

ندوة البركة

ALBARAKA SYMPOSIUM



41

**Albaraka 41<sup>th</sup> Symposium For Islamic Economics**

**(Economic lessons learned from the emerging coronavirus pandemic, from an Islamic economics point of view)**

**Synopsis of Paper**

**Sustainable Investing Trends**

**(First draft)**

**Dr. / Mustafa Bosca**



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Size of ESG  
opportunity



2

Sustainable  
investing



3

ESG  
integration



1

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Sustainable  
investing

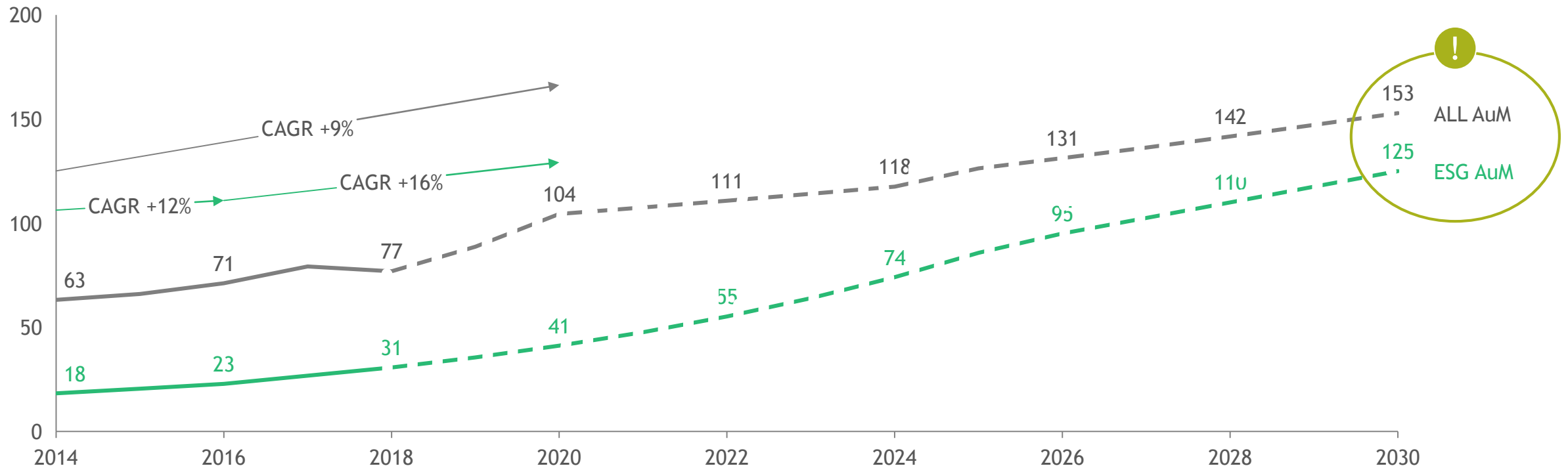


3

ESG  
integration

# ESG AuM is expected to represent ~80% of total AuM by 2030

Asset under Management evolution All vs. ESG<sup>1</sup>  
(estimate 2014-2030, \$T)



1. ESG assets reference in broader terms, meaning assets invested in accordance with one of the seven strategies (negative screening, norms screening, thematic investing, impact investing, positive/best-in-class overlay, ESG integration, active ownership) 2. Some projections of ESG AuM go as high as up to ~95% of total AuM

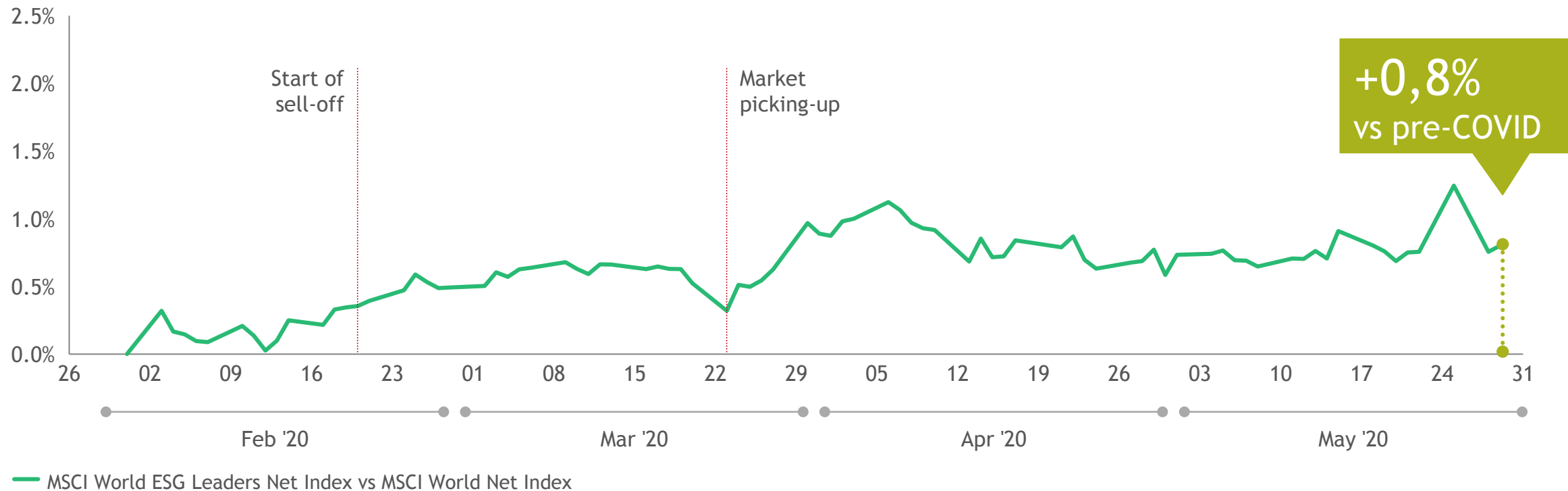
Note: GSIR has a broad definition of ESG, flagging assets by manager

Source: Global Sustainable Investment Alliance, 2018 Global Sustainable Investment Review; Deutsche Bank; Bloomberg; Newswire; BCG experience

# Markets rewarded strong ESG performers even after the COVID outbreak

## ESG index performance showed higher resilience than benchmarks during market downturn

ESG Index performance (% point spread from benchmark)



Source: Financial Times "ESG shines in the crash"; Morningstar "Sustainable Funds Weather the First Quarter Better Than Conventional Funds"; Refinitiv data as of 31 May 2020; BCG experience



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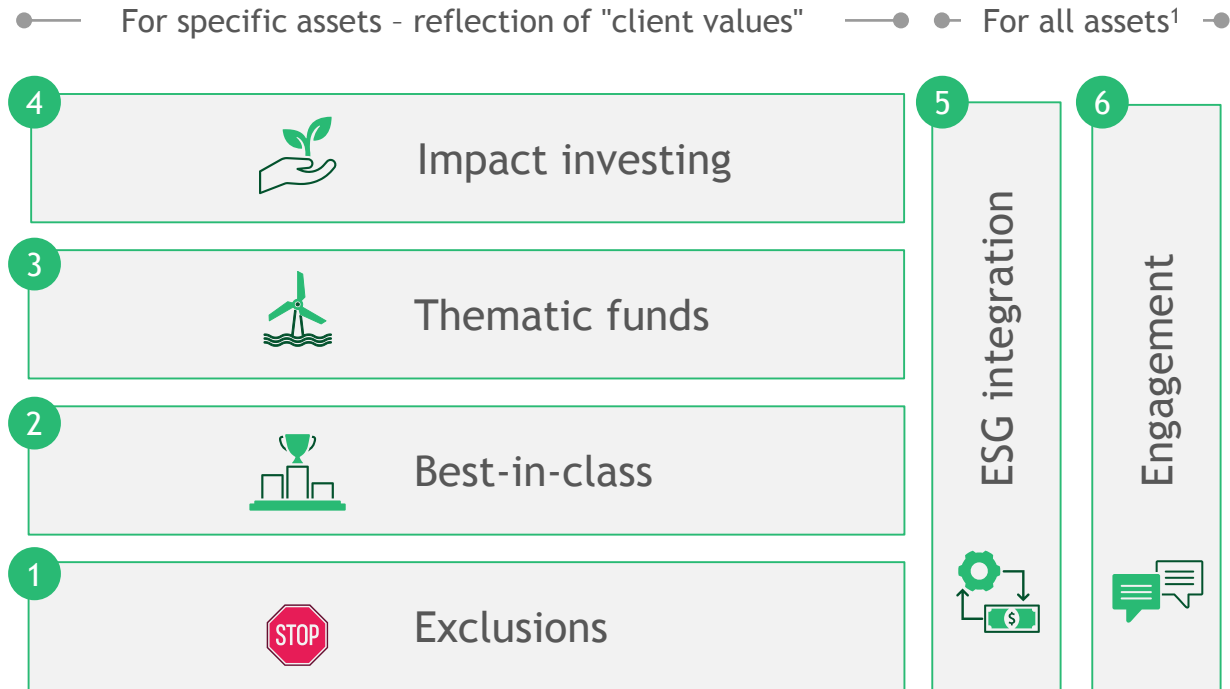


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ESG  
integration

**Sustainable investing** means  
managing assets through one or  
multiple ESG strategies / approaches

# Overview of key Sustainable Investing approaches for asset managers



- 1 Exclusions**  
Excluding issuers with negative ESG impact (e.g., tobacco, O&G) or controversies (e.g., UNGC violation)
- 2 Best-in-class**  
Selecting companies or tilting entire portfolios towards higher ESG performance
- 3 Thematic funds**  
Using sustainability themes (e.g., climate) as basis for allocation towards industry sectors or companies
- 4 Impact investing**  
Investing in entities that have intention to generate ESG impact alongside a financial return
- 5 ESG integration**  
Systematically and explicitly integrating ESG factors into traditional investment analysis and decision-making
- 6 Engagement**  
Using dialogue, voting, and other shareholder actions to urge issuer to improve ESG practices

1. "ESG integration" applicable to actively managed funds; "Engagement" applicable to corporate issuers  
Source: GSIA, UNPRI; BCG analysis





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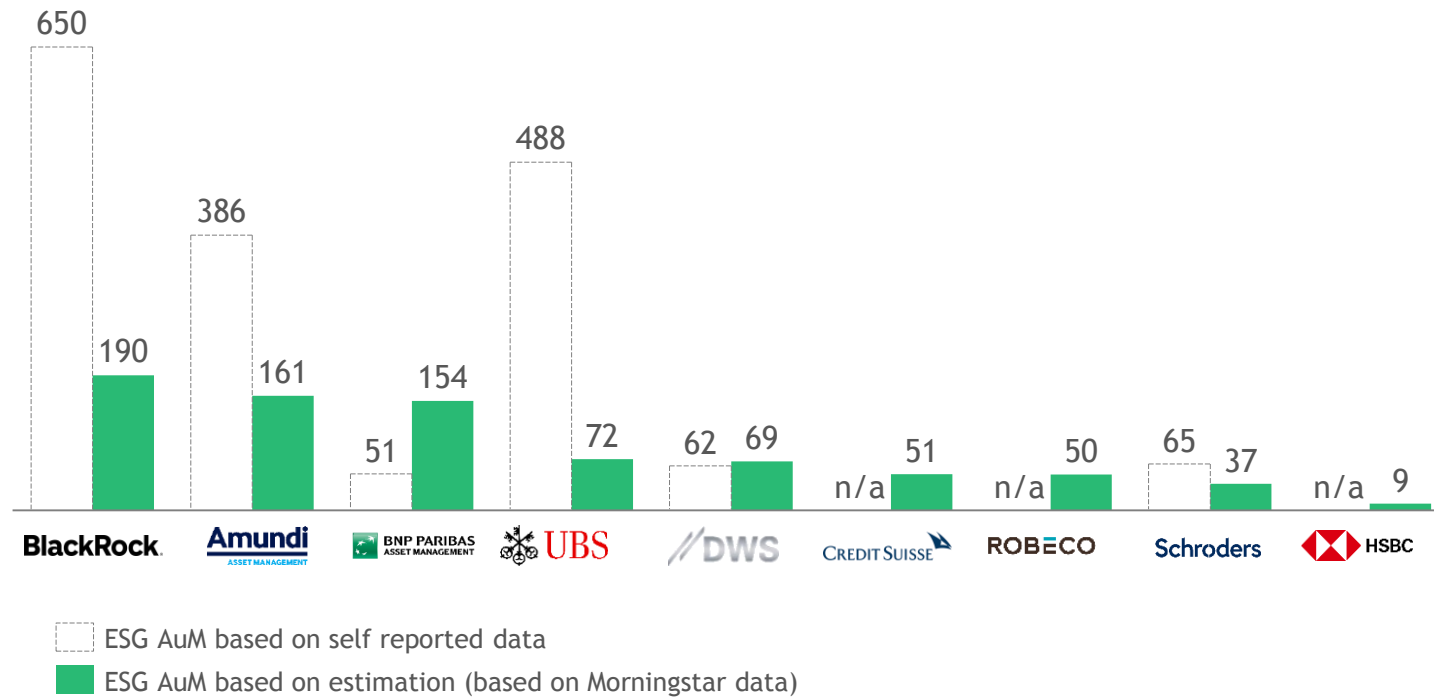
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ESG  
integration

# No standard definition of ESG integration leads to big discrepancies between reported and estimated ESG AuM – long way to "true" ESG integration

## Comparison of reported ESG AuM and Morningstar estimates

ESG AuM publicly reported (Dec-19) vs. BCG estimates (Mar-20) [USD B]



- Most AMs disclose high ESG AuM as part of their annual Sustainability reporting
- BCG's estimates of ESG AuM (based on Morningstar data) hint that those numbers might be inflated because of lack of standard definitions
- BlackRock, Amundi and UBS are the players with the biggest divergence between self-reported and estimated ESG AuM

Note: Exchange rate applied as of 2020 YE for comparability; we used GSIA 2018 share of Institutional AuM (75%) to estimate total ESG AuM based on Morningstar ESG Retail data

Source: Public documents; corporate websites; BCG experience

# ESG integration is focused on embedding ESG considerations across the entire investment value chain

For publicly listed active equities and fixed income

