



J. SAFRA SARASIN



Sustainable Swiss Private Banking since 1841

Environmental Indicators and Strategies in Asset Management

April 2016
Claudio Paonessa
Helmut Kotschwar

175
YEARS

Leading asset manager for sustainable investments



Bank J. Safra Sarasin expertise

- A pioneer – with more than 25 years of experience in sustainable research and asset management
- Swiss market leader in sustainable investments and one of the largest providers in continental Europe
- Expertise of 15 analysts fully dedicated to sustainable investment research
- We are able to customise individual mandates to reflect the client's view of sustainability
- We are an active member of various sustainability organisations*



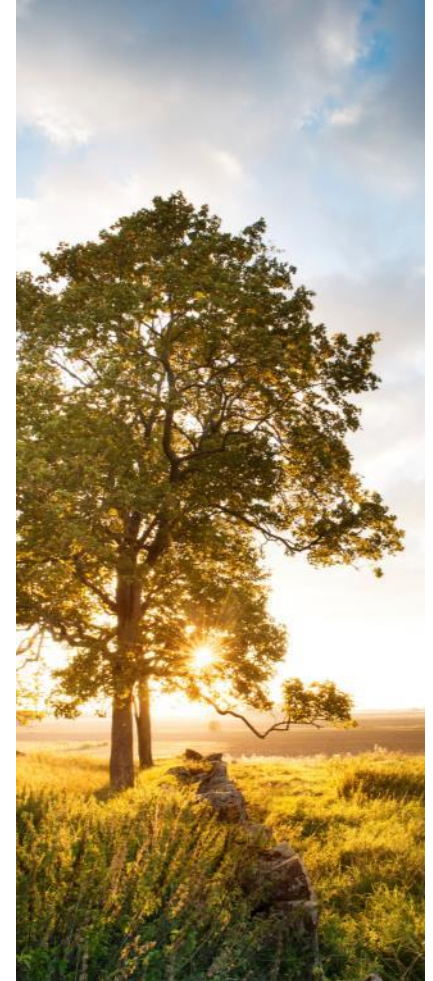
*Forum for Sustainable Investment Funds, Eurosif, SSF – Swiss Sustainable Finance and more

Our sustainable investment philosophy



Sustainable investing

- A lasting, sustainable return can only be realised if the livelihood of future generations is preserved
- This, however, requires dramatic ecological, social and regulatory changes to which sustainable investors can contribute through their actions
- A rising risks can only be addresses if these developments are recognised early enough and integrated into the investment process
- Issuers of securities need to be analysed in a broader context
- Among financial factors, such analysis should comprise ecological, social and governance factors (ESG)
- As such, integrating ESG issues is the fiduciary duty of long-term thinking asset managers and pension funds



«Water Bond Fund» a Vision?

Due Dilligence & Product Development

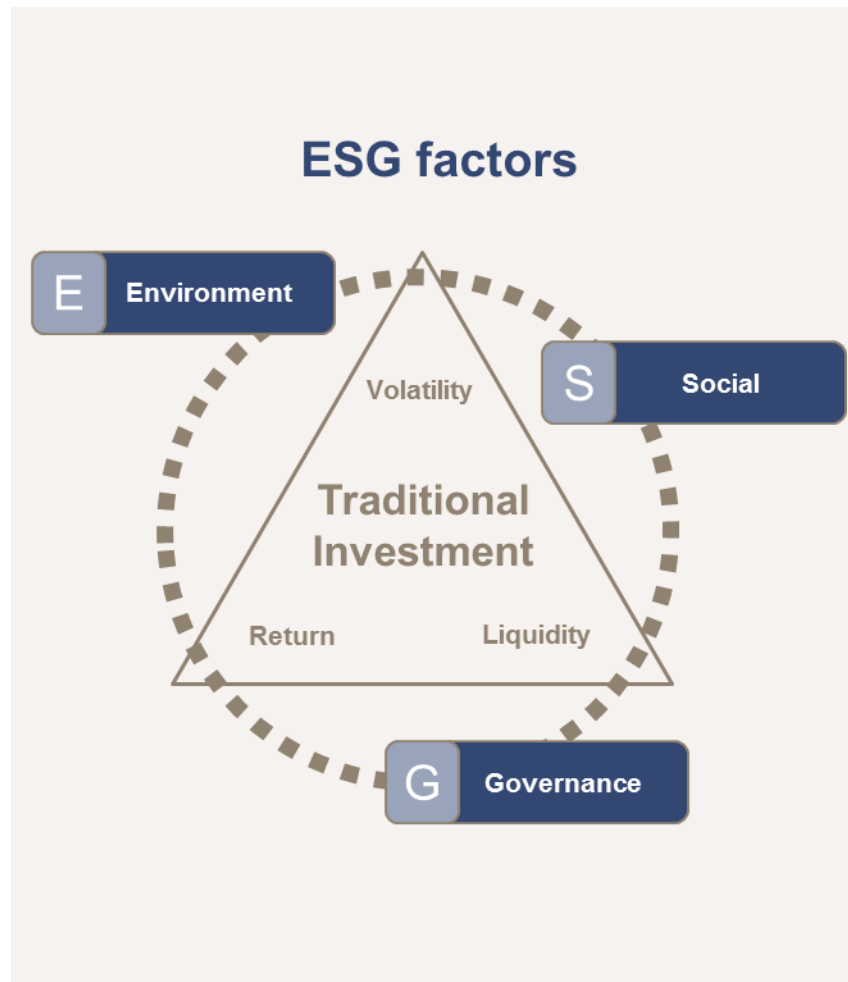


Integrating Water Stress into Corporate Bond Credit Analysis

- Total green bond universe approx. USD 72 bn *
- Investable green bond universe approx. USD 47 bn
- Only few bonds directly related to water stress solutions
- Universe diversity required for product development (currency, issuer, maturity, liquidity)
- Only EUR (19) or USD (13) green bond universe offer variety in liquid issuers
- Standardisation evolving (UNPRI principles, ICMA green bond principles)
- Further developments needed (SRI definition, use-of-proceeds/supervision/audit transparency)
- Best solution for “real” water-stress exclusion in bond portfolios:
 - Use the *Corporate Bond Water Credit Risk Tool* to explore water stress risk on issuer level
 - Exclude or reduce holdings to issuers identified (risk-adjustment)



We integrate sustainability and traditional analysis



ESG* factors

Environment

- Climate change
- Natural capital
- Pollution and waste
- Environmental opportunities

Social

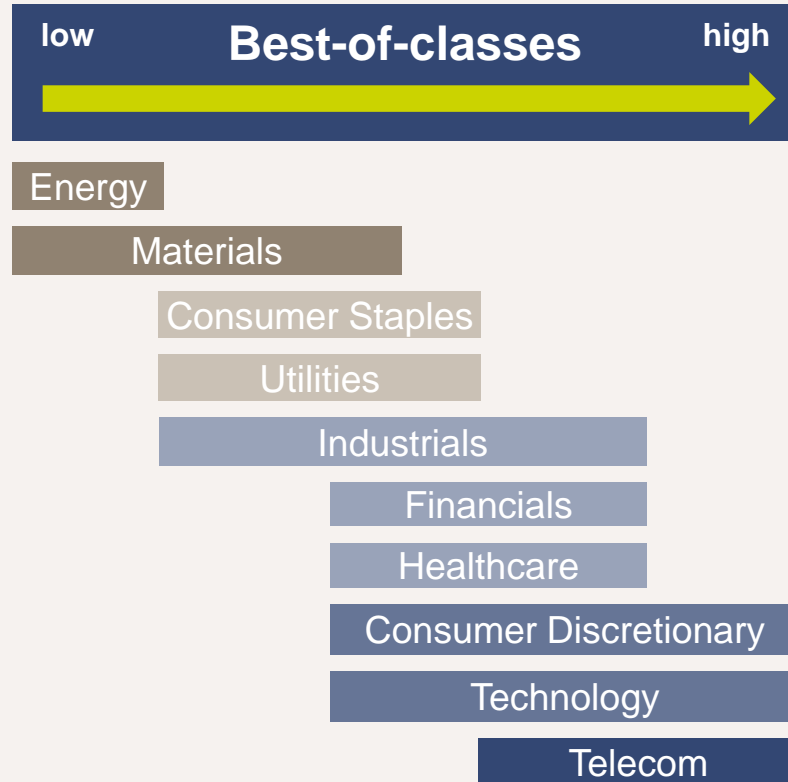
- Human capital
- Product liability
- Active influence of stakeholders
- Social opportunities

Governance

- Ownership
- Directorate
- Board structure
- Management compensation



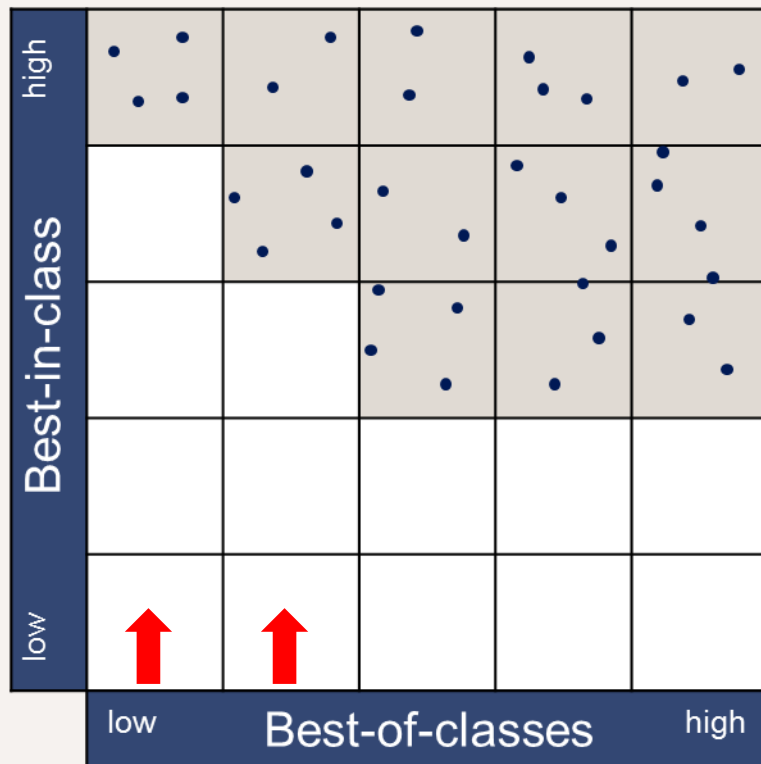
Rating in best-of-classes



Analysis criteria

- Sustainability Industry Analysis identifies and analyses material ESG risks and opportunities of one industry
- Analysis along the value chain with direct and indirect industry impact
- Analysis of industry ratings performed on lowest possible level (industry groups) to analyse homogenous set of companies
- The Sustainability Industry Rating compares one industry with others
- High-exposure industries (e.g. Oil & Gas) have a low industry rating score and low-exposure industries carry a high score (e.g. Telecom)

Bank J. Safra Sarasin Sustainability Matrix®



 Investable area

Best-of-classes (x-axis)

- **ESG Key Issues:** Identification & weighting of key issues /weighting of environmental, social and governance dimensions
- **ESG Analysis:** Assessment of ESG risks and opportunities and management quality
- **ESG Rating:** Quality of ESG performance and positioning of the company in comparison to peers / calculation ratings – score of 0 (low) to 5 (high)

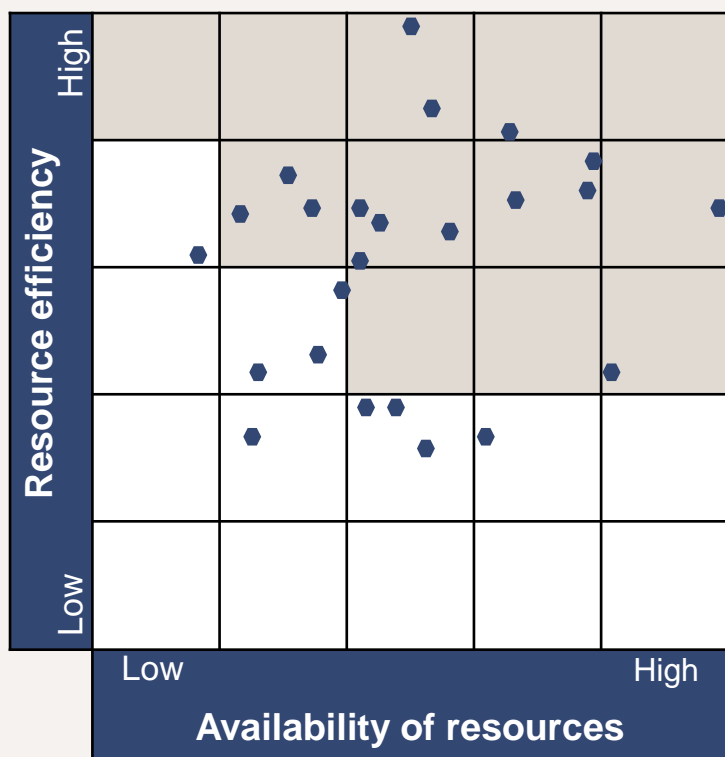
Best-in-classes (y-axis)

- **ESG Industry Intensity Analysis:** Analysis of direct and indirect negative externalities along the value chain
- **Risk Analysis:** Analysis of environmental, social and governance risks compared to other sectors
- **Sector Rating:** Determination of ratings for comparison, Score 0 (low) to 5 (high)

Companies with the following activities are excluded from the investment universe:

Nuclear Energy, Genetically modified organism (GMO) – Agriculture, Genetically modified organism (GMO) – Medicine, Defense & Armaments, Tobacco, Adult Entertainment, Human Rights Violations

198 analysed countries – using more than 90 underlying data points consolidated into 8 key themes*



Availability of resources (x-axis)

- Describes the net availability of (natural) resources, which form the basis the development of a country
- Natural resources and their efficient use are pre-requisites for a country's development and performance
- Water, Land, Energy, External Environmental Cost



Resource efficiency (y-axis)

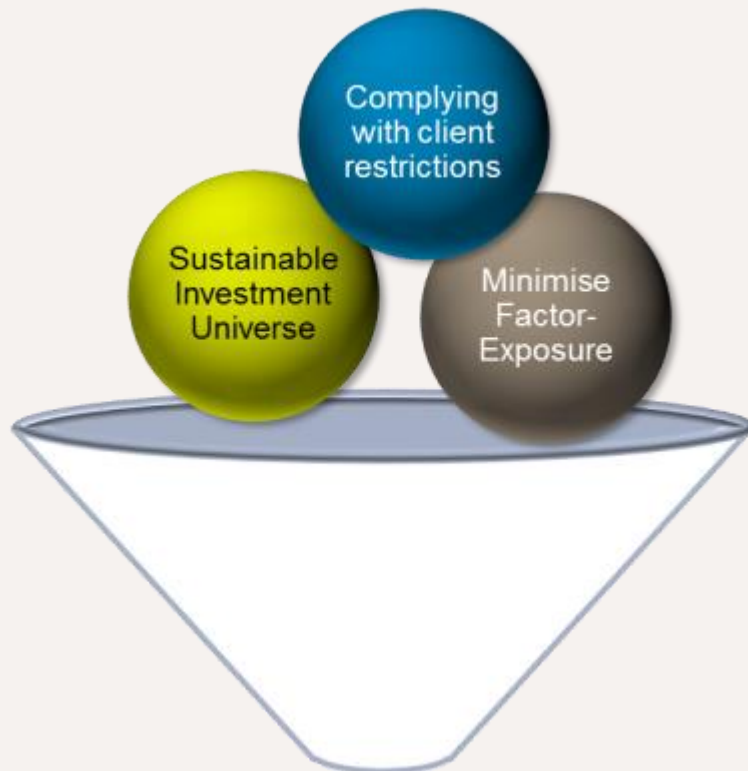
- How well a country is organised and able to build a framework for value creation through enablers
- The necessary “development culture” is based on an effective government, judicial and a modern education system
- Human Capital, Economic Parameters, Financial Governance, Political Governance

* Water, Land, Energy, External environmental costs, Human capital, Overall economic conditions, Financial governance, Political governance,

Sustainable Beta Portfolio – Creating and extracting the sustainability factor



Sustainable Beta Portfolio



Sustainable Beta of the clients' official benchmark

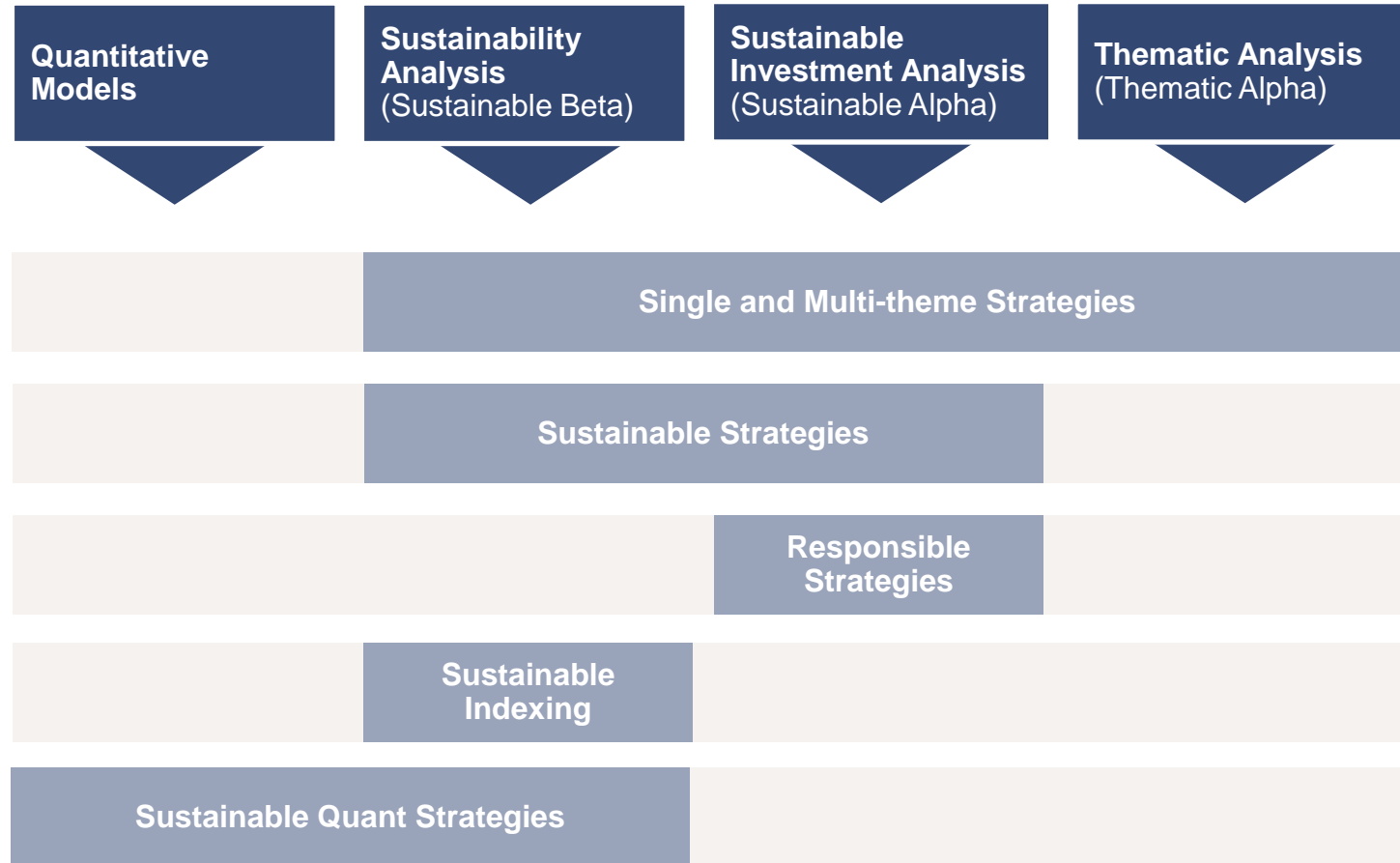
Objective

- Measuring the impact of sustainability
- Eliminating unwanted tilts in the sustainable universe
- Benchmarking manager performances
- Separating Sustainable Beta from Sustainable Alpha

Creation

- Reducing the investment universe with the help of the Sustainability Matrix
- Complying with client restrictions such as liquidity, maximum single exposure
- Rebuilding the official benchmark with a higher sustainability rating

Positioning of BJSS investment solutions – Alpha sources and investment strategies



Multiple award winner – Bank J. Safra Sarasin Sustainable Investments



J. SAFRA SARASIN



Sustainable Swiss Private Banking since 1841

DEUTSCHER FONDSPREIS 2016

»HERAUSRAGEND«

JSS Sustainable Equity – Water P EUR dist

Sustainable Investment

Im Test: 3.666 Fonds

FONDS *professionell*

MEDIENPARTNER:
Frankfurter Allgemeine Zeitung GmbH

POWERED BY IVA | software-systems.at

DEUTSCHER FONDSPREIS 2015

»HERAUSRAGEND«

Sarasin Sustainable Water Fund P EUR dist

Sustainable Investment

Im Test: 3.556 Fonds

FONDS *professionell*

MEDIENPARTNER:
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EuroRating Awards

Bester Asset Manager

SIEGER 2012

Socially Responsible Investing

In Kooperation mit

EuroRating SERVICES **n-tv**

INVESTMENT WEEK

Climate Change & Ethical Investment Awards 2012

Winner

Best Water, Food, Agriculture & Forestry fund

FUND AWARD 2013

€uro

REPUBLIC ÖSTERREICH

DER FIRMA

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6000 BASEL
SCHWEIZ

WURDE UNTER DER FIRMANENR. UW 1003 DAS

ÖSTERREICHISCHE UMWELTZEICHEN FÜR PRODUKTE VERLEIHEN.

DIE FIRMA HAT NACH ERFOLGTER PRÜFUNG LT. PA.NR. VKI 1003 GEMÄSS DER SATZUNG FÜR DIE VERBANDSMARKE UMWELTZEICHEN DAS RECHT ERWORBEN, DIE 8. SEPTEMBER MIT DIE PRODUKTE SARASIN SUSTAINABLE BOND - EUR CORPORATE SARASIN GLOBAL EQUITY - GLOBAL SARASIN SUSTAINABLE EQUITY - ETHIOPIA SARASIN SUSTAINABLE EQUITY - USA SARASIN SUSTAINABLE EQUITY - GLOBAL SARASIN SUSTAINABLE EQUITY - GLOBAL EQUITY - USA SARASIN SUSTAINABLE EQUITY - REAL ESTATE SARASIN SUSTAINABLE WATER FUND MIT DIESEM UMWELTZEICHEN ZU KENNZEICHNEN.

André Ruffpfechter
ANDRÉ RUFFPFECHTER
UMWELTMINISTER

The Sustainable City Awards 2011/12

FARSIGHT AWARD

HIGHLY COMMENDED

Outstanding Long Term and Extra-Financial Research

The Sustainable City Awards 2011/12

FARSIGHT AWARD

HIGHLY COMMENDED

Outstanding Long Term and Extra-Financial Research

THE FARSIGHT AWARD 2010

For Excellence in Long Horizon Financial Research



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