Sustainable Investment

Putting sustainability at the forefront

Increasing awareness of matters such as social inclusion, climate change and political achievements like the Paris Agreement has led society forward in the goal of sustainable development. And the financial sector has had and still has its own role to play. Institutional investors have made their voice heard through prominent divestments from controversial assets.

In addition, the new investors known as the Millennials are changing market perceptions of finance. Assets in ESG (Environment, Social, Governance) funds have surged massively in the past years. Even the most traditional managers and early critics are now structuring products to become ESG-focused, while others have already made the switch to ESG years ago. We seem to be finally getting most on board to do the right thing. Or do we?

Why substance matters

Sustainability has become a big deal and an appealing sales story, which certainly brings advantages but undoubtedly also poses challenges. Leaving out substance makes the industry a fragile bottleneck. Every other actor is now claiming to be sustainable, which makes it necessary to differentiate the real drivers of change from the pretenders. What matters is what lies underneath and how it is communicated. Would you think it honest if a company heavily marketed its newly issued financial instrument, but at the same time continued to do 99% of its business non-sustainably?

In addition, it is not enough to focus only on the E or the G and leave the S completely out of the mix (or indeed any other combination of focusing on two factors and leaving one out). Even though a company might have very low carbon emission rate due to the industry it operates in, working conditions and social factors should also be accounted for. Recent examples have proven models to be wrong, with entire villages being

displaced to build dams in Asian cities for example. It is imperative to take into account both the positive and the negative impacts of an investment decision. This is why sustainable investment funds in particular need to do the right thing, proving to their investors that there is substance behind the companies in which they invest.

The good, the bad and the ugly

Even though the majority of companies already publish Corporate Social Responsibility reports, about 20% of the largest companies worldwide do not report at all on sustainability matters according to the Global Reporting Initiative. ESG data therefore remain challenging to collect. However, data sources in general and the quality of reports have improved vastly in the past few years. Reporting will adopt an even more important role in sustainability frameworks and the setting of standards in the future, making it easier to identify the good, the bad and the ugly. Recently published proposals by the EU Technical Expert Group (TEG) are geared towards disclosing not just how climate change might influence the performance of a company, but also the impact of the company itself on climate change. In future, integrated reporting, combining financial and extra-financial factors, will help to build sustainability into strategic decision-making.

Trust is good, control is better

Nowadays, rigorous policies and internal sustainability experts are considered a must by experienced practitioners to ensure that the ESG strategy is properly executed and the companies in the portfolio are in line with predefined policies. The message to investors can even be intensified by external control entities such as quality labels which give investors the necessary peace of mind after a multi-dimensional analysis has been performed. But what can be done to help companies in the transition to sustainability and how do we react to those that don't want to change?

Note: LuxFLAG is an international and independent non-profit labelling agency for sustainable investment products. DPAM's full range of eight actively managed sustainable sub-funds received the LuxFLAG label in 2018.

Engage or divest?

Engagement and voting on sustainability matters are changing the investment conversation of today. The active dialogue with companies is increasingly being used to boost ESG practices and set up the right incentives to solve material ESG concerns. Those incentives have become an integral part of the active management process and are spearheading the transition to sustainability. If a company has no intention to progress and makes no tangible improvements, shareholders should see and use divesting as their measure of last resort. Ambitions are no longer enough today; there must be clear targets and reporting on the progress made. Fostering long-term best practices will add value to the whole industry. At the end of the day, sustainability aspects should not only be considered as operational advantages. It is also and above all about incorporating ESG aspects at the top of the value chain. As a result, active management will continue to play a key role in making the future of finance a sustainable one.

Sachin Vankalas,
Director, Operations & Sustainability
LuxFLAG

Julie Didier,
Head of Marketing & Communication
LuxFLAG

Contact details

DPAM FUNDS

dpamfunds.com

TWITTER

@BDP_**EN** @BDP_**NL** @BDP_**FR**

LINKEDIN

linkedin.com/showcase/degroof-petercam-am

HEAD OF INTERNATIONAL SALES
Tomás Murillo
+32 2 287 92 71
t.murillo@degroofpetercam.com

FRANCE
Ives Hup
+33 1 73 44 57 46
i.hup@degroofpetercam.com

Alexandre Touma
+33 1 73 44 57 60
a.touma@degroofpetercam.com

Vincent Valles
+33 1 73 44 56 90
v.valles@degroofpetercam.com

GERMANY
Thomas Meyer
+49 69 27 40 15 295
t.meyer@degroofpetercam.com

Melanie Fritz
+49 69 27 40 15 243
m.fritz@degroofpetercam.com

Axel Ullmann
+49 69 27 40 15 306
a.ullmann@degroofpetercam.com

Patrik Hanser
+49 69 27 40 15 885
p.hanser@degroofpetercam.com

ITALY & TICINO
Alessandro Fonzi, CFA
+39 02 86337 223
a.fonzi@degroofpetercam.com

Aniello Pennacchio, CFA
+39 02 86337 316
a.pennacchio@degroofpetercam.com

Alessandra Tosi
+39 02 86337 315
a.tosi@degroofpetercam.com

SPAIN, PORTUGAL & LATAM
Amparo Ruiz Campo
+34 91 572 03 66
a.ruiz@degroofpetercam.com

Victor Asensi
+34 91 572 03 66
v.asensi@degroofpetercam.com

Nicolas Da Rosa
+34 91 572 03 66
n.darosa@degroofpetercam.com

THE NETHERLANDS
Marco van Diesen
+32 2 287 92 62
m.vandiesen@degroofpetercam.com

Roy Braem, CFA
+31 20 573 54 05
r.braem@degroofpetercam.com

SWITZERLAND & AUSTRIA
Ulrike Kaiser-Boeing, CFA, CAIA
+41 22 929 72 23
u.kaiserboeing@degroofpetercam.com

Mélanie Schaus
+41 22 929 72 12
m.schaus@degroofpetercam.com

SCANDINAVIA, UK & IRELAND
Marco van Diesen
+32 2 287 92 62
m.vandiesen@degroofpetercam.com

LUXEMBOURG
Olivier Terras
+352 45 35 45 23 05
o.terras@degroofpetercam.lu

HEAD OF FUND DISTRIBUTION BELGIUM
Thomas Palmblad
+32 2 287 93 27
t.palmblad@degroofpetercam.com

DISTRIBUTION BELGIUM
Frédéric Collett
+32 2 287 93 06
f.collett@degroofpetercam.com

Stéphane De Bruille, CFA
+32 2 662 83 61
s.debruille@degroofpetercam.com

Tim Vercammen
+32 2 287 91 83
t.vercammen@degroofpetercam.com

HEAD OF INSTITUTIONAL SALES (MANDATES) BELGIUM
Hilde De Jaeger
+32 2 287 95 84
h.dejaeger@degroofpetercam.com

RELATIONSHIP MANAGERS BELGIUM
Catherine Champagne
+32 2 287 92 60
c.champagne@degroofpetercam.com

Dino D'Angelo
+32 2 662 83 14
d.dangelo@degroofpetercam.com

Willem Huyghe
+32 2 287 97 46
w.huyghe@degroofpetercam.com

Bernard Jans
+32 2 287 97 10
b.jans@degroofpetercam.com

Yves Lepercq, CFA
+32 2 287 90 62
y.lepercq@degroofpetercam.com

Michel Van Meerbeek
+32 2 287 98 60
m.vanmeerbeek@degroofpetercam.com