ESG BUSINESS CONFERENCE

15 Giugno 2022

CERTAINTY | INGENUITY | ADVANTAGE

Georgeson

The ESG Landscape

A complex web of reporting frameworks, collective initiatives, and rating agencies that drive ESG decisions

CDSB

IR

SASB – Sustainability Accounting Standards Board

CDP

GRI – Empowering Sustainable Decisions

PRI – Principles for Responsible Investment

Climate Action 100+

Transition Pathway Initiative

Ceres

Sustainable Development Goals

The Net-Zero Asset Owner Alliance

MSCI

Deutsche Börse Group | ISS
Majority Stake, November 2020

FactSet | Truvalue Labs
Acquisition, October 2020

Morningstar | Sustainalytics
Acquisition, July 2020

S&P Global | RobecoSAM
Acquisition, November 2019

Moody's | vigeo eiris
Majority Stake, April 2019

The ESG Landscape

A company with strong ESG scores will be included in ESG-focused indices and attract long-term investors seeking strong risk-adjusted returns

Companies with weak scores will with increased frequency experience fleeing investors and a dwindling stock price

NORGES BANK

Divested from Airbus (weapons), RWE (coal) and Philip Morris (Tobacco)

CalPERS

Divested all firearms and tobacco companies

STATE STREET GLOBAL ADVISORS

Voting against ESG laggards identified by R-Factor ESG rating system

storebrand

Introduced a new climate policy and have excluded companies like BASF, Exxon and Chevron from their portfolio

Legal & General

Divesting climate laggards and overweighting climate leaders

Fidelity INVESTMENTS

Building proprietary ESG rating system that will influence voting decisions

BLACKROCK

Voted against 319 companies for climate-related concerns in 2021

ESG's Increasing Importance Among Asset Managers

- Investors' growing focus on risks including climate change and social inequality are pushing ESG strategies into the mainstream.
- Heads at major asset managers have increasingly publicised their thoughts on these issues, with environmental and social concerns finding more prominence in their annual letters.
- Assets in sustainable investment products in Europe are forecast to reach €7.6tn over the next four years, outnumbering assets in conventional funds.

15% **57%**

Market share of ESG funds in Europe by 2025

28.8% CAGR

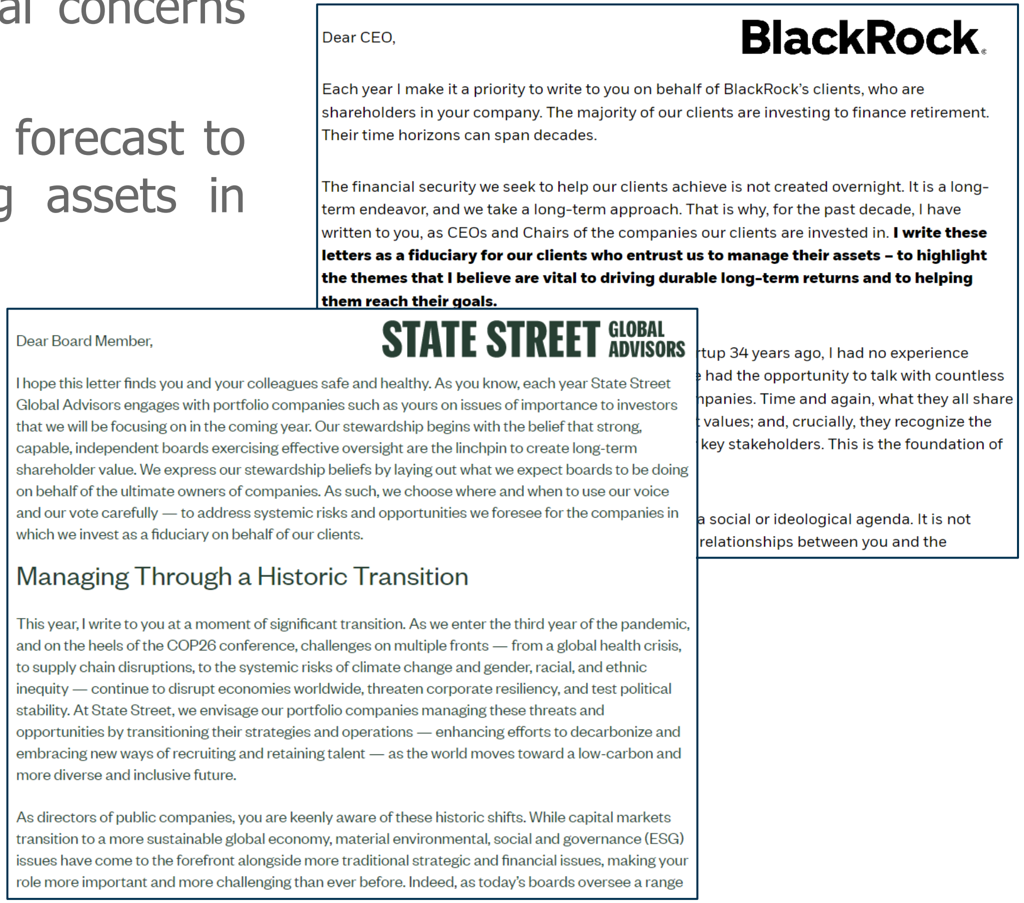
Overall ESG fund AuM growth from 2019 to 2025

€1.7t **€5.5t**

Assets in the European fund market by 2025

77%

Investors to stop buying conventional funds in 2022


Dear CEO,

BlackRock

Each year I make it a priority to write to you on behalf of BlackRock's clients, who are shareholders in your company. The majority of our clients are investing to finance retirement. Their time horizons can span decades.

The financial security we seek to help our clients achieve is not created overnight. It is a long-term endeavor, and we take a long-term approach. That is why, for the past decade, I have written to you, as CEOs and Chairs of the companies our clients are invested in. **I write these letters as a fiduciary for our clients who entrust us to manage their assets – to highlight the themes that I believe are vital to driving durable long-term returns and to helping them reach their goals.**

…rtup 34 years ago, I had no experience … had the opportunity to talk with countless …npanies. Time and again, what they all share … values; and, crucially, they recognize the … key stakeholders. This is the foundation of …

…a social or ideological agenda. It is not … relationships between you and the …

Dear Board Member,

STATE STREET GLOBAL ADVISORS

I hope this letter finds you and your colleagues safe and healthy. As you know, each year State Street Global Advisors engages with portfolio companies such as yours on issues of importance to investors that we will be focusing on in the coming year. Our stewardship begins with the belief that strong, capable, independent boards exercising effective oversight are the linchpin to create long-term shareholder value. We express our stewardship beliefs by laying out what we expect boards to be doing on behalf of the ultimate owners of companies. As such, we choose where and when to use our voice and our vote carefully — to address systemic risks and opportunities we foresee for the companies in which we invest as a fiduciary on behalf of our clients.

Managing Through a Historic Transition

This year, I write to you at a moment of significant transition. As we enter the third year of the pandemic, and on the heels of the COP26 conference, challenges on multiple fronts — from a global health crisis, to supply chain disruptions, to the systemic risks of climate change and gender, racial, and ethnic inequity — continue to disrupt economies worldwide, threaten corporate resiliency, and test political stability. At State Street, we envisage our portfolio companies managing these threats and opportunities by transitioning their strategies and operations — enhancing efforts to decarbonize and embracing new ways of recruiting and retaining talent — as the world moves toward a low-carbon and more diverse and inclusive future.

As directors of public companies, you are keenly aware of these historic shifts. While capital markets transition to a more sustainable global economy, material environmental, social and governance (ESG) issues have come to the forefront alongside more traditional strategic and financial issues, making your role more important and more challenging than ever before. Indeed, as today's boards oversee a range

ESG Collective Initiatives

The Principles for Responsible Investment dictate six principles to incorporate ESG factors into investment practice

CII is a leading voice for effective corporate governance and promotes policies that enhance long-term value for U.S. institutional asset owners and their beneficiaries

ICCR uses its institutional voice to promote public policies that directly relate to investor engagements with corporations on environmental and social issues

The Asian Corporate Governance Association works with investors, companies and regulators in the implementation of effective CG practices throughout Asia

NET ZERO ASSET MANAGERS INITIATIVE is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050

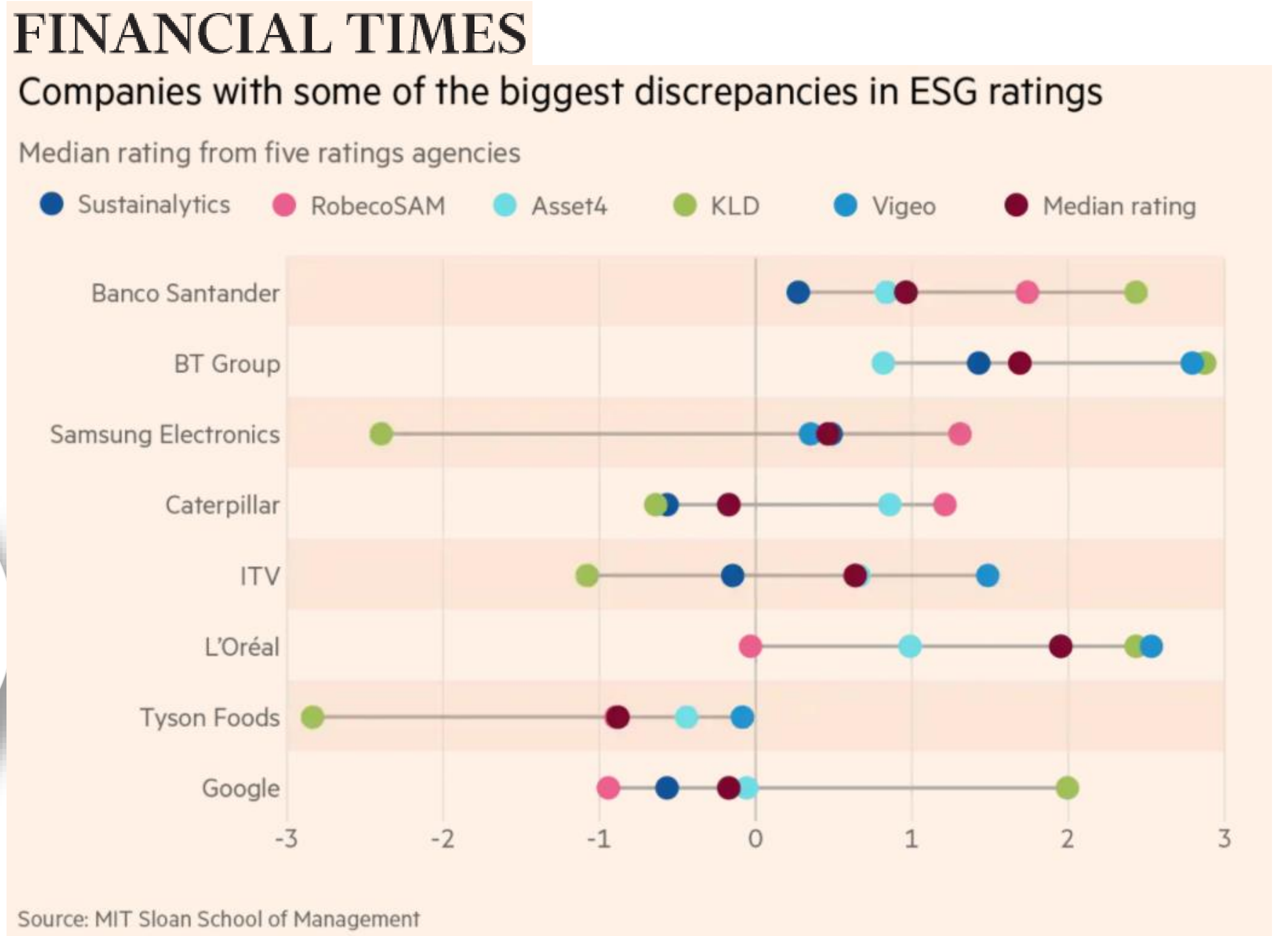
The Climate Action 100+ signatories engage with the companies in which they invest, to secure greater disclosure of climate change risks and robust company emissions reduction strategies

The Investor Mining and Tailings Safety Initiative is a group of institutional investors active in extractive industries, governed through a steering committee chaired by the Church of England Pensions Board and the Swedish Council of Ethics of the AP Funds.

Investors for Opioid and Pharmaceutical Accountability (IOPA) is a $4.2trn coalition pushing for change at health companies

ESG Ratings

MSCI
REFINITIV
S&P Global
SUSTAINALYTICS
Bloomberg
FitchRatings
FTSE4Good
V.E
VIGEO.EIRIS
THOMSON REUTERS



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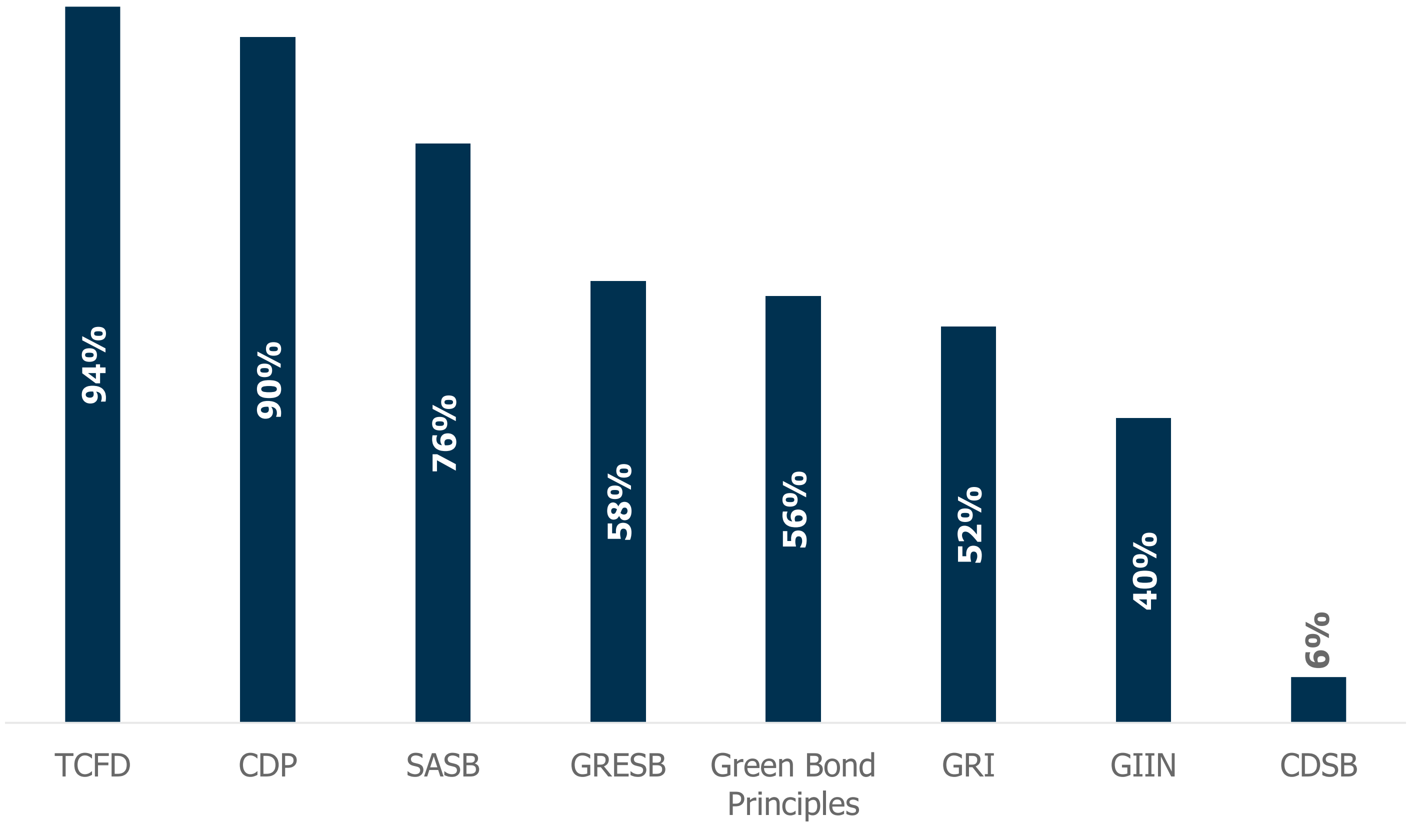
E&S external influencers

Frameworks

	Frameworks	% of Investors
1	TCFD	94%
2	CDP	90%
3	SASB	76%
4	GRESB	58%
5	Green Bond Principles	56%



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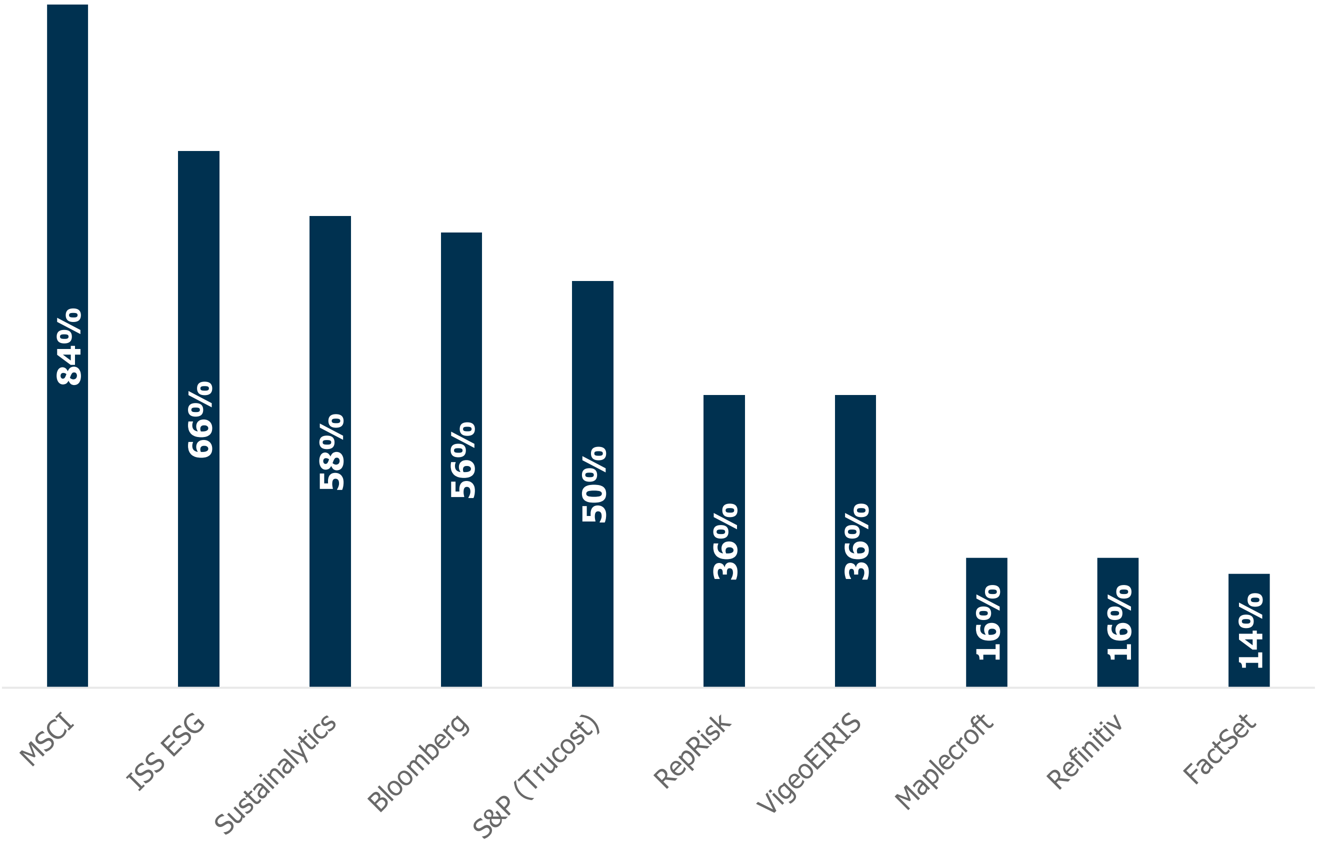
E&S external influencers

Rating Agents

	Rating Agents	% of Investors
1	MSCI	84%
2	ISS ESG	66%
3	Sustainalytics	58%
4	Bloomberg	56%
5	S&P Trucost	50%



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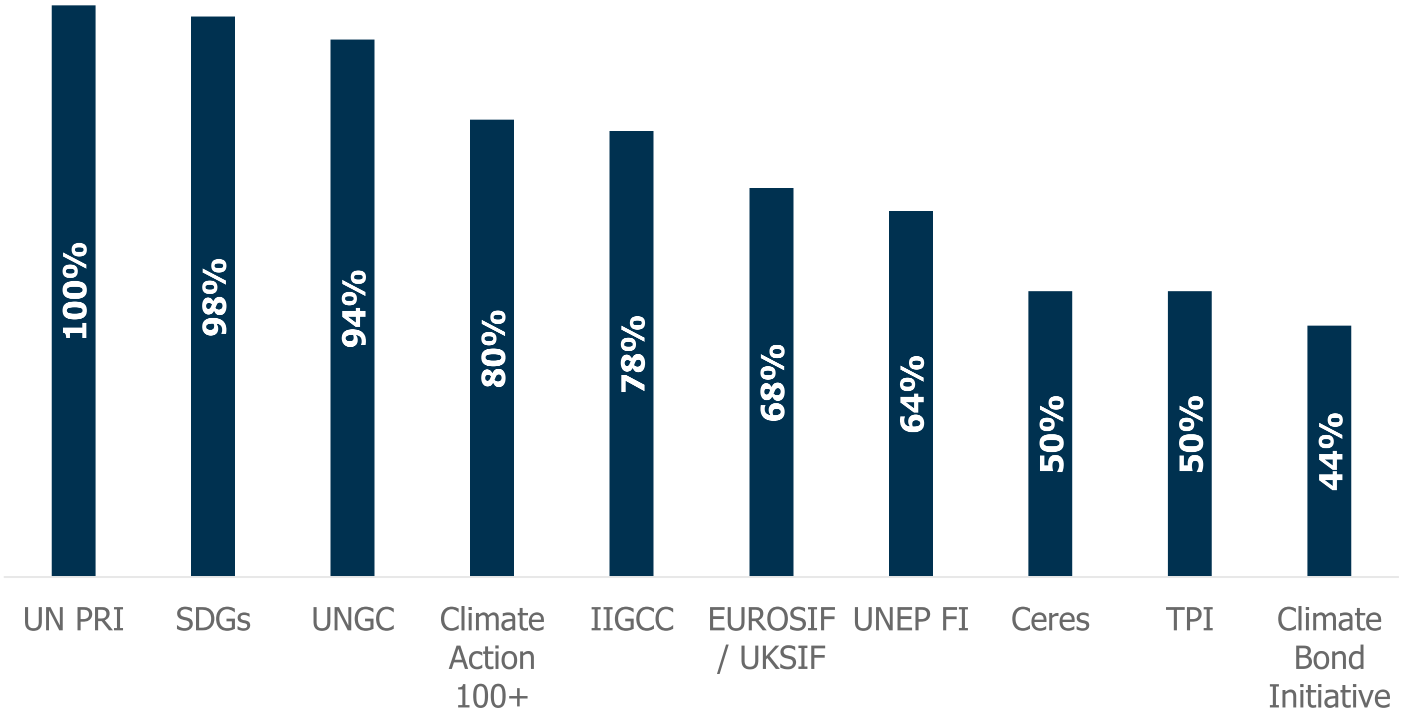
E&S external influencers

Initiatives

	Initiatives	% of Investors
1	UN PRI	100%
2	SDGs	98%
3	UNGC	94%
4	Climate Action 100+	80%
5	IIGCC	78%



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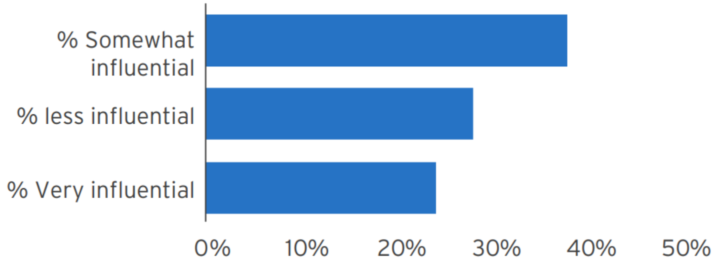
Georgeson's Institutional Investors Survey

Institutional Investor External Influencer's	Social Escalation Strategies	Climate Escalation Strategies
Investor initiatives and frameworks are having a "significant impact" on **65**% of respondents' decisions. External influencers are having "some impact" on voting and investment decisions of **35%**. **75%** of respondents that are *Net Zero Asset Management signatories* confirmed it will be a priority to accelerate their net zero asset alignment over this year.	**45%** of respondents are "very likely" to introduce Social policy guidelines. This could result in directors receiving increased against votes for poor disclosure or lack of progress around gender, ethnic diversity, or poor human rights policies.	**Most respondents** said they won't penalize directors if companies don't put a Say on Climate vote forward, and if companies do put one forward, **70%** will most likely support it. **40%** of respondents indicated they would likely support Say on Climate shareholder proposals if they provide a compelling case.

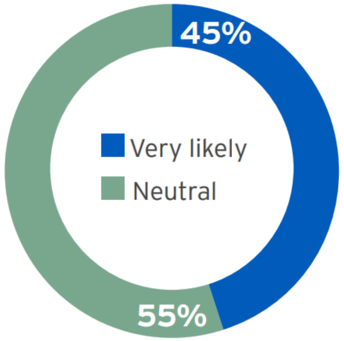
Laggards in the carbon intensive sectors can expect votes against directors if they fall even slightly behind the curve around climate disclosure and strategy. In other sectors, investors will also focus attention on laggards, perhaps targeting leaders to push the climate agenda and transition towards a low carbon economy.

Georgeson's Institutional Investors Survey

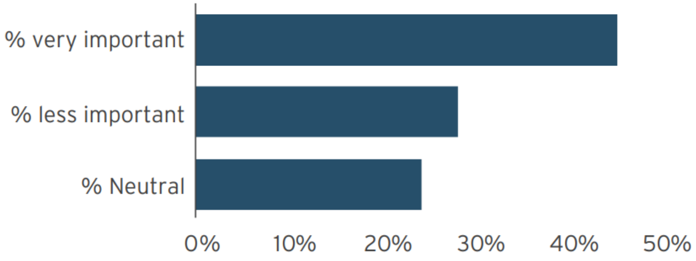
Investors are beginning to change the way they judge companies on their social performance, with an increased focus on human rights and ethnic diversity for certain markets.



45% of respondents say it will be "very important" for companies to get up to speed regarding the Task Force for Natural Financial disclosures (TNFD), maybe not attain the standards but at least start to implement.

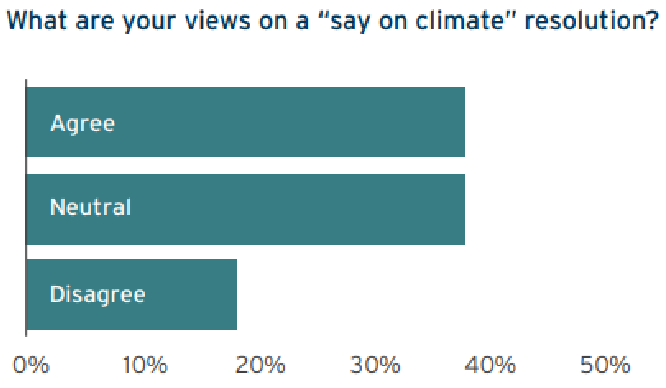


65% of respondents reiterate that key rating agencies ESG controversies could be "very" or "somewhat" influential as a trigger that could potentially lead to votes against key management resolutions.

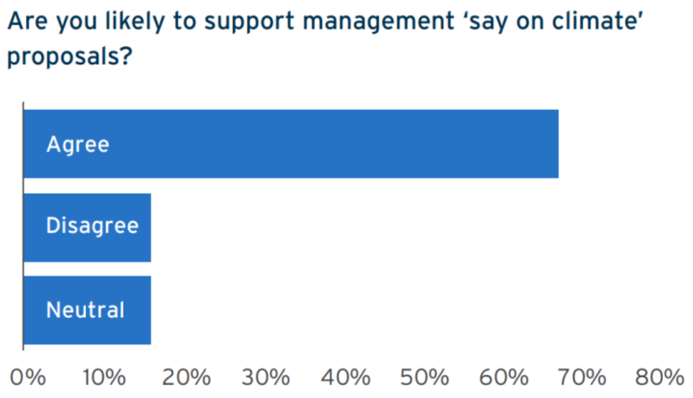


Georgeson's Institutional Investors Survey

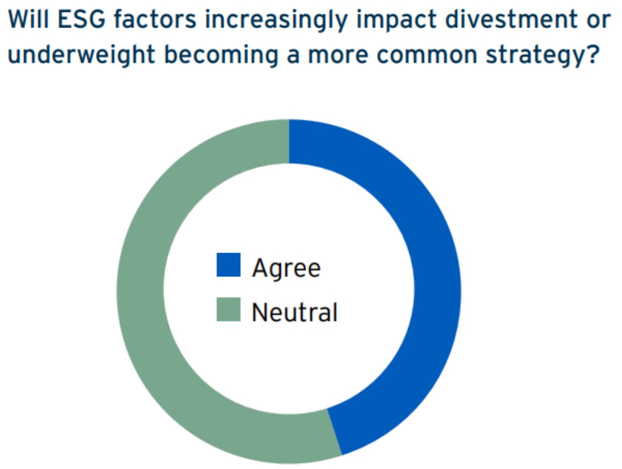
Overall, investors welcome emission reduction targets at are verified by the Science Based Target initiative (SBTi) and are targeting companies in carbon intensive sectors who fall behind their peers.



45% of respondents suggested divestment, exclusion or "underweight" will increasingly become a more common mechanism as ESG frameworks/regulations evolve.



40% of respondents indicated they would likely support 'say on climate' shareholder proposals if they provide a compelling case.



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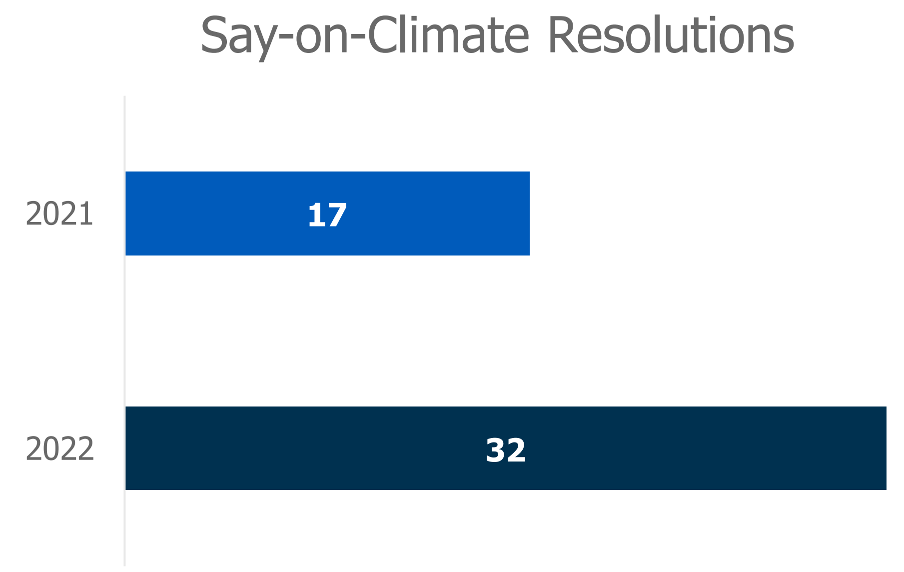
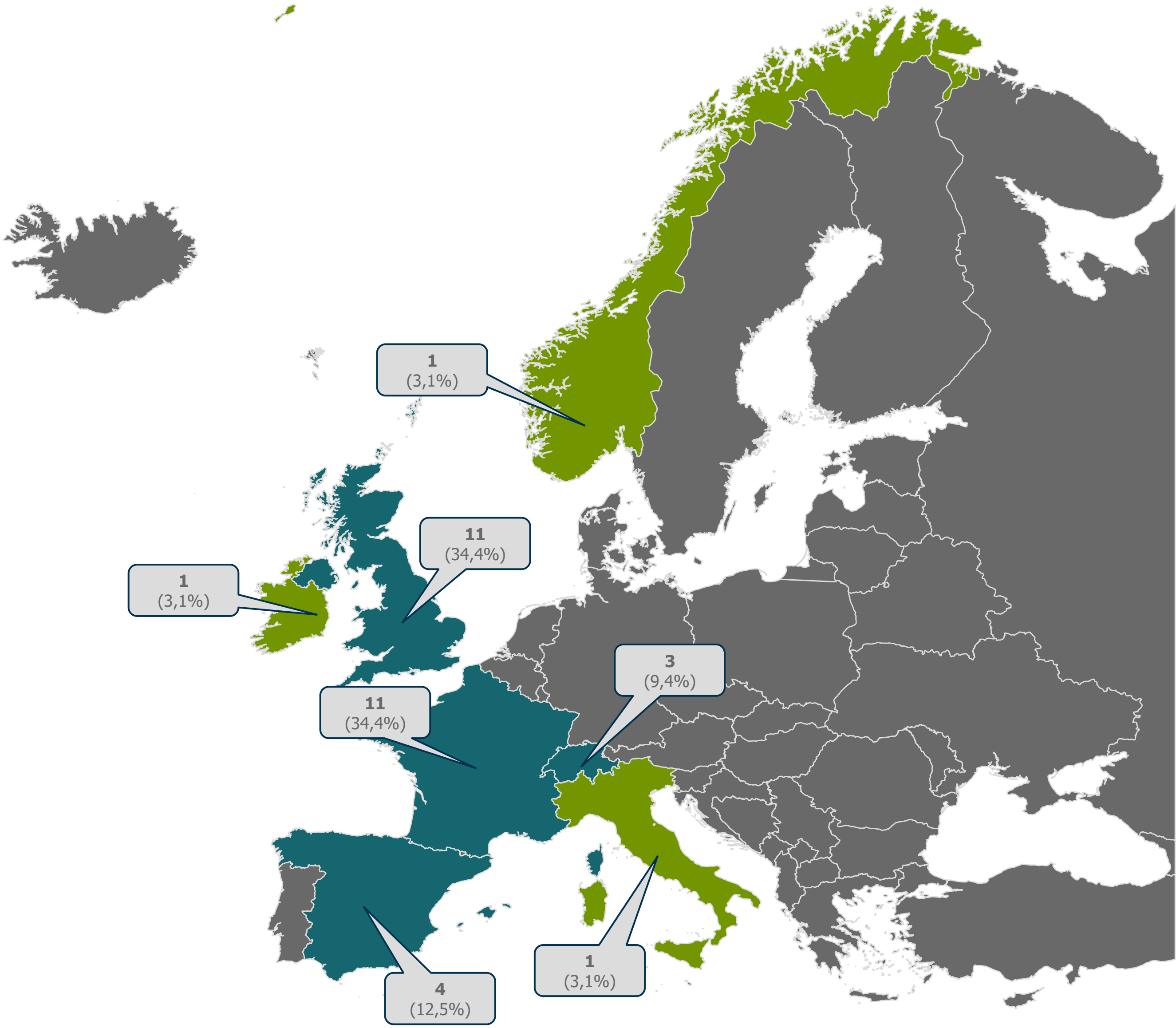
Say-on-Climate

In 2022, the number of board-proposed Say on Climate resolutions increased significantly. At the time of writing, there are 32 companies which held or announced votes on Climate-related proposals in 2022. This is an 88% increase (so far) compared to 2021.





Countries that are having their first Say on Climate votes in 2022 are shaded in light green

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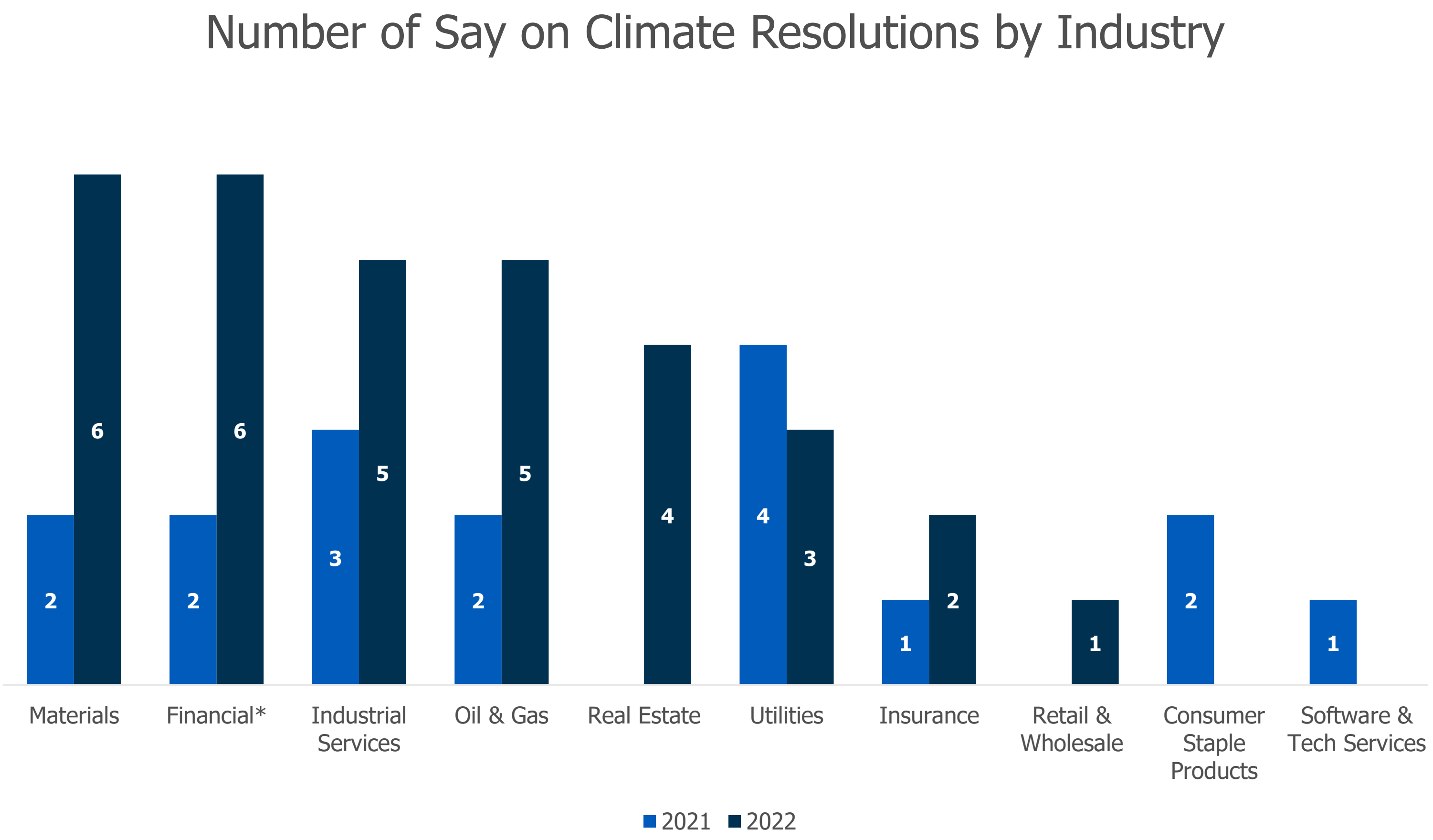
Say-on-Climate

The sectors that put forward the most Say on Climate resolutions were the Materials and Financial industries. 2022 saw the first company within the Real Estate sector proposing a Say on Climate Resolution. Utilities, Consumer Staple Products, and Software & Tech Services are the three sectors were Say on Climate proposals decreased from 2021 to 2022.



Say-on-Climate

- On average, companies received 91% support on the Say on Climate resolutions brought forward in 2022, so far.
- The Industrial Services and Real Estate sectors received the highest average support for their resolutions. Meanwhile, the Financial and the Materials sectors received the lowest average support for their proposals.