



1º Painel: Diálogo com Investidores sobre Investimentos Sustentáveis (o que é material para a análise e decisão de investimentos? dos Princípios aos Indicadores Chaves de Performance)

“Taking ESG into account” – Podemos evoluir para uma Economia Sustentável

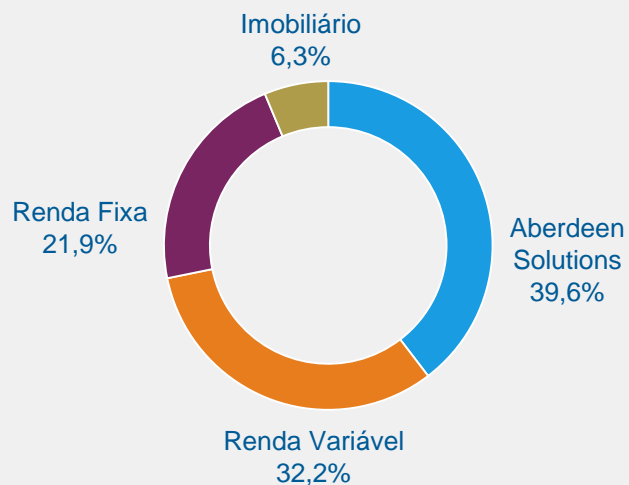
**Investimentos Sustentáveis - O que é material para a análise e decisão de investimentos?
Dos princípios aos indicadores chaves de performance**

Outubro 2015

Brunella Isper, CFA, Gestora de Investimentos
Aberdeen Asset Management

Sobre a Aberdeen

- Gestora escocesa independente fundada em 1983, listada na bolsa de Londres e integrante do índice FTSE 100
- Equipe de gestão experiente
- US\$483,3 bilhões sob gestão e valor de mercado de US\$8,5 bilhões*
- Ampla presença geográfica – 37 escritórios espalhados pelo mundo
 - Escritório em São Paulo desde 2009
- Mais de 2.700 funcionários incluindo mais de 800 profissionais dedicados à investimentos mundialmente
- Processo de investimento transparente



- US\$483,3 bilhões sob gestão
- US\$155,6 bilhões em renda variável
- US\$48,8 bilhões dedicados a mandatos de mercados emergentes globais
- US\$1,1 bilhões dedicados a mandatos investidos na América Latina
- US\$21,9 milhões dedicados a mandatos de renda variável no Brasil

Fonte: Aberdeen Asset Management PLC, 30 Jun 15

* 30 Jun 15 – Fonte: Factsheet

Fonte: Aberdeen Asset Management, 30 Jun 15

O total pode não corresponder à 100% devido a arredondamentos

Somente para fins ilustrativos

Nosso processo de investimento: qualidade primeiro, depois, preço



Aspectos de governança são centrais em nossa análise de investimentos

- **Perspectivas de negócios / estratégia**

Evidências de crescimento da indústria e execução de estratégias claras

- **Time de liderança/gestão**

Motivação, experiência, e histórico: confiamos nos indivíduos que tomam as decisões

- **Finanças**

Balanço sólido, transparente

- **Transparência**

Estrutura simples, previsibilidade de resultados, transparência na divulgação de demonstrativos financeiros

- **Comprometimento com a geração de valor para o acionista**

Companhia é gerida para os acionistas, não para os executivos ou controladores

- Estrutura acionária: tratamento justo a acionistas minoritários – direito a voto; direito a *tag-along*
- Composição do conselho: nível de independência, separação dos cargos de CEO e presidente do conselho
- Existência de comitê de auditoria; conselho fiscal
- Política de remuneração adequada; transparência na divulgação de informações sobre remuneração
- Política para lidar com situações de conflito de interesses / transações entre partes relacionadas
- Histórico de tratamento aos minoritários pelo grupo de controle

Nível de governança afeta a qualidade

Engajamento com empresas e reguladores para incentivar melhores práticas

Áreas de risco	Ações mitigadoras
Abuso do poder de controle	Incentivar tratamento igualitário a todos os acionistas, proteção legal a minoritários
Má gestão	Contribuir nos processos de nomeação de executivos e conselheiros, processo sucessório; avaliar executivos
Erros estratégicos	Foco nas grandes transações e gestão de capital, utilizar poder de voto se necessário
Conselho de Administração ineficiente	Relembra-los de suas responsabilidades, encorajar independência e renovação
Política de remuneração desalinhada	Avaliar remuneração, alinhar incentivos com criação de valor no longo prazo, encorajar transparência
Transação entre partes relacionadas	Incentivar forte fiscalização por parte do conselho e transparência na divulgação de informações
Fraca proteção legal	Construir relacionamento com reguladores, incentivar proteção aos minoritários

Disclaimer

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O espectador deve fazer sua própria avaliação e investigação em relação a relevância e exatidão das informações aqui apresentadas, bem como, é também recomendável solicitar a opinião de seu consultor financeiro. A rentabilidade obtida no passado não representa garantia de resultados futuros.

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PRI - Principles for Responsible Investment

Maria Lettini, Associate Director, Networks & Global Outreach



ESG FAILURES – ARE THEY MATERIAL?

ESTADAO

POLÍTICA + ECONOMIA +

E&N Negócios

Ações da Volkswagen desabam 17% com escândalo sobre emissão de poluentes

O ESTADO DE S. PAULO
21 Setembro 2015 | 16h 01

mercado

Ações da Petrobras caem até 9% após prejuízo de R\$ 6,2 bi com corrupção

DE SÃO PAULO

23/04/2015 @ 10h30 - Atualizado às 14h42



Brasil: Justiça do Trabalho condena Vale a pagar R\$ 804 milhões por acidentes de trabalho

Author: Piero Locatelli, Repórter Brasil, Published on: 12 June 2015

MP pede R\$ 11,5 bi da Sabesp por poluição de rios

ESTADÃO

RODRIGO BURGARELLI - O ESTADO DE S. PAULO
11 Outubro 2012 | 22h 46

AT A GLANCE

Launched in April 2006 at the NYSE

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



1400

SIGNATORIES:

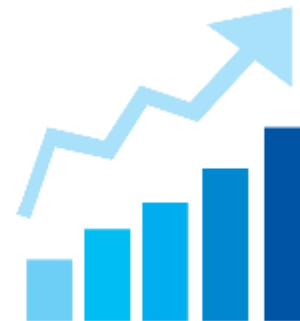
ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



59

US\$ TRILLION:

ASSETS UNDER
MANAGEMENT



6

PRINCIPLES:

RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



OUR MISSION:

CREATE A SUSTAINABLE GLOBAL FINANCIAL SYSTEM

THE SIX PRINCIPLES

1 We will incorporate ESG issues into investment analysis and decision-making processes.

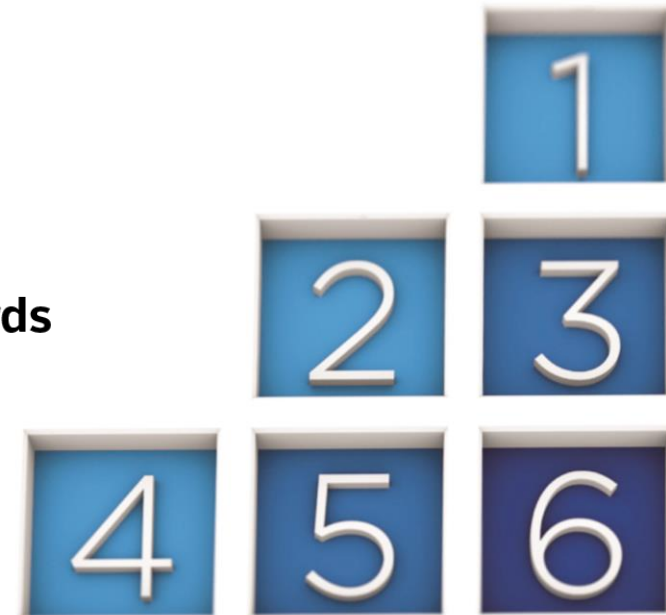
2 We will be active owners and incorporate ESG issues into our ownership policies and practices.

3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4 We will promote acceptance and implementation of the Principles within the investment industry.

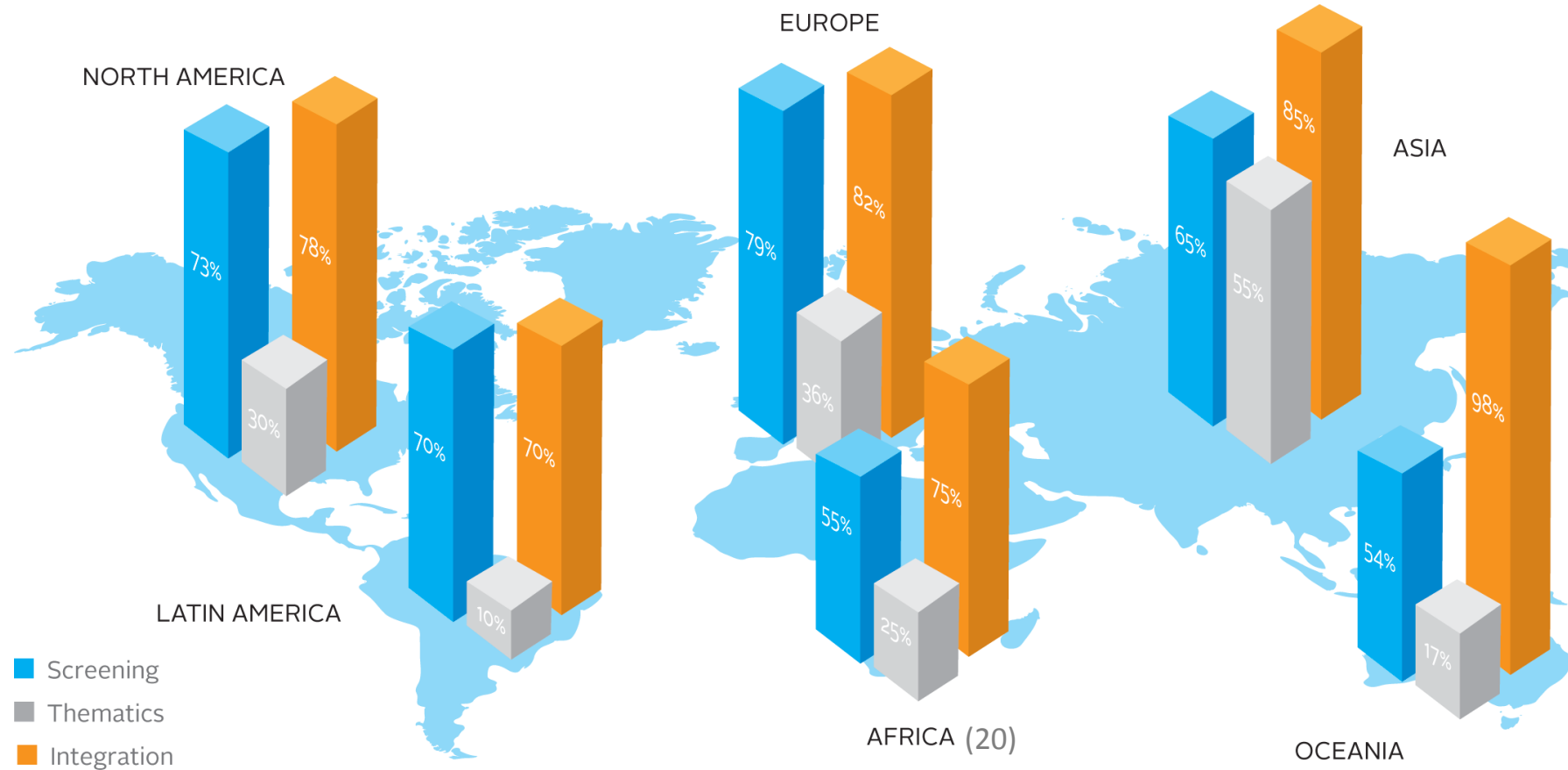
5 We will work together to enhance our effectiveness in implementing the Principles.

6 We will each report on our activities and progress towards implementing the Principles.



INCORPORATION OF ESG

ESG Integration is the most common method of incorporation



ESG INTEGRATION

- **Investors:**

- Integration = Inclusion of ESG factors on existing models.
- Use of ESG factors to better understand the risk profile, performance and opportunities of value creation in a company.
- It does not explicitly reduces the investment universe.

- **Companies:** incorporating environmental, social and corporate governance (ESG) factors in the business strategy, in the operation and on supply chain and services offer.

WHY ARE INVESTORS INTEGRATING ESG?

This is about being a better investor

PERFORMANCE

not philanthropy

“The high-sustainability companies dramatically outperformed the low-sustainability ones in terms of both stock market and accounting measures”

[Harvard Business School](#)

RETURNS

not sacrifice

“There are positive, strongly statistically significant positive abnormal returns associated with going long good corporate governance firms and shorting those with poor governance.”

[Yale School of Management](#)

DIVERSE APPROACHES

not just excluding “unethical” investments

“We believe that ESG analysis should be built into the investment processes of every serious investor and into the corporate strategy of every company that cares about shareholder value.”

[Deutsche Bank](#)

RISK

MANAGEMENT

not breach of fiduciary duty

“As we note above, the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.”

[Freshfields
Bruckhaus
Deringer](#)

MOVING FROM AWARENESS TO IMPACT





2º LATAM

ESG 2015

Taking ESG into Account

Organização

 **apimec** | SP

2º Painel: Mudanças Climáticas e sua influência na Atividade Econômica (às vésperas da Conferência de Paris)



cutting through complexity

Sustentabilidade & Megatendências

Ricardo Zibas



Mudanças no ambiente global de negócios

Como o mundo mudou desde a Rio – 92?

Globalização

O comércio internacional e investimento estrangeiro triplicaram

Source: The World Bank, *World Development Indicators* (2011).

Conexão

O uso de celular e internet subiu mais de 20.000%

Source: UNEP: *Keeping Track of our Changing Environment* (2011).

Consumo

Nossa população aumentou em 25%

Source: United Nations Population Fund, *The State of the World Population* (2011).



Prosperidade Desigual

1.3 bilhões de pessoas não tem acesso à energia

Source: IEA, *World Energy Outlook* (2011).

Escassez de Recursos

4 Bilhões de pessoas são afetadas pela escassez da água

Source: Heinberg. *Peak Everything*. (2007).

Declínio Ecológico

80% das reservas de pesca estão esgotadas ou totalmente exploradas

Source: UNFAO. *World Review of Fisheries & Agriculture*. (2010)

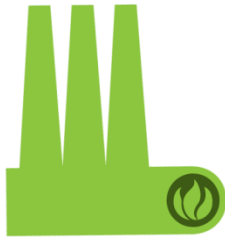
Megaforças Globais de Sustentabilidade

Conhecimento e Compreensão de cada uma é vital

Mudanças Climáticas



Energia & Combustíveis



Escassez de recursos materiais



Escassez de Água



Crescimento Populacional



Aumento da Riqueza e poder de consumo



Urbanização



Segurança Alimentar



Declínio dos Ecossistemas



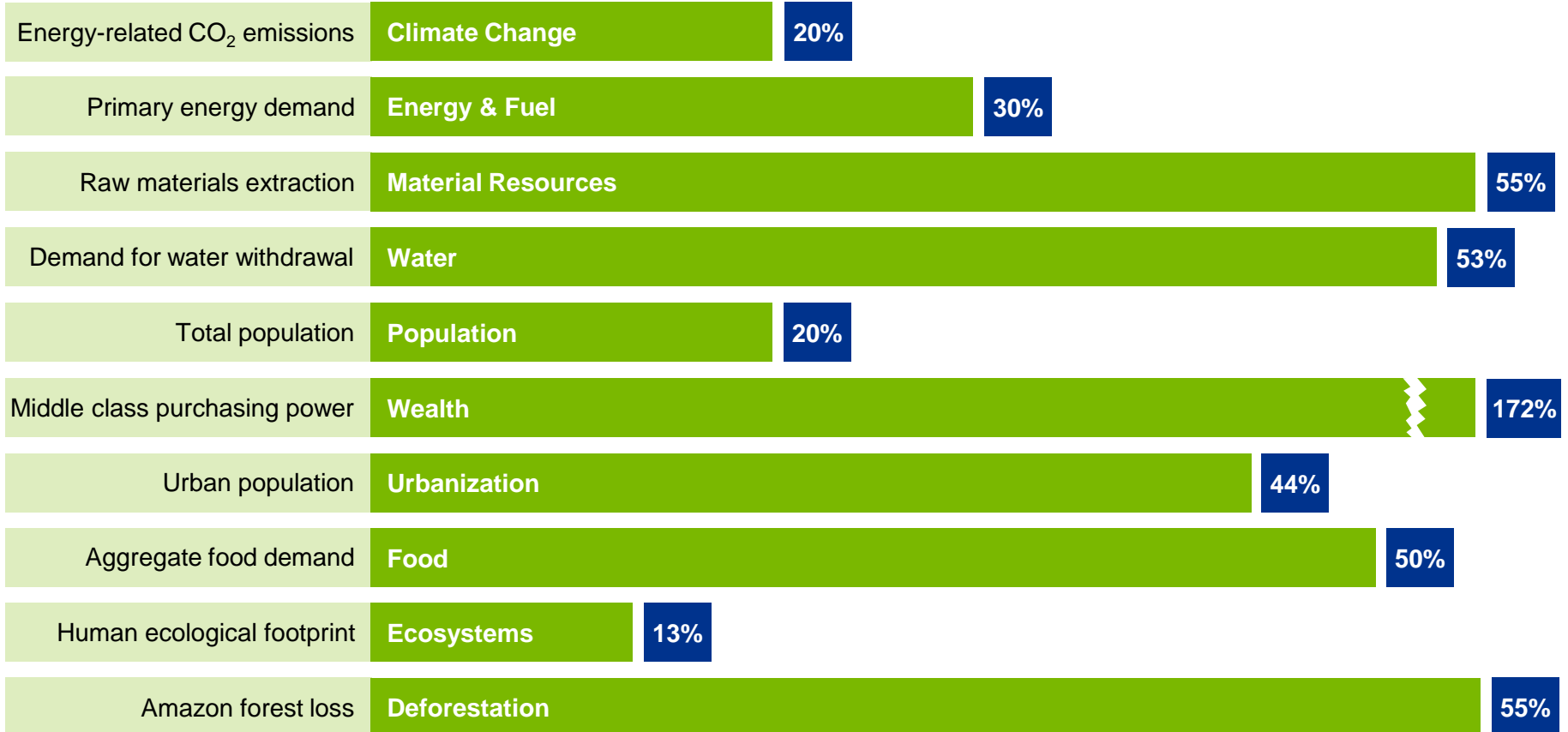
Desmatamento e mudança do uso da terra



Megaforças globais de Sustentabilidade

Os impactos devem aumentar nos próximos 20 anos

Projeções para 2035 (Business as Usual)



Source: IEA, SERI, Water Resources Group, UN, OECD, FAO, Global Footprint Network, WWF.

Custo externalizado em relação ao lucro de 11 setores de indústria

O impacto de fatores ambientais e sociais aos negócios está aumentando rapidamente – dobra a cada 14 anos.

O custo médio externalizado representa 41% do lucro.

Em seis setores econômicos, esta taxa sobe para 50% ou mais.

A internalização destes custos impactaria sensivelmente o valor das companhias.



Fonte: Trucost 2012.

Expect the Unexpected

Riscos e oportunidades

Impacto aos negócios

Aumento e volatilidade de preços

Novas regulamentações

Impactos físicos

Mudanças nas preferências do consumidor

Limitação de recursos para produção

Riscos emergentes

Regulatório/ Legal

Reputacional

Físico

Mercado

Social

Organizações podem elaborar estratégias que ao mesmo tempo respondam às ameaças e explore as oportunidades que representam as megaforças globais.

Oportunidades

Redução de custos

Reputação e marca

Inovação

Acesso a novos mercados

Acesso a capital



cutting through complexity

Obrigado!

Ricardo Zibas

Sócio Diretor

Sustentabilidade e Mudanças Climáticas
KPMG no Brasil & América Latina

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Sustentabilidade

Evolução do Tema

Tendência

- Novas tecnologias, comportamentos sociais, pressões econômicas, etc.

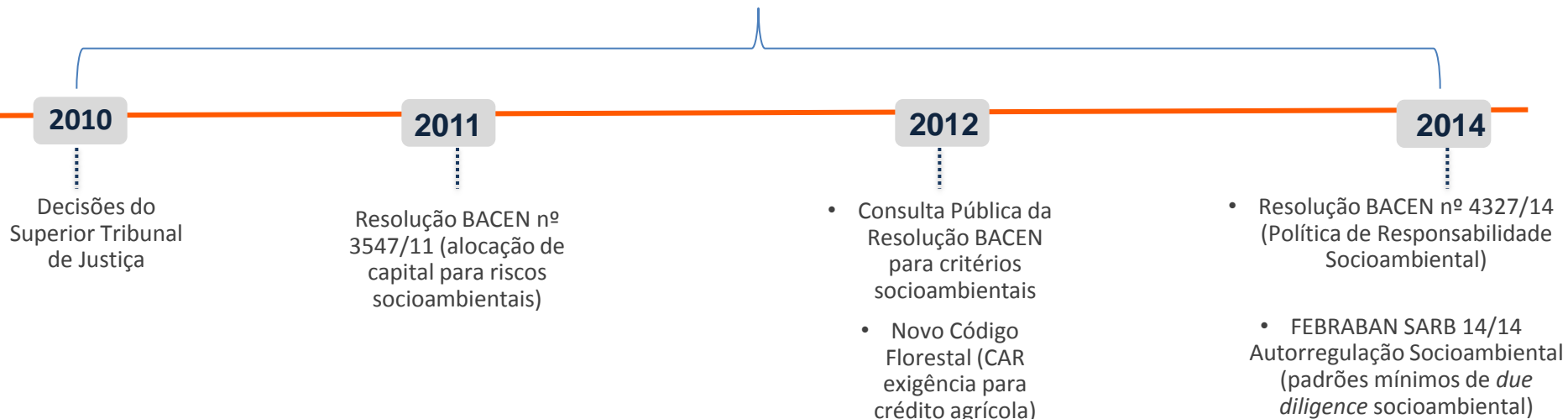
Articulação Social

- Iniciativas de Mercado
- Compromissos Sociais
- Compromissos voluntários: PRI, Princípios do Equador, PSI

Articulação Política

- Auto-regulações
- Regulações

- Compreender o âmbito da responsabilidade civil credor
- Inclusão das variáveis socioambiental



Diálogo com Stakeholders

Importante forma de engajamento para a construção de um quadro de regulamentação que define os padrões mínimos de mercado e beneficia o ambiente e a sociedade



Riscos Socioambientais



Impactos principais

	Revisão de políticas e procedimentos Procedimentos setoriais		Capturar a contribuição de partes interessadas internas e externas no desenvolvimento de políticas
	Aprovação de política corporativa no Conselho		Gestão de riscos sociais e ambientais com base em critérios de relevância e proporcionalidade
	Autorregulamentação da Febraban Parâmetros de performance para o setor		Base de dados de perdas sociais e ambientais (processos legais e administrativos)

Forma de atuação do Itaú

Riscos e Oportunidades Socioambientais



Crédito

Atacado e Varejo

- Princípios Equador
- Análise de Risco Socioambiental para PMEs
- Categorização Socioambiental
- Questionário de auto-declaração

Imobiliário

- Plano Empresário
- Questionário de avaliação de questões socioambientais do empreendimento

Veículos

- Frota
- Categorização Socioambiental
- Questionário - Licença



Investimentos

- Princípios para Investimento Responsável (PRI)
- Integração questões ESG na avaliação de empresas
- Fundos Socioambientais



Gestão de Produtos

- Aplicação de Critérios de Sustentabilidade no Processo de Aprovação de Produtos



Seguros

- Política Socioambiental para subscrição de seguros
- PSI – Princípios de Sustentabilidade para Seguros



Fornecedores

- Política e gestão de fornecedores
- RFI – *Request For Information*
- Matriz de Risco SA para categorização de fornecedores

Instrumentos de Gestão de Risco Socioambiental

- Princípios do Equador
- Políticas de Risco Socioambiental
- Questionário de Auto declaração
- Análises de Garantias (imóveis)
- Cláusulas Contratuais Socioambientais
- Categorização de Risco Socioambiental



Lista Proibida

- Mão-de-obra infantil em desacordo com a legislação
- Trabalhadores em condições análogas às de escravo
- Incentivo a Prostituição



Lista Restrita

- Armas de fogo e munições
- Extração e produção de madeira, lenha e carvão vegetal provenientes de florestas nativas
- Atividades pesqueiras
- Extração e industrialização de amianto
- Frigoríficos



Treinamento

- E-learning de Sustentabilidade e Risco Socioambiental
- Treinamento presenciais, workshops, palestras.



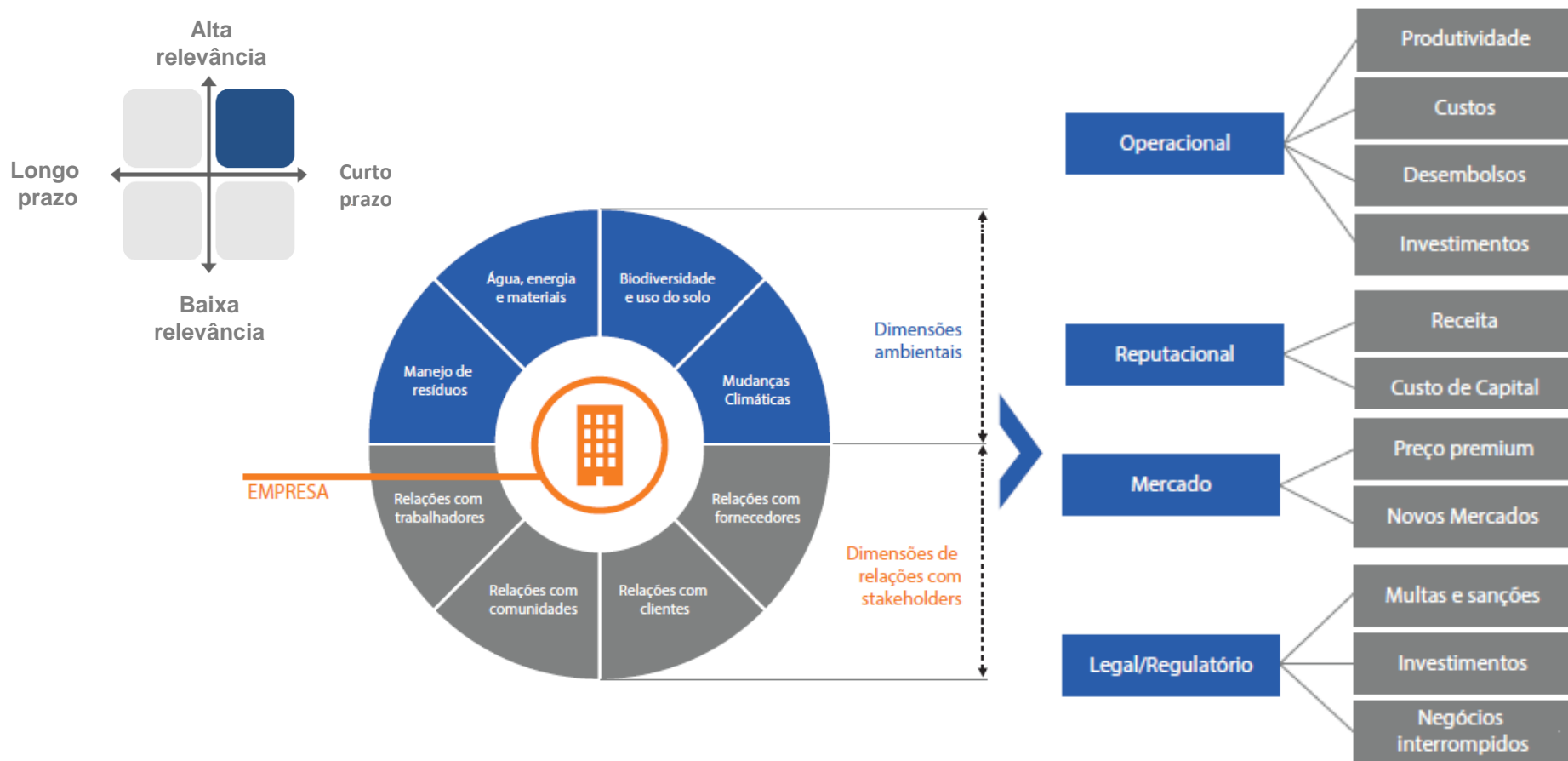
Monitoramento

- Teste de aderência
- Controle de cumprimento de cláusulas contratuais (covenants)
- Project Finance

Investimento

Metodologia de avaliação ESG

Metodologia própria para **incorporar** questões ESG à **avaliação e definição de preço** dos fundos de renda variável com gestão ativa, considerando: materialidade, relevância setorial, temporalidade, qualificação dos riscos e oportunidades, métricas e formas de gestão



Investimento

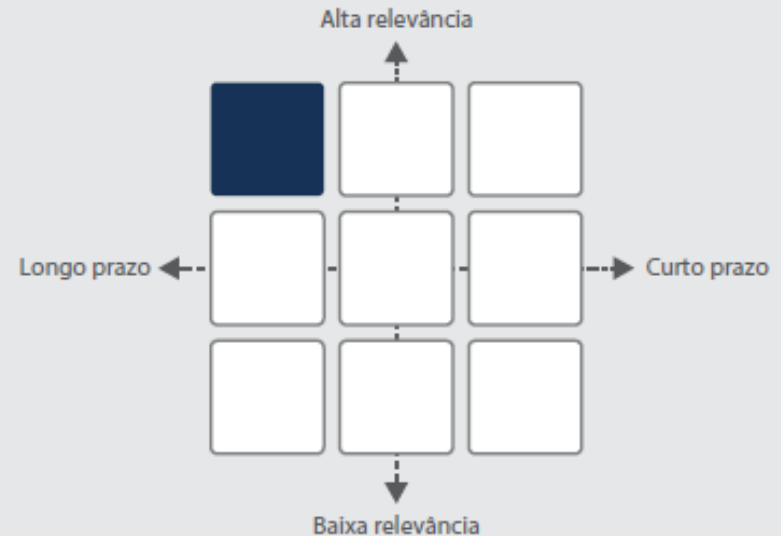
Exemplo: setor de siderurgia para o tema Mudanças Climáticas

A siderurgia é uma atividade intensiva em emissão de gases de efeito estufa. Disso, são originados dois diferentes tipos de risco:

- Operacional, associado às perdas materiais ocasionadas pela intensificação de fenômenos climáticos extremos;
- Regulatório, que diz respeito à legislação futura sobre o tema.
- Além disso, existe uma oportunidade: obtenção de receita da venda de créditos de carbono.

No momento, as atenções estão voltadas, no Brasil, ao andamento das negociações dos planos setoriais de adaptação e mitigação que estão sendo desenvolvidos.

No longo prazo, existe uma tendência de endurecimento na política, que se traduz por uma precificação do carbono emitido pelas empresas.



Tipo de Risco / Oportunidade	Métricas
Legal/Regulatório	Precificação potencial da emissão de CO2
Operacional	Exposição de ativos a riscos físicos
	Mudança na produtividade (adaptação)
Mercado	Receita com crédito de carbono

Em 2015, Captação de cerca de R\$ 1 bilhão para financiar projetos de energia renovável

Mais de R\$ 140 milhões em operações do Pronaf

Em 2014, o BBA teve R\$ 9 bilhões da carteira em operações socioambientais

Participação em 7 projetos de geração de energia eólica, totalizando **R\$ 6,5 bilhões**, com R\$ 1 bilhão de concessão do Itaú.

Mais de R\$ **487 milhões** em crédito Rural de 13 operações.

Geração de conhecimento/parceria: FGV, CEBDS e Febraban



Obrigada!



sustentabilidade@itau-unibanco.com.br





3º Painel: O Mercado de Capitais além do Mercado de Ações (compreendendo a Integração ESG na Análise de Títulos de “Renda Fixa”)

**2nd LATAM
ESG 2015
Taking ESG Into Account**

**BM&FBovespa
October 6, 2015**





1

Vigeo: activities, methodology and services

P. 3

2

Focus on “Paying the penalty” study

P. 13

3

Focus on Sustainable Bonds

P. 18





120 analysts and experts.

International presence : Paris, Brussels, London, Milan, Casablanca, Tokyo, Santiago de Chile

Independence and Transparency :

- ✓ A diversified shareholder structure + 5 independent administrators.
- ✓ An independent Scientific Committee.
- ✓ Sole agency publishing its annual report since 2004.
- ✓ A strict separation between our 2 activities.



Leading Sustainability Rating Agency

- ✓ 3 000 issuers rated worldwide.
- ✓ 150 investor and asset manager **clients** and partners in **30 countries**.
- ✓ A robust and ARISTA certified **methodology**.



Corporate Sustainability Expert

- ✓ **Sustainability consulting services** for companies, local authorities, governmental and non-governmental organizations.
- ✓ **500+** diagnosis and support **missions** conducted in **37 countries** since 2002.





Vigeo rating: our clients and partners

4.

A recognized expertise to support investors, asset managers, institutions and NGOs in the development of their SRI and ESG approach.

- ✓ 150 clients and partners in 30 countries.
- ✓ Research impacting 3000+ Md USD of assets under management.
- ✓ Academic and institutional partnerships supporting the development of responsible investment and the integration of ESG issues by economic actors.





Why?

- ✓ Rising interest of **European investors** in companies from Emerging Markets.
 - ✓ Rating **135 issuers in South America (70 Brazilian ones)**.
- ✓ Rising interest of **South American companies** to use their Vigeo rating to foster their ESG strategy.
- ✓ Rising interest of **South American investors** to integrate ESG aspects in their investment decisions
 - ✓ Brazilian market: leading the path
 - ✓ Chile - Peru - Colombia - Mexico: on the road



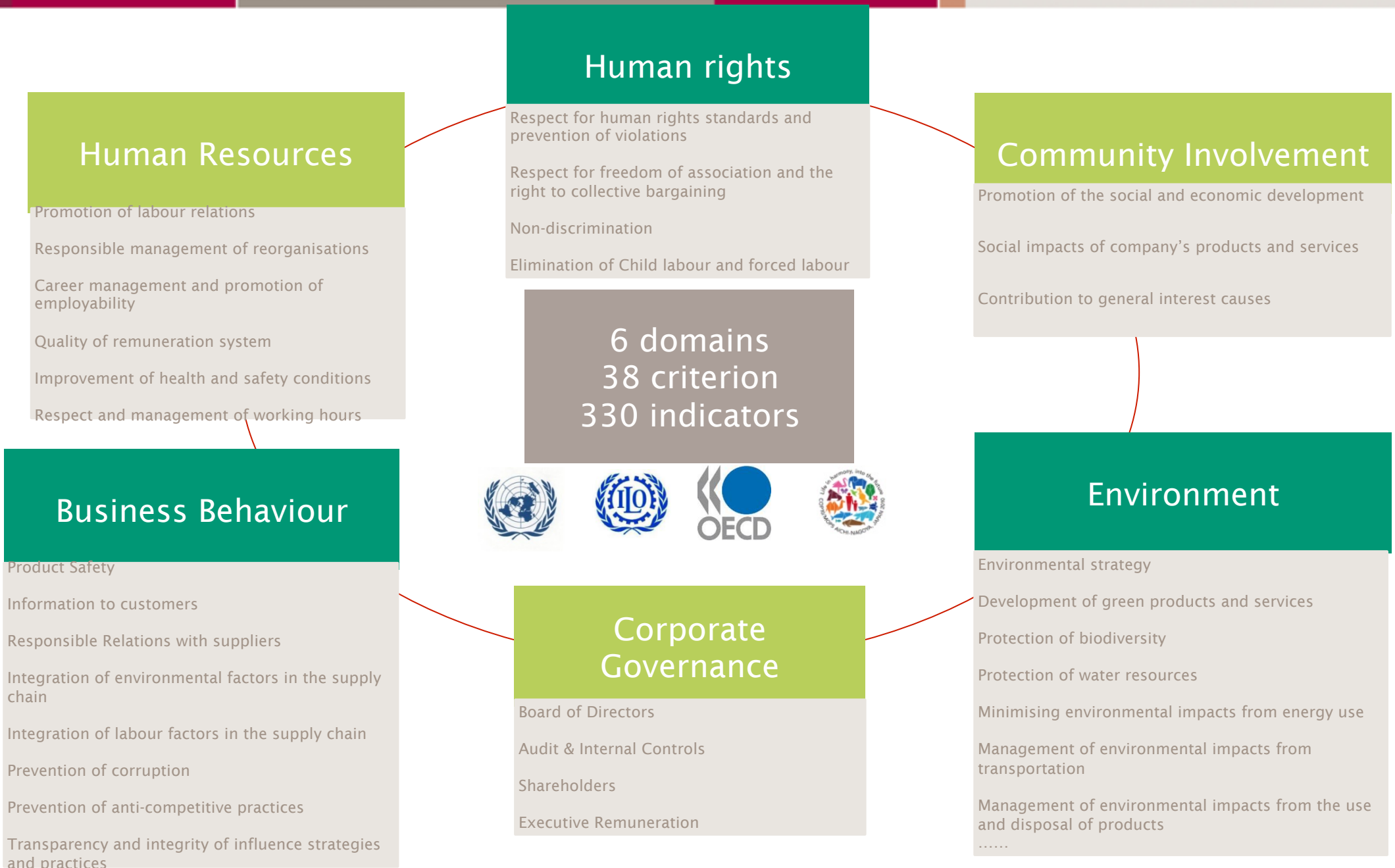
Why?

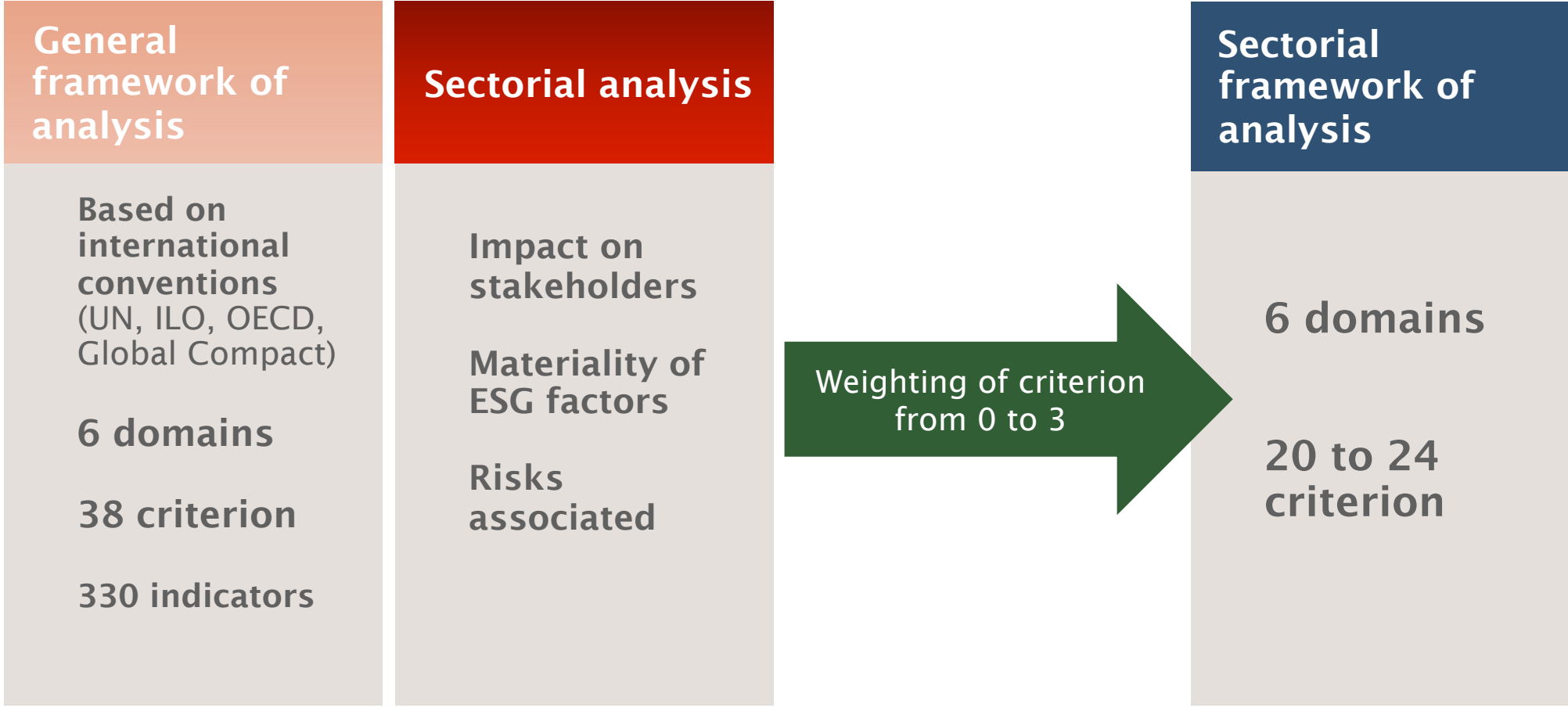
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- ✓ Rising interest of **South American investors** to integrate ESG aspects in their investment decisions
 - ✓ Brazilian market: leading the path
 - ✓ Chile - Peru - Colombia - Mexico: on the road

How? Office in Chile since early 2014

- ✓ **Vigeo - Euronext Emerging Index** launched in June 2015 (10 Brazilian issuers out of 70)
- ✓ Research partner of **ALAS20 initiative**: Chile - Peru - Colombia (Mexico 2016)
- ✓ Fostering the emergence of the **LatinSIF**
- ✓ **IRLatam** conference, 1st year in Chile 2015



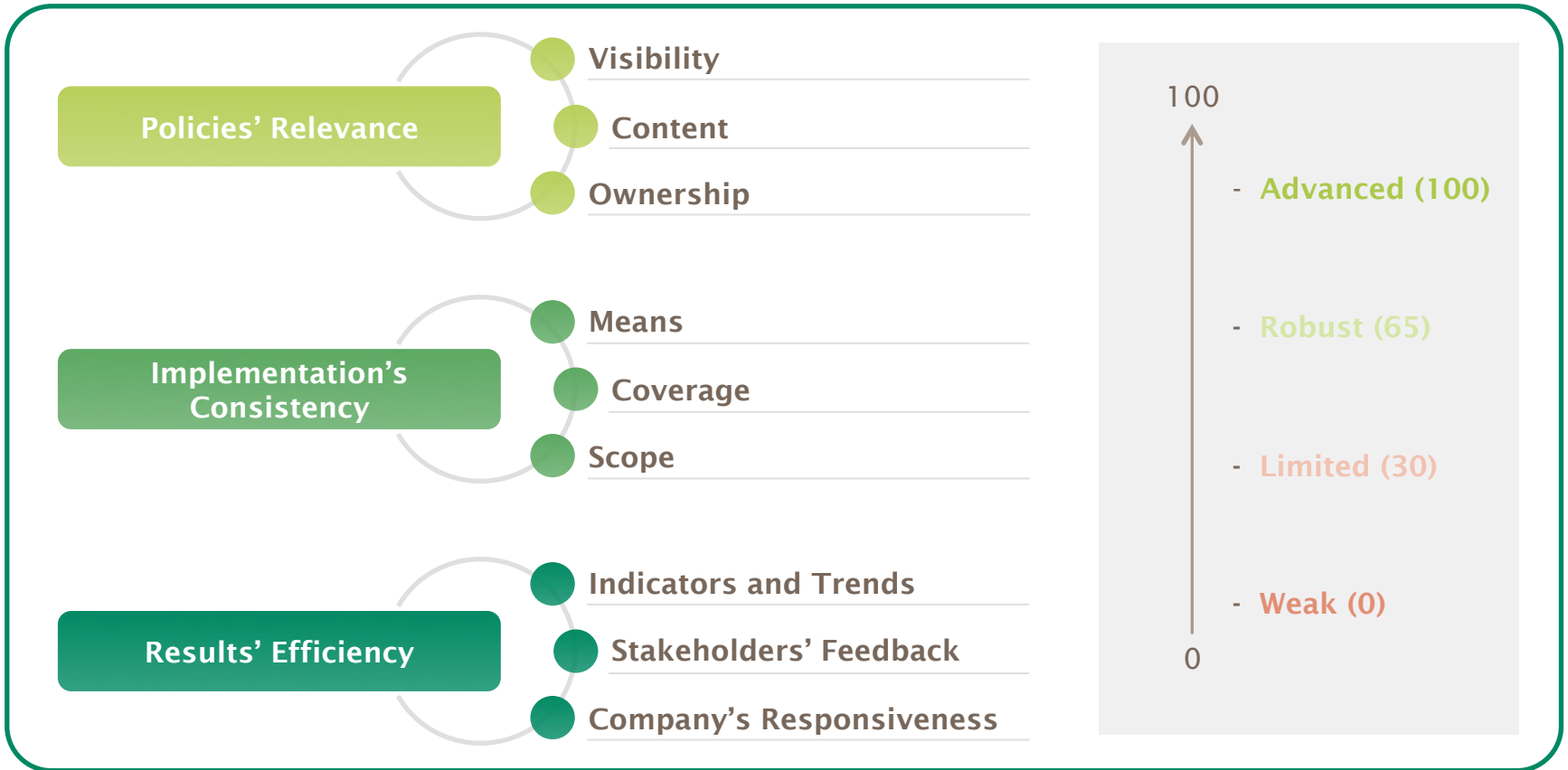






The managerial analysis: an in-depth assessment of issuers' commitments and their integration.

[3 items] [9 analysis perspectives] [4 levels of performance]



Rating results: Mitigating risks through performance indicators and analysis



Company	Number of Controversies (Overall)	Number of Controversies of High or Critical Severity (Overall)	Number of Controversies (Environment)	Number of Controversies of High or Critical Severity (Environment)	Number of Controversies (Human Resources)	Number of Controversies of High or Critical Severity (Human Rights)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)	Number of Controversies of High or Critical Severity (Other)
A (V2 mode)	4	3	3	3	1	0	0	0	0	0	0	0	0	1	0
A (V2 mode)	4	3	3	3	1	0	0	0	0	0	0	0	0	1	0
A (V2 mode)	4	3	3	3	1	0	0	0	0	0	0	0	0	1	0
A (V2 mode)	4	3	3	3	1	0	0	0	0	0	0	0	0	1	0

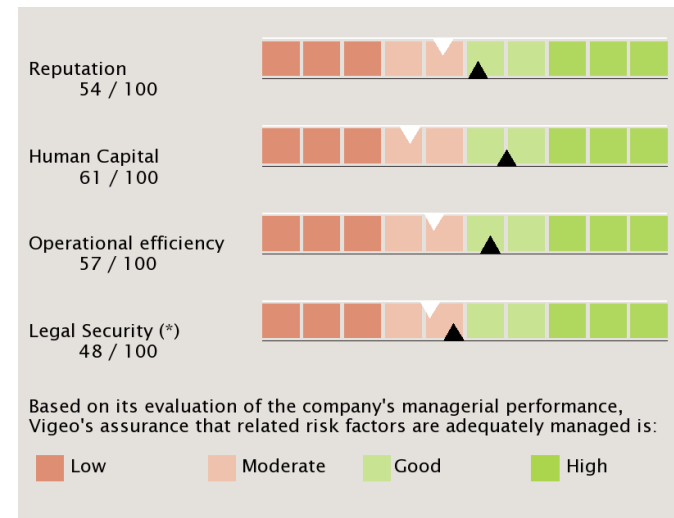
Company	Controversy Ref	Controversy Status	Controversy Level	Controversy Stage	Controversy Title	Controversy Description	Related Topic (E/HR)	Related Domain	Related Sustainability Driver Ref	Related Sustainability Drivers Name	Severity	Severity Score	Response Status	Response Score	Risk Mitigation	Risk Mitigation Score	Overall Score
A (V2 mode)	Comp404	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	Critical	4	Positive	1	Advanced	1	1
A (V2 mode)	Comp404	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	Critical	4	Positive	2	Robust	2	1
A (V2 mode)	Comp404	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Positive	3	Limited	3	1
A (V2 mode)	Comp404	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp403	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp403	Active	AAA	III	Controversy Title	description of the controversy	G	Governance	ENV1-HRS1	Name of the Sustainability Driver	Significant	2	Positive	2	Limited	2	1
A (V2 mode)	Comp403	Active	AAA	III	Controversy Title	description of the controversy	G	Governance	ENV1-HRS1	Name of the Sustainability Driver	Significant	2	Positive	3	Weak	4	1
A (V2 mode)	Comp403	Active	AAA	III	Controversy Title	description of the controversy	G	Governance	ENV1-HRS1	Name of the Sustainability Driver	Significant	2	Positive	3	Weak	4	1
A (V2 mode)	Comp402	Active	AAA	III	Controversy Title	description of the controversy	S	Human Resources	ENV1-HRS1	Name of the Sustainability Driver	Minor	1	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp402	Active	AAA	III	Controversy Title	description of the controversy	S	Human Resources	ENV1-HRS1	Name of the Sustainability Driver	Minor	1	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp402	Active	AAA	III	Controversy Title	description of the controversy	S	Human Resources	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp402	Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
A (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Non-Comprehensive	4	Weak	4	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	Critical	4	Positive	1	Advanced	1	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	Critical	4	Positive	2	Robust	2	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	E	Environment	ENV1-HRS1	Name of the Sustainability Driver	High	3	Positive	3	Limited	3	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	S	Human Resources	HRS1	Name of the Sustainability Driver	Critical	4	Positive	2	Robust	2	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	S	Human Resources	HRS1	Name of the Sustainability Driver	High	3	Positive	3	Limited	3	1
B (V2 mode)	Comp401	Not Active	AAA	III	Controversy Title	description of the controversy	G	Governance	GSR1	Name of the Sustainability Driver	Significant	2	Positive	2	Limited	2	1

of the Sustainability drivers

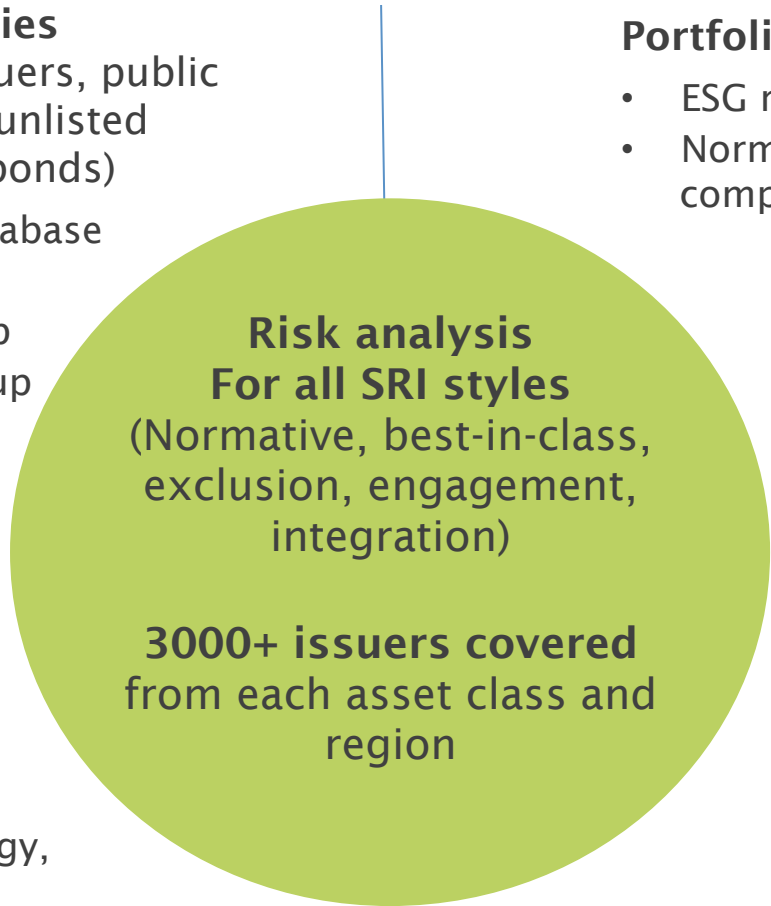
Weaknesses		Strengths	
3	<ul style="list-style-type: none"> Energy Anti-competitive practices 	<ul style="list-style-type: none"> Board of Directors Customer relations Access to services & base stations impact 	<ul style="list-style-type: none"> Career management Fundamental human rights Information to customers Health and safety
	<ul style="list-style-type: none"> Executive remuneration Waste 	<ul style="list-style-type: none"> Shareholders Corruption Reorganisation 	<ul style="list-style-type: none"> Environmental strategy Non-discrimination and diversity Social standards in the supply chain Audit & internal controls Disposal of telecom devices Social Dialogue Fundamental labour rights
<ul style="list-style-type: none"> Responsible Lobbying 			<ul style="list-style-type: none"> Environmental standards in the supply chain
<p>Limited 30 to 49 points</p>		<p>Robust 50 to 59 points</p>	<p>Advanced 60 to 100 points</p>



Company	Score	Environment	Human Resources	Business Behaviour	Corporate Governance	Community Involvement	Human Rights
2011/07 Aerospace	2	0					
2009/09 Aerospace	2						
2008/04 Aerospace	2						
2006/05 Aerospace	2						
2004/07 Aerospace	1	1	1	1	1	1	1
2010/11 Aerospace Asia Pacific	2				1	2	2
2009/06 Aerospace Asia Pacific	2				1	2	
2011/05 Aerospace North America	2				1	2	
2009/03 Aerospace North America	2				1	2	
2005/08 Air Transport	2				1	1	1
2004/04 Air Transport	2	1	1	1	2	1	1



Based on its evaluation of the company's managerial performance, Vigeo's assurance that related risk factors are adequately managed is:



Fixed Income and Equities Database (sovereign issuers, public funds, local authorities, unlisted companies, convertible bonds)

- Scores and Ratings Database
- Company reports
- Controversies follow-up
- Good practices follow-up
- Monitoring and alerts
- Sector reports
- Thematic Studies

Portfolio analysis services

- ESG risks analysis
- Norms and international standards compliance

Investment universes

- Ready-made or tailor-made

Labels / Certification

- Ethibel Forum partnership



Research on disputable activities

- Armament, Nuclear Energy, GMO, sex industry, etc

Engagement & Controversies

- Support
- Follow-up
- Reporting

ESG Indices

Ethibel Indices
Euronext Vigeo Indices





1

Vigeo: activities, methodology and services**P. 3**

2

Focus on “Paying the penalty” study**P. 13**

3

Focus on Sustainable Bonds**P. 18**



Hypothesis of the study “Paying the Penalty: the costs of CSR misconduct”:
companies’ mismanagement of CSR responsibilities generates material legal risks.

Questions:

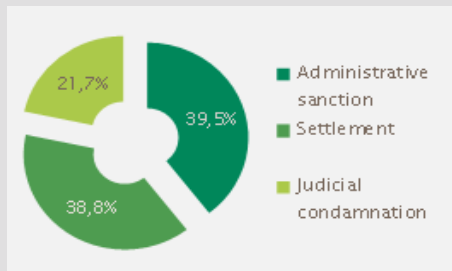
Key Findings:

- ❖ **What is the materiality of CSR legal risks?** ❖ **Total sanctions in 2012-2013: Eur 95.5 billions, highest individual sanction: USD 13 billions.**
- ❖ **Which sectors are most exposed to CSR material legal risks in terms of frequency and costs?** ❖ **Waste & Water Utilities and Automobiles** have the highest proportion of sanctioned companies. **Banks, Pharmaceuticals and Energy** companies paid the highest sanctions.
- ❖ **Is there a CSR issue that is more exposed to material legal risks in terms of frequency and costs?** ❖ **Business Behaviour** issues are the ones on which sanctions were more **frequent**, and more **expensive** (8 out of the 10 highest sanctions).
- ❖ **Are there regions in which CSR material legal risks occur more frequently?** ❖ Almost 50% of the condemnations took place in the **United States** and 25.5% in European countries.



Scope of the study:

- 2,522 companies rated in 2012-2013
- 484 sanctioned companies (19.2%)
- 1,015 legal sanctions registered



USA:

- ❖ Cultural framework (Shareholders' activism)
- ❖ Legislation (Class Actions lawsuits)

Top 10 sanctioning countries		
	Number of sanctions	% of sanctions
United States	491	48,4%
France	89	8,8%
United Kingdom	75	7,4%
Singapore	29	2,9%
Spain	26	2,6%
Australia	25	2,5%
Brazil	25	2,5%
Germany	22	2,2%
India	18	1,8%
Canada	17	1,7%
Italy	17	1,7%
Japan	15	1,5%

Waste and Water Utilities, Automobiles:

- ❖ Sensitive activity/product
- ❖ High impact on stakeholders: environment and health of communities
- ❖ Strong scrutiny by authorities → stringent legal frameworks
- ❖ Strong scrutiny by clients → easy recourse to justice

15 sectors with highest proportion of sanctioned companies			
Sector	Number of sanctioned Companies	Companies in the sector	% sanctioned companies
Waste & Water Utilities	8	16	50,0%
Automobiles	29	67	43,3%
Tobacco	5	13	38,5%
Healthcare Equipment Serv.	25	68	36,8%
Heavy Construction	10	28	35,7%
Luxury Goods & Cosmetics	12	34	35,3%
Pharmaceuticals & Biotechnology	24	71	33,8%
Energy	32	95	33,7%
Building Materials	15	45	33,3%
Industrial Goods & Services	26	78	33,3%
Aerospace	9	28	32,1%
Food	21	90	23,3%
Beverage	9	41	22,0%
Banks	50	233	21,5%
Electric Components & Equipment	7	33	21,2%



CSR material legal risks: on which csr issue?

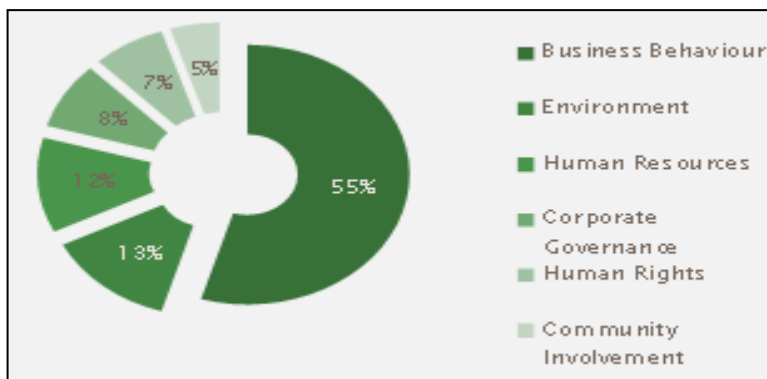
Business Behaviour:

- ❖ Stringent national and international legal framework
- ❖ Activity of vigilance of **judicial authorities**
- ❖ Activism of **customers** as stakeholders

Business Behaviour includes the respect of customers' rights, prevention of corruption and anti-competitive practices.

Business Behaviour:

- ❖ **55% of the total sanctions**
- ❖ Globally and individually the **most expensive ones**
- ❖ 63% of the total costs of sanctions
- ❖ 80% of the most expensive sanctions



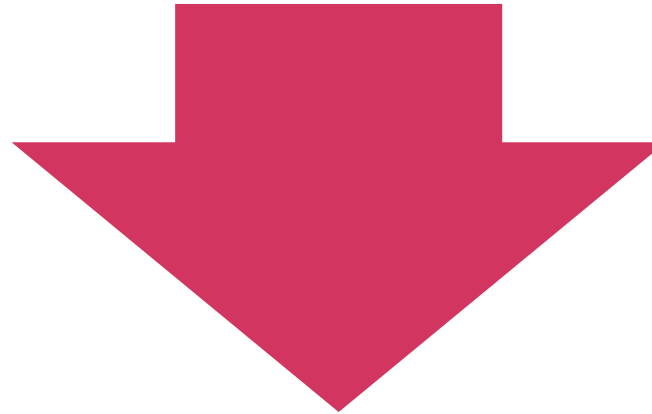
Domain	Cost of sanction (EUR billion)
Business Behaviour	60,6
Community Involvement	16,6
Human Rights	7,6
Environment	5,6
Corporate Governance	3,6
Human Resources	1,3
TOTAL	95,5

Company	Sector	Country of sanction	Amount (USD bn)
JP Morgan Chase	Banks	USA	13.0
Bank of America	Banks	USA	11.8
Bank of America	Banks	USA	11.6
Chevron	Energy	Ecuador	9.5
BP	Energy	USA	4.5
Visa	Financial Services	USA	4.0
Glaxosmithkline	Pharmaceuticals & Biotechnology	USA	3.0
Johnson & Johnson	Pharmaceuticals & Biotechnology	USA	2.5
HSBC Holdings	Banks	USA	2.5
Johnson & Johnson	Pharmaceuticals & Biotechnology	USA	2.2



Conclusions

- ❖ Strong links demonstrated between CSR management and material legal risks for companies
- ❖ Key drivers of this legal risk include:
 - ❖ Sector of activity
 - ❖ Stakeholders' reactivity (including the legal context)



- ❖ **The integration of Corporate Social Responsibility in the company's strategy is essential to prevent legal risks and enhance judicial security as a key intangible asset for the company.**



1

Vigeo: activities, methodology and services**P. 3**

2

Focus on “Paying the penalty” study**P. 13**

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Focus on Sustainable Bonds**P. 18**



Leadership

- ✓ We supported the **first corporate Sustainable Bond issuances** on the market and the **largest one**, and we actively participate to its development with our partners and clients.
- ✓ We fully support the **Green Bonds Principles 2014** and are part of several workshops.
- ✓ Our numerous track records allow us to develop **expertise and flexibility** on this market.
- ✓ We supported different types of actors in issuing their Sustainable / Green bond: Private issuers, development bank, and public bodies

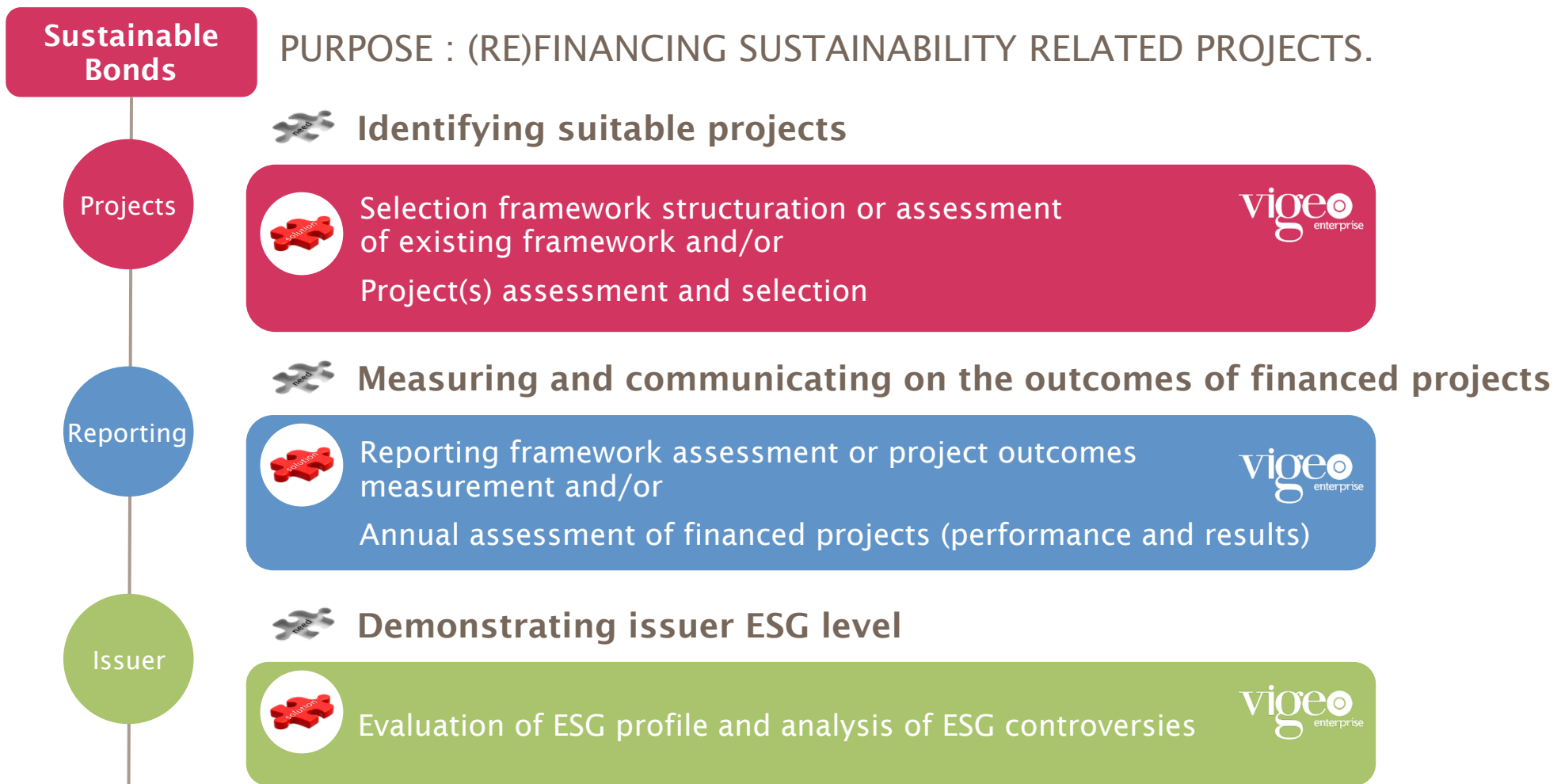




Sustainable Bonds: How to succeed ?

Vigeo's solutions - Overview

Manage the issuance process and the targeted projects efficiently, and ensure an impactful communication.



Expert and independent opinion (Second Party Opinion) on the issuance, a source of assurance and legitimacy acknowledged by the investors, in accordance with the Green Bonds Principles 2015.



Sustainable Bonds: How to succeed ?

Vigeo's solutions - Overview

Issuer



Projects
Reporting

Issuer
Projects
Reporting



Sustainability profile



Bond Framework

Use of proceeds

2. Project analysis
Use of proceeds (2/2)

Eligible projects have to correspond to one of the following 3 categories:

Project Category	Definition	Sub-requirement	Climate benefit
Reduction of GHG emissions	Projects aiming at developing low carbon energy transport (bicycles, electric vehicles, etc) and public transport.	Public transport - Alternative transport (cycling Plan, Electric vehicles, support to the development of electric cars for residents and professionals)	Reduction of GHG emissions, particularly for electric transport
Energy efficiency	Projects aiming at reducing the energy consumption of buildings and public spaces, such as increasing maximum heat of carbon emitting installation or in transit, with performance goals and energy poverty focus.	Buildings: construction of energy efficient, thermal insulation for buildings, roofs, heating, marking homes, etc.) Public lighting and signals: replacement of energy consuming apparatus	Energy savings
Renewable energy	Projects aiming at developing local renewable energy production and/or energy recovery.	Renewable energy power plants (solar panels), Conventional energy Energy recovery (from wastewater treatment, data center, etc.)	Increased production of renewable energy

Vigeo Opinion

Evaluation and selection process

2. Project analysis
Process for the project selection and reporting

Based on the ICCO/ISSB guidelines used on Vigeo's sustainability policy and external reviews concerning business activities and practices in place, the process for project selection and reporting is conducted in 3 steps, as presented in the following framework:

Project Selection Framework

- Filter the Green Bond projects with Highest Green Building with the purpose of reducing the overall environmental impact of the asset, all along its lifecycle.
- Assess the sustainable value of these projects, through environmental, social and Governance (ESG) commitments, in line with Vigeo's Sustainability-related drivers, reported in "green house".
- Reduction of the environmental footprint
- Contribution to responsible relation work stakeholders

The selection of eligible projects will be decided by the issuer. This is based by the proceeds of the bond will be captured on a quarterly requirements of the framework.

Reporting Framework

- Report on eligible on financial projects, environmental, social and Governance, via reporting indicators.

This process of evaluation and of selection:
- Define selected criteria and weights
- Guide the issuer on the process of the selection
- Identify supporting elements and to justify the criteria choice.

**2. Project analysis
ESG Criteria - SOCIAL CONDITIONS AND SOCIETY**

This area covers:
- The integration of social factors in the supply chain, i.e. the respect of human rights, protection of health and safety and the improvement of social relations and working conditions.
- Commitments towards community's well-being, sustainable tourism, social and economic development on the territory of the asset.
- The relation with the tenants: the respect of responsible practices in terms of satisfaction, security, quality of the service.

Criteria	Commitments	Supporting elements
Social responsibility - Labour practices - Terrestrial integration	All suppliers are subject to binding contractual obligation related to the protection of health and safety of all employees working on the site. Information is provided to local stakeholders of the asset	Contract templates and standard social clauses Contract templates and specifications, publications, meetings, public consultation.
Quality of access	The asset is accessible to people with impaired mobility. The building is within 500 meters range of public transport connection Challenge with tenants is promoted	Building design and specifications Reduced Level or certification Reporting system for the assets Tenants Committee
Responsible relations with tenants	A high level of information is provided to the tenants for the management of the building, in most of the following domains: energy, water, waste, maintenance. The construction/maintenance of the asset ensures to the tenants a high level of comfort in most of the following domains: equipment, acoustic, visual and others.	At least 1 of a Vigeo's targets for the ESG management - Score of internal monitoring + 10 or + 10 e.g., Score for equivalent standard. At least 1 of a Vigeo's targets for the + Comfort + sub-category of internal monitoring + 10 or + 10 e.g. score for equivalent standard.





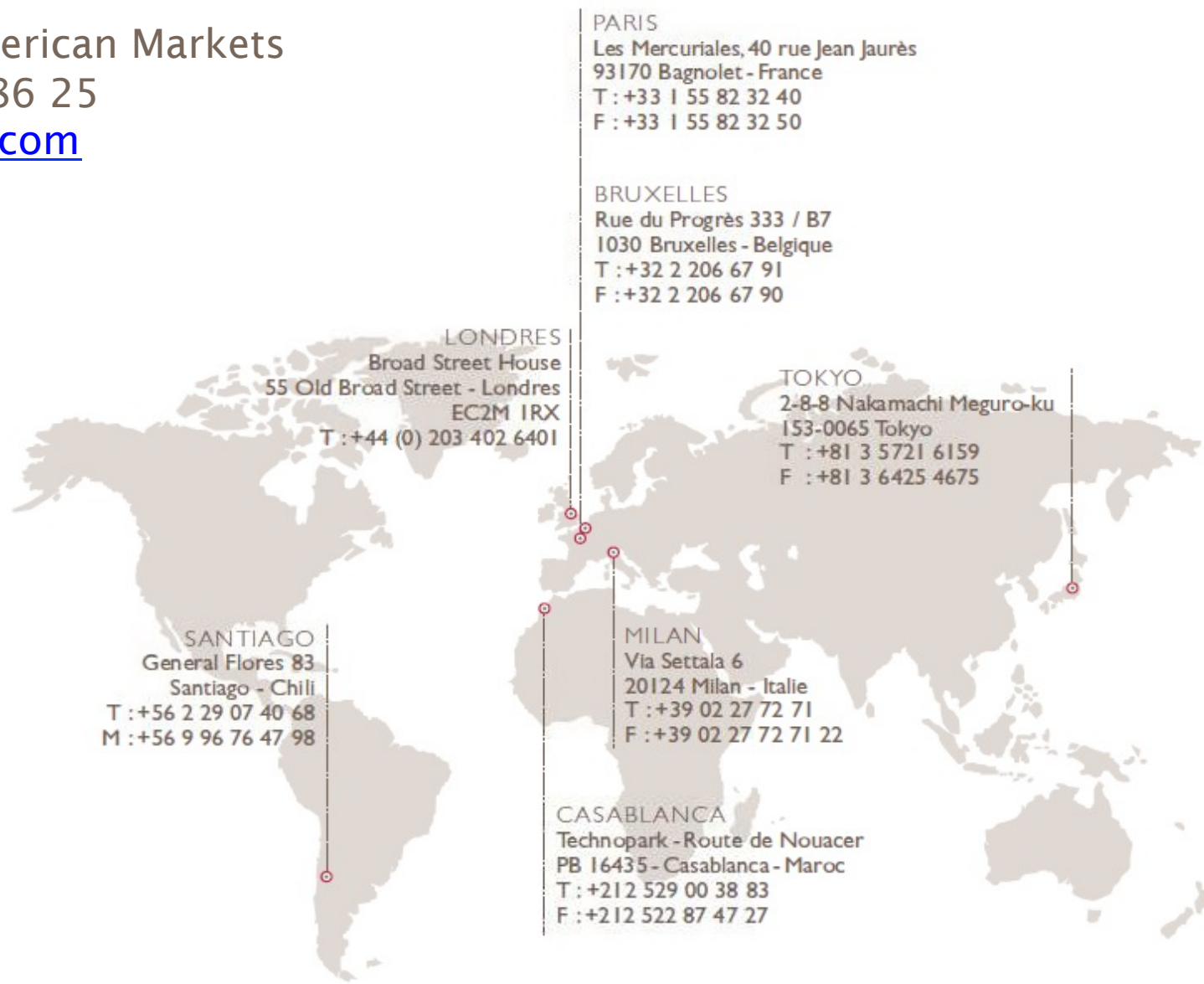
Any question, contact us

Fanny Tora

Head of South American Markets

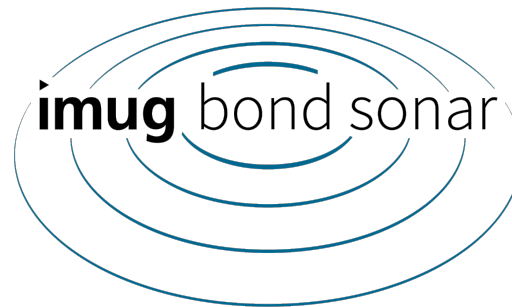
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EIRIS



SITAWI
FINANCEforGOOD

Sustainability Rating of Bank Bonds

20 Latam ESG 2015

Panel 3: the capital market beyond the stock market

São Paulo, October 2015



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www.imug.de



imug

About SITAWI

Non-profit founded in 2008, managed by entrepreneurs with background in BUSINESS, FINANCE and SUSTAINABILITY

Offices in RIO DE JANEIRO (Leblon, 15 staff) and SÃO PAULO (Itaim, 3 staff), international network

PIONEERED in Brazil new concepts such as social loans, donor-advised funds, company ESG research and responsible investment advisory

PROGRAM AREAS: Social Finance, Sustainable Finance, Philanthropic Culture, Impact Business

More than USD 2 million deployed to impactful social enterprises and organizations, consulted financial institutions and investors with over USD 350 billion in assets

LEADERSHIP in Finance for Good initiatives in Brasil: Social Finance Task Force, PRI Brazil Network, Social Impact Bonds, Green Bonds

South America sales and research partner of EIRIS, the world's leading provider of ESG research to responsible investors: 3,300+ companies covered



Among the best ESG research houses for investors (Extel IRRI 2013)

Signatory of:



Chair of the PRI Brazil Network ESG Integration WG



IDB 2011 Award beyondBanking

Agenda

- ▶ **The Sustainability Imperative in Banking**
- ▶ Rating Methodology & Criteria Set
- ▶ Rating Universe & Extract of Results
- ▶ imug bond sonar

The Sustainability Imperative

Financial institutions are „cross-sectoral bottleneck of sustainability“!

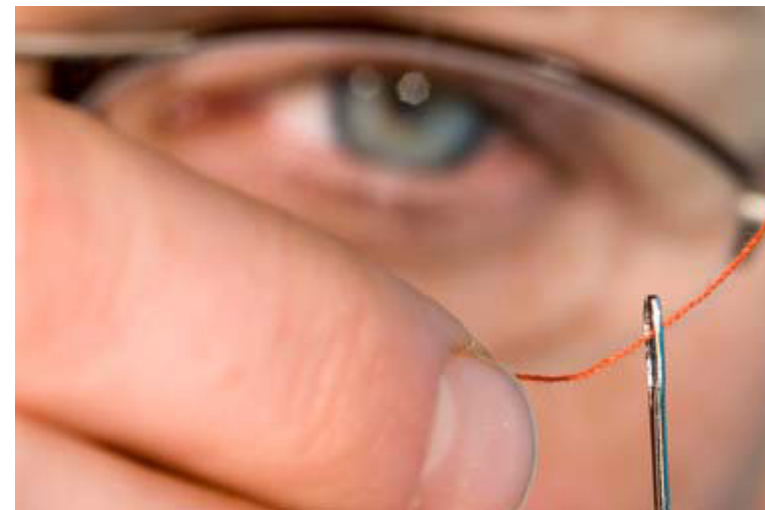
Financial institutions' influencing factors on sustainability impacts:

▶ Direct impacts:

- ▶ Traditional ESG aspects similar to all other sectors, e.g. employees, internal environmental management.
- ▶ Low exposure when compared to production industry

▶ Indirect impacts:

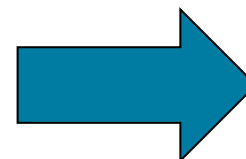
- ▶ Economic core function (lot-size transformation)
- ▶ Leverage on orientation of real economy
- ▶ Investment activity and other service offerings
- ▶ Urgent need for profound integration of ESG standards in all business activities



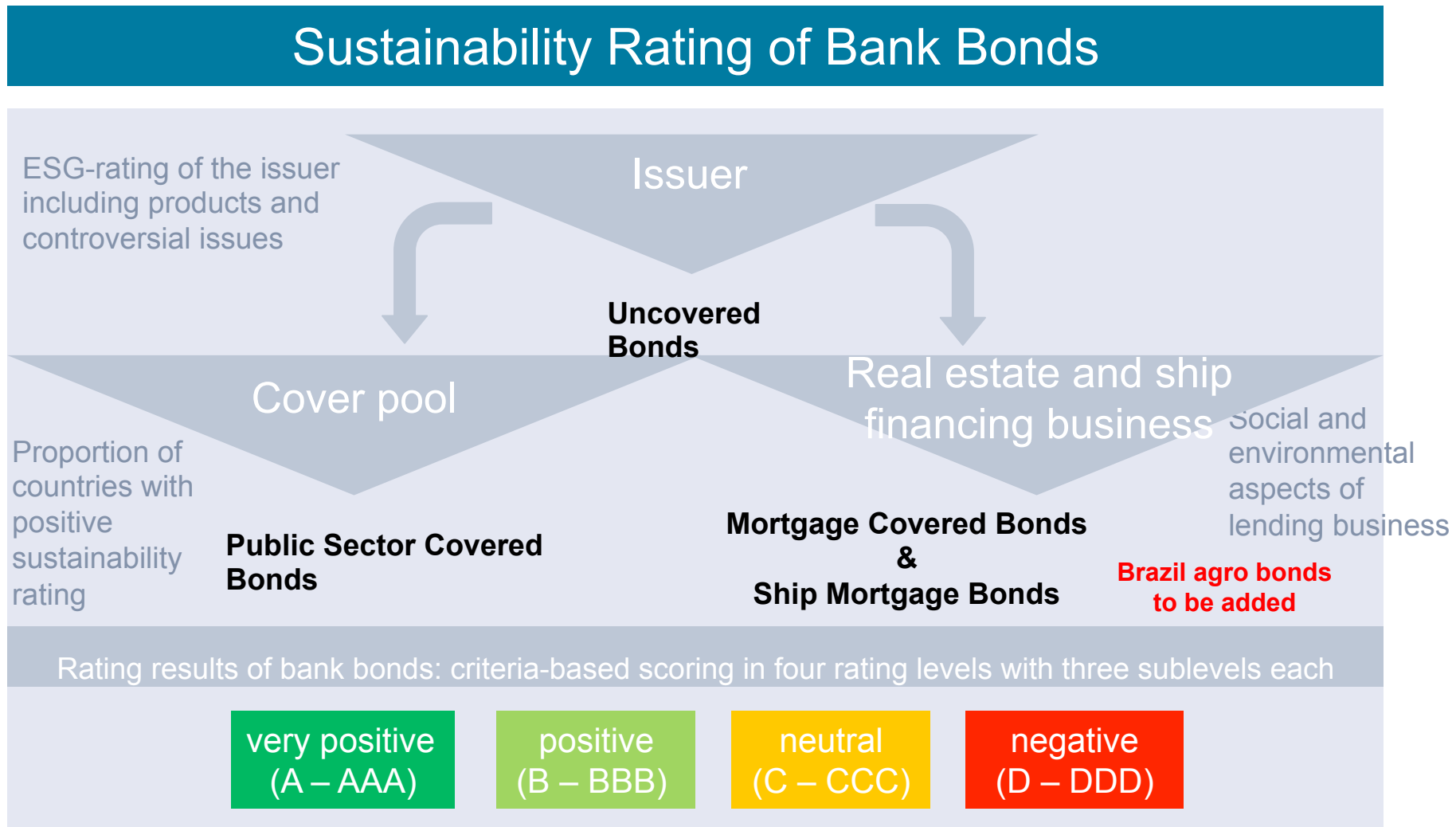
Source: dpa from Betriebswirtschaftliche Blätter (Issue 07/2013)

▶ Focus on indirect impacts from business activities:

- ▶ Governance
- ▶ Products
- ▶ Controversial business activity & behaviour



Rating Methodology: Sustainability Rating of Bank Bonds



Sustainability Criteria in the Sustainability Rating of the Issuer (Uncovered Bonds)

The sustainability of the issuer is assessed according to an extensive criteria set that is composed of the following criteria headings and over 100 criteria sub-elements:

Environment	Social	Governance	Products	Controversial Issues
1. Impact of investment and commercial credit portfolio	4. Women on the board	8. Bribery and corruption	11. Socially responsible products	13. Controversial business activities (18 areas)
2. Environmental reporting	5. Equal opportunities	9. ESG-risk management	12. Sustainability management of business activities in sensitive sectors or issues (18 issue areas)	14. Controversial business behavior (13 areas)
3. Climate change strategy	6. Employee development	10. Secrecy jurisdictions and tax avoidance		
	7. Job creation and job security			

Controversial Issues – 30 Dedicated Focus Areas (Uncovered Bonds)

Controversial Business Activity		Controversial Business Behavior	
1. Alcohol	11. Labor Rights	1. Anti-trust law	10. Other controversial issues
2. Animal welfare	12. Land Grabbing	2. Breach of trust	11. Secrecy jurisdictions & tax avoidance
3. Cluster munitions & land mines	13. Nuclear (power generation)	3. Bribery & corruption	12. Transparency : survey response
4. Coal (power generation)	14. Oil & gas	4. Fraud	13. Unfair treatment of employees, agents and suppliers
5. Conventional weapons	15. Pornography	5. Government assistance	
6. Environmental damage	16. Tobacco	6. Insider trading violations	
7. Food commodities derivatives trading	17. Toxics	7. Insolvency	
8. Gambling	18. Weapons of mass destruction	8. Misselling & consumer protection	
9. Genetic engineering		9. Money laundering, terrorist financing and embargos	
10. Human rights and indigenous rights			

Sustainability Criteria in the Assessment of the Real Estate Lending Business (Mortgage Covered Bonds)

The sustainability of the real estate lending business is assessed according to a criteria set that is composed of the following criteria headings:

Governance	Products
<ul style="list-style-type: none"> 1. ESG in property valuation 2. ESG financing criteria 3. Financial literacy 4. Responsible lending 5. Cooperation & Membership 	<ul style="list-style-type: none"> 6. Management of ESG aspects in cover pool 7. Public promotional loans 8. Information and advisory services 9. Monetary incentives

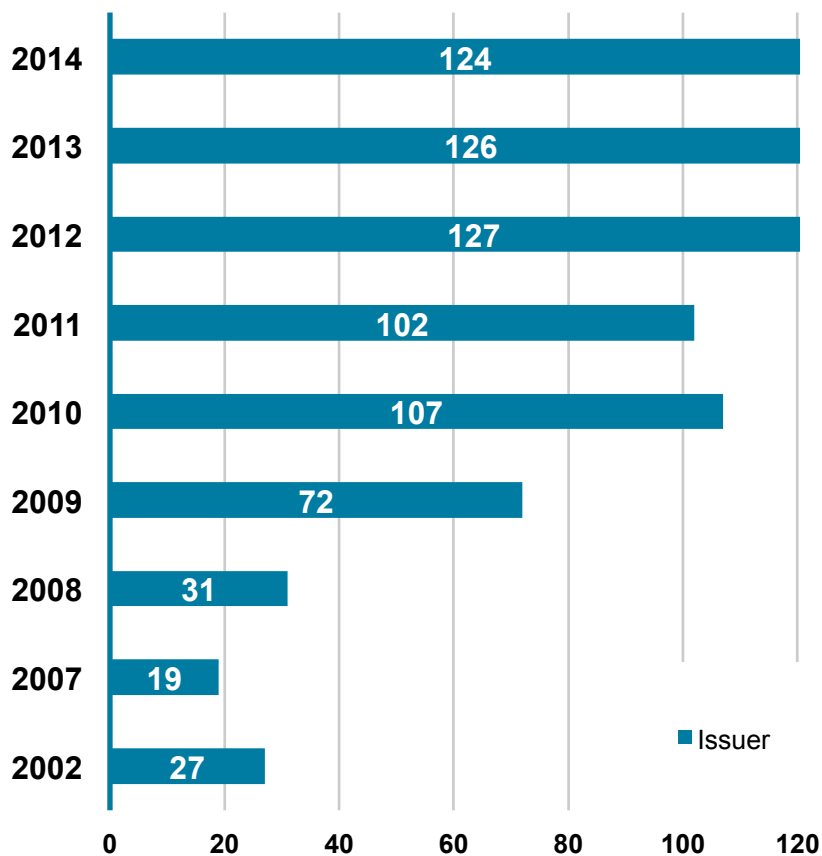
Sustainability Criteria in the Assessment of the Ship Financing Business (Ship Mortgage Covered Bonds)

The sustainability of the ship financing business is assessed according to a criteria set that is composed of the following criteria headings:

Policy	Management Systems & Reporting
<ol style="list-style-type: none"> 1. Environment (e.g. ballast water; deep sea fishery; ship emissions, ship recycling etc.) 2. Social (e.g. ILO core labor norms; health & safety; human rights etc.) 3. Governance (e.g. insurance; classification; flagging; public policy leadership etc.) 	<ol style="list-style-type: none"> 4. Monitoring 5. Risk assessment 6. Transparency & reporting

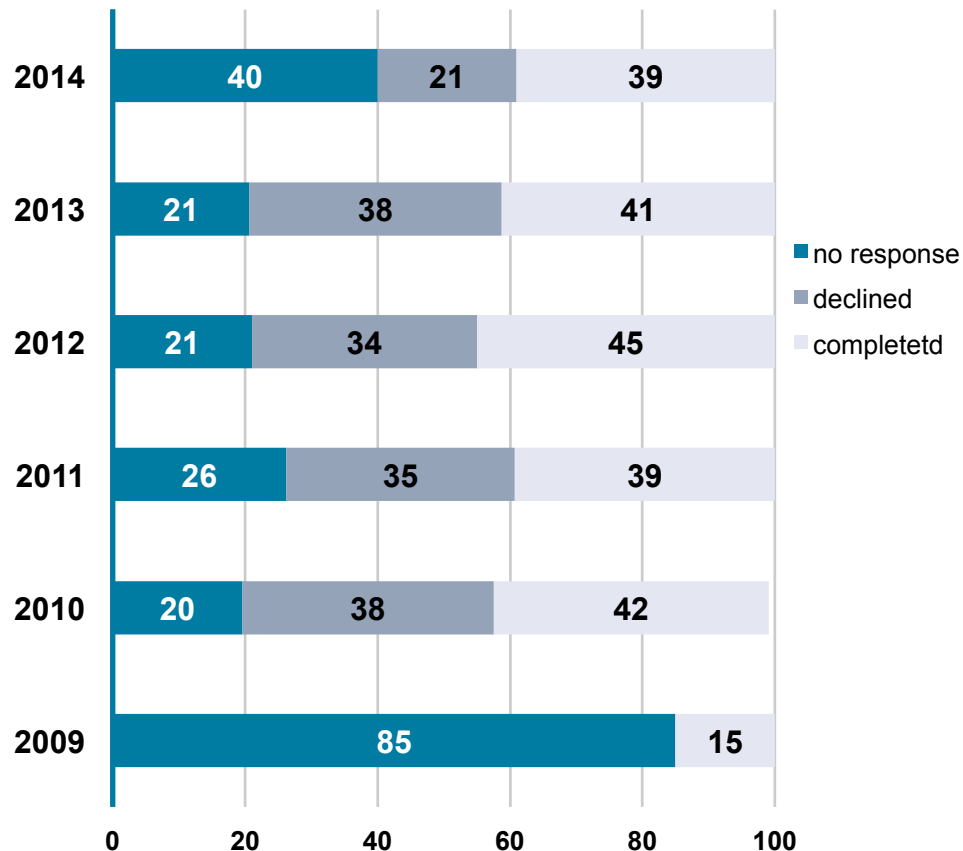
Overview on Rating Universe and Survey Response Rate

Rating Universe



In absolute numbers

Survey Response



In percent

imug bond sonar: The Online-Database for the Sustainability Rating of Bank Bonds

- ▶ Clear & easy-to-handle results presentation
- ▶ Complementary „analyst summary“
- ▶ Full transparency on fulfilled and unfulfilled criteria elements
- ▶ Company profile with peer group comparisons and supplementary graphs
- ▶ Integrated solution (CRM, research, strategy & results)
- ▶ Fully in English language
- ▶ Handling very similar to EGP



Welcome to imug bond sonar

Sustainability Rating of Bank Bonds

Strategy

Create your sustainability strategy

Rating Profile

See the rating profile of an issuer

Results Summary

Go to the results summary area of your selected issuers

Your Licence

See your selected issuers and details of your licence

Info & Support

imug Rating Universe

See the entire imug rating universe of issuers

Rating

See the FAQ's

imug bond sonar

Name of chosen strategy: imug Sustainability Strategy

Profile: **Aareal Bank AG** Profile generated: Aug 4, 2015

GRADE	PERFORMANCE
positive (B)	46.67%
Uncovered Bonds	-100% 100%
positive (BB)	51.39%
Mortgage Covered Bonds	-100% 100%
positive (BBB)	66.22%
Public Sector Covered Bonds	-100% 100%

ISSUER INFORMATION	
Bank type	Kreditbank
Subsector	Sonstige
Exposure	Financial Institution
Region	Europe
Country	Germany
Number of employees	2.375

KEY ISSUE IMPACT / RESPONSE	
KEY ISSUE	DEVIATION FROM AVERAGE (PERCENT)
BELOW AVERAGE	← DEVIATION FROM EXPOSURE AVERAGE →
Governance (Score: 4, Range: -5..9)	19%
	7.1%

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gpimentel@sitawi.net

Building trust and credibility in the Green bonds market

Justine Leigh-Bell
Head of Standards, Climate Bonds Initiative
October 2015

The Climate Bonds Initiative: What we do

- Information flows for ratings agencies & index providers
- Climate Bond Standards & Certification Scheme
 - Definitions for investors and guidelines for bond issuers
 - Assurance through certification
- Outreach to inform and stimulate the market
 - Policy models and government advice
 - Efforts in emerging markets to grow issuance (China, India, etc)
 - Facilitating discussions on securitization, covered bonds, Islamic Finance
- Partners Program
 - Platform for market participants to get involved during the formative stages
 - Tailored way to support the CBI's efforts to accelerate growth in green bond issuance and demand



The Green Bond Market



We have the investor demand

- \$88^{tn} assets under management
- \$30^{tn} Insurance
- \$27^{tn} Pension funds
- \$6^{tn} Sovereign wealth
- \$25^{tn} Fund managers, mutuals, foundations
- EM = \$5tn

- Green/brown



US\$25 trillion

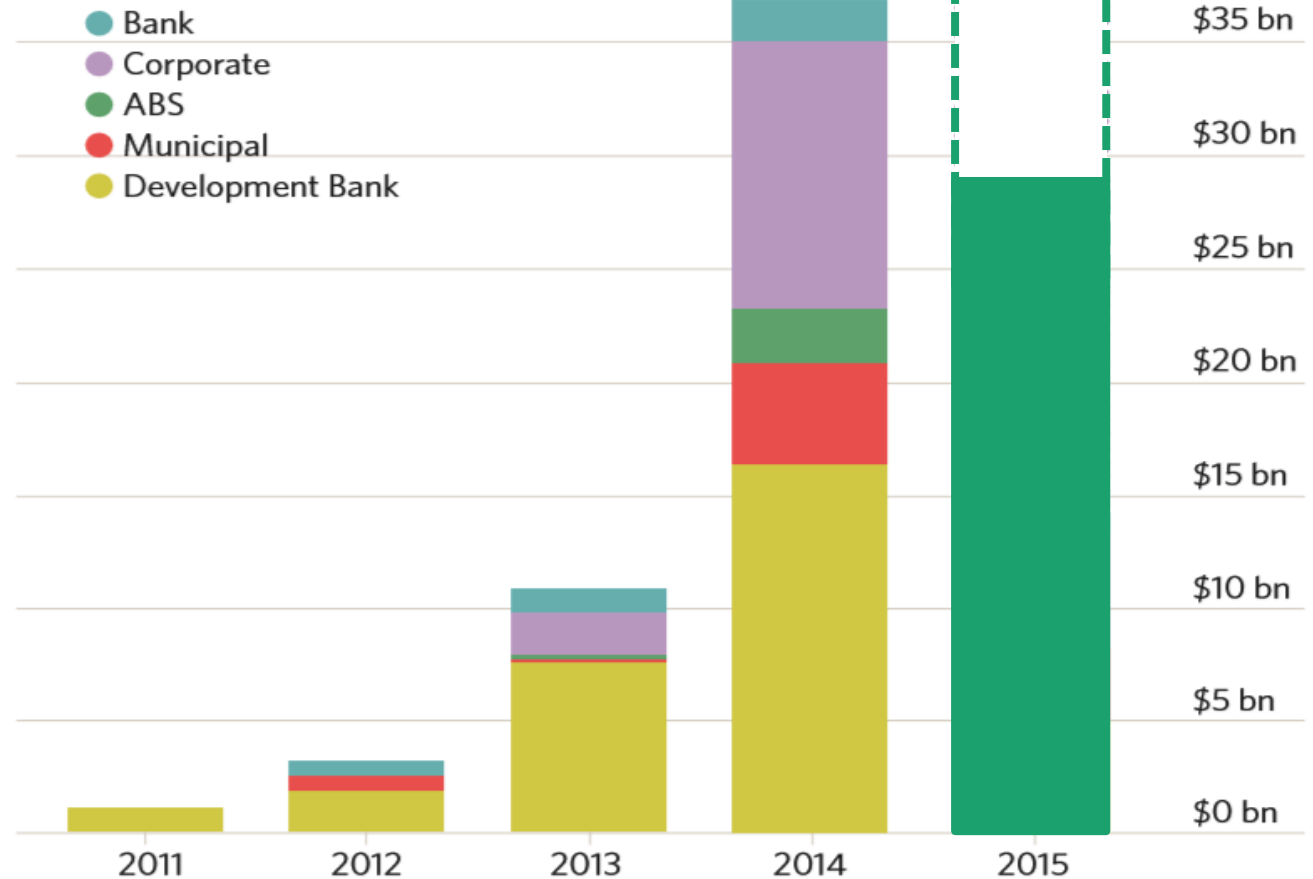
GLOBAL INVESTOR COALITION ON CLIMATE CHANGE

Green bonds rapid growth

Growth is coming from corporates, banks and US municipals

Development Banks diversifying by currency, size and customizing for investors

Corporate and municipal green bonds have become a key part of the market



The green bond basics

Proceeds to green

- Vanilla
- Comparable pricing
- Refi as well as project
- 90% investment grade

Any entity

- Governments & DFIs
- Corporates
- Asset owners: PPPs, banks, utilities, etc
- Municipalities

Reporting

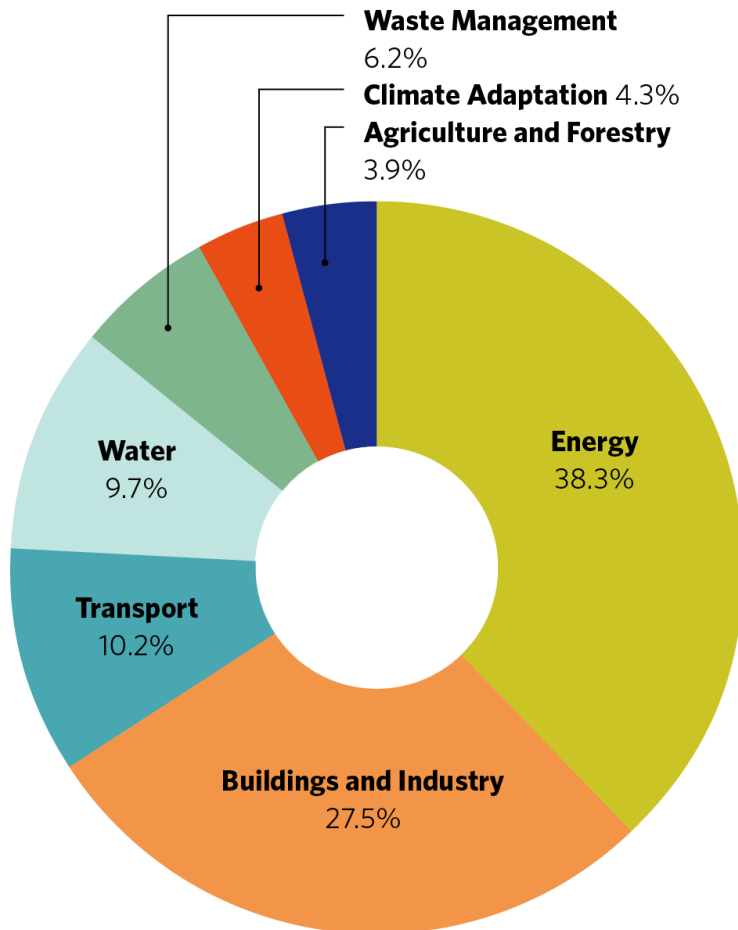
- Transparency to green asset or project
- Independent review
- Reporting on use of proceeds

Benefits

- Investor diversification
- Stickiness
- Longer tenors
- Multi-asset for scale



Green proceeds: Renewable energy is largest



Energy: Vestas, KfW, Terraform

Buildings & Industry: DBJ, Regency, Vasakronan

Transport: Full universe shows potential to grow much larger. TfL

Water: DC Water, US munis

Waste: Paprec

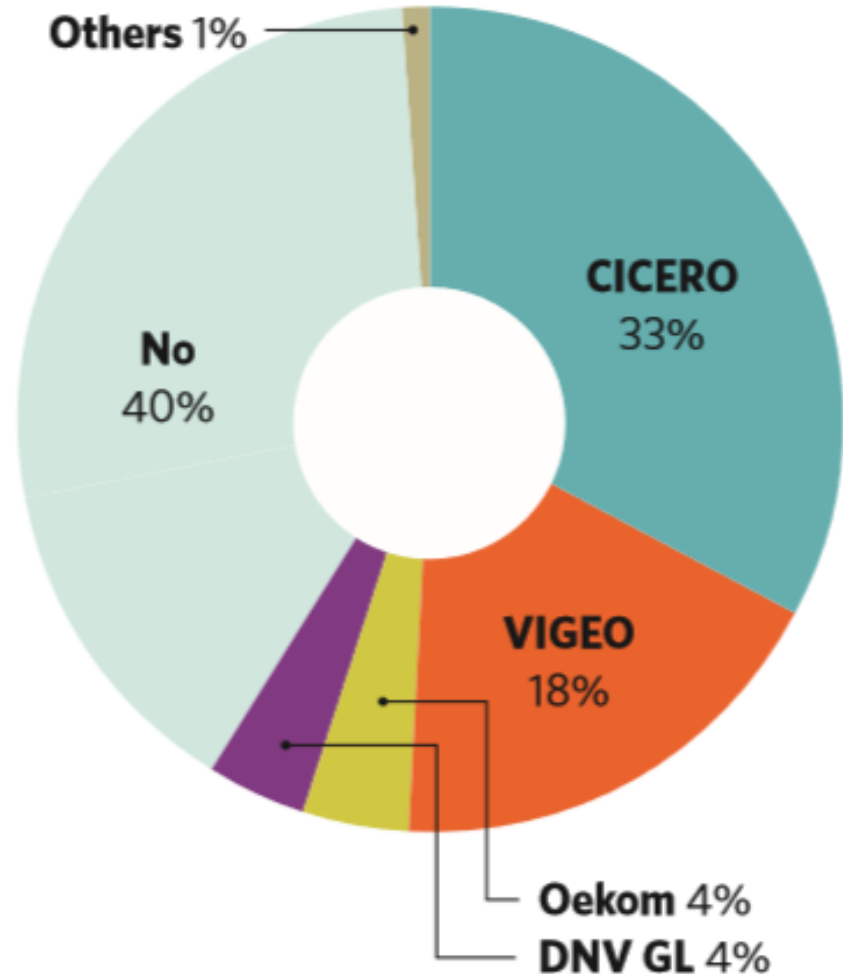
Climate Adaptation: Commonwealth of Mass, World Bank, IFC

Agriculture & Forestry: SCA

Green credentials: independent review

60% of green bonds use some sort of 2nd review

Climate Bonds Certification supports scalability with a Standards-based approach



But there's more

Climate-themed bonds
\$597.7bn

Project Bonds
\$13.9bn

Green Bonds
\$65.9bn



Climate Bond Standard and Certification Scheme

Science-based definitions



Renewable energy
Energy storage



Waste management
Methane reduction



Green buildings
Green cities



Land use
Forestry
Food supply chain



Industrial
energy efficiency



Clean water
Storm adaptation



Rail, BRTs, EVs
Low emission vehicles



Organisational Structure

\$34tn Standards Board



Investor Network on
CLIMATE RISK



CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?



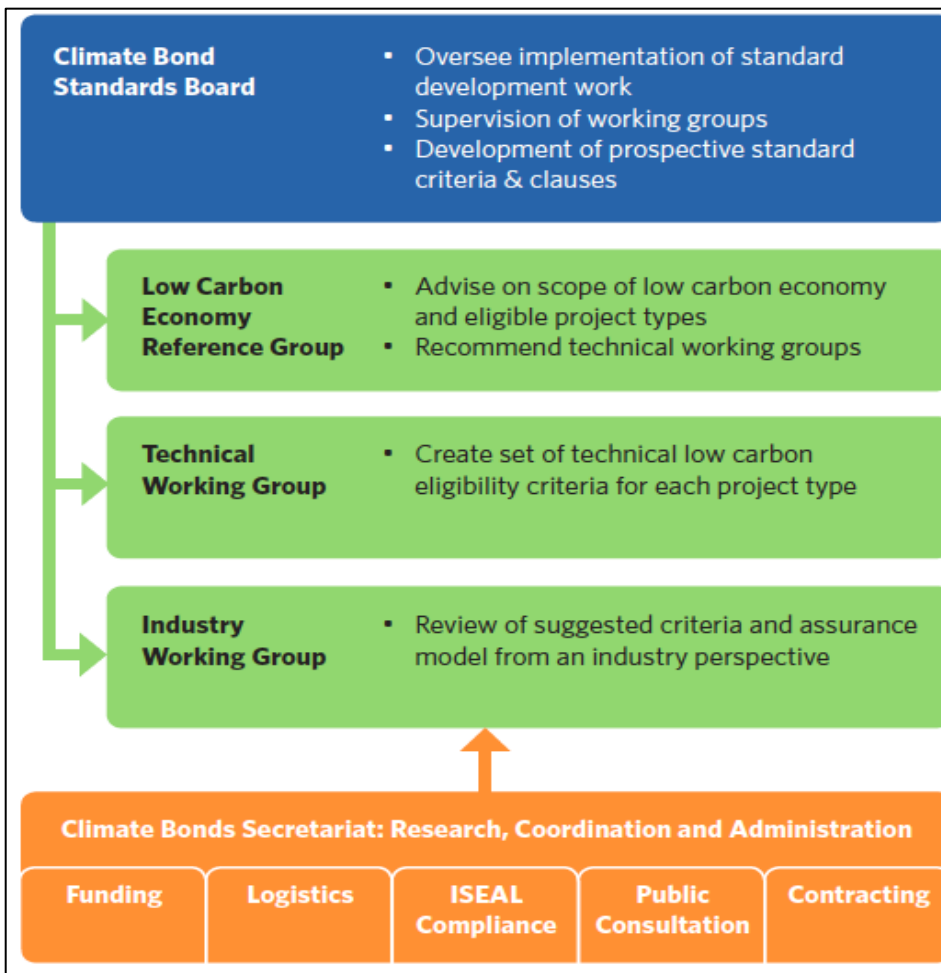
DRIVING SUSTAINABLE ECONOMIES



Institutional Investors Group on Climate Change



Investor Group on
Climate Change



Who's involved?

\$30tn Climate Bond Standards Board



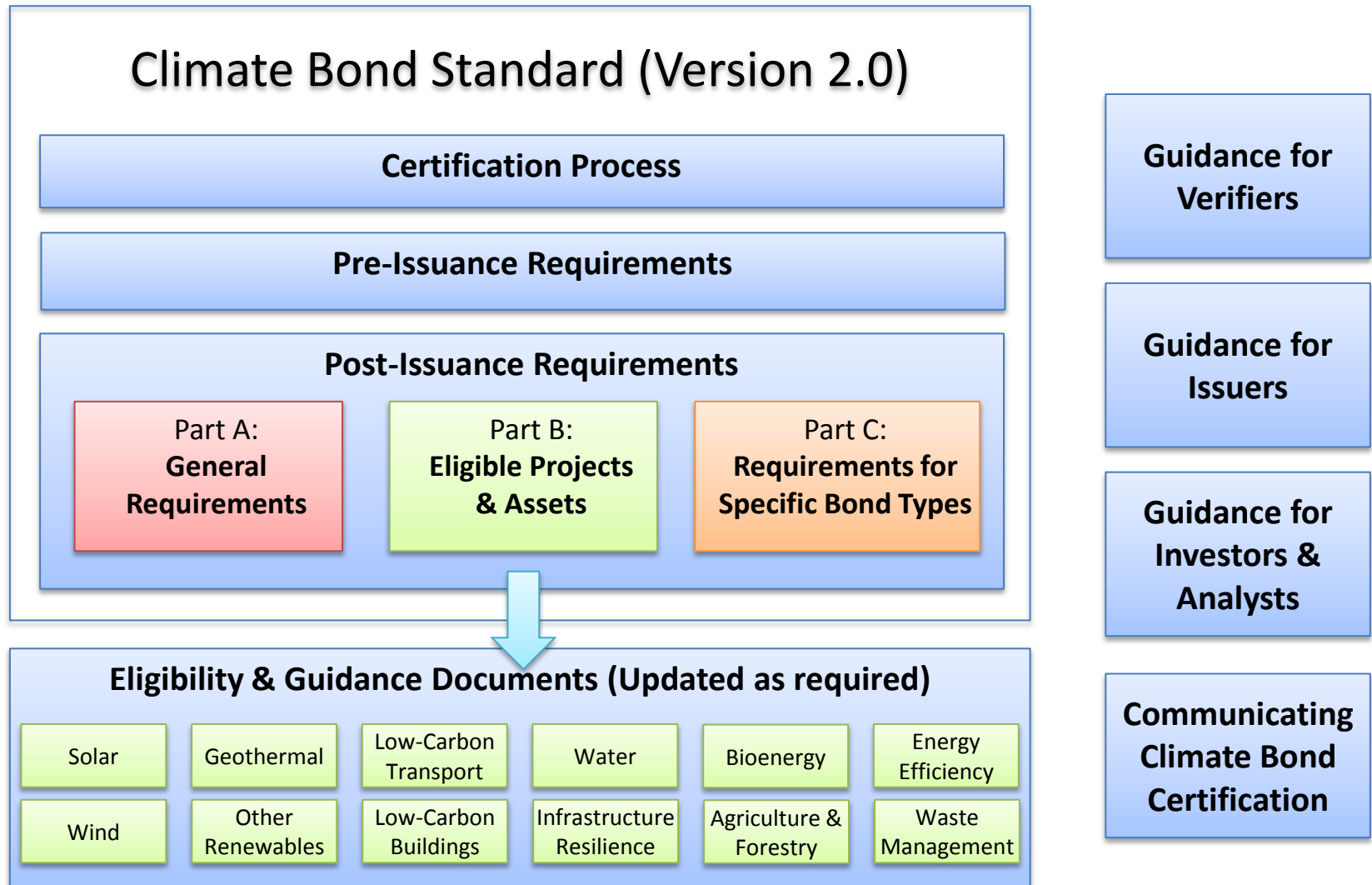
Expert Committees: Green Property, Low-Carbon Transport, Bio-energy, Agriculture, Water



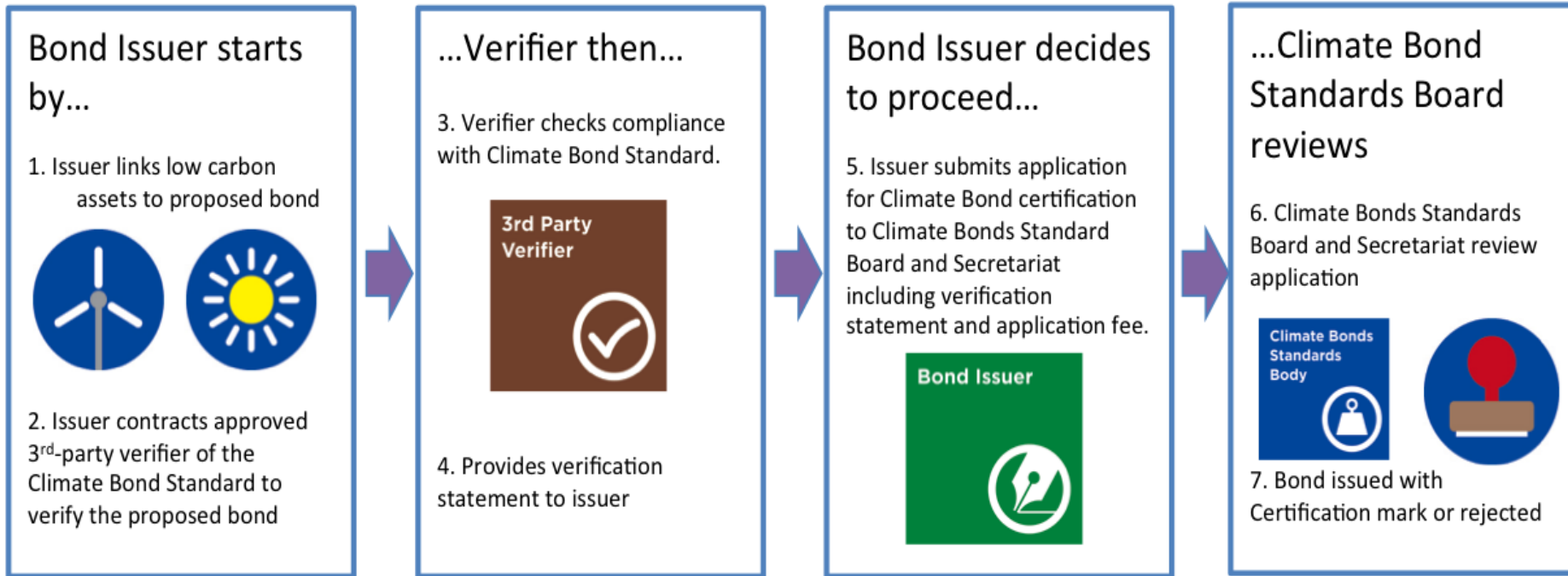
Industry Advisory Group



Offering a comprehensive and clear approach



Certification – How it works



www.climatebonds.net

Kindly Supported by CREDIT SUISSE 

 Staatssekretariat für Wirtschaft
Secrétariat d'Etat à l'économie
Segretariato di Stato dell'economia
State Secretariat for Economic Affairs



4º Painel: Regulação – Perspectivas no Brasil e no Mundo (a importância da Governança para um ambiente de investimentos de longo prazo)

PRI - Principles for Responsible Investment

Maria Lettini, Associate Director, Networks & Global Outreach



AT A GLANCE

Launched in April 2006 at the NYSE

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



1400

SIGNATORIES:

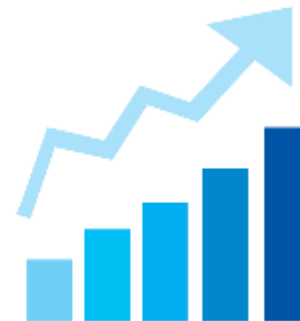
ASSET OWNERS,
INVESTMENT
MANAGERS
AND SERVICE
PROVIDERS



59

US\$ TRILLION:

ASSETS UNDER
MANAGEMENT



6

PRINCIPLES:

RECOGNISING THE
MATERIALITY OF
ENVIRONMENTAL,
SOCIAL AND
CORPORATE
GOVERNANCE ISSUES



OUR MISSION:

CREATE A SUSTAINABLE GLOBAL FINANCIAL SYSTEM

ESG INTEGRATION IS ABOUT...

PERFORMANCE

not philanthropy

“The high-sustainability companies dramatically outperformed the low-sustainability ones in terms of both stock market and accounting measures”

Harvard Business School

RETURNS

not sacrifice

“There are positive, strongly statistically significant positive abnormal returns associated with going long good corporate governance firms and shorting those with poor governance.”

Yale School of Management

DIVERSE APPROACHES

not just excluding “unethical” investments

“We believe that ESG analysis should be built into the investment processes of every serious investor and into the corporate strategy of every company that cares about shareholder value.”

Deutsche Bank

RISK

MANAGEMENT

not breach of
fiduciary duty

“As we note above, the links between ESG factors and financial performance are increasingly being recognised. On that basis, integrating ESG considerations into an investment analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions.”

Freshfields
Bruckhaus
Deringer

PRI REPORTING FRAMEWORK

Transparency and disclosure

Reporting supports Principle 6

6

We will each **report** on our activities and progress towards implementing the Principles.



Dialogue & engagement with policy makers and standard setters

Approximately 30% of Signatories from Brazil engage with policy makers or standard setters.

Brazilian Signatories prefer to engage via **face-to-face meetings**, this is in contrast to the global trend showing a preference for endorsing written submissions.

Brazilian Signatories show no preference when engaging either collaboratively or individually.

REGULATIONS

North America:

USA - SEC Climate Disclosure Guidance (2010)

Canada - Ontario Pension Benefits Act (2015)

Latin America:

Brasil – Law 3792 (2009)

Brasil - Banco Central, Resolution 4327 (2014)

Brasil - CVM Instruction 552 (2014)

Peru - PIR: Programa de Inversión Responsable (2014)

Chile - SVS Rules 385 & 386 (2015)

Africa:

South Africa - Pension Funds Act, Reg 28 (2012)

Europe:

Netherlands - Pensioenwet (2007)

UK - Stewardship Code (2010)

Spain - Sustainable Economy Law (2011)

France - Grenelle II de l'environnement (2012)

Japan:

Japanese Stewardship Code (2014)

Japanese CG Code (2015)

LOOKING AT THE WHOLE PICTURE

Why ESG information is relevant in practice

- Long-term potential effects of climate change
- Mitigating regulatory and legislative risks
- Identifying & addressing supply chain risks
- Avoiding operational/ product delays and lost productivity
- Human Capital: Recruiting necessary talent
- Securing bids/License to operate
- Safeguarding reputation and brand



EXAMPLES

CRPC condena ex-dirigentes do Postalis a 10 anos de inabilitação e R\$ 200 mil de multa

Categoria: AGÊNCIA INVESTIDOR ONLINE Publicado: 25 Junho 2015

25-06-2015 - 18:38:33

INVESTIDOR
INSTITUCIONAL

29/05/2015 19h44 - Atualizado em 29/05/2015 22h06



Justiça bloqueia R\$ 137 milhões da construtora Mendes Júnior, diz MPF

BRASIL

EXAME.COM

21/08/2015 17:36

Camargo Corrêa vai devolver R\$ 700 milhões, diz Lava Jato

ESTADAO

POLÍTICA + ECONOMIA +

E&N Negócios

Ações da Volkswagen desabam 17% com escândalo sobre emissão de poluentes





cutting through complexity

Taking ESG into account: can we evolve to a sustainable economy?

Self regulation and governance

October 2015



Taking ESG into account

Self regulation and governance

Why do we need long-term ESG investors

“More and more corporate leaders have responded with actions that can deliver immediate returns to shareholders, such as buybacks or dividend increases, while underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long-term growth.”

Larry Fink, CEO of Black Rock, letter sent to large companies, 2015.

Long-term ESG investors could have an impact on the economy as a whole. By incentivising more inclusive and forward looking and less narrow business and management models conducive to sustainable development. Impacts both on the micro –better companies- and macro –better economies-

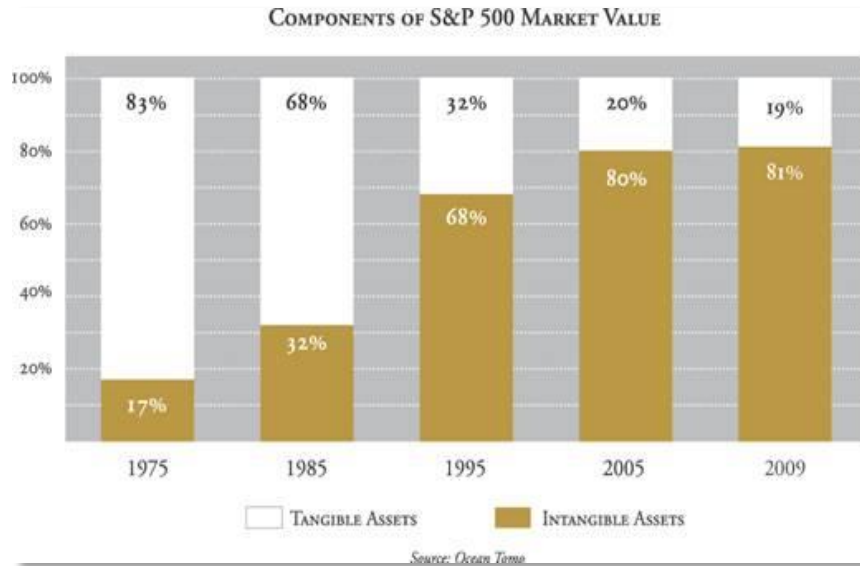
How can we have more of them?

Taking ESG into account

Self regulation and governance

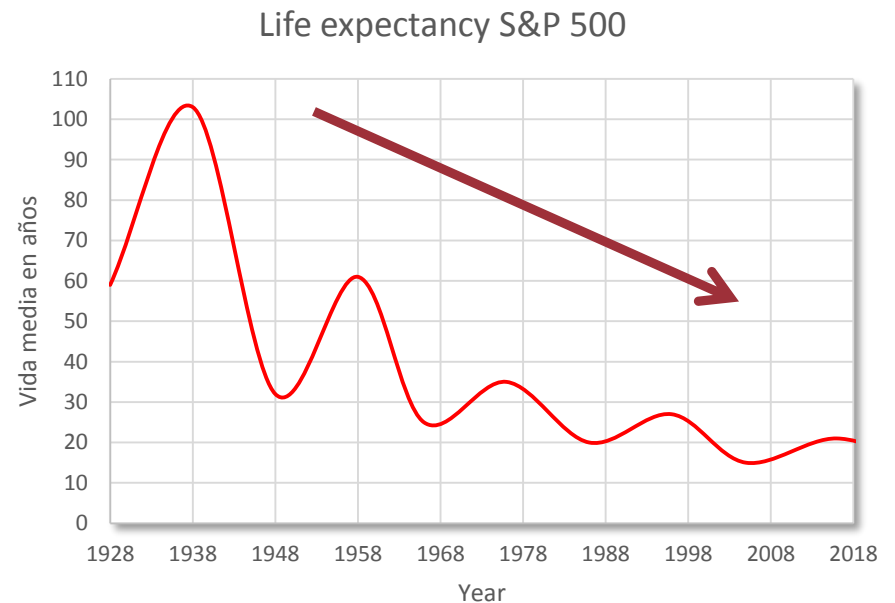
Four different forces at play

1 Value



A new Pareto.

2 Company longevity



Average life expectancy down by 75%. Average CEO tenure down by half since 2000. Life expectancy at Fortune 500 stands at 30 years.

Taking ESG into account
Self regulation and governance

Four different forces at play

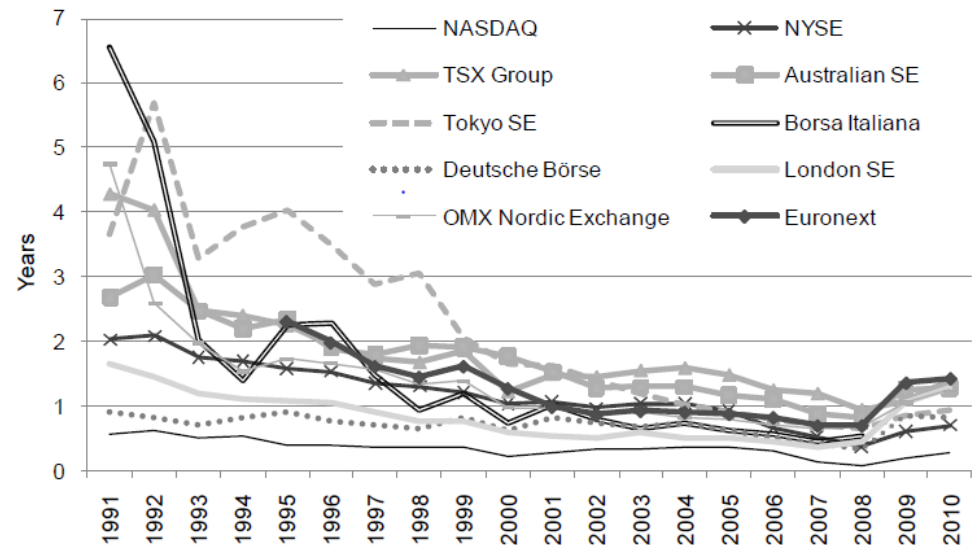
3 The mainstreaming of ESG



Over 50%. Due diligence on ESG issues relevant for the long-term health of the company

4 Increasing short-termism

Figure 2. Average Holding Period - Selected Exchanges



Do investors really care?

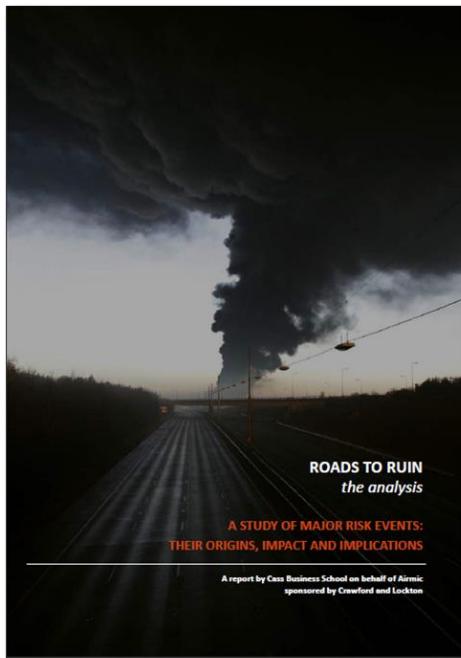


Taking ESG into account

Self regulation and governance

Investors should really care if they want to avoid nasty surprises

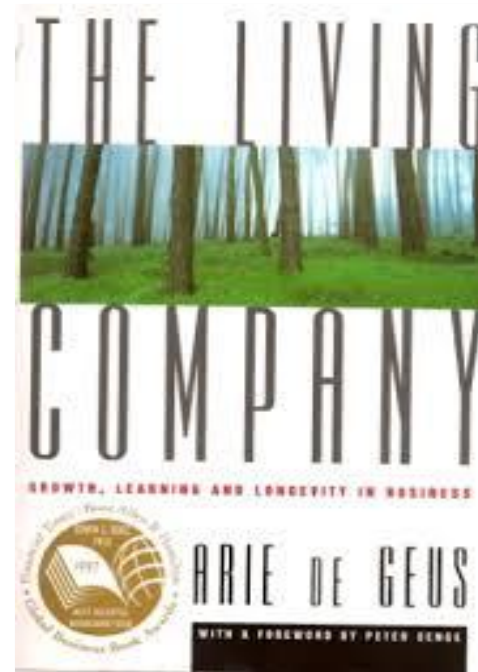
For the worse....



Lack of oversight, control and direction of issues related to risk management, ethics and compliance.

Key governance and ESG issues

And for the better....



- Atuned to the environment.
- Cohesion and identity.
- Capacity to build lasting and constructive relationships with third parties.
- Financial prudence

Key governance and ESG issues

Source: *Roads to Ruin. A study of major risk events: their origins, impact and implications.* 2012

Source: *The Living Company*, Arie de Geus, 2001



Taking ESG into account

Self regulation and governance

Self regulation or regulation? Exit, voice and loyalty



Getting Investors more involved in ESG issues relevant for the long-term health of the company. Stewardship codes:

- Strategy
- Corporate governance
- Risk
- ESG issues
- Engagement

Comply or explain

PRI



Taking ESG into account

Self regulation and governance

From noise to signal: a corporate governance perspective from Spain

1 Complete the risk map: ensuring ESG risks are properly taken into account.

2 Identify the issues: ensure the company has the policies, processes and controls to respond to ESG issues relevant to the long-term health of the company.

3 Define the promises and how to achieve them: ESG policies, plans and dashboards for board supervision.

4 Know how the company is perceived: by those whose trust is crucial for long-term success. What do investors think of the business, governance and management models.

5 Supervise the quality of ESG information

Need for information that enables Investors to distinguish forward-looking from backward-looking companies.

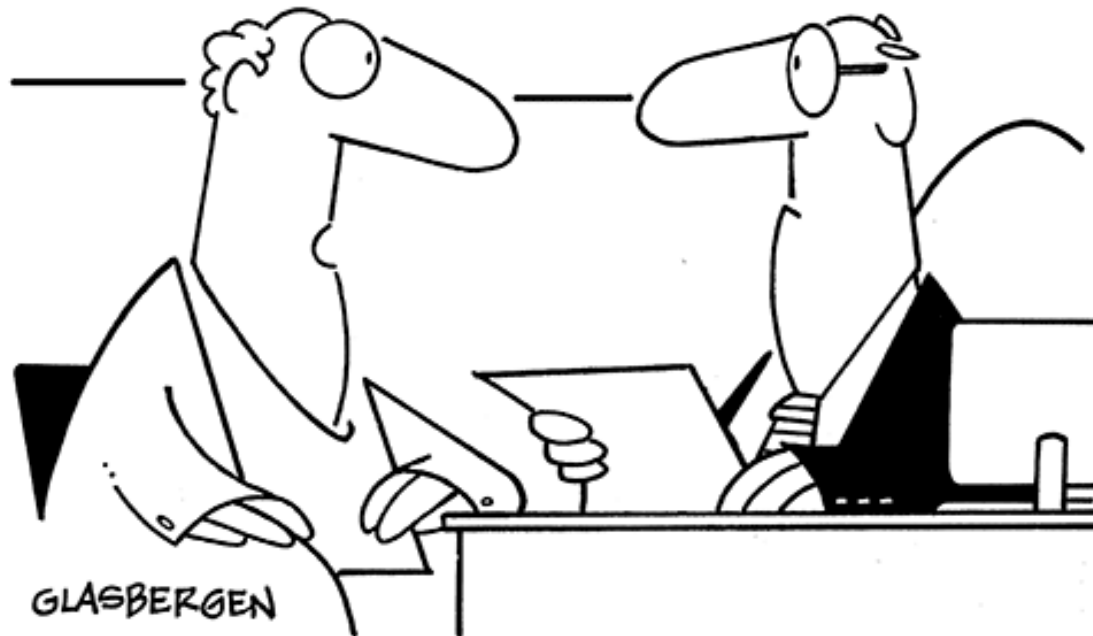


Taking ESG into
Self regulatio

The long-term

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INVESTMENTS AND FINANCIAL PLANNING



**“My short-term financial goal is to survive until Tuesday.
My long-term financial goal is to survive until Friday.”**



cutting through complexity

Thank you

Ramón Pueyo
Director
Governance, Risk and
Compliance
KPMG en ESpaña

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