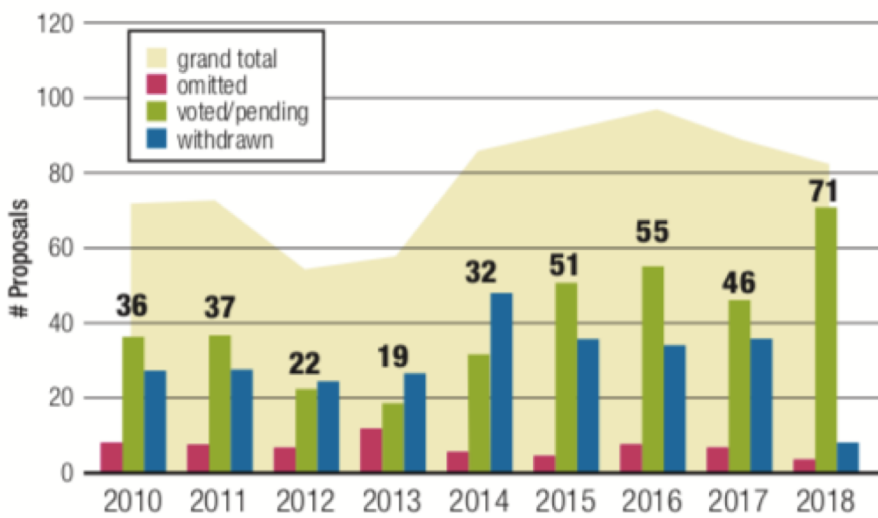
Myth #2 Only "Fringe" Shareholders Push ESG

Reality:

Shareholder proposals related to climate are growing rapidly.

"Our support for these proposals is not a matter of ideology, it's a matter of economics"
- Vanguard Mutual Funds

Climate Change Resolutions Since 2010



Excludes 8 not voted for other reasons.

Source: Proxy Preview 2018

Myth #3 Sustainability is for Reputation— Not Profit

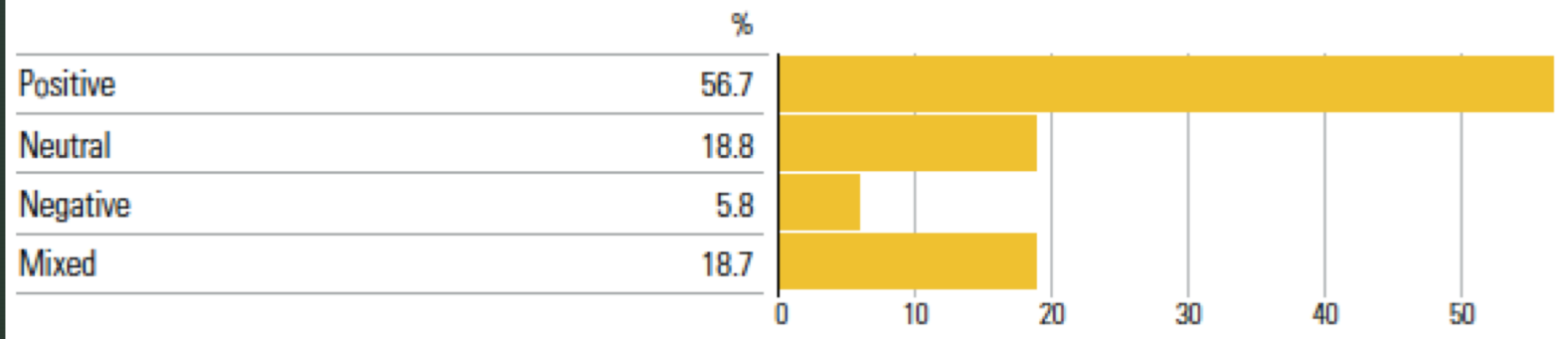
Reality: *Sustainability is positive for corporate financial performance.*

- “Done well, sustainability-driven initiatives — *improving energy efficiency, rethinking supply chains.....* — have the potential to drive competitive advantage, innovation and revenue growth. “ – *ING report*
- 39% of those surveyed said revenue growth was most important in driving company to take action on sustainability – *ING report*
- “I’ve never seen anything as effective as ESG characteristics when it comes to anticipating future earnings and volatility of U.S. corporations.” – *Head of US Equity & Quantitative Strategy Merrill Lynch*

Myth #3 Sustainability is for Reputation— Not Profit

Reality: Sustainability practices are positively correlated to corporate financial performance—whether measured in terms of financial results or stock price.




Corporate Sustainability Performance Study Outcomes



Source: Morningstar, *Moving Beyond Exclusion: Sustainable Investing and Performance*. 2015 study of 2,000 companies.

Myth #4 Sustainability Is a Non-Financial Risk Factor

Reality: *Companies are losing market share due to “non-financial risks”*

	ESG Violation	Market Share Impact
	Fake sales accounts	\$100 billion
	“Emissions-gate”	\$ 55 billion
	50 million privacy hacks	\$ 60 billion

So What?

1. Energy efficiency is evolving to bigger context –revenue, cost of capital

66% of investors are worried about sustainability disclosures

2. Broader benefits from EE/RE initiatives – promote value to stakeholders

BofA: US companies are behind the curve, but investors are not – which puts US companies at a disadvantage with investors.

3. Broader view of internal initiatives – pathway to strategic advantages

Institutional investors use ESG much more than companies think they do — giving companies with strong ratings an edge on capital access

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