


26. FEBRUAR 2019

# SRI-Investment und - Reporting am Beispiel Frankreich

## Institutional Money Kongress



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Head of SRI



# The SRI framework

## French and international initiatives

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- 1 | Article 173 of the French Energy Transition Law
- 2 | The Task Force on Climate-related Financial Disclosures (TCFD)
- 3 | The European Commission

# Article 173 of Energy Transition Law

## Investors' obligations

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- 1 | Disclosure on how ESG criteria are integrated in the investment policies
- 2 | Climate change: disclosure of how climate risks and energy transition are included in the investment policies

Describe the approach

Measure

Act



**“Comply or explain”**

Beginning: year ended on 31 December 2016

# Policy and Action

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<b>ESG policy</b>	Methodology, Assessment Report on changes in the investment policy
<b>Climate policy</b>	Methodology, Assessment Report on changes in the investment policy
<b>Voting policy</b>	Report
<b>Engagement policy</b>	Report

# ESG methodology

## Issuers' Best in class ranking per sector

### CLUSTERS



LEADERS

The most advanced in incorporating ESG criteria



INVOLVED

Actively taking into account ESG criteria



FOLLOWERS

Average consideration for ESG criteria



UNCERTAINS

Minor consideration for ESG criteria



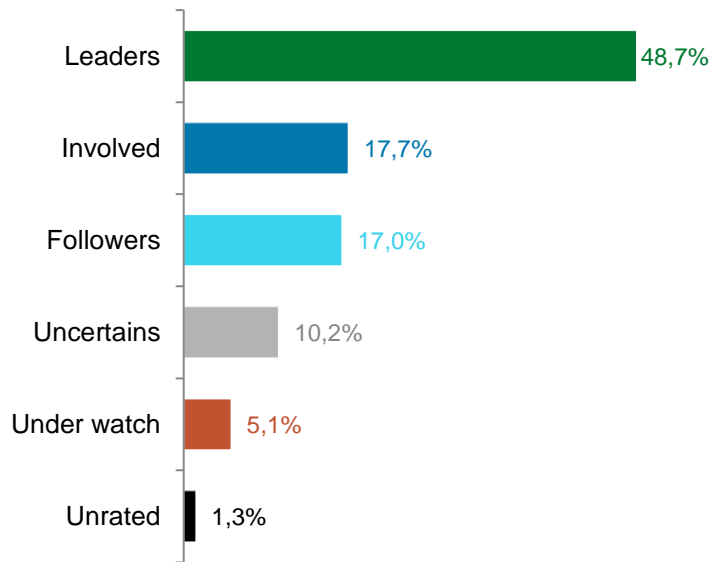
UNDER WATCH

Late in ESG issues consideration

# Assessment

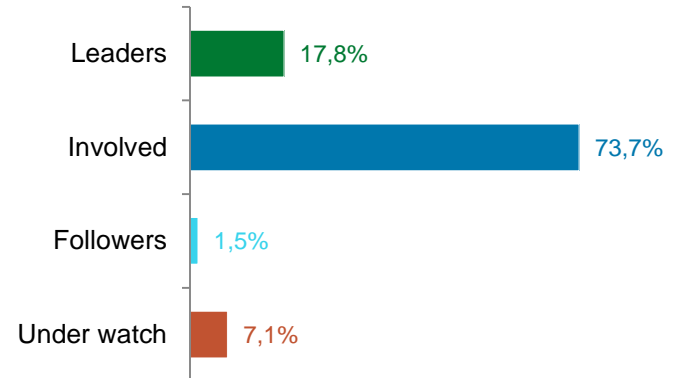
## Example of the SRI quality of an insurer's portfolio

### Corporates SRI quality



Source : OFI AM

### Sovereigns SRI quality

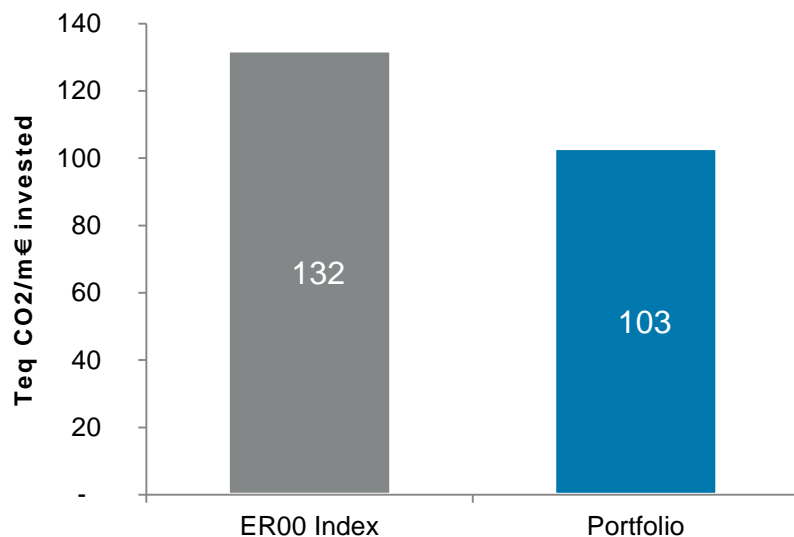


Source : OFI AM

# Carbon footprint

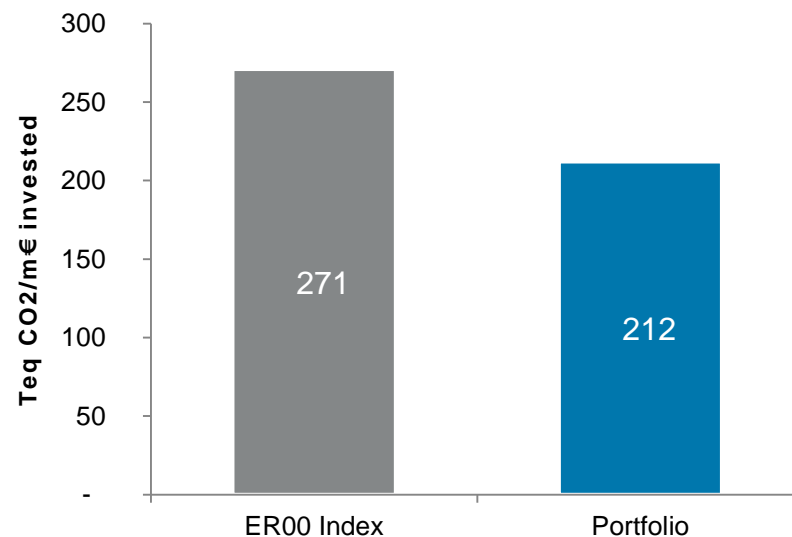
## Example of the measurement of an insurer's portfolio

Emissions financed per 1 M€



Source : OFI AM

Carbon intensity per 1 m€ turnover



Source : OFI AM

ER00 Index : BofA Merrill Lynch Euro Corporate Index

# Means of action towards a “low carbon” trajectory

- 1 Excluding certain sectors**  
Negative list
- 2 Picking issuers actively contributing to the energy transition**  
Financing companies that offer solutions
- 3 Selecting best efforts securities from carbon-intensive sectors**  
Positive list





# 1 | Coal divestment in the French market

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- **70% of portfolios** affected by climate exclusions

Investors enforce their exclusion policy on companies involved in generating energy from thermal coal and/or extraction of ores.

Some investors have a policy of excluding non-conventional fuels, particularly from oil sands and Arctic drilling

Support by the French Federation of Insurance Companies (FFA)

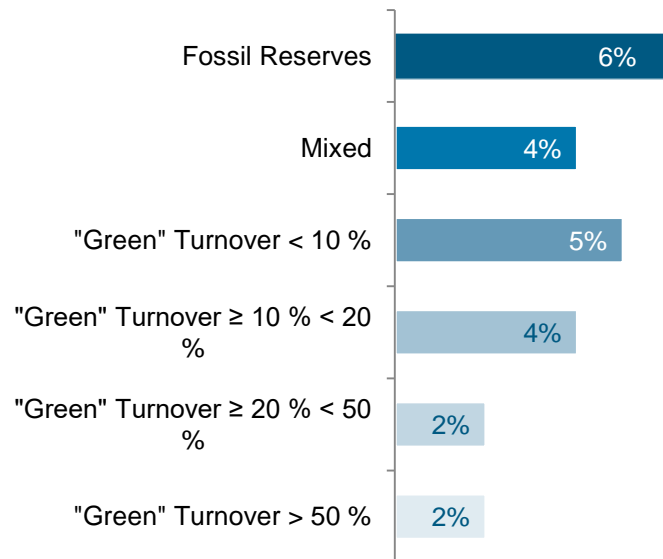
- **OFI AM climate exclusions**

Coal plan developers: Urgewald > 300MW new capacities

Thermal Coal mines owners

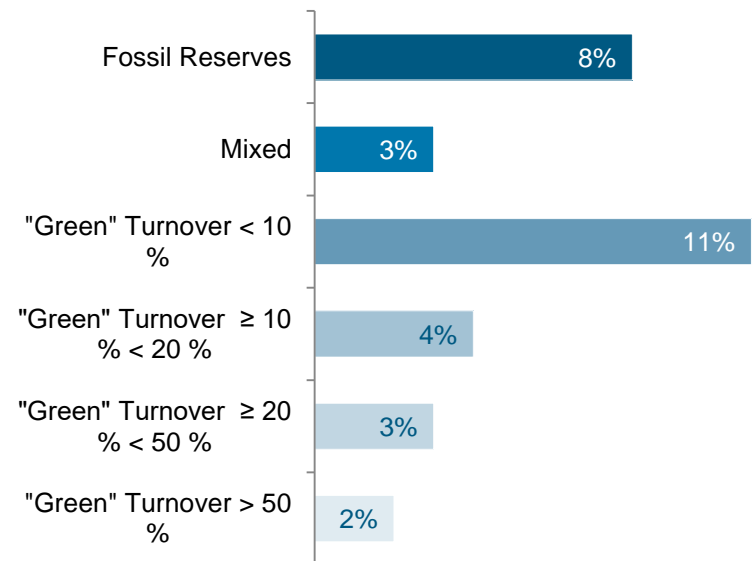
## 2 | Green/Brown investments in a portfolio

Portfolio of an insurer



Source: OFI AM

BofA Merrill Lynch Euro Corporate Index

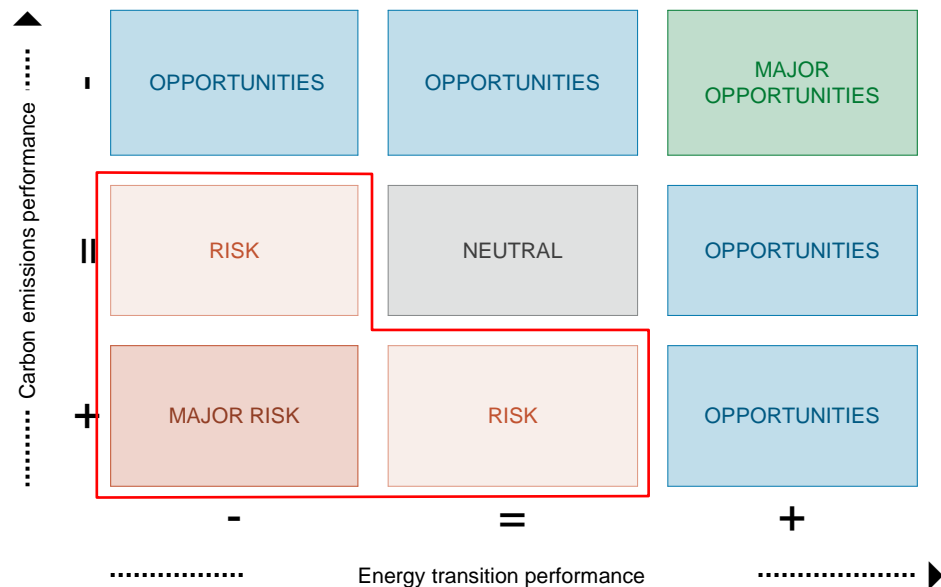


Source: OFI AM

### 3 Companies ranking vs. energy transition

- A in-house matrix for each of the 8 carbon-intensive sectors

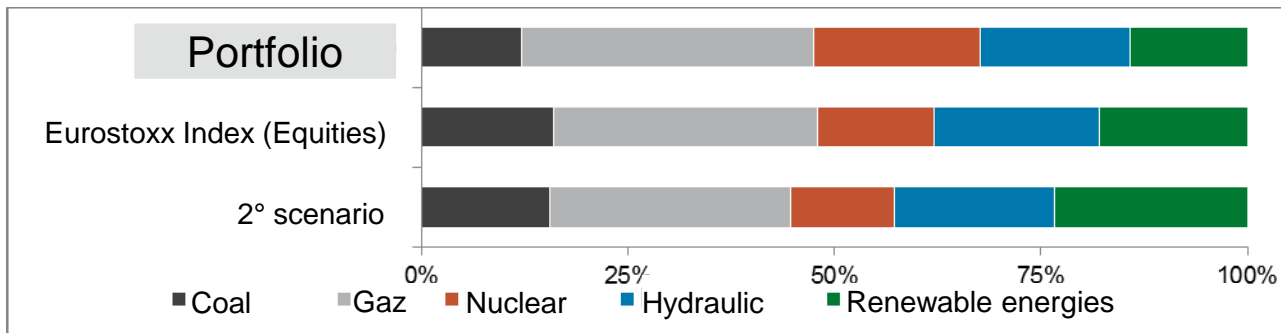
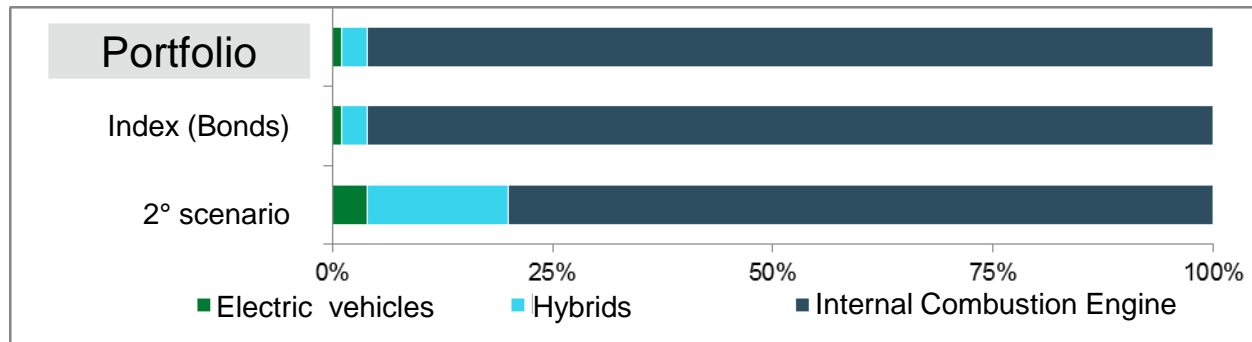
Selection matrix



Source: OFI AM

# Alignment with IEA 2° scenario 2040

## Car-makers / Power utilities



# Snapshot 2 years after the enforcement of the law

ANALYSES		% OF GLOBAL ASSETS
<b>Carbon footprint</b>		58%
<b>Analysis of portfolio vs. climate scenarios</b>		19%
<b>Analysis of issuers' climate risks</b>	Transition risks	22%
	Physical risks	16%
<b>Quantifying the potential financial impact of climate risks</b>	Transition risks	6%
	Physical risks	5%

Source: Novethic

The task force focuses on the impact of environmental challenges on an organisation



Recommendations are structured around **four key themes** in company organisational set-ups

### **Governance**

Corporate governance regarding climate-change risks and opportunities

### **Strategy**

Actual and potential impacts of climate-change risks and opportunities on companies, their strategies and their financial forecasts

### **Risk management**

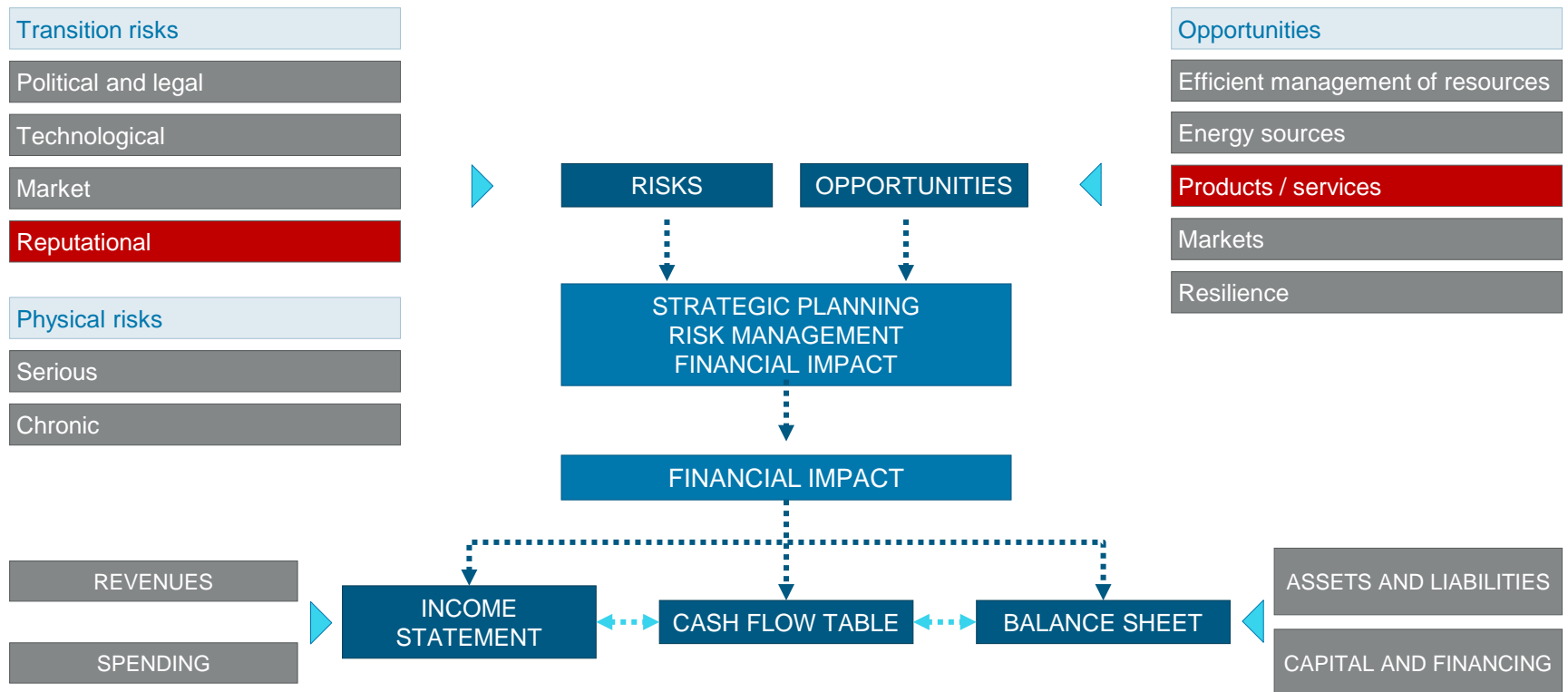
The company's processes for identifying, assessing and managing climate-change risks

### **Measures and objectives**

Measures and objectives used to assess and manage climate-change risks and opportunities

# Focus on the financial impact

## Climate-change risks and opportunities: potential financial impact for a company



# The European Commission

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## Three Goals

- 1 | Re-orient investments towards more sustainable technologies and businesses
- 2 | Finance growth in a sustainable manner over the long-term
- 3 | Contribute to the creation of a low-carbon, climate resilient and circular economy



# The European Commission's main recommendations

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## 1 Distribution

- A unified EU classification system: defining what is sustainable in all asset classes
- Green Bond Principles: a European standard for green bonds
- EU labels for funds; a minimum standard for SRI or “sustainable” funds
- Require financial advisors to ask their clients about ESG and climate issues: overhaul of MiFID and I.D.D.

## 2 Management and risk

- Introduction of transparency and reporting standards aligned with TCFD guidelines and the French Energy Transition Law
- Clarify the principle of “fiduciary responsibility”  
The updated regulatory frameworks must state clearly that ESG risks management is an integral part of fiduciary obligations

# OFI AM assists more than 20 French insurers in setting up article 173 with a tailor-made approach

## ● Range of investment solutions

- Climate change funds
- Climetrics award winner 2018

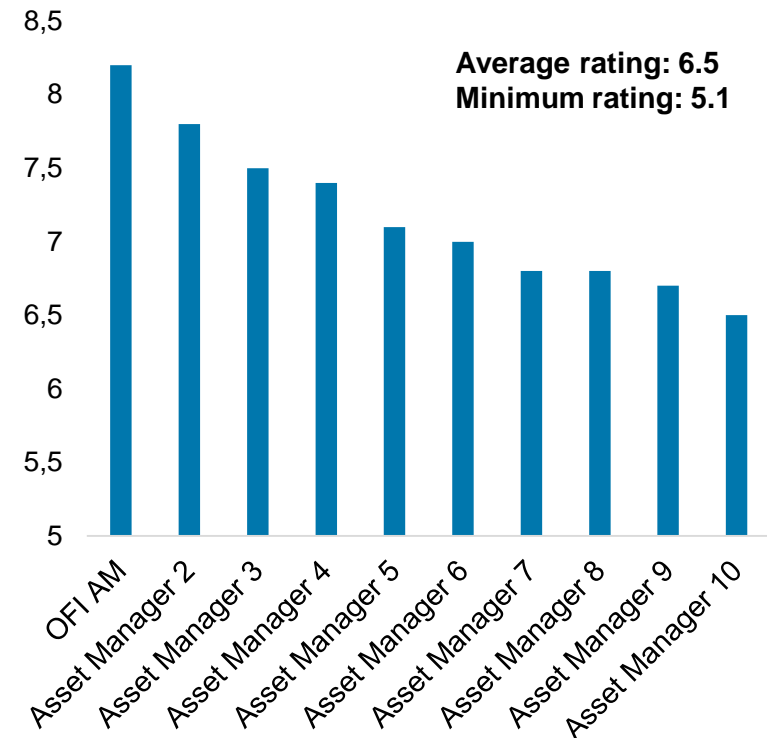
## ● Range of services offered

- ESG Policy
- Extra-financial assessment
- Monitoring reputational risk
- Engagement policy



Rating of AM: quality of ESG products and services (over 21 AM companies)

1 (very insufficient) to 10 (excellent)



Source : Indefi, 'Baromètre Institutionnel', December 2018

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