

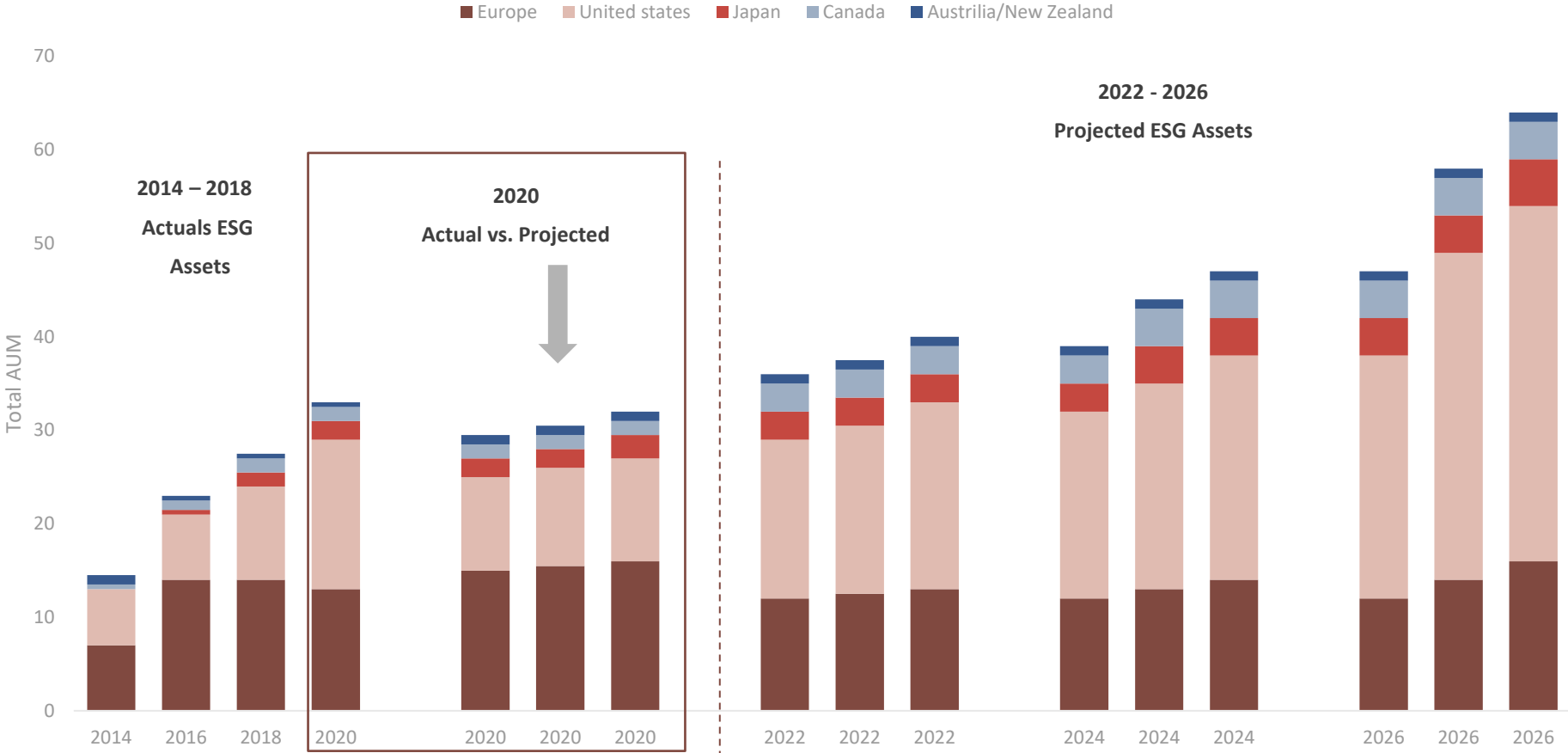


PICTET WEALTH MANAGEMENT

# Responsible Investing

# Global Growth in ESG AUMs

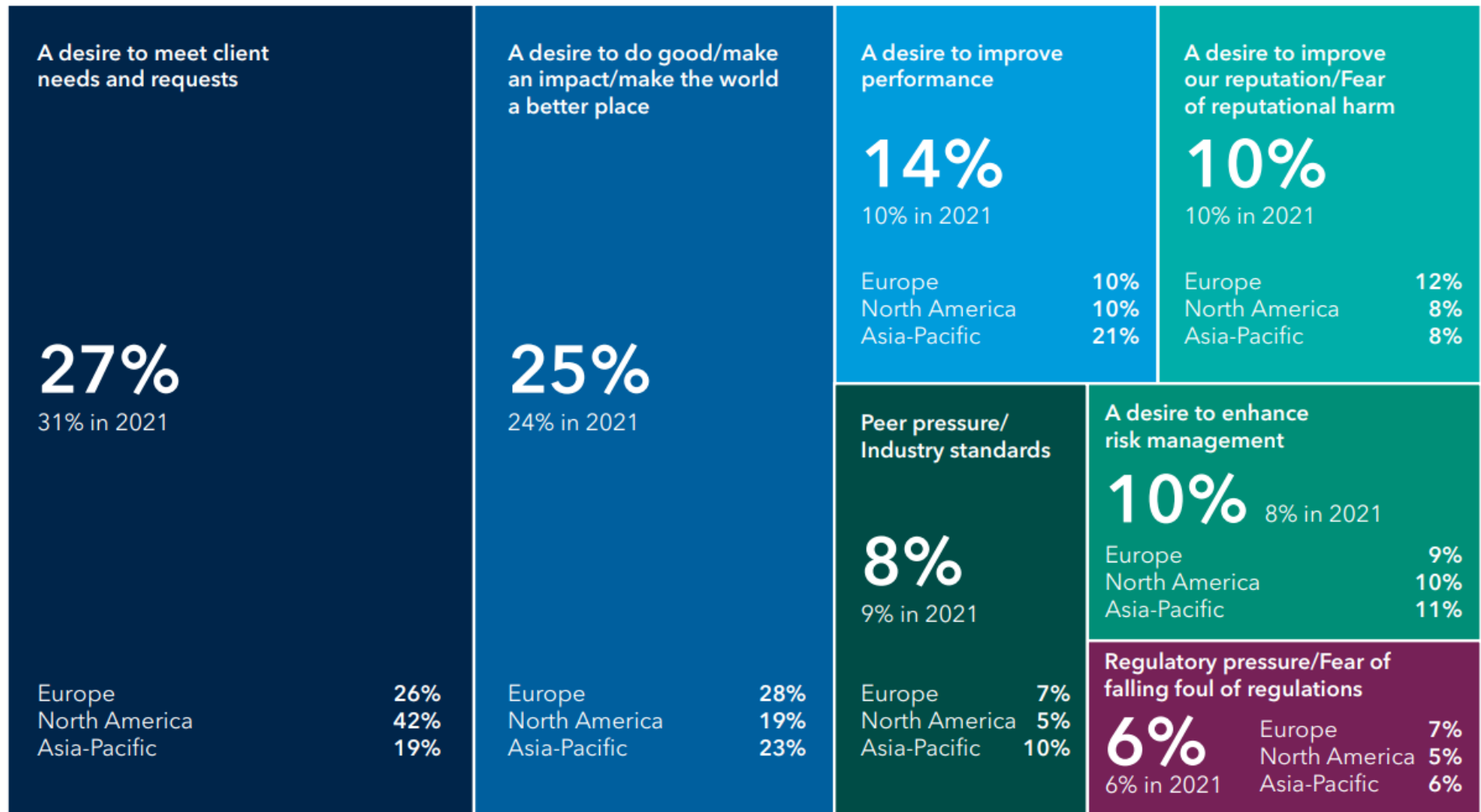
## ESG Global AUM by Country



Source: Bloomberg



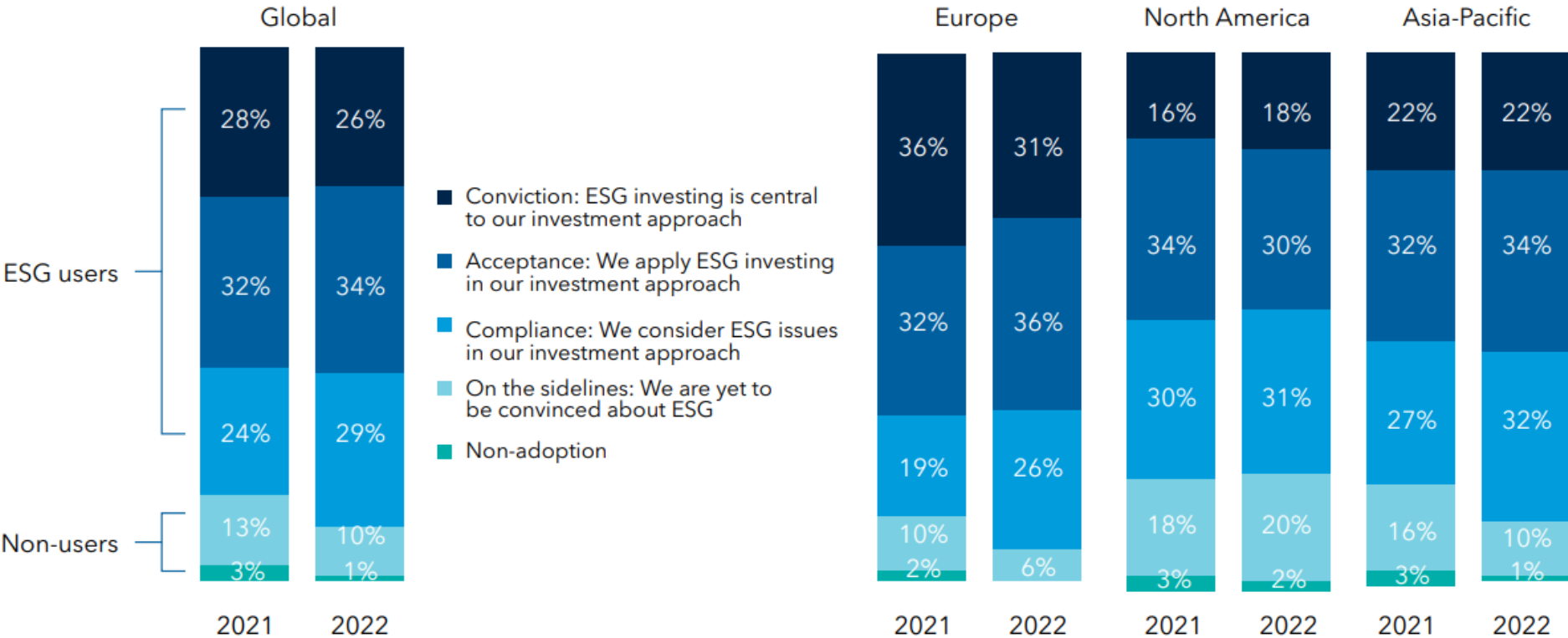
## Reasons for ESG AUMs Growth



Source: Capital Group



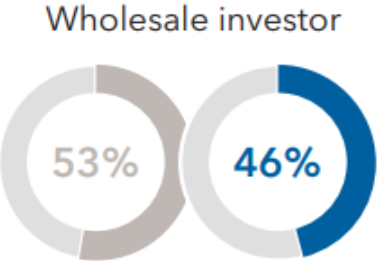
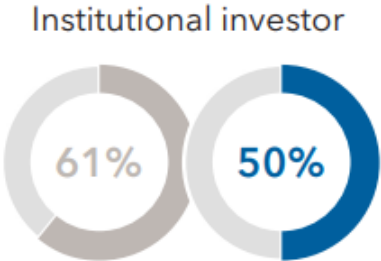
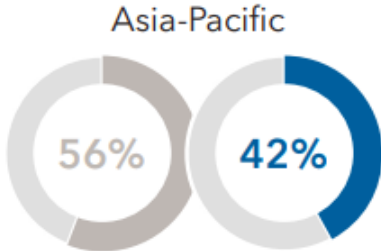
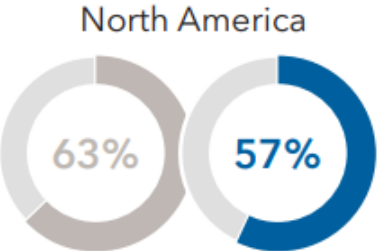
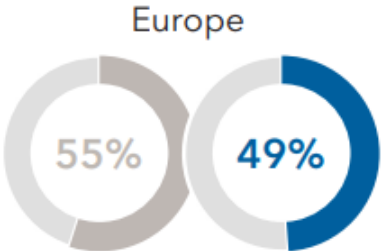
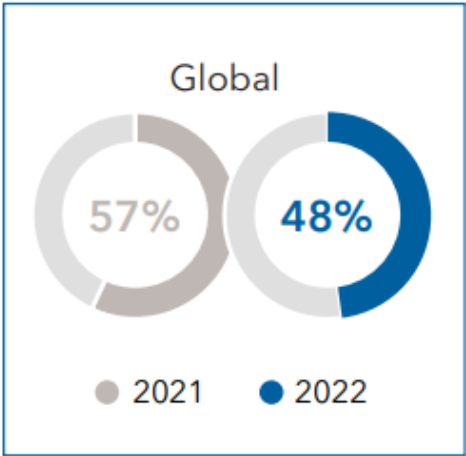
# Global Conviction in ESG adoption



Source: Capital Group



### Perceived prevalence of greenwashing

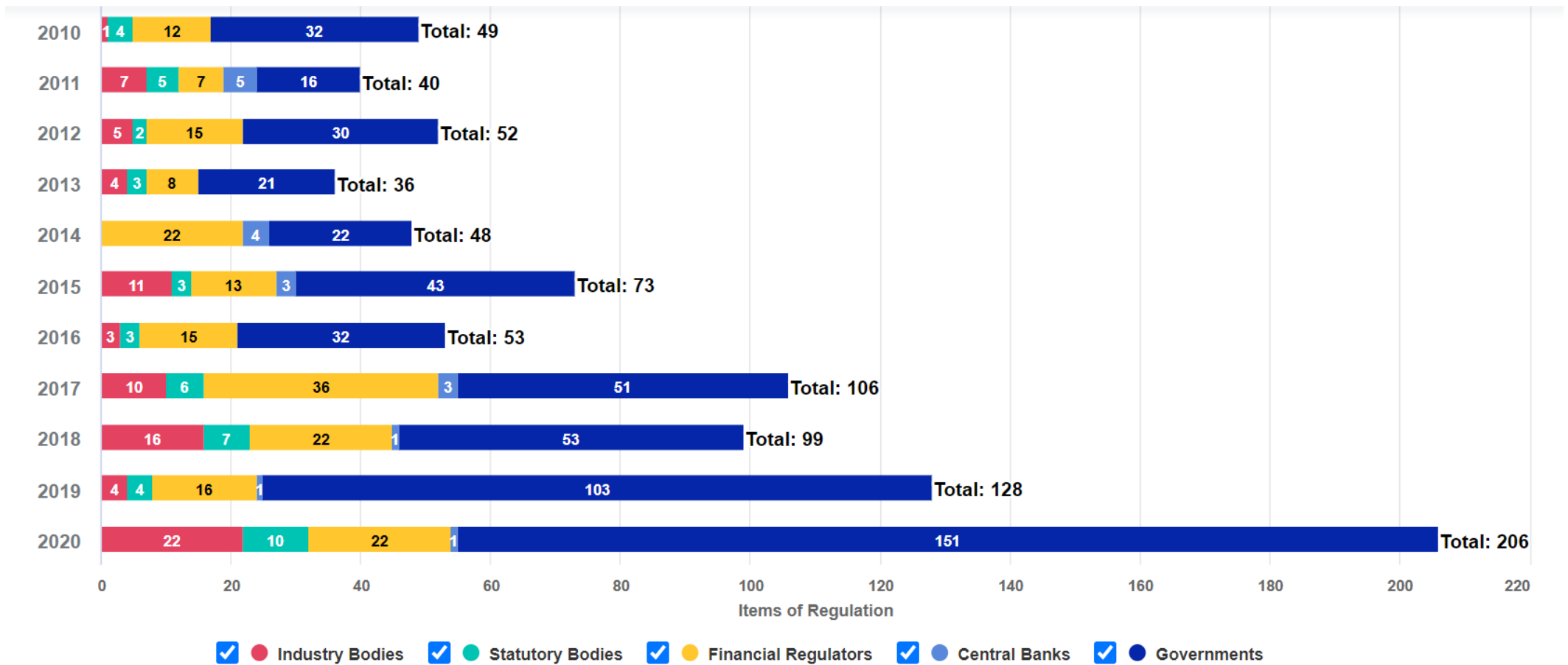


% Prevalent (7-10)

Source: Capital Group



## Growth of sustainability regulations across Stakeholders



Source: MSCI



## EU Action Plan

On 7 march 2018, the european commission released an **action plan for financing sustainable growth**.

The plan addresses three main areas:

- **Reorient capital** flows towards sustainable investment, in order to achieve sustainable and inclusive growth
- Mainstreaming **sustainability into risk management**
- **Foster transparency and long-termism** in financial and economic activity

In may 2018, the commission adopted a package of measures implementing several key actions:

### EU Taxonomy

A framework to define what can be considered environmentally sustainable economic activities

### SFDR

A regulation introducing obligations on asset managers to disclose how they integrate ESG factors in their risk processes

### Benchmarks

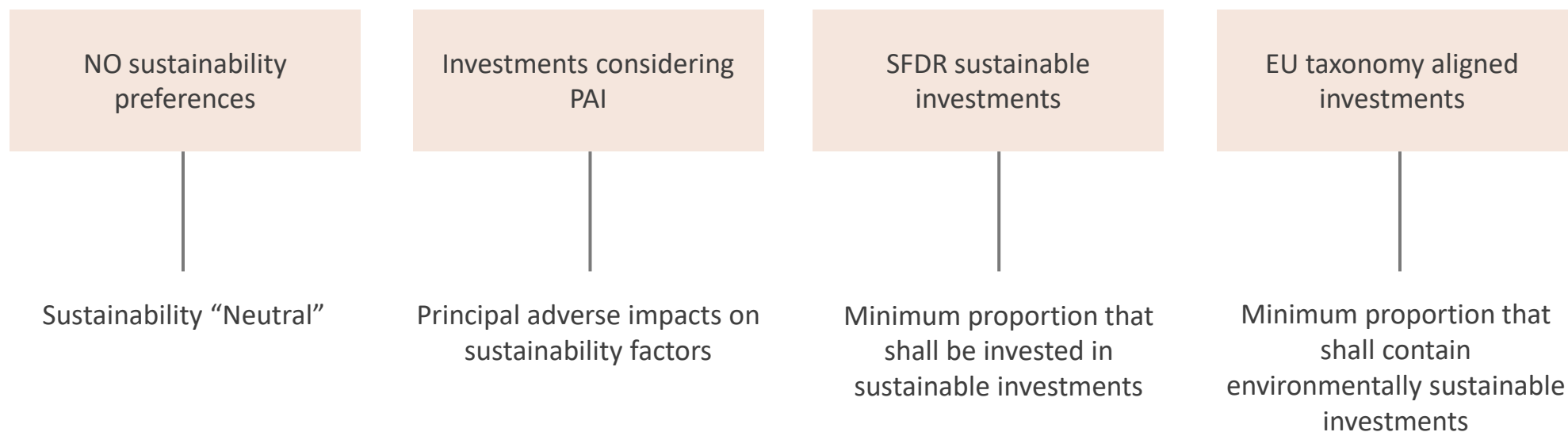
A regulation to introduce new category of benchmarks, comprising low-carbon and positive carbon impact benchmarks

### Amendements to MIFID II

To include sustainability considerations into the advice that investment firms offer to their clients.

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## MIFID II: Sustainability Preferences



## MIFID II: Principle Adverse Impact

**Principle Adverse Impact (PAI)** refers to the legislator’s goal of reducing or avoiding investments that significant harm either environmental or social goals.

Sustainability indicators include, for example:

-  Greenhouse gas emissions
-  Energy intensity and efficiency
-  Water consumption
-  Percentage of environmentally harmful waste
-  Social and employer issues
-  Respect for human rights
-  Biodiversity









It means ensuring that the indicators are considered when defining the investment universe in order to reduce adverse sustainability impacts in the long term (through for example sector or company exclusion, proxy voting or corporate engagement)

## MIFID II: Sustainable investments and EU Taxonomy

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices

*SFDR art 2(17)*

The following six environmental objectives have been defined in the EU Taxonomy:

-  **Climate change mitigation**
-  **Climate change adaptation**
-  Sustainable use and protection of water and marine resources
-  Transition to a circular economy
-  Pollution prevention and control
-  Protection and restoration of biodiversity and ecosystems



The specific technical assessment criteria to help achieve the environmental goals of climate change mitigation and climate change adaptation were published in June 2021 and adopted in December 2021.

The technical requirements for the missing four environmental goals are expected to be published in 2022.

## Data Providers: examples

COMPANY: ABC Corp.

