

# Understanding impact within sustainable investing



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CREDIT SUISSE 

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**2** Decarbonize your portfolio

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# Sustainability in Corporate Business Management

**E**

## **Environmental**

From carbon emissions to natural resources usage, pollution and waste.  
Centerpiece: climate change

**S**

## **Social**

Human capital, product liability, stakeholder opposition, employee health and safety requirements, ethical business practices

**G**

## **Governance**

Standards for running a company including risk management and alignment of stakeholder interests

## **Examples:**

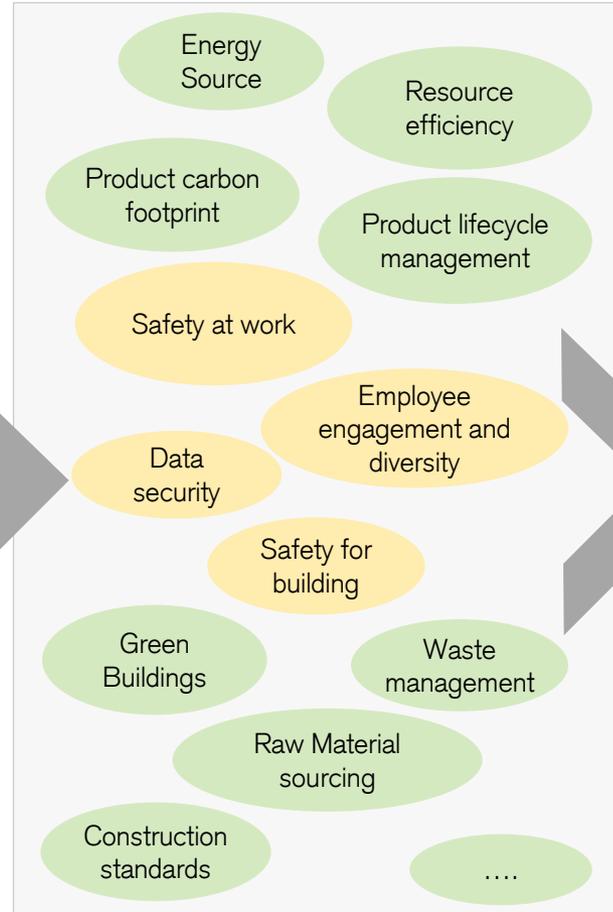
- Carbon footprint
  - Water use
  - Biodiversity and habitat
  - Energy consumption
  - Toxic emissions and waste
  - ...
- 
- Labor management and standards
  - Community development
  - Diversity and inclusion
  - Health and safety
  - Employee training and development
  - ...
- 
- Anti-bribery and money laundering
  - Data protection and privacy
  - Governance body composition
  - Stakeholder engagement
  - ...

# Why Sustainability matters to Businesses?

## Stakeholders

-  Customers
-  Shareholders
-  Employees
-  Business Partners
-  Suppliers
-  Communities
-  Media
-  Authorities
-  General Public
- ...

## Stakeholder Interest



## Impact on Businesses

-  Revenues
-  Operating costs
-  Capex
-  License to operate
-  Supply chain choices
-  Value of tangible assets
-  Talent
-  Brand value
-  Cost of capital
- ...

■ Green  
■ Social

# Current Sustainability Trends

A consumer behavior study reveals **76%** of respondents would **refuse to purchase** a product if they found out a company supported an issue **contrary to their beliefs**.<sup>2</sup>



The **Net Zero Asset Management Initiative** covers more than half of global AUM.

Signatories have committed to net zero portfolios by 2050.

Nearly 60% of the world's 100 largest public companies **support the TCFD**, report in line with the TCFD recommendations, or both<sup>4</sup>



More than **1,000 companies** worldwide are leading the **zero-carbon** transition through the Science Based Targets initiative (SBTi)<sup>5</sup>



69% of respondents are taking **sustainability performance** into consideration when **selecting new suppliers** and renewing contracts – up from 51% in 2019.<sup>2</sup>



Regulators and policymakers are making sustainability a priority, with **>500 ESG-related policies** and targets globally in 2019<sup>6</sup>

The issuance of Sustainable Bonds reached USD 500bn in H1 2021 **+60%** compared to the same period in 2020<sup>3</sup>



EMEA Sustainability-Linked Loan volumes in H1 2021 increased by **+400%** compared to the same period of 2020<sup>1</sup>



Sustainable lending volume increased **+75%** in H1 2021 compared to the full 2020<sup>1</sup>



<sup>1</sup> LoanRadar, <sup>2</sup> EcoVadis/2017 Cone Communications CSR Study, <sup>3</sup> CBI H12021 Report, <sup>4</sup> TCFD, <sup>5</sup> SBTi, <sup>6</sup> UN PRI

# Sustainable Investing Market Development

Investor values, growth opportunities as well as regulatory changes are key factors driving the growth

## Personal values and objectives



Sustainable Investments allow for personal values and objectives to be considered and implemented while investing.

## Risk mitigation / Transparency



ESG-related risks can have a measurable effect on the market value and reputation of a business (e.g., bad working conditions, environmental pollution). ESG criteria are therefore essential for holistic risk management.

## Comparable financial return



Comparable financial returns of sustainable investments with traditional investments (> 2'000 studies). Long-term value generation by focusing on ESG integration in investment process alongside traditional approaches.

## Positive impact on society and environment



All investments have an impact – positive or negative. By investing sustainably, the goal is to maximize the positive and minimize the negative impact on society and the environment.

Source: Credit Suisse AG

The important information mentioned at the end of this document also applies to this page.

# Clients are very interested in the topic

**>33%**  
of investors

...would change their bank if another bank offered a more environmentally sustainable portfolio

**>60%**  
of investors

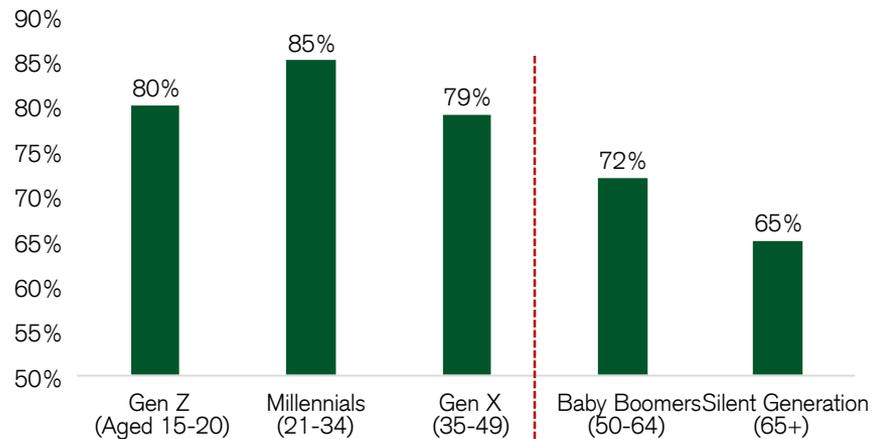
...are not sufficiently informed about their banks' sustainable product offering

**>38%**  
of Next Gen investors

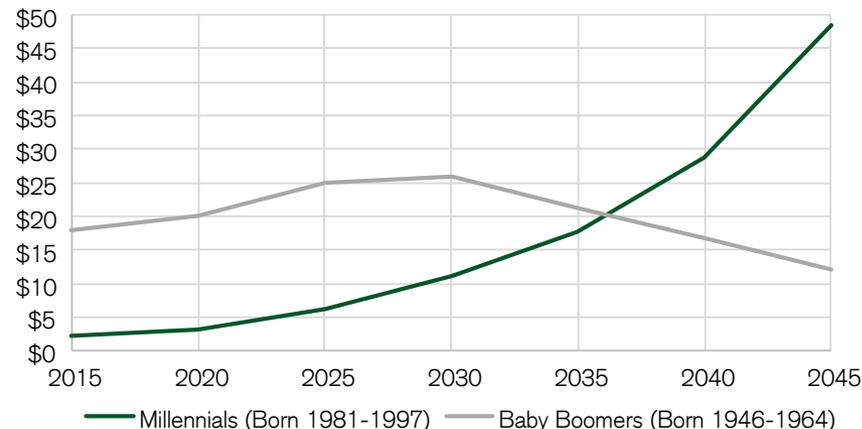
...are not sufficiently informed about their banks' sustainable product offering

## The “younger” generations, who are extremely interested in sustainability, are increasingly playing an important role in financial decisions

Share of generations for whom it is extremely or very important that companies implement programs to improve the environment



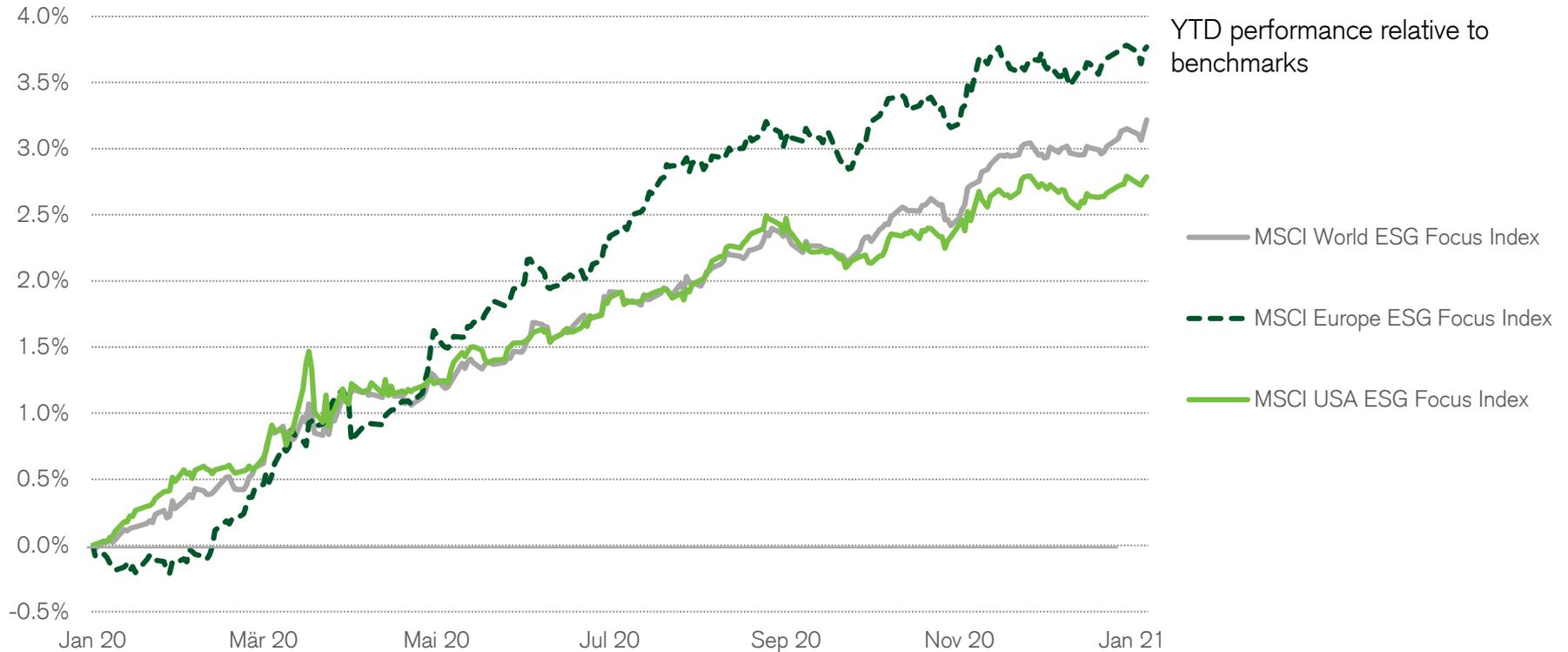
Wealth changes for millennials and baby boomers from 2015 to 2045 (in trillions of USD)



Source: Nielsen (LHS), BlackRock Investment Institute (RHS). Glassdoor, simplr Research, Credit Suisse Research

# Companies with superior ESG credentials outperformed the broader market in 2020

## Companies with superior ESG credentials are outperforming



Historical performance indications and financial market scenarios are not reliable indicators of future performance.

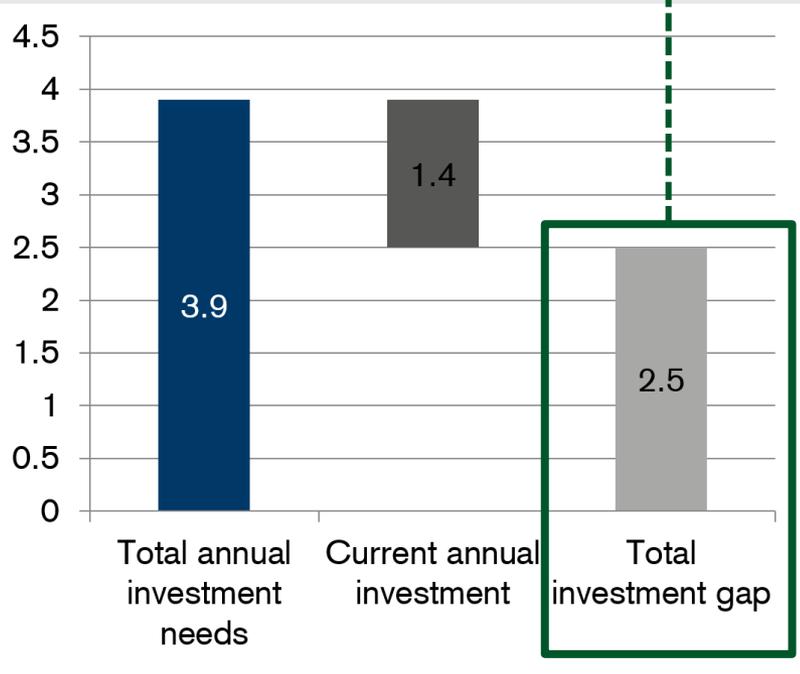
It is not possible to invest in an index. The index returns shown do not represent the results of actual trading of investable assets/securities. Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns.

Source: Bloomberg, Refinitiv, Credit Suisse research.

# Why impact matters – further growth in impact investing needed to close the SDG<sup>1</sup> funding gap

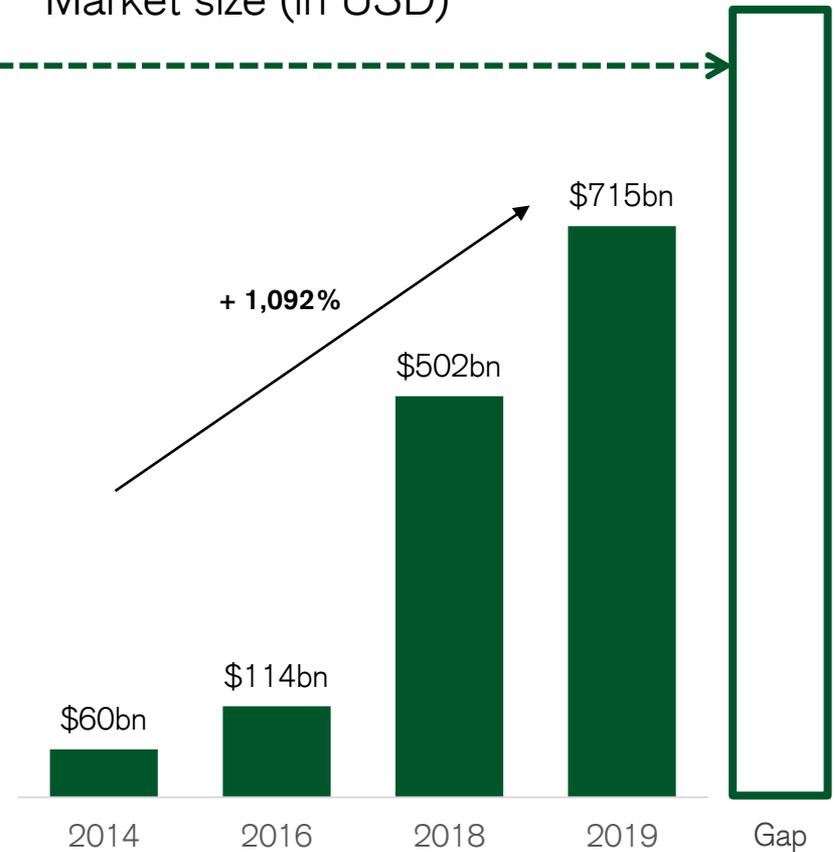
## SDG funding gap<sup>2</sup>

Per year (in trillion USD)



## Global impact investing<sup>3</sup>

Market size (in USD)



1. Sustainable Development Goal (SDG); 2. Source: UNCTAD (2014);

3. Source: Global Impact Investing Network. Data is based on self-reported impact AuM figures from GIIN members

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# Sustainable investing

## A spectrum with different strategies



# Climate change

## Key threats to our environment

Climate change is one of the key issue facing our world today

### Rising sea levels

Predicted to displace 1 bn people by 2050

### Deforestation

80 million hectares of forest



### Fossil fuels

Between 1970 and 2011 fossil fuels emissions have increased by 78%



### Heat stress

The past five years were the hottest since records began

### Extreme weather conditions

Extreme weather conditions is driving 26 million people into poverty each year



### Air pollution

Cities cause more than 70% of global CO2 emissions

Source: United Nations, WWF, NASA, Credit Suisse Group and/or its affiliates.  
Last data point: 04.11.2020

# Transition to a low-carbon future ... but also a lot of opportunities

Key industries that will benefit from a decarbonized economy include for example, **green energy infrastructure**, **smart cities**, **food & agriculture**, **water and ocean** but also **health and inclusion**:



**Food & agriculture**



**Offshore wind**



**Water, waste water  
treatment**



**Adaptation  
infrastructure**

## Climate Change also offers social opportunities



**Increased  
water access**



**Increased  
Food security**



**Adapting for  
better health**



**Net job  
creation**

Source: Credit Suisse AG

# Climate change

## Key drivers of the transition



### Regulations

Carbon pricing  
Increased operating,  
capital and insurance costs

### Technologies disruption

Rapid climate-driven  
technological innovation

### Net zero commitments

Supply chain disruption and  
damage to production  
facilities

### Consumers

Shifting consumer  
preferences

### Investors

Shifting direct capital to  
climate-aligned companies

**+1'000**  
net zero

Companies with net  
zero commitments

Source: Science based targets, Credit Suisse Group and/or its affiliates

# How do you build a portfolio that decarbonizes?

## A 4-step approach

### 1 Assess the portfolio



**Corporate reporting**, such as annual reports, corporate responsibility reports or sustainability reports may provide transparency

### 2 Remove harmful investments

Harmful Sectors 

Climate Risks 

Screen out investments that are linked to **harmful businesses** and pose a strong **climate risk**

### 3 Integrate ESG

Environmental

Social

Governance

**ESG integration** allow investments in solutions that integrate ESG criteria and can mitigate risks

### 4 Shift into climate solutions companies

Support Solutions 

Contribute to change 

**Support** solutions that actively aim to create a change or that are already decarbonizing our economy through their products/services

# A decarbonized portfolio vs. a portfolio that decarbonizes

## A decarbonized portfolio

Companies with low emissions:

 Banking and Insurance

 IT

 Car manufacturers

## vs. A portfolio that decarbonizes

Companies that offer solutions:

 Renewable Energy

 Clean tech

 Sustainable industrial solutions



The companies mentioned here are meant for illustration purposes only and are not intended as a solicitation or an offer to buy or sell any interest or any investment

<sup>1</sup>Source: MSCI ESG Research LLC.; Greenhouse Gas Protocol; <sup>1</sup> includes Scope 1+2 Intensity, scope 3 is not included given limited data availability.

# A portfolio that decarbonizes the world

## Through all asset classes

### Private Equity

Exposure to high-impact Private Equity strategies in climate technologies

### Green Real Estate

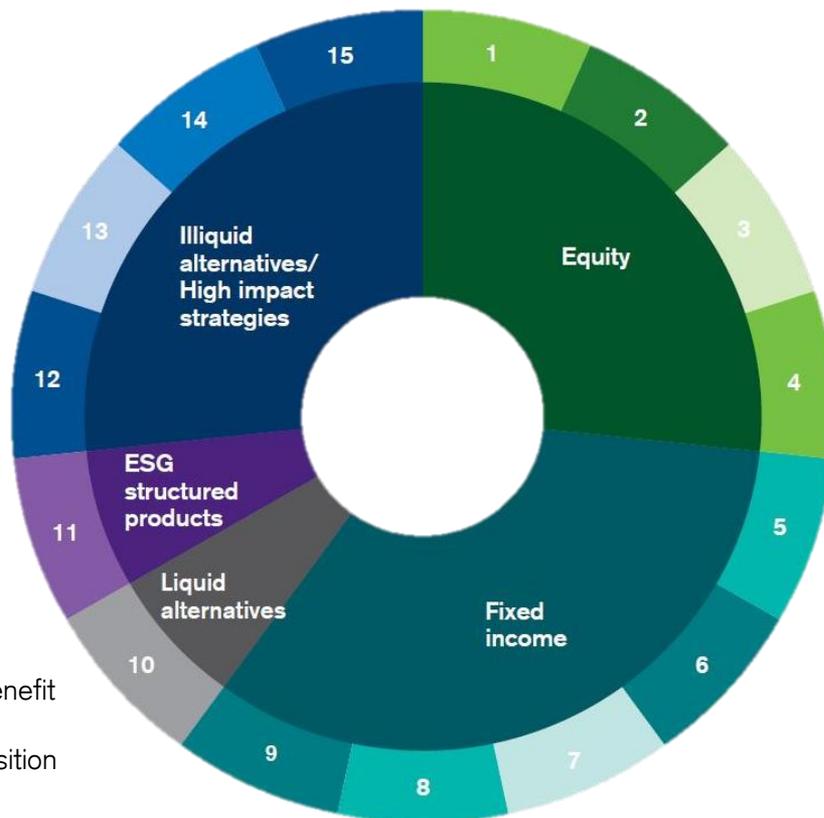
Green property funds aim to significantly reduce emissions of buildings

### Microfinance

Support developing country communities which are often the hardest hit from, for example, severe weather events

### ESG Hedge funds

Allows to short the laggards and benefit from the inevitable disruption that will come with the climate transition



### Single Stocks

Allocation of stocks can be chosen depending on their climate exposure

### ESG Integration equities

Integrate climate risk and opportunity as a priority in the consideration of ESG issues

### Thematic Equities

Exposure to climate-related themes and solutions providers

### Engagement Equities

Deliver impact through investments in funds that use shareholder engagement

### Green and transition bonds

Finance listed company's own balance sheet to develop green projects and/or transition away from fossil fuels

Transition bond: a bond designed to support and accelerate the economic and industrial transition towards a zero-carbon economy, sustainability and to combat climate change, particularly for those sectors currently not in line with Paris agreement targets.  
For illustrative purposes only.

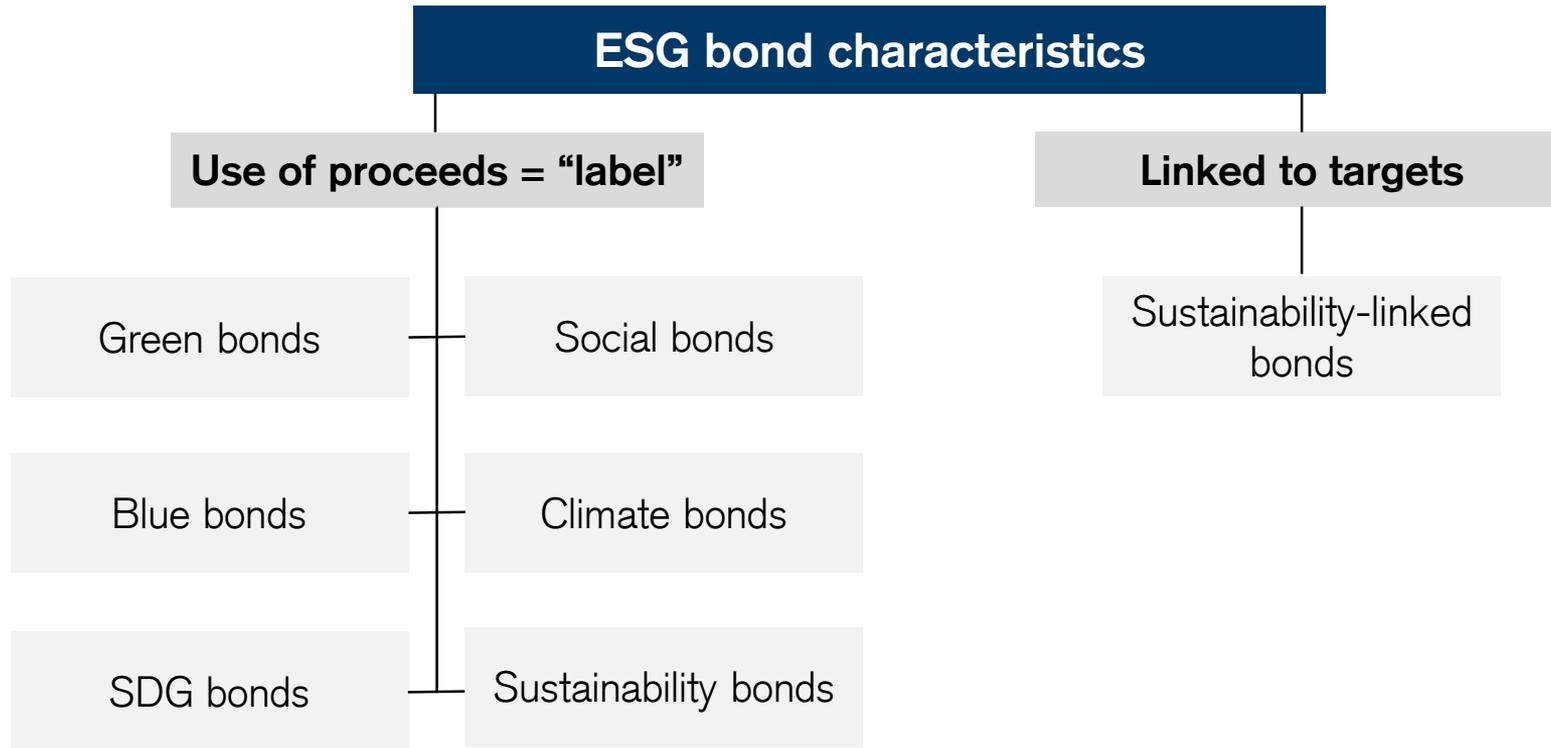
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# ESG bonds

## Two main categories



- **Use of proceeds:** proceeds earmarked for thematic projects
- **Linked to targets:** financings linked to sustainability performance of borrower

Source: Credit Suisse

# Labelled bonds

## ESG label determined by the use of proceeds

### Green Bonds



Proceeds earmarked to finance projects with a positive impact on the environment

### Blue Bonds



Proceeds earmarked to finance projects to help preserve the oceans

### Social Bonds



Proceeds earmarked to finance projects with positive social outcomes (e.g. gender bonds)

### Sustainability Bonds



Proceeds can be used for a mix of both green and social projects

### Sustainable Development Goals (SDG) Bonds



Proceeds used to contribute to the achievement of UN's SDGs<sup>1</sup>

### Climate Bonds



Proceeds specifically linked to climate change mitigation, adaptation and resilience

1) Overview in Appendix

Source: ICMA, SDG Impact, Climate Bonds Initiative, Reuters, BLOOMBERG PROFESSIONAL™ service

# Green Bond Principles (GBP)

## Voluntary best practice guidelines for green bonds

- Established in 2014 by the International Capital Market Association (ICMA), updated in June 2018
- Widely adopted framework for green bond issuances
- Recommend transparency and disclosure, and promote integrity
- Second Opinions and **External Reviews are recommended** but not among the four core components listed below

### The four components of the Green Bond Principles

1 - Use of proceeds	2 - Evaluation and selection	3 - Management of proceeds	4 - Reporting
<ul style="list-style-type: none"><li>▪ Definition / description of green projects</li><li>▪ Eligible categories include:<ul style="list-style-type: none"><li>– Renewable energy</li><li>– Pollution</li><li>– Clean transportation</li><li>– Sustainable water</li><li>– Green buildings</li><li>– Climate change adaption</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ Clear communication of:<ul style="list-style-type: none"><li>– Environmental objectives</li><li>– Fit of project within eligible categories</li></ul></li><li>▪ Definition of eligible criteria to identify and manage environmental and social risks</li></ul>	<ul style="list-style-type: none"><li>▪ Net proceeds should be tracked (e.g. using sub-account)</li><li>▪ Balance should be periodically adjusted to match allocations to eligible green projects</li></ul>	<ul style="list-style-type: none"><li>▪ Information on the use of proceeds should be updated annually (on a timely basis in case of material developments)</li><li>▪ A brief description of projects, amounts allocated and expected impact should be put in the annual report</li></ul>

Source: ICMA

# Green bonds

## The issuer's and the investor's perspectives

### Why issue green bonds?

- Signaling and reputational effect
- Diversify sources of funding by broadening the investor base (“green-only” investors, funds with target holdings of green/ESG-related investments)
- More attractive borrowing costs: market intelligence suggests that in 2019-2020, green bonds were issued in primary markets at lower coupons (c. 25 bp for O-I Glass) and larger order books

### Why invest in green bonds?

- Increasing investor interest to incorporate ESG criteria in portfolios
- Social and environmental contribution
- Fixed income portfolio diversification
- A study by the ECB has found that green bonds trade in line with traditional bonds in secondary markets (no “greenium”)

Source: ECB, O-I Glass investor call

# Green, social and sustainability(-linked) bonds

## Labelled bond universe is increasing rapidly

### Green, social, sustainability and sustainability-linked bonds supply



- Green bonds remain the largest category within the ESG bond universe
- But diversification has increased, with strong growth in social and sustainability bonds in 2020, in response to the pandemic
  - In October 2020, the EU issued EUR 17 bn of social bonds to fund its SURE (Support to mitigate Unemployment Risks in an Emergency) program. The EU will start issuing green bonds in 2021
- 2021 is showing a similar trend so far

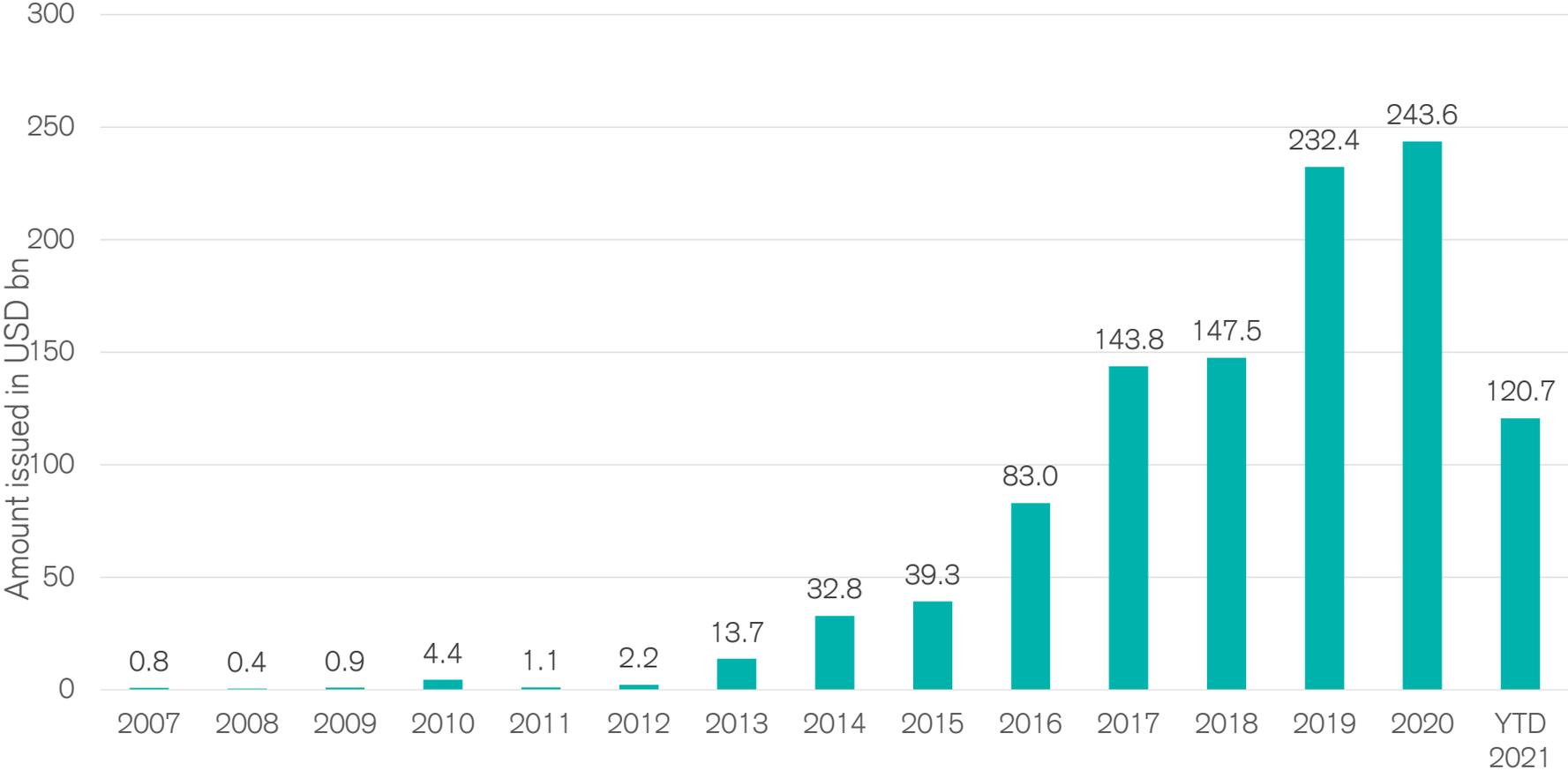
Last data point: 31.03.2021

Source: BLOOMBERG PROFESSIONAL™ service

# The green bond market

## Global volumes have been increasing

**Green bond supply (USD 1,066.6 bn issued in total)**



Last data point: 31.03.2021

Source: BLOOMBERG PROFESSIONAL™ service

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# Sustainability at Credit Suisse

## Purpose, People, Planet, Products



### Purpose

“We build lasting value by serving our clients with **care** and entrepreneurial spirit.”

### Planet

“In 2020, we set a new ambition to achieve **net zero** emissions by no later than 2050.”

### People

“...advancing our culture of **inclusion** and belonging continues to be a priority.”

### Sustainable Products and Services

“...facilitate investment products and services that generate **environmental** and **social** benefits as well as financial returns.”

### Disclosure Frameworks

“...we have upgraded our 2020 reporting by disclosing according to **SASB** metrics for the first time.”

Source: Credit Suisse Sustainability Report 2020

# Sustainability at Credit Suisse

## Our 2020 achievements

**Created a new Sustainability, Research & Investment Solutions (SRI) function**  
 at the Executive Board level to accelerate our sustainability efforts and embed them across all client segments in order to deliver on our ambition to become a leader in sustainability

**Announced in February 2021 a collaboration with BlackRock to develop sustainable private markets client solutions**

**Established the new Credit Suisse APAC Foundation**  
 to provide philanthropic support to organizations across the Asia Pacific region with a focus on the bank's main corporate citizenship topics of Financial Inclusion, Financial Education and Future Skills

**Joined, as a founding member, the World Economic Forum's (WEF) coalition to tackle racism in the workplace through the WEF's "Partnering for Racial Justice in Business" initiative**

**Established a new Sustainability Advisory Committee**  
 at the Board of Directors level

**Announced goal to provide at least CHF 300 billion**  
 of sustainable financing to support transition strategies (renewables, Green/Blue/Transition bonds, low-carbon energy solutions and UN Sustainable Development Goals-aligned financings) over the next 10 years

**Continued efforts to address the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD)**  
 for voluntary reporting on material risks and opportunities arising from climate change

**Introduced SASB (Sustainability Accounting Standards Board) standards and accounting metrics**

**Ongoing inclusion in leading sustainability indices such as the Dow Jones Sustainability Index (DJSI)**

**Aligning our activities with the Paris Agreement**  
 objective of limiting global warming to 1.5°C

**Decreasing our exposure to high-carbon and climate-sensitive business – introduced further financing restrictions for thermal coal extraction and coal power, as well as the Client Energy Transition Frameworks (CETF) to priority sectors**

**Building value by serving our clients with care and entrepreneurial spirit."**

**Commitment to develop science-based targets in 2021 and 2022, including our commitment to achieve net zero**  
 emissions from our operations, supply chain and financing activities  
**no later than 2050**  
 with intermediate emissions goals for 2030

**100% renewable electricity**  
 across our entire global operations by 2025

**renewable energy businesses and, by the end of 2020, had been involved in over 150 transactions**  
 in this field with a value of more than USD 130 billion since 2010

**Launched Credit Suisse purpose statement and refreshed values – all embedded in an updated Code of Conduct**

**Strong commitment to Diversity & Inclusion**  
 with targets set for Black Talent in the UK, US and gender representation

Source: [Credit Suisse Sustainability Report 2020](#)

For illustrative purposes only.

# Credit Suisse sustainable investing offering

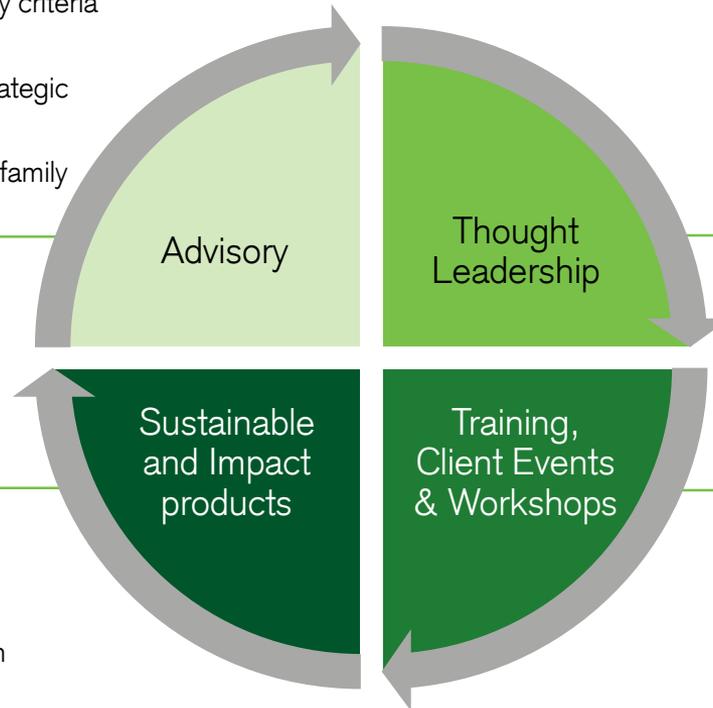
## Our capabilities in a nutshell

### Client Advisory

- Identify client needs, define sustainability criteria and investment guidelines
- Bespoke support for high-touch and strategic clients and prospects
- Engaging in specific segments such as family offices and strategic clients

### Thought Leadership

- Research and publications on current sustainability topics
- Media engagement



### Sustainable and Impact Products

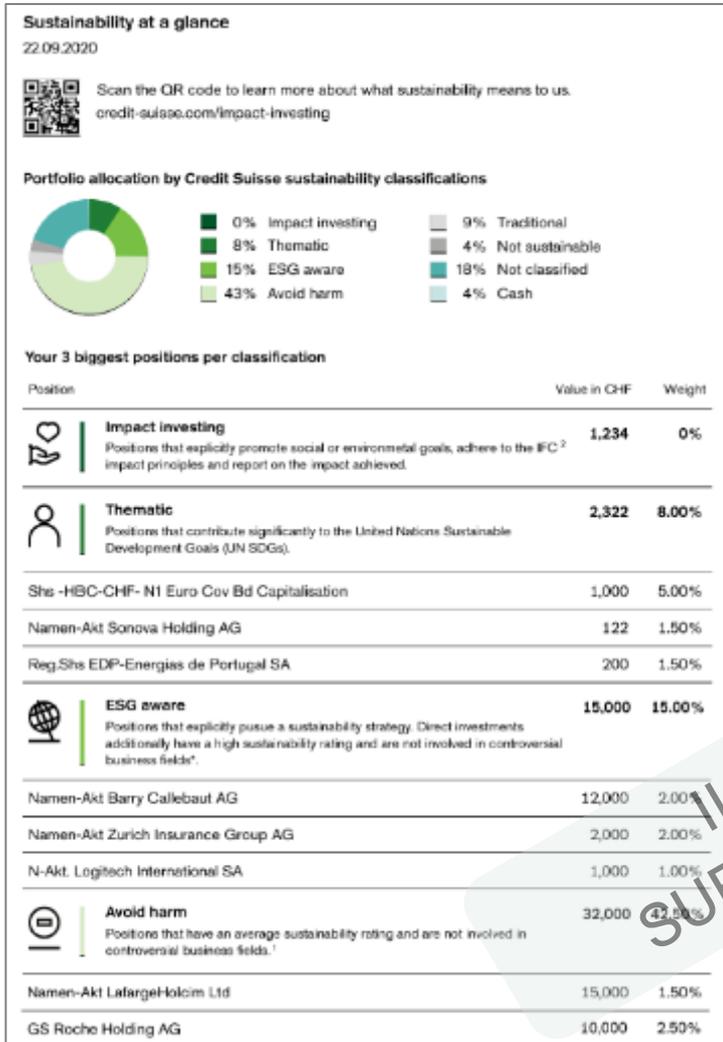
- Sustainable and Impact Funds Selection
- Impact & ESG Product Development
- Thematic & product deep dives tied to the unique CS product offering
- Bespoke impact strategies

### Training, Client Events & Workshops

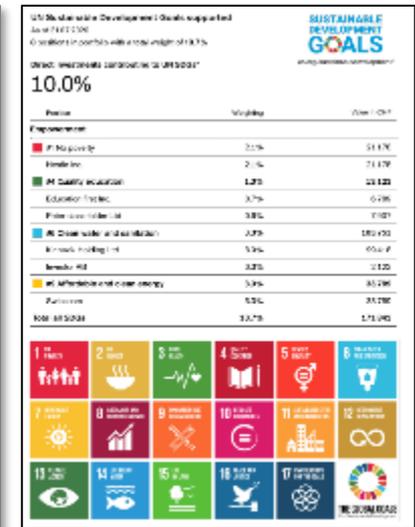
- Webinars and roadshows
- Workshops and client events on current sustainability topics
- Green Carpet Days to introduce sustainable and impact investing
- Bespoke family office workshops

# Credit Suisse Sustainability Reporting

New sustainability reporting has been launched in a staggered approach as of February 2021



- Portfolio allocation by Credit Suisse Sustainability Classifications
- Information regarding involvement in controversial business activities
- Information regarding SDG contribution
- Separate E, S and G analyses
- Carbon footprint and transition risks
- Sustainability information on position level



Source: Credit Suisse AG. For illustrative purposes only.

# Q&A



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