

# Responsible investing's 'Big Bang' has lost none of its spark



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**The COP21 Paris Conference** in 2015 was undoubtedly climate change's 'big bang', but nevertheless a certain amount of scepticism greeted the legislation. After all, many had questions about how firms would integrate environmental, social and governance (ESG) criteria into traditional asset management models.

Fast forward almost three years and rather than fizzle, the call for greater alignment between finance and the future well-being of the world and its inhabitants has only grown louder.

What has been even more surprising is the speed with which impact investing is now poised to cross into mainstream investment management, alongside ESG integration.

Additionally, the success of the United Nation's Sustainable Development Goals (SDGs) initiative has helped forge a common language for clients to understand.

Indeed, the UN's call-to-action has been met with no shortage of enthusiasm. Still, the desire for further progress across the investment value chain also carries the risk of dilution - this issue comes into par-

ticular focus as impact investing moves into public markets.

We are particularly cognisant of maintaining the key tenets of impact investing as it transitions into the public realm, given our established history in responsible investing (RI), and our track record in impact investing in alternatives such as private equity and microfinance.

More generally, we are seeing a transformation across asset management, one that centres around redefining the role of capital in order to greater serve the needs of a long-term horizon. Woven into this is the growing realisation that ESG, which is often risk focused, will be a requisite along with impact investing, which is more outcome oriented.

AXA IM's twin focus on these two areas translates into strategies, tools and thinking that anticipate future developments to help drive this shift.

## REGULATION BEGINS TO BITE

Over the past year we have seen regulation start to embed ESG into the financial services sector. In France, Article 173 came into force, requiring institutional investors to document ESG materiality and climate change scenario analysis in their business activities.

Additionally, the European Commission's High-Level Expert Group (EC HLEG) on Sustainable Finance delivered its final report, resulting in the EC's far-reaching Action Plan for Sustainable Finance. It is anticipated that the EC will push quickly, prior to 2019, to implement actions that focus on re-orienting capital towards sustainable investment.

To cater to this more demanding regulatory backdrop, AXA IM is using its award winning<sup>1</sup> climate change framework to study ESG impact across asset classes and is now analysing how to consider potential shifts in asset allocations over time.

Our stewardship activities reflect our position on climate change, and our voting policy was strengthened on connecting climate issues to voting decisions at company general meetings. So too, AXA IM engagement initiatives focused on corporations in

the most affected industries to encourage them to improve disclosure on their carbon risk resilience strategies.

## RESPONSIBLE INVESTING 3.0

Today we are building out the third phase of our responsible investing capability. RI 3.0 will continue to focus on the growing needs of our clients as ESG integration gathers pace and impact investing hits the mainstream.

In addition, we are also harnessing the power of technology to work on our state-of-the-art visualisation tools, which measure ESG traceability and impact outcomes. These tools will help our clients to more easily see how their assets are performing - across a range of metrics, beyond simply financials. The intention is to provide better transparency on the underlying ESG implications and the impact of their investments.

We are also delivering more active thematic research on a range of key issues. Ultimately, many of the RI and RI-related conversations presently taking place are complex and multi-faceted - and can often raise more thoughtful questions than quick and easy answers.

But we will play an active role in contributing to and leading these conversations, addressing topics around climate change, diversity, the position of workers in an automated environment and how longevity and health factors can be better understood. Our goal at AXA IM is to keep challenging conventional thought to prepare our clients' assets for a future where successful management of ESG risks and impact outcomes will be the norm.

Read our RI Annual Review:  
[AXA-IM.COM/2018-RI-ANNUAL-REVIEW](https://www.axa-im.com/2018-ri-annual-review)



<sup>1</sup> Prix International du Meilleur Reporting Climatique des Investisseurs from the French Environment Ministry in 2016, awarded to AXA Group. Past performance is not a guide to future performance. The references to league tables and awards are not an indicator of the future places in league tables or awards and such information is necessarily evolutionary.

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