

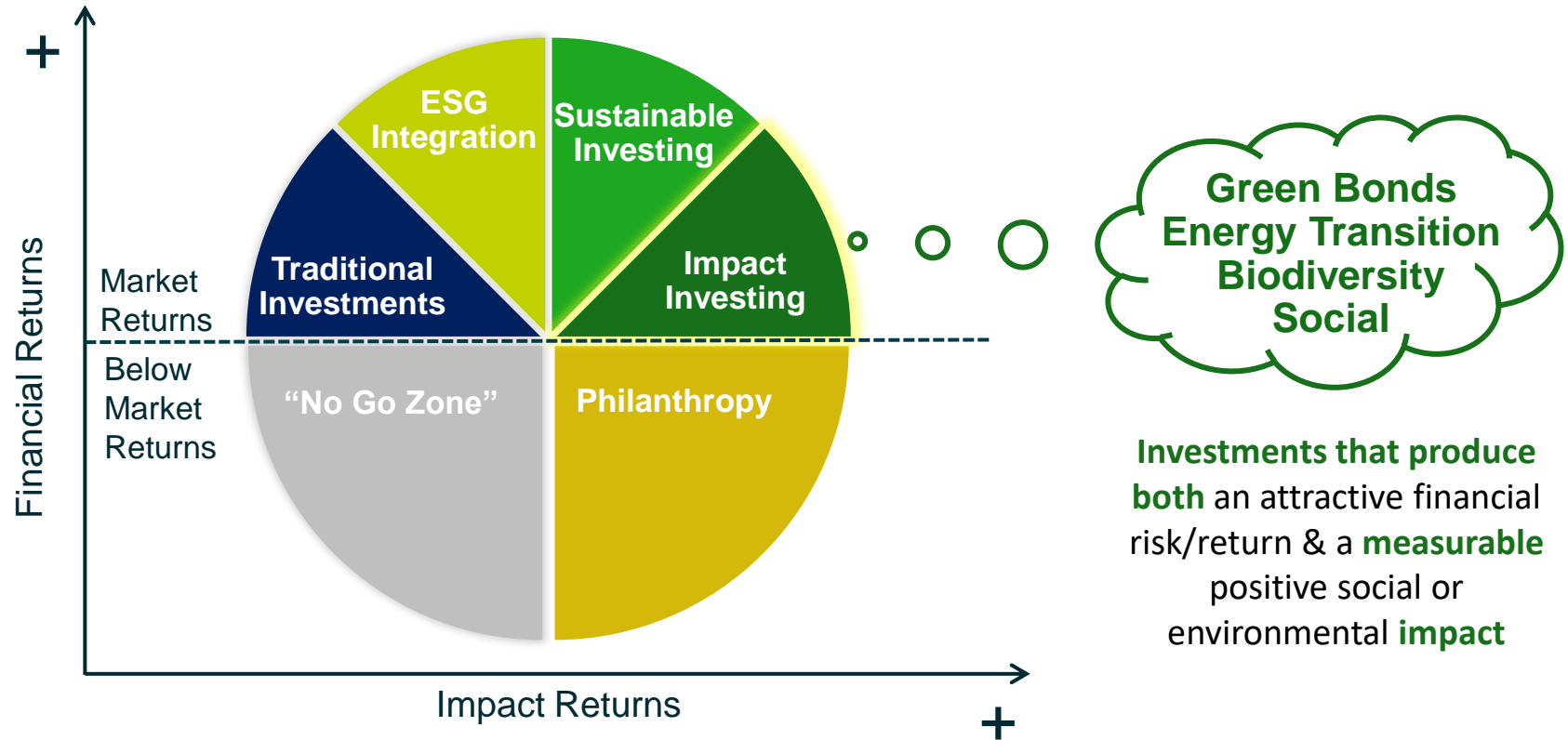


# Impact investing

Investing in a world worth living in

December 2022

# Impact Investing through liquid assets



1 Source: AXA IM. For illustrative purposes only. These are internal guidelines which are subject to change without notice. ESG = Environmental, Social and Governance.

# SDGs, a common framework for assessing impact



**\$4.2tn<sup>1</sup>** per annum of financing gap to achieve the UN SDGs

For illustrative purposes only. 1: OECD, "Closing the SDG financing gap in the COVID-19 era". The 17 United Nations Sustainable Development Goals (SDGs). The use of the SDG Logo, including the colour wheel, and icons does not imply the endorsement of the United Nations of AXA Investment Managers, its products or services, or of its planned activities and does not constitute, explicitly or implicitly, a recommendation for an investment strategy. The United Nations does not assume any responsibility or liability for the activities of AXA Investment Managers, including with respect to any fundraising or commercial use of the SDG Logo, the SDG wheel or any of the 17 SDG icons.

# Considerations when assessing impact

1.



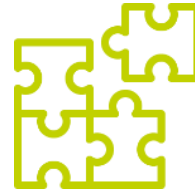
**Intentionality**

2.



**Materiality**

3.



**Additionality**

4.



**Negative Externalities**

5.



**Measurability**

**Five pillars** to characterise impact investing & differentiate it from other approaches to responsible investing

# Importance of engagement in driving positive change



Source: AXA IM. For illustrative purposes only. This does not constitute investment research or financial analysis relating to transactions in financial instruments, nor does it constitute an offer to buy or sell any investments, products or services, and should not be considered as solicitation or investment, legal or tax advice, a recommendation for an investment strategy or a personalised recommendation to buy or sell securities.

# Impact Investing through liquid assets

## Products & Services

generate positive outcomes through the provision of their innovative products and services



## Operations

generate positive change through their corporate practices, behaviour and operations



## Projects

generate positive change through the support of green or social projects



# Green Bond market, rapidly growing & now well diversified

A solid momentum driven by **sector** and **geographical diversification**

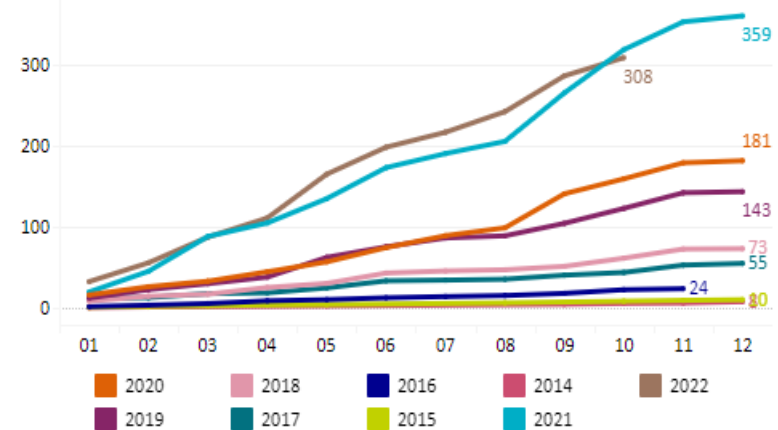
**\$308bn** issuances in 2022

**101** new issuers

**55%** credit issuers

**37%** non Euro issuances

Volume of issuance per year (\$bn)



A **Global** and **well-balanced** universe

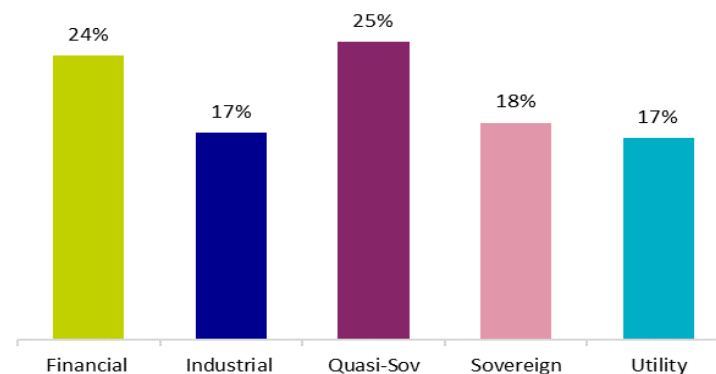
**\$976bn** market value\*

**3,49%** EUR Hedged yield

**579** issuers

**AA-** average rating

Sector breakdown



# Impact investing in Fixed Income goes beyond Green Bonds

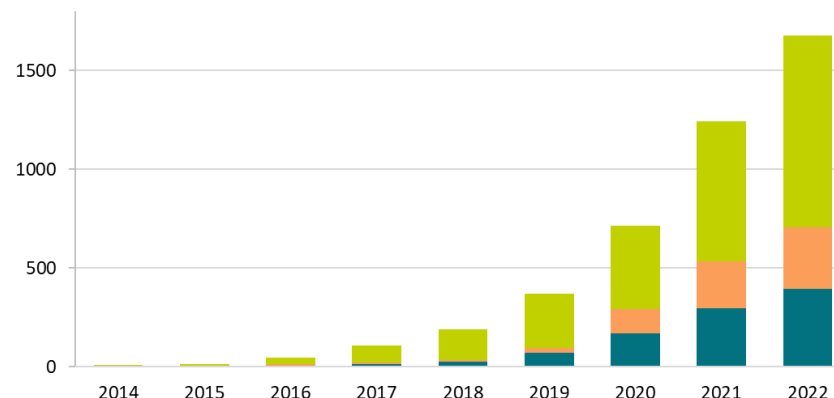
## Social and sustainability bonds broaden impact potential...

**\$502bn** issuances in 2022

**\$1,790bn** market value\*

of which **40%** Social and sustainability bonds with

**96** social and **191** sustainability bonds issuers



## ... and address a wide range of themes and SDGs

- Smart energy solutions
- Low carbon transportation
- Green buildings
- Sustainable ecosystem

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

- Empowerment
- Inclusion
- Health & safety

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

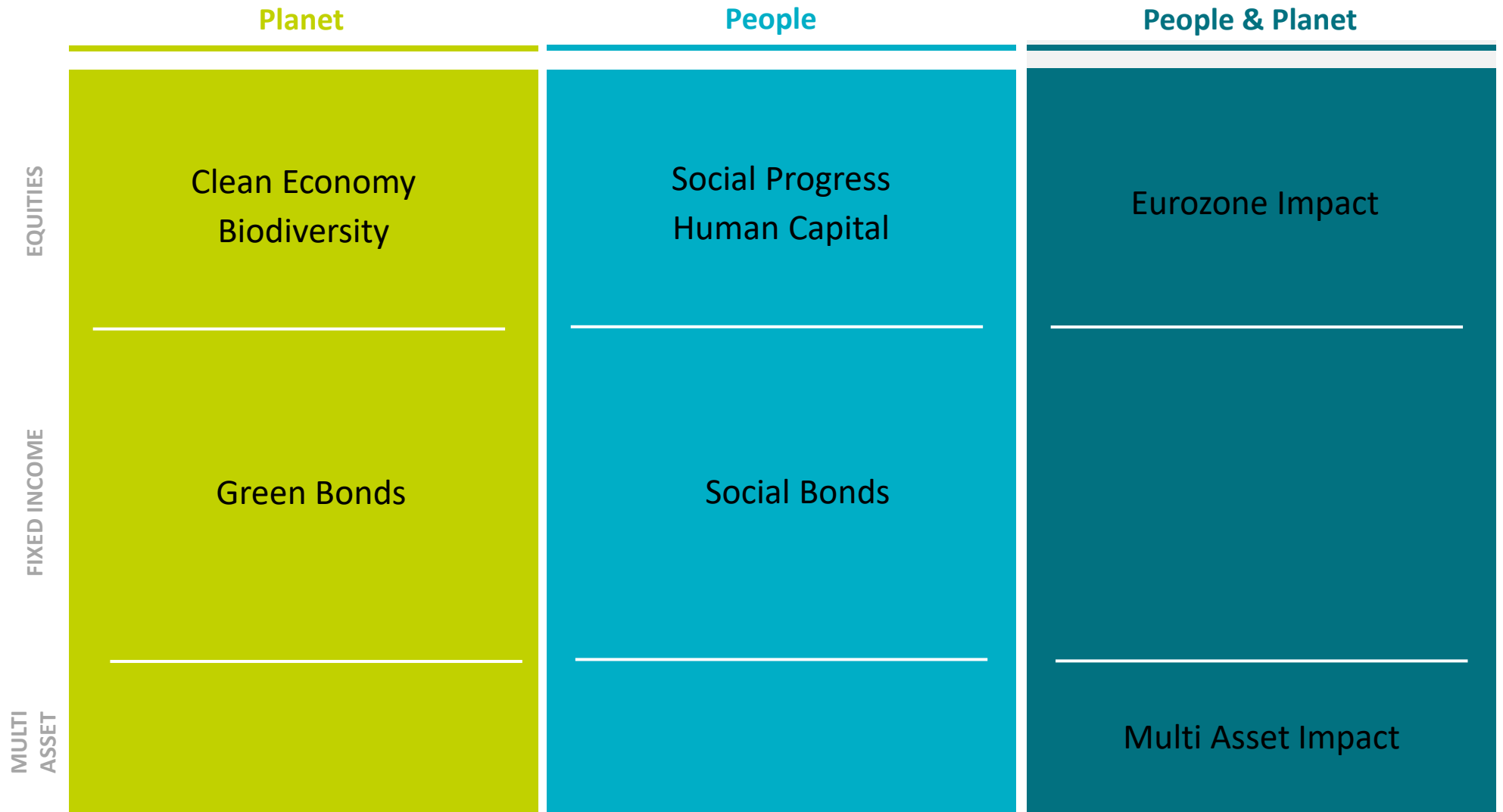
7 Source: AXA IM, Bloomberg au 31/03/2022 (Green bond market ex CNY, excl. outstanding <\$300mio). For illustrative purpose only.



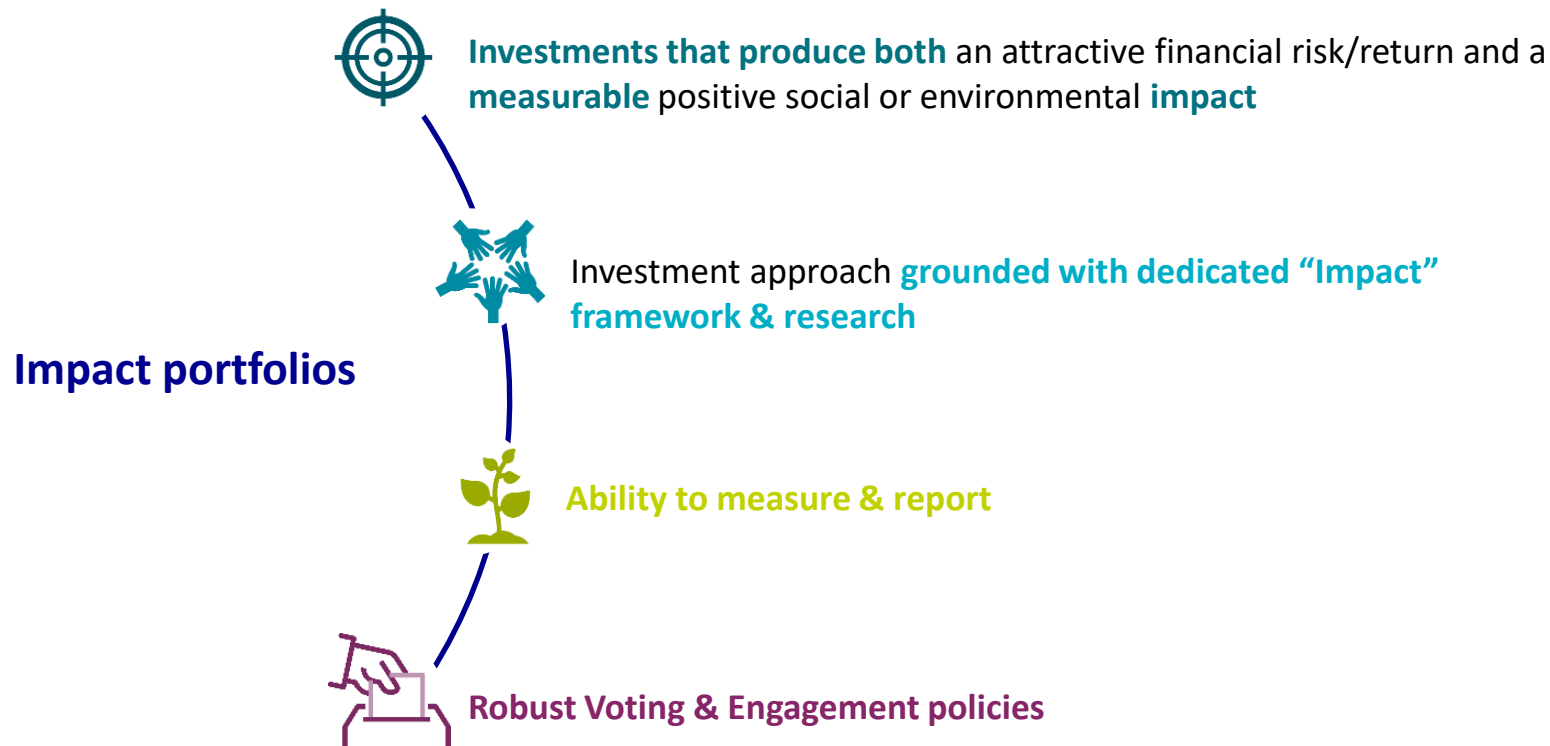
# Impact investing, complementary approaches across listed assets & private equity

|                           | <b>Private Equity</b>  | <b>Listed Assets</b>  |
|---------------------------|--|---|
| <b>Investment Horizon</b> | Typically 10-20 years  | 5 years at least  |
| <b>Liquidity/Capacity</b> | Limited liquidity,<br>Typically < \$500m capacity                                    | Good Liquidity,<br>Typically > \$2bn capacity   |
| <b>Delivering Impact</b>  | Smaller projects/companies:<br>Control over operations<br>to deliver targeted impact | Larger companies:<br>Clear strategic commitment to positive impact<br>& engage and report transparently |
| <b>Impact reporting</b>   | KPIs at the project level  | KPIs at the company/project<br>and overall portfolio level  |

# Impact investing across themes and asset classes



# Active management is key for delivering impact



Source: AXA IM as of 18/04/2022, for illustration purpose only. AXA IM reserves the right to modify any of the procedures, process and controls described herein at its discretion.

*\*SFDR product categorization: the product categorization is provided based on the basis of the European Directive (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR Regulation”). The attention of each recipient is drawn to the fact that, as of today the SFDR related regulatory technical standards (“RTS”) have not been finalized and remain subject to the approval and formal adoption by the European Commission and the European Parliament and Council. Furthermore there may be further guidance in relation to the interpretation of the SFDR Regulation. We are monitoring regulatory developments closely, and the product categorization shall be re-assessed and may evolve when the RTS and/or further guidance is published.*

# Acciona Energías: pure-play renewable energy contributing to the energy transition

Acciona Energías is a renewable pure-play providing energy from wind, solar, biomass, etc.



## Intentionality

Acciona Energía is a **pure-play renewable energy** developer, committed to support the transition to a low carbon economy and is striving to achieve clean operational excellence.



## Materiality

Acciona Energías scores highly for materiality as it is a **pure-play renewable energy provider**, directly addressing SDG 7 and contributing to SDG13. 100% of their revenue is coming from renewable energy.



## Additionality

The company has clear **capacity expansion plans and a focus on cutting edge innovation**. It targets to reach 20GW of renewable capacity by the end of 2025.



## Negative Externalities

There are **minimal negative externalities**. The company's environmental management system helps to reduce the risks associated with its operations.



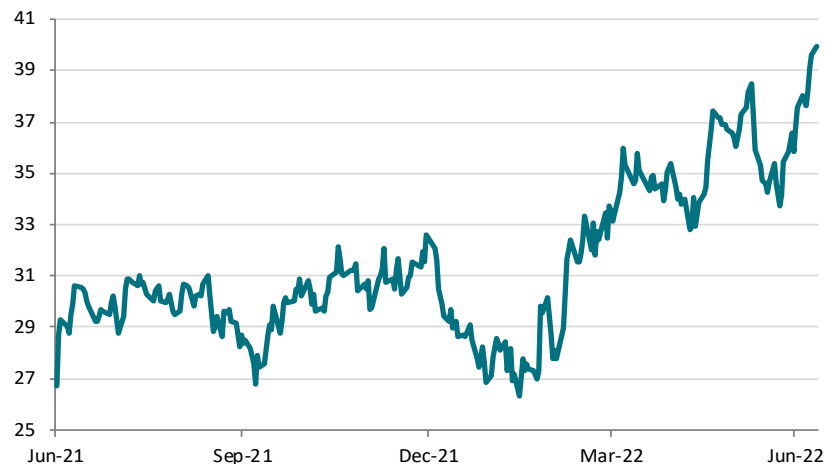
## Measurability

The company has provided a **sustainability report** and identified material issues, as well as **disclosing emissions and emissions avoided**. Acciona SA (parent) has committed to sciencebased targets and reports to CDP, we hope Acciona Energías will follow soon.

## KPIs monitored

|                                    | 2018  | 2019   | 2020   |
|------------------------------------|-------|--------|--------|
| Installed capacity (MW)            | 9,627 | 10,117 | 10,694 |
| Emissions avoided (Mn tonnes CO2e) | 14.7  | 13.1   | 13.2   |

## Share price performance



Source: AXA IM January 2022, Acciona Energías. Stock shown for illustrative purposes only and should not be considered as advice or a recommendation for an investment strategy. Those KIPs are not indicative of future results. Share price data from Bloomberg, as at 30 June 2022.

# Not all Green bonds are worth the same



## ISSUER'S SUSTAINABILITY STRATEGY

- Overall strategy's alignment with green bond projects
- Environmental track record and targets
- Meetings with the management
- ESG Quality

## PROJECT TYPES



- Transparency on projects
  - Project greenness
  - External certifications



## MANAGEMENT OF PROCEEDS

- Financing new assets or Refinancing
- Internal process for tracking proceeds
- Segregated pool of assets
- External verification

## IMPACT REPORTING



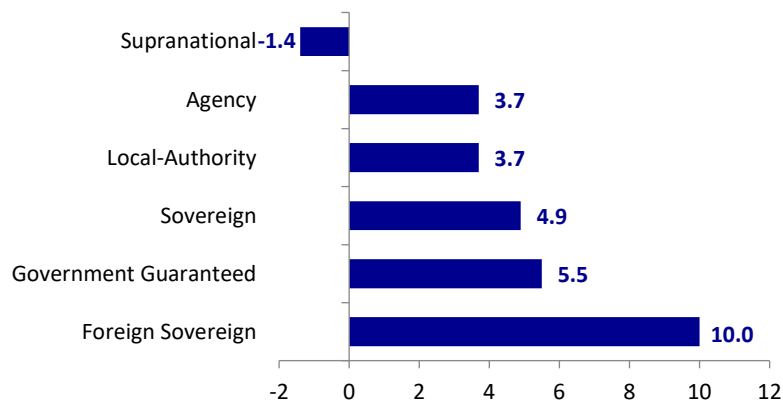
- Impact indicators reporting commitment
  - Pre- and/or Post-issuance
  - Relevance of KPIs
  - Third party verification



# Digging into the Greenium dynamic

We observe an average **7bp Greenium** in the EUR Green Bond market

### EUR Sovereign & Sovereign-related Greenium (bps)

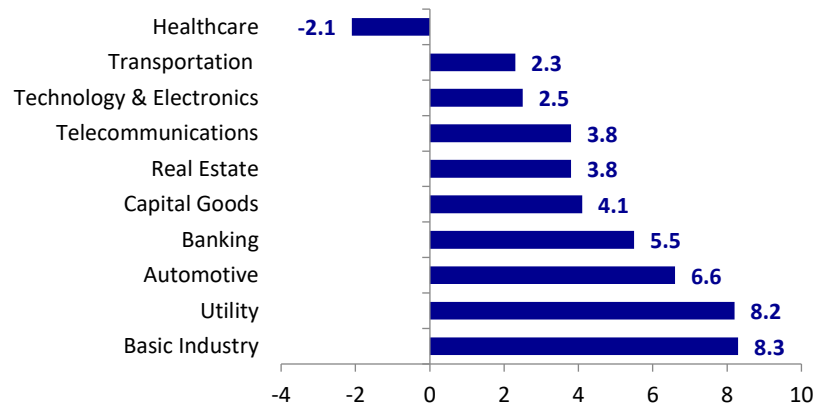


**Supply-demand imbalance** tend to generate slight Greenium



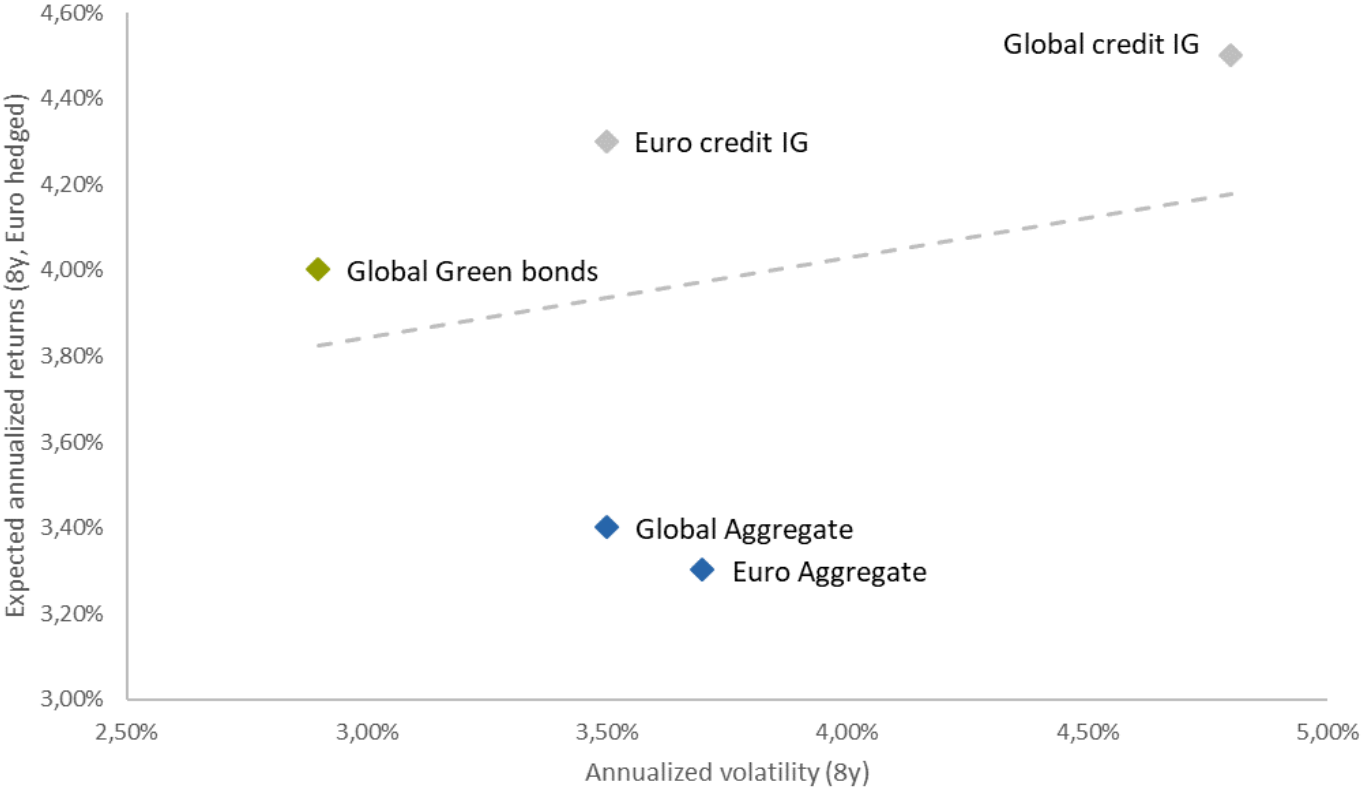
Greenium highlights Green bond **scarcity in specific sectors**

### EUR Corporate Greenium (bps)



Greenium is not structural and **demands active approach**

# Green Bonds - Long term expected risk-adjusted returns

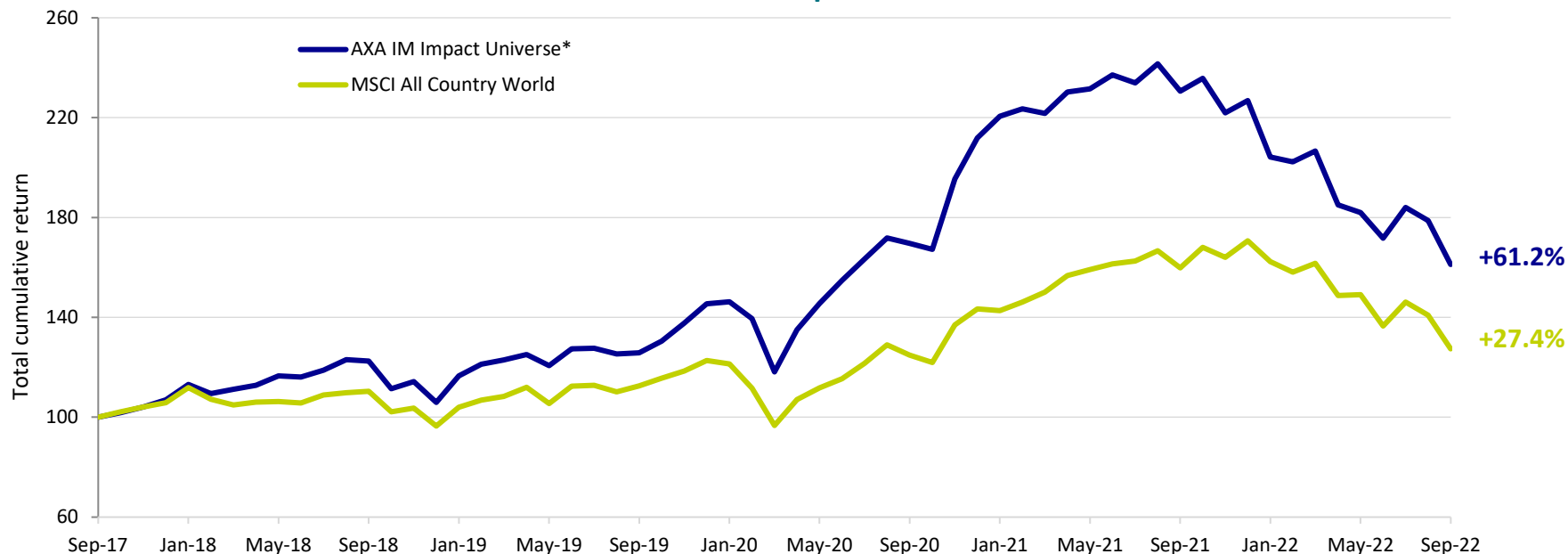


Source: AXA IM, 31/10/2022. With the help of internal simulation tool by generating 10 000 market scenarios over an 8-year-horizon. All alpha generated by tactical asset allocation and bond selection is not included. For illustrative purposes only.

# Equity risk/return profile

Back tested with buy & hold strategy on past performances

Cumulative Total Return (Gross) in USD  
Oct 2017 to Sep 2022



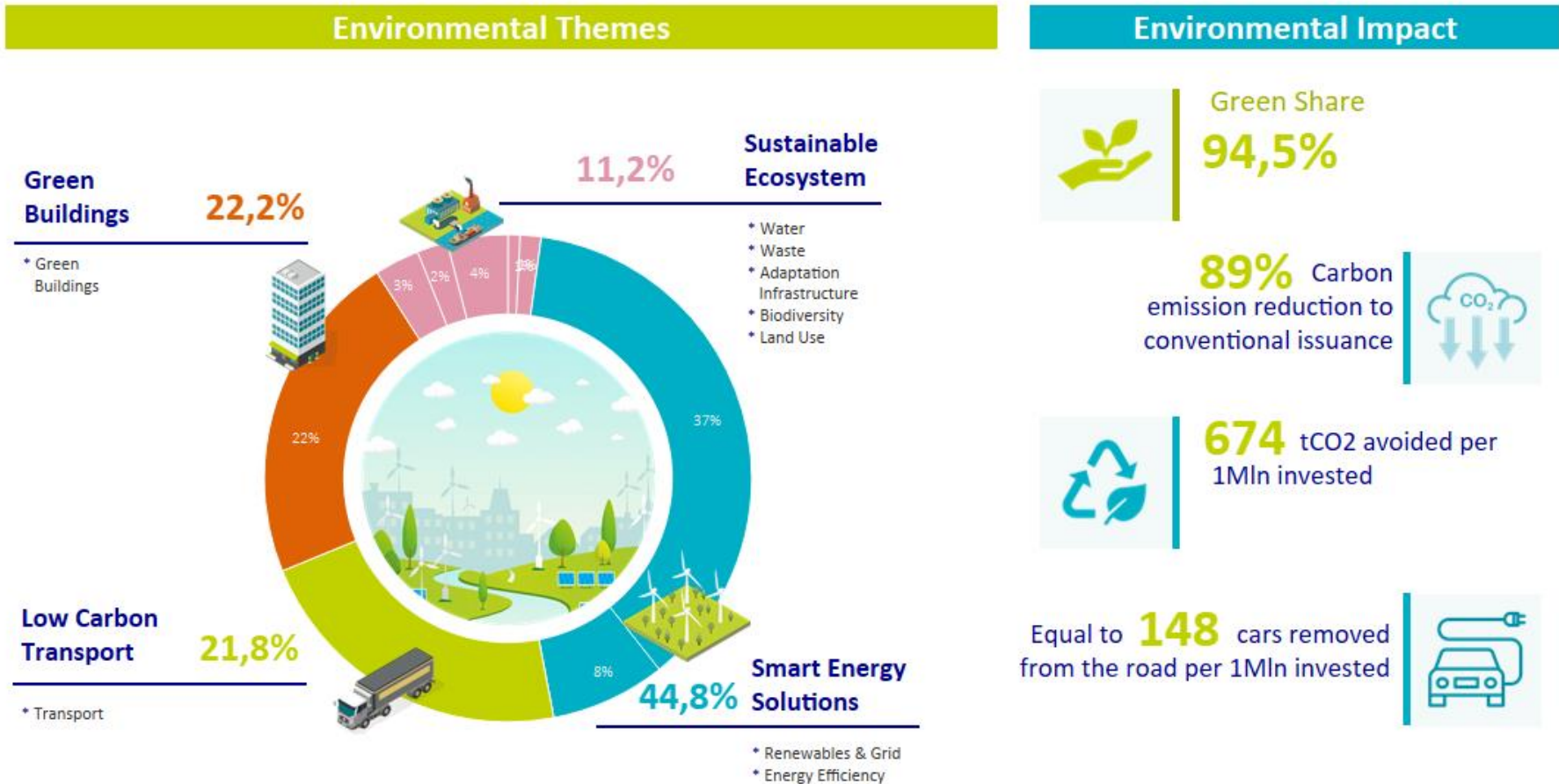
|                              | 1Y    | 3Y (Ann) | 5Y (Ann) |
|------------------------------|-------|----------|----------|
| <b>Performance</b>           |       |          |          |
| AXA IM Impact Universe*      | -30.1 | 8.6      | 10.0     |
| MSCI All Country World Index | -20.3 | 4.2      | 5.4      |
| <b>Volatility**</b>          |       |          |          |
| AXA IM Impact Universe*      | -     | 22.7     | 19.6     |
| MSCI All Country World Index | -     | 19.1     | 17.0     |

Source: AXA IM as at 30/09/2022. Basis: Gross Total return and computed with monthly returns. Risk/Return characteristics provided on 5-year period. \*AXA IM Impact universe based on AXA IM ESG and impact filtering methodology, excluding companies with a market capitalisation <\$100m, where companies did not exist in the past weights have been equally redistributed, equally weighted positions in the universe and rebased monthly. \*\*Volatility calculated based on monthly returns. There are not enough data points to calculate 1Y volatility.

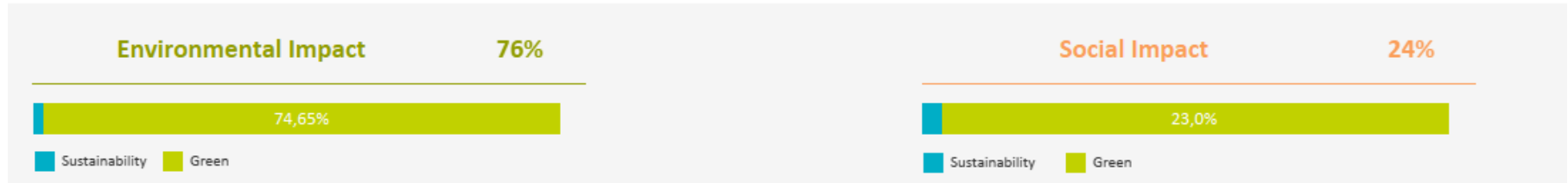




# Measuring impact in Green bonds



# Measuring SDG Contribution in Green Bonds



Top Environmental SDG contribution



Top Social SDG contribution



% AUM related to each contribution (dark) and alignment (light) SDGs (rebased on the Green and Social Share)

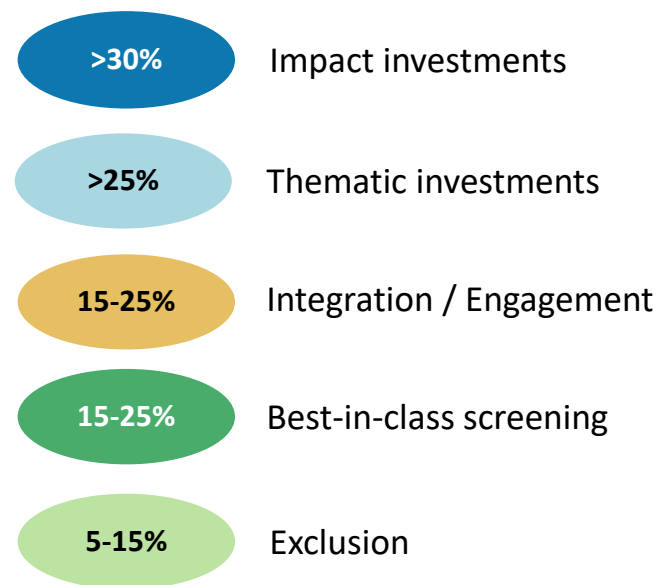


## GIIN Market Sizing Report

# \$1.164tn<sup>1</sup>

**AUM** in impact investing strategies **worldwide**

## Broadridge ESG funds Survey 2020-2025 expected growth<sup>2</sup>



Source: 1: GIIN Market sizing report and Annual Investor survey. [2022-Market Sizing Report-Final.pdf \(thegiin.org\)](#)The GIIN used the amount of capital in the impact investing market as a proxy for market size and counted only directly-invested capital by both public market and private market asset owners and managers to avoid potential double counting. For more details please refer to the GIIN methodology calculation.

Source 2: Expected growth is represented by Compounded Annual Growth Rate (CAGR) figures from Broadridge Global Market Intelligence, Oliver Wyman analysis, MSCI 2021.

# “Real World” Impact

Investors have a key role to play but...“real world” impact will only occur with

**Governments**



**Regulators**



**Consumers**



**Investors**



**working in the same direction**

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