



**LOMBARD ODIER**  
INVESTMENT MANAGERS

## **LOIM GLOBAL EQUITIES**

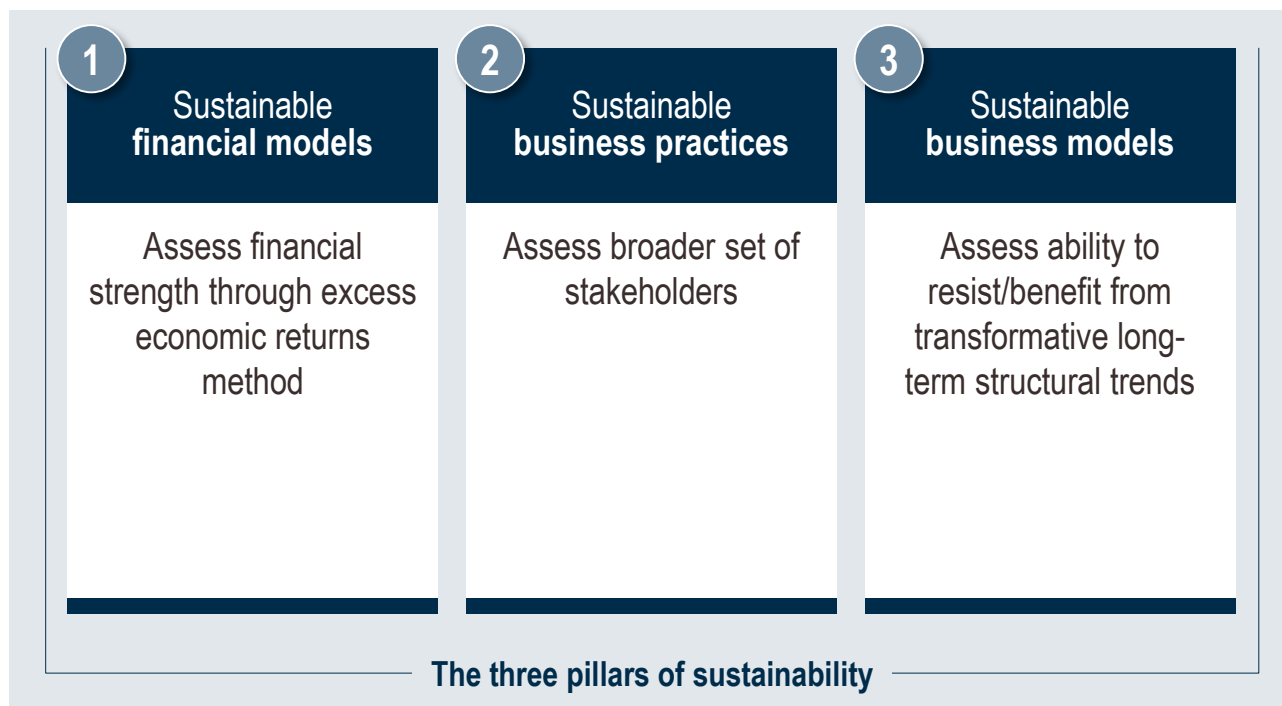
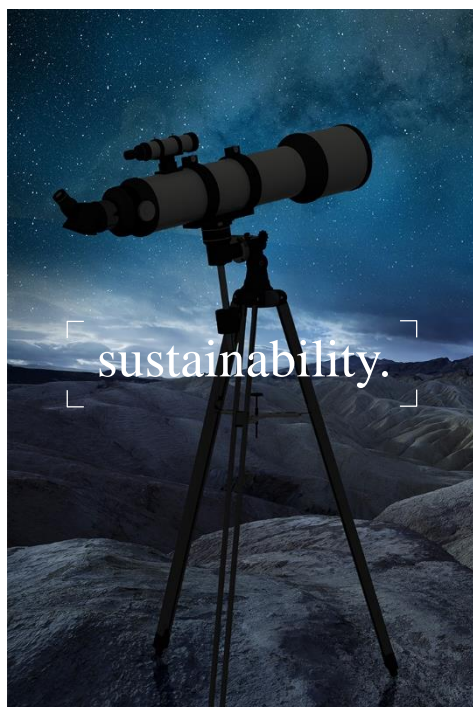
Seeking to help investors make an impact  
without compromising the potential to generate returns

Hong Kong, 24 September 2019

# Sustainability is at the heart of our investment philosophy

We embed it in portfolio management

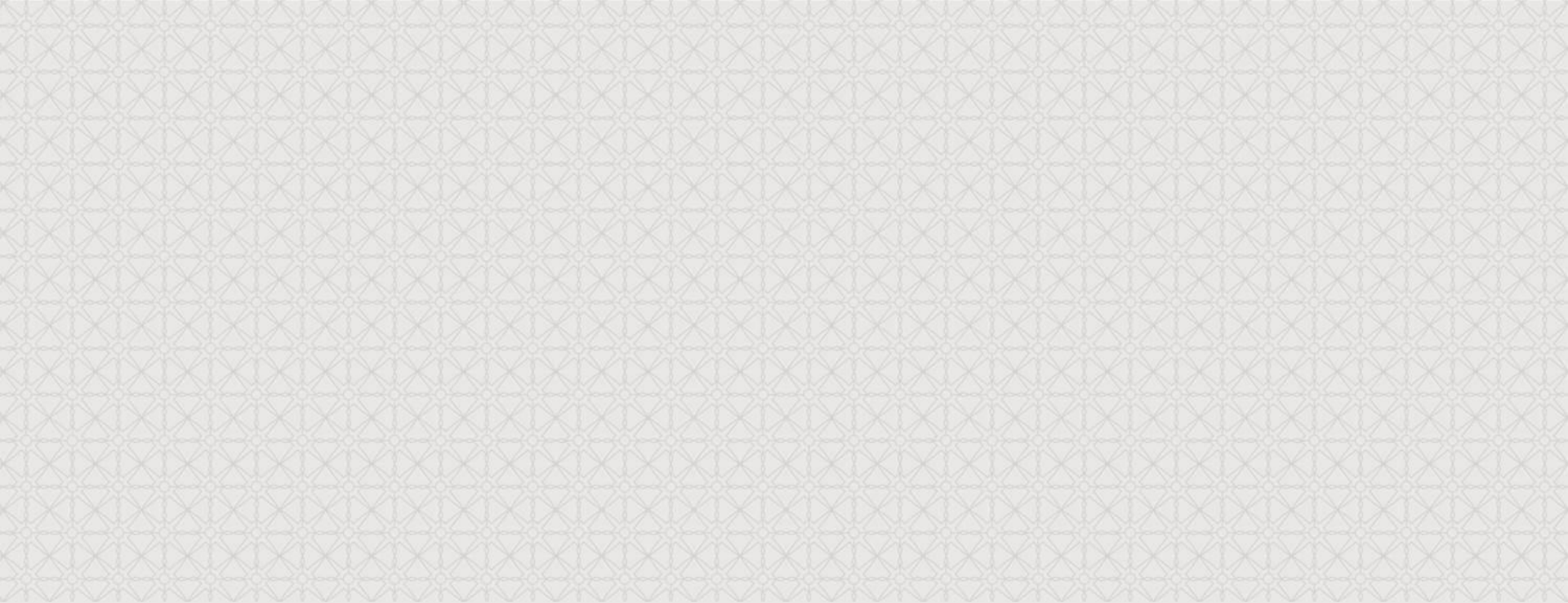
We believe long-term returns will be driven by companies with a combination of:



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# **BUSINESS PRACTICES**

LOMBARD ODIER'S METHODOLOGY

# Introduction

## Long-term metric



Proprietary ESG scores: rates  
company business practice  
on a scale of 0-100

## Short-term metric



Level of controversies (0-5)  
as short-term measure of  
company's perception

## Impact metric

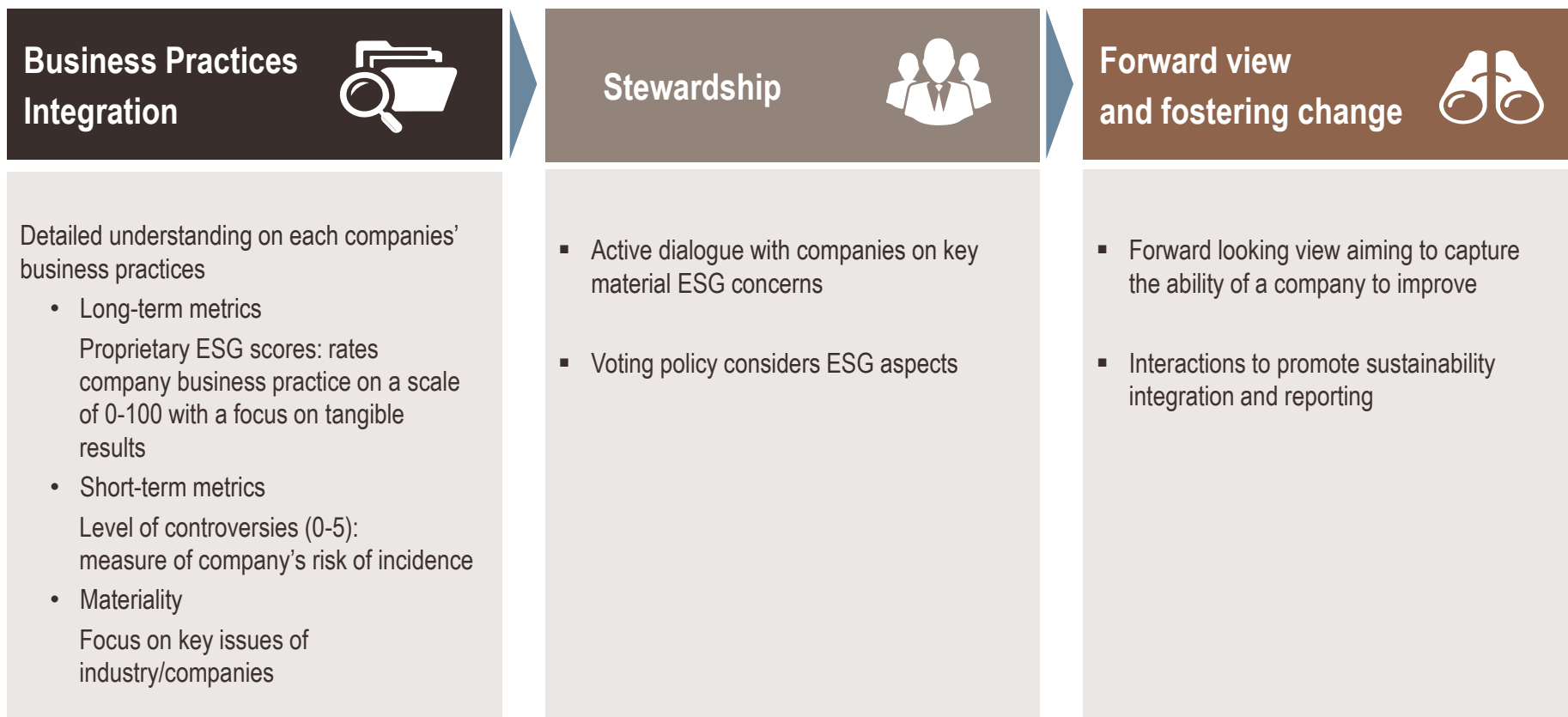


**Intensity of**  
Carbon emission  
Water consumption

Source: LOIM. For illustrative purposes only.

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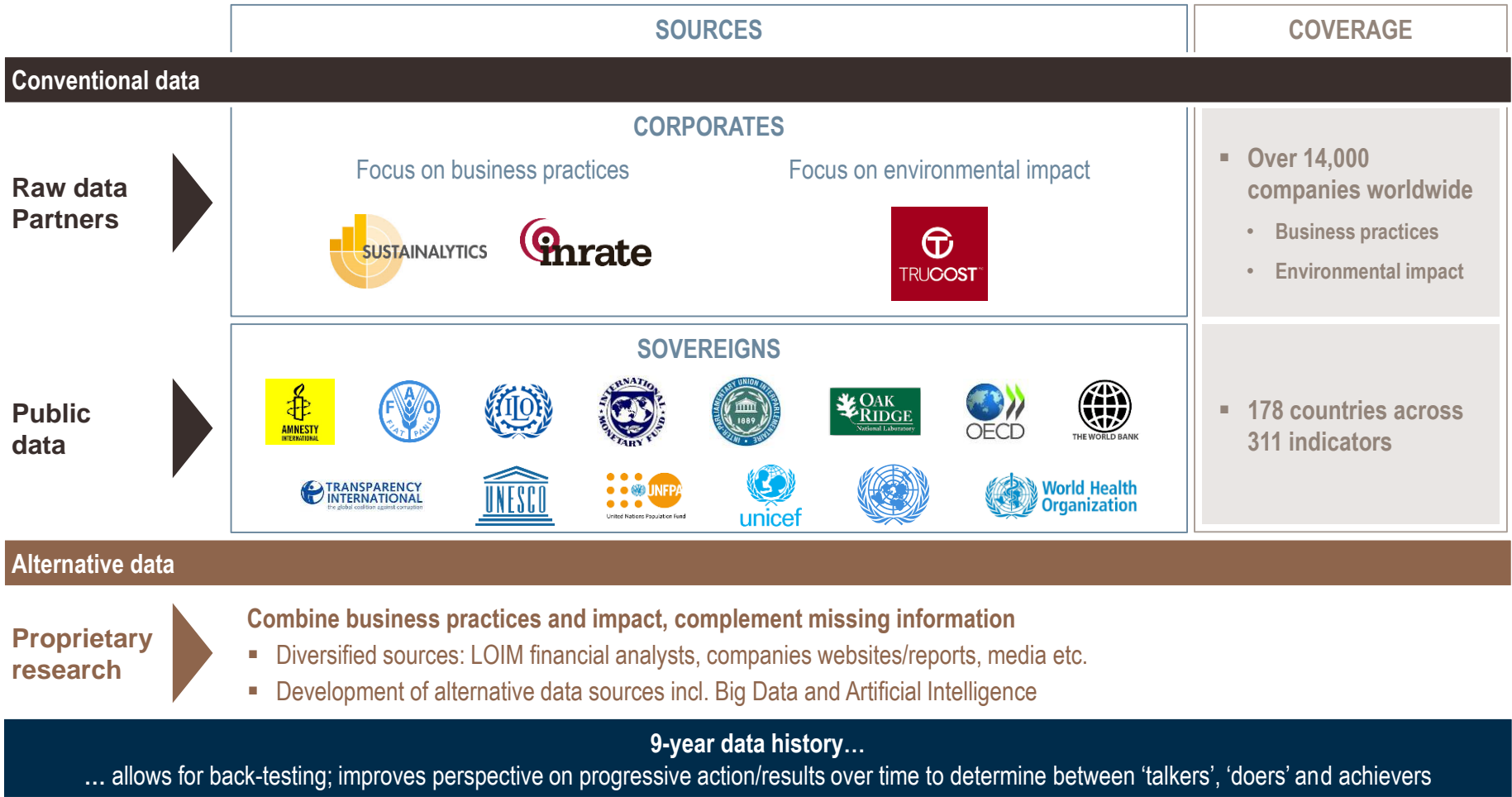
# A framework to promote sustainable practices



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# LOIM uses external data and proprietary research to gather raw data, combined into a single platform for comprehensive analytics



Source: LOIM. For illustrative purposes only.  
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# Our proprietary ESG scoring methodology enables different perspectives

Different perspectives built on **115** raw datapoints

## Environment, Social, Governance

**E**

42 datapoints

**S**

42 datapoints

**G**

31 datapoints

## Consciousness, Action, Result

**C**

16 datapoints

**A**

45 datapoints

**R**

54 datapoints

## Sustainable Development Goals<sup>2</sup> (SDG)



115 datapoints

Main data providers (Sustainalytics, Trucost) provide raw data (instead of final scores), enabling higher TRANSPARENCY, adjustments of BIASES, adjustments for different DYNAMICS/TIMESCALES and monitoring of BESPOKE ASPECTS

1- Our proprietary Consciousness, Action and Results ('CAR') tagging system sorts 115 data points to better differentiate between the talkers, do-ers and real achievers to give a deeper understanding of genuine corporate sustainability and transition. 2- SDG: United Nations Sustainable Development Goals approved by the 193 member states of the United Nations during the UN Sustainable Development Summit in New York in September 2015.

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# How our proprietary CAR approach looks deeper into ESG scoring



## Example data points

	E	S	G
<b>‘C’</b> Consciousness	<ul style="list-style-type: none"> <li>Environmental policy</li> <li>Green procurement policy</li> <li>Policy statement on GMO*</li> </ul>	<ul style="list-style-type: none"> <li>Discrimination policy</li> <li>Responsible marketing policy</li> <li>Human right policy</li> </ul>	<ul style="list-style-type: none"> <li>Bribery &amp; corruption policy</li> <li>Political involvement policy</li> <li>Money laundering policy</li> </ul>
<b>‘A’</b> Action	<ul style="list-style-type: none"> <li>Greenhouse gas reduction, air protection or water management programmes</li> <li>Environmental management system</li> <li>Biodiversity programmes</li> </ul>	<ul style="list-style-type: none"> <li>Community involvement programme</li> <li>Supply chain monitoring system</li> <li>Diversity programme</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblower programme</li> <li>Signatory to the UN Global Compact</li> <li>Independence of board and key committee members</li> </ul>
<b>‘R’</b> Results	<ul style="list-style-type: none"> <li>Carbon emissions / water consumption intensity</li> <li>Environmental fines or non-monetary sanctions</li> <li>Share of renewable energy used</li> </ul>	<ul style="list-style-type: none"> <li>Share of facilities with external health and safety certification</li> <li>Social supply chain standards</li> <li>Share of employees covered by collective bargaining agreement</li> </ul>	<ul style="list-style-type: none"> <li>ESG committee with executives members</li> <li>Gender diversity on the board</li> <li>Independence of auditors</li> </ul>

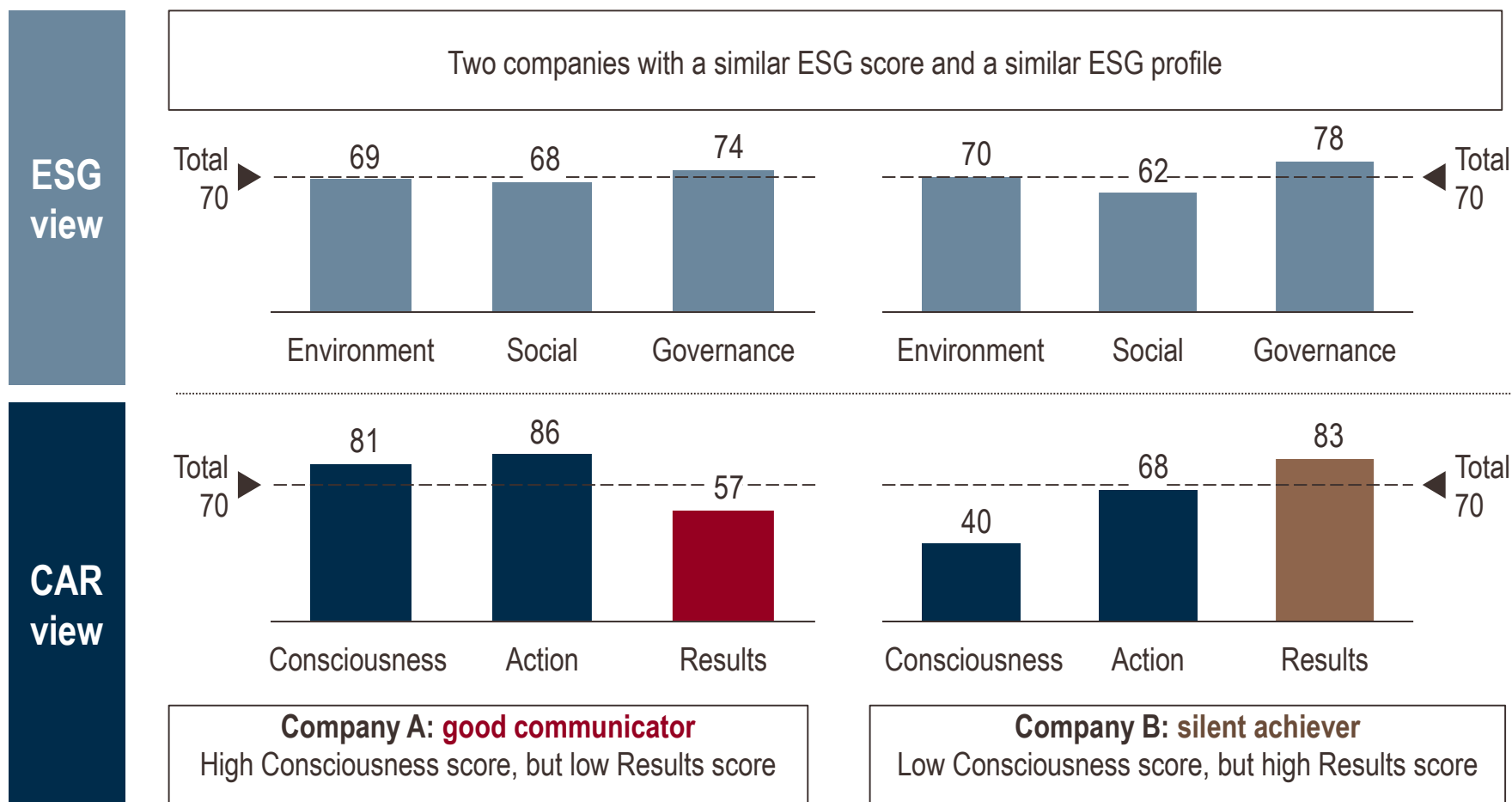
**= 115 data points**

\* Genetically Modified Organisms Source: LOIM. For illustrative purposes only.





# Our proprietary CAR approach allows us to distinguish between the talkers, the doers and the achievers



For illustrative purposes only. These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially. Source: LOIM.

# Our approach analyses business practices through the lens of SDG principles

Two examples from same industry

(June 2019)

## Company "A" (France)



Historical car manufacturer....

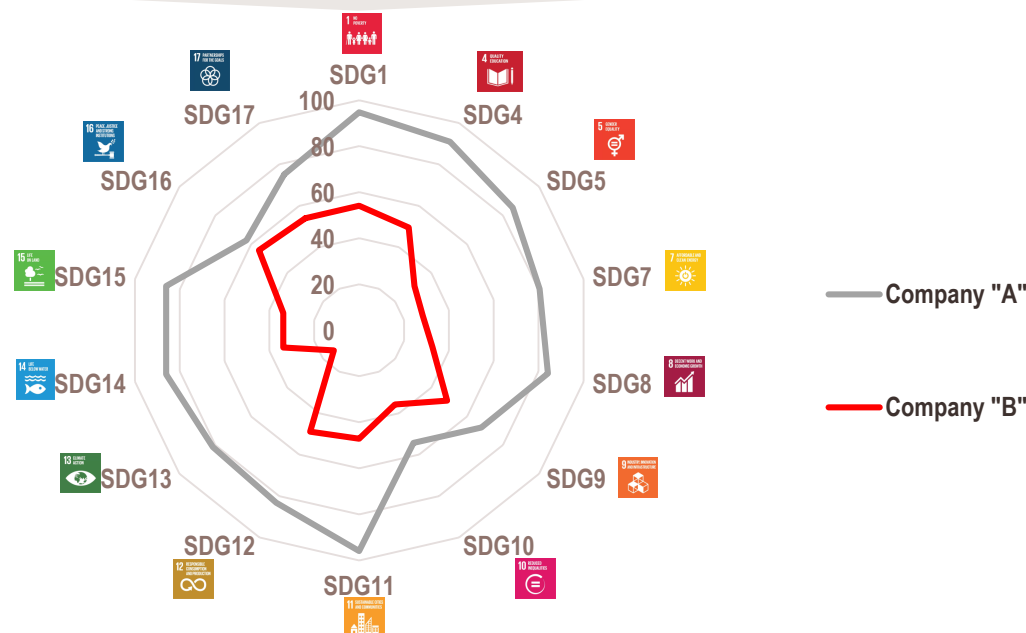
- High scores on **most SDGs for the sector**
- QMS and EMS certifications for all production sites - **SDG 12 to 15**
- The company's carbon intensity is well below the industry median and declining - **SDG 13**
- Signatory of the UN Global Compact and convincing social performance - **SDG 1, 5, 8**

## Company "B" (United States)



... Electric vehicles only

- Low scores on **most SDGs** (and lack of ESG transparency)
- Poor social and governance practices - **SDG 1, 5, 8, 10**
- Opacity about carbon emissions - **SDG 13**
- Lack of a credible environmental policy (extraction of raw materials, recycling)– **SDG 12 to 15**

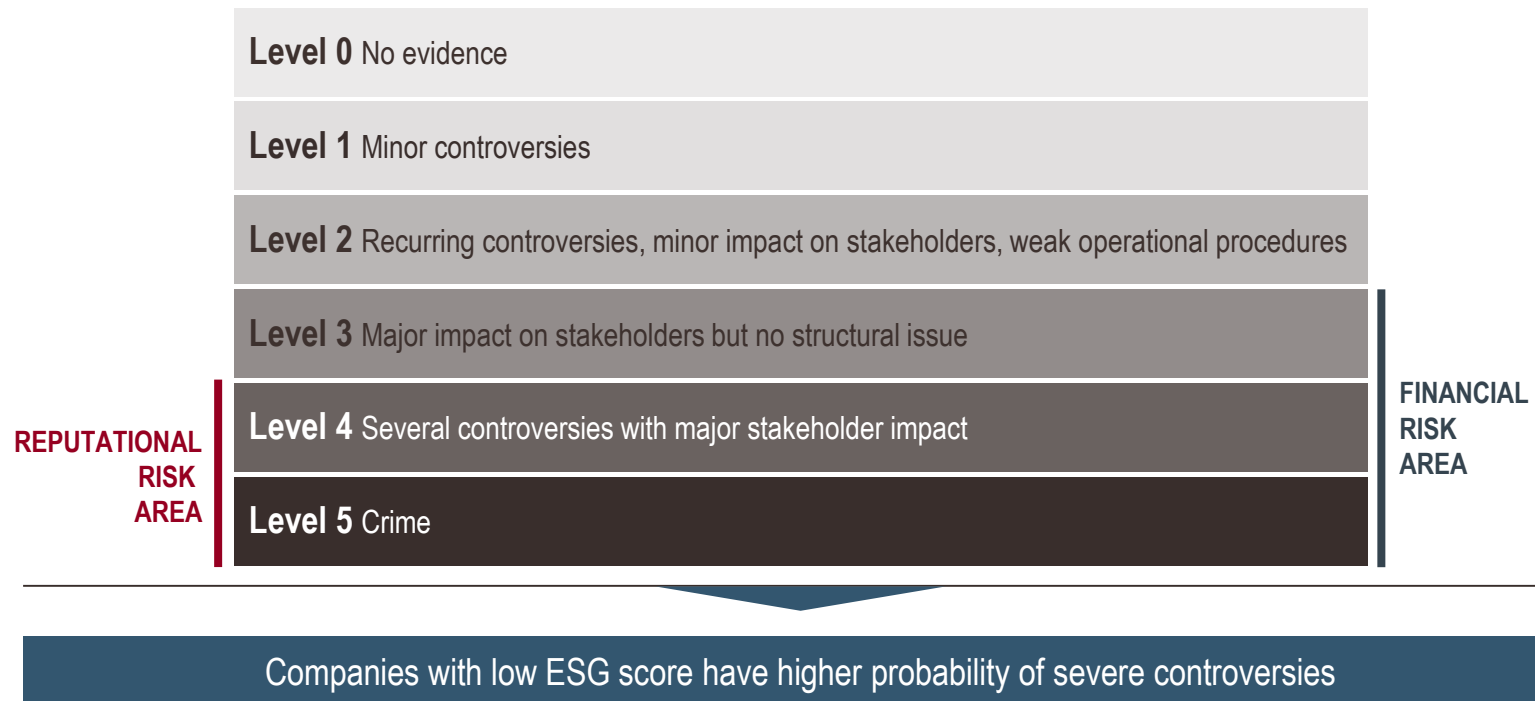


Source: LOIM. These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially.

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# Controversies: a short term assessment of companies

## Classification of incidents following standards by United Nations Global Compact Principles



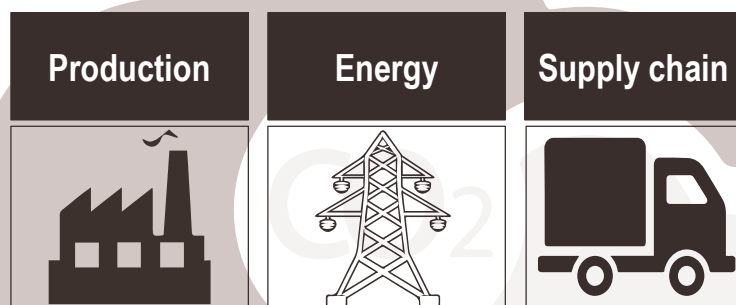
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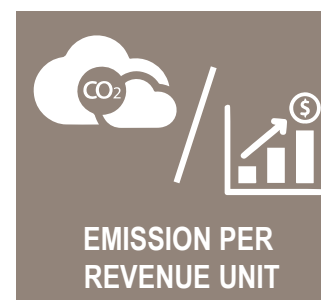
# Impact measures – carbon emissions

## Total production & emissions scope

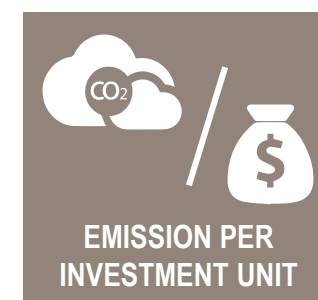


How do the firm's carbon emissions compare to peers?

What is the investor accountable for?



**INTENSITY RATIO**  
(Tons eq. CO<sub>2</sub> per MUSD generated)



**INVESTMENT RATIO**  
(Tons eq. CO<sub>2</sub> per MUSD invested)

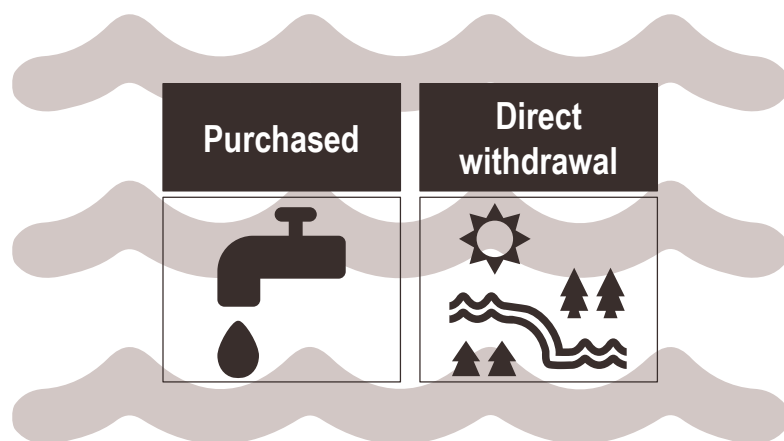
Analysis is performed for:

- All types of corporate-linked securities: equities, convertible bonds and credit
- Government bonds (using country level emissions) enabling a Carbon Footprint on a multi-asset portfolio

Source: LOIM analysis.  
For illustrative purposes only.

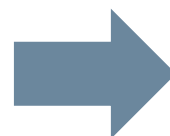
# Impact measure – water consumption

## Total water consumption



How does water consumption compare to peers?

What is the investor accountable for?



**INTENSITY RATIO**  
(Cubic meters per MUSD generated)



**INVESTMENT RATIO**  
(Cubic meters per MUSD invested)

Analysis is performed for:

- All types of corporate linked securities: equities, convertible bonds and credit
- Government bonds (using country level emissions) enabling a Water Footprint on a multi asset portfolio

Source: LOIM analysis.  
For illustrative purposes only.



## **BUSINESS PRACTICES**

LOMBARD ODIER'S TOOLS

# Common platform across equities at a glance (1) AUTOMATED SPREADSHEETS

A powerful tool for investment teams combining  
DEER<sup>1</sup> and ESG<sup>2</sup> information

## CENTRALISED COCKPIT

World Equity Screener

2493 Stocks

Display only portfolio stocks

Region

Sector

Search by

Isin

Name

Reset

Country

Screening

Quick Sort

Market Cap (b)

Exp to Excel

Bot Advice

Discounted Excess Economic Returns

Emerging

World

Swiss

Request Help

Asset Name

Ticker

Isin

Generate Report

Bloomberg Function (Maximum 2)

DES

CN

GP

EVT

EE

RV

CF

FA EV

FA

EQRV

Display on Bloomberg

Bloomberg Function (Custom Filter)

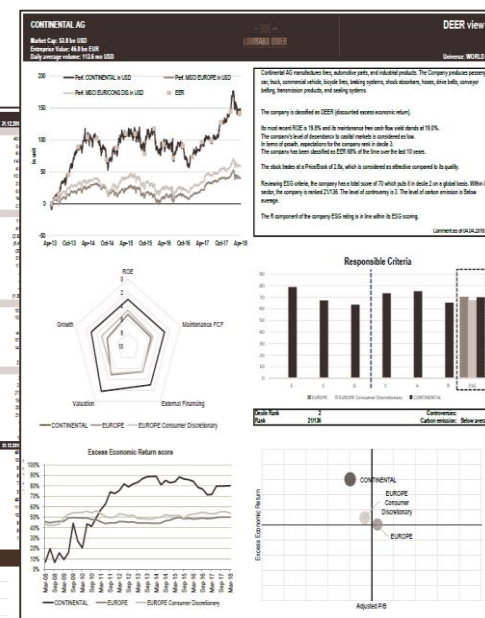
Populations Breakdown

Screening	Ticker	Pct	Score ESG	C	Valuation	GroQuality	Bucket	Name	Region	Country	Sector	Industry	Market
<input type="checkbox"/>	INTC UN Equity	-	82.83	3.00	1	2		INTEL	NORTH_AM	UNITED STATES	Information Technology	IT Hardware	213.1
<input type="checkbox"/>	HD UN Equity	-	47.84	3.00	2	1		HOME DEPOT	NORTH_AM	UNITED STATES	Consumer Discretionary	Rest of Cons Disc	216.4
<input type="checkbox"/>	1288 HK Equity	-	48.45	3.00	1	6		AGRICULTURAL BK.OF CHIN. 'H'	EMERGING	CHINA	Financials	Banks/Div. Fin	216.4
<input type="checkbox"/>	UNH UN Equity	-	53.05	3.00	3			UNITEDHEALTH GROUP	NORTH_AM	UNITED STATES	Health Care	Health Care Equip/Serv	219.7
<input type="checkbox"/>	7203 JT Equity	-	47.72	3.00	1	6		TOYOTA MOTOR	ASIA_PAC	JAPAN	Consumer Discretionary	Autos/Components	220.8
<input type="checkbox"/>	857 HK Equity	-	45.95	5.00	3	8		PETROCHINA 'H'	EMERGING	CHINA	Energy	Energy	222.2
<input type="checkbox"/>	NOVN SE Equity	-	72.93	4.00	3	5		NOVARTIS 'R'	EUROPE	SWITZERLAND	Health Care	Pharma Biotech	223.4
<input type="checkbox"/>	T UN Equity	-	62.56	3.00	4	9		AT&T	NORTH_AM	UNITED STATES	Telecommunication Services	Telecom	223.4
<input type="checkbox"/>	NESN SE Equity	-	78.12	4.00	3	9		NESTLE 'R'	EUROPE	SWITZERLAND	Consumer Staples	FMCG	251.4
<input type="checkbox"/>	RDSA LN Equity	-	75.64	4.00	2	6		ROYAL DUTCH SHELL A	UK	UNITED KINGDOM	Energy	Energy	265.1
<input type="checkbox"/>	RDSB LN Equity	-	75.64	4.00	2	6		ROYAL DUTCH SHELL B	UK	UNITED KINGDOM	Energy	Energy	265.1
<input type="checkbox"/>	V UN Equity	3.08%	55.15	3.00	4	1		VISA 'A'	NORTH_AM	UNITED STATES	Information Technology	IT Software	267.1
<input type="checkbox"/>	939 HK Equity	-	50.36	2.00	1	5		CHINA CON.BANK 'H'	EMERGING	CHINA	Financials	Banks/Div. Fin	271.0
<input type="checkbox"/>	WMT UN Equity	-	58.10	4.00	2	2		WALMART	NORTH_AM	UNITED STATES	Consumer Staples	Food/Staples Retail	274.8
<input type="checkbox"/>	WFC UN Equity	-	60.01	5.00	3	6		WELLS FARGO & CO	NORTH_AM	UNITED STATES	Financials	Banks/Div. Fin	302.4
<input type="checkbox"/>	005930 KP Equity	-	59.76	4.00	1	3		SAMSUNG ELECTRONICS	EMERGING	KOREA, REPUBLIC OF	Information Technology	IT Hardware	309.1

For illustrative purposes only.

<sup>1</sup> DEER = Discounted Excess Economic Returns. <sup>2</sup> ESG = Environmental, Social, Governance.

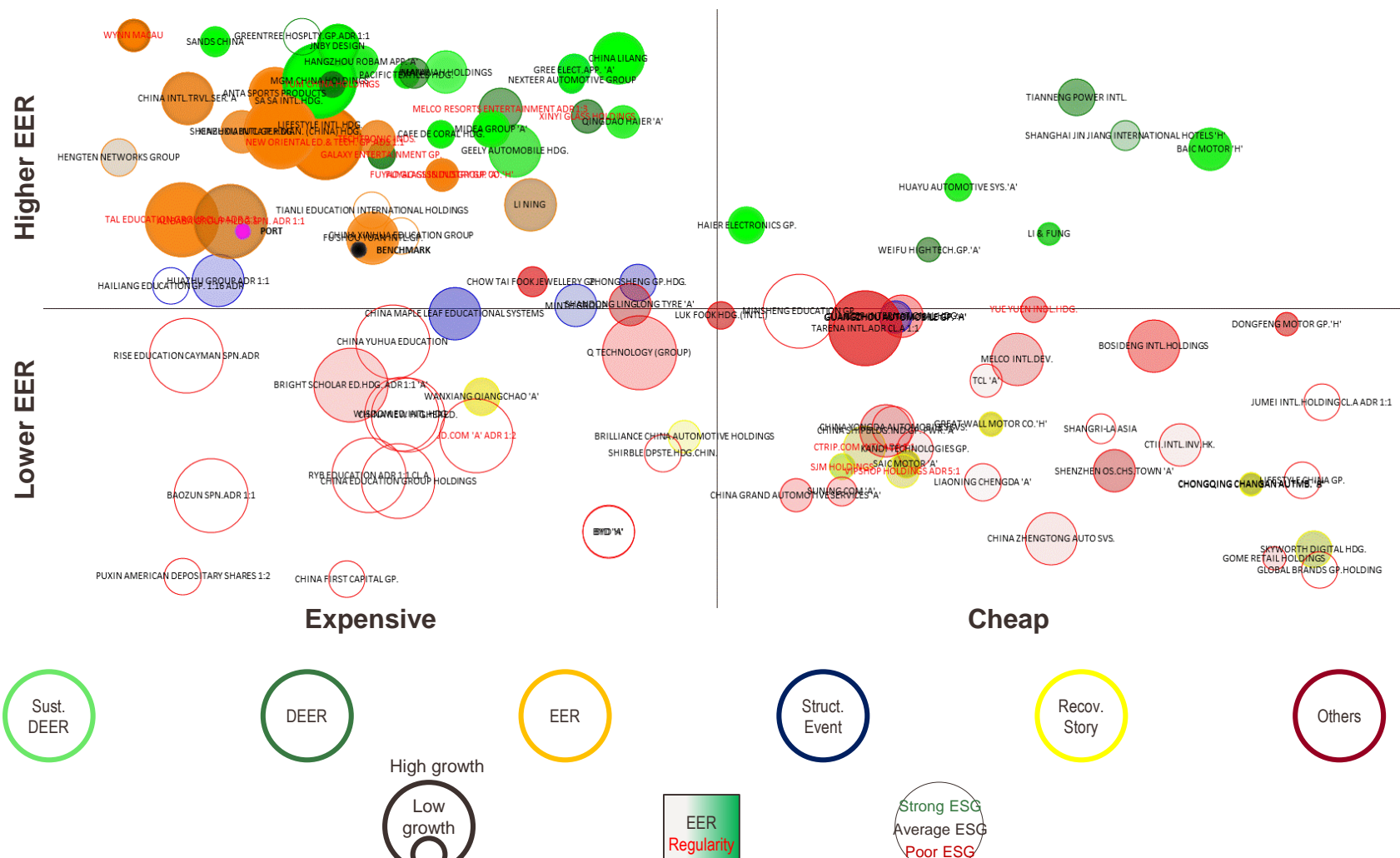
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# Common platform across equities (2)

A powerful tool to review investment ideas



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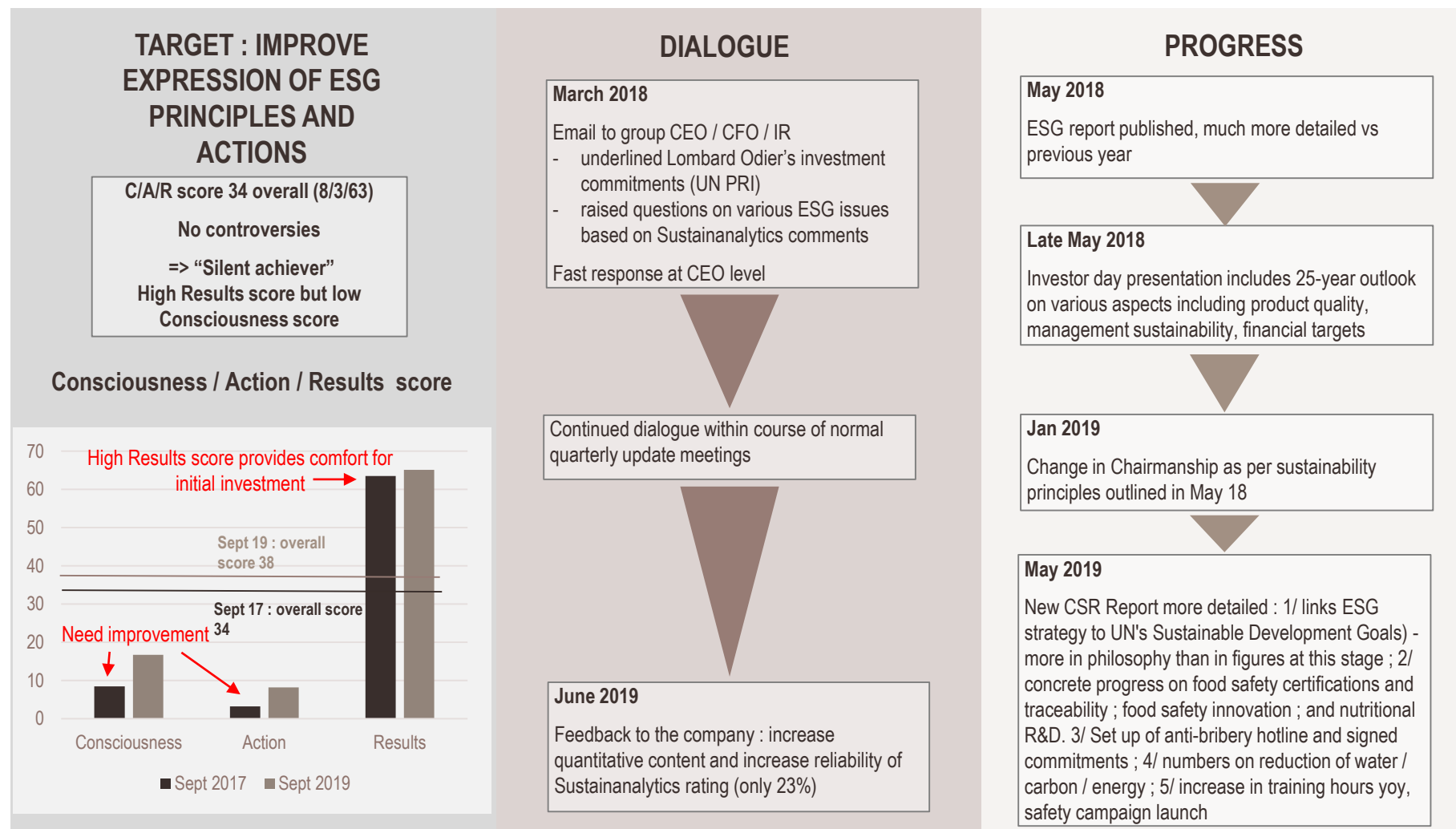


## **BUSINESS PRACTICES**

### **CASE STUDIES**

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# Stewardship example 1 : China FMCG player

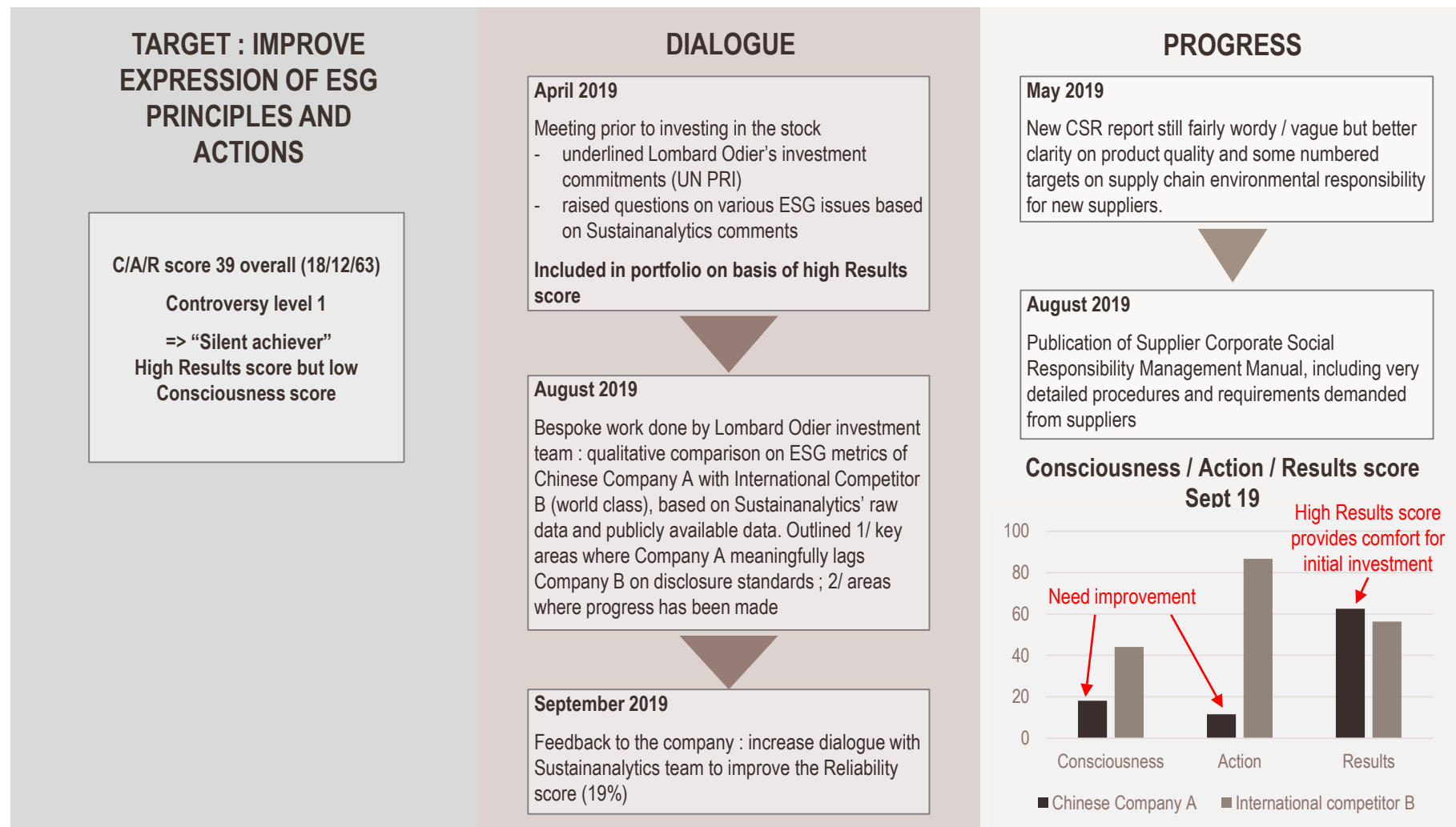


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# Stewardship example 2 : China FMCG player




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# Our global sustainability approach in context: AIA

AIA is an example of a security that ranks highly in our three-pillar approach:

COMPANY	DETAILS	Pillar 1	Pillar 2	Pillar 3
		EXCESS ECONOMIC RETURN	ESG	BUSINESS MODEL
<b>AIA is the leading life insurance company in many Asian markets. They are growing the value of new business by &gt;25% most quarters.</b> 	<ul style="list-style-type: none"> <li>Significant amounts of free cash flow (US\$2+ billion annually)</li> <li>Very low net debt</li> <li>Trades a reasonable multiple compared to its quality</li> </ul>	✓		
	<ul style="list-style-type: none"> <li>Scores well on its overall ESG score (60.1)</li> <li>Good performance in corporate governance and environmental impact.</li> <li>Improving corporate governance</li> </ul>		✓	
	<ul style="list-style-type: none"> <li>Aging population will increase the need of insurance protection</li> <li>In the top 3 players in Hong Kong, Singapore and Thailand</li> <li>100% ownership of its stake in its Chinese business</li> </ul>			✓

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