



Zhikai Chen is the Head of Asia Ex-Japan Equities and a Senior Portfolio Manager for Asia at Lombard Odier. Before joining Lombard Odier in Hong Kong, Zhikai was a Director and Senior Analyst at Partner Fund Management.

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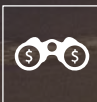
LOMBARD ODIER
INVESTMENT MANAGERS

LOIM GLOBAL EQUITIES

ESG Integration: Theory and Practice

18 June 2020

Sustainability to drive investment returns



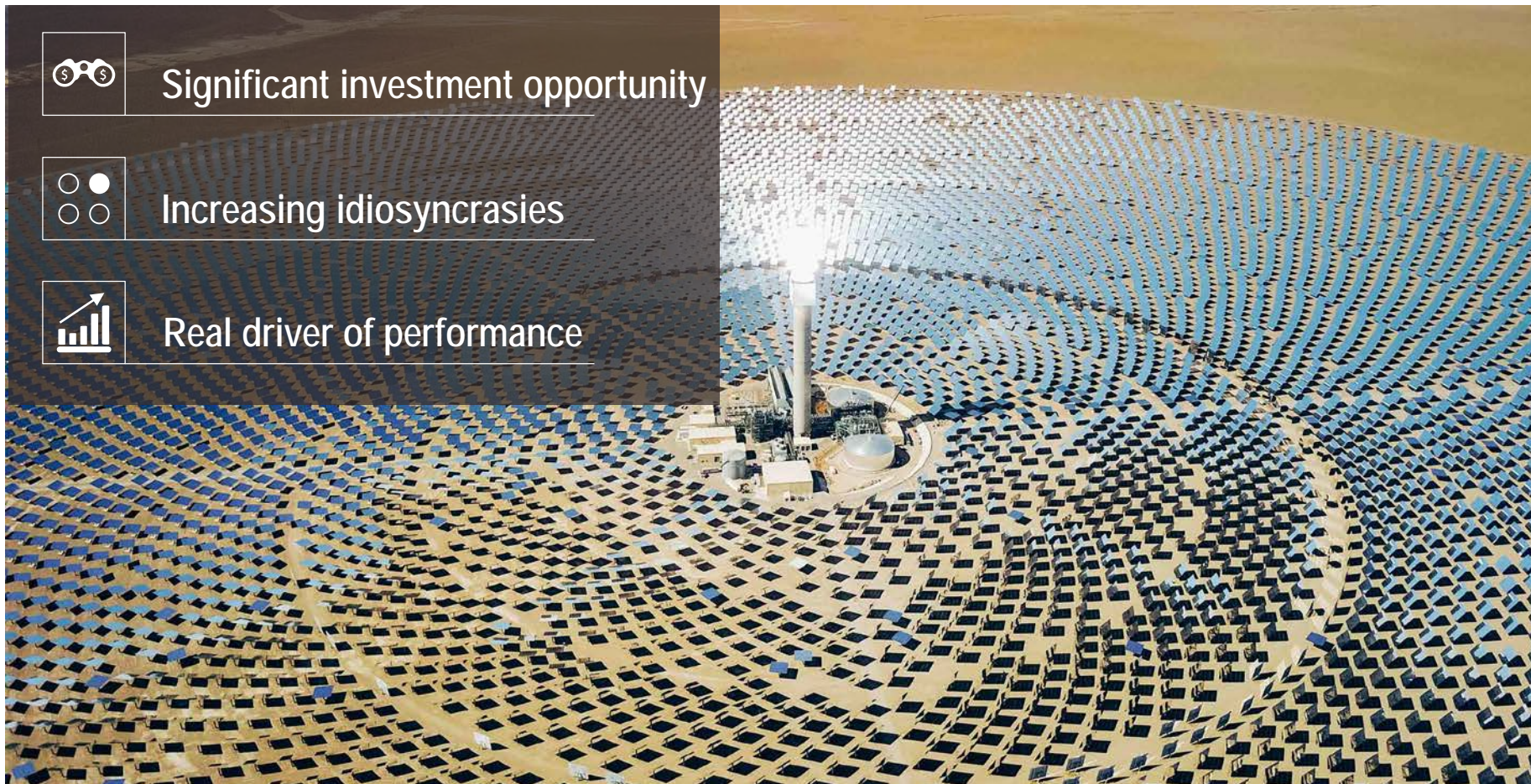
Significant investment opportunity



Increasing idiosyncrasies



Real driver of performance

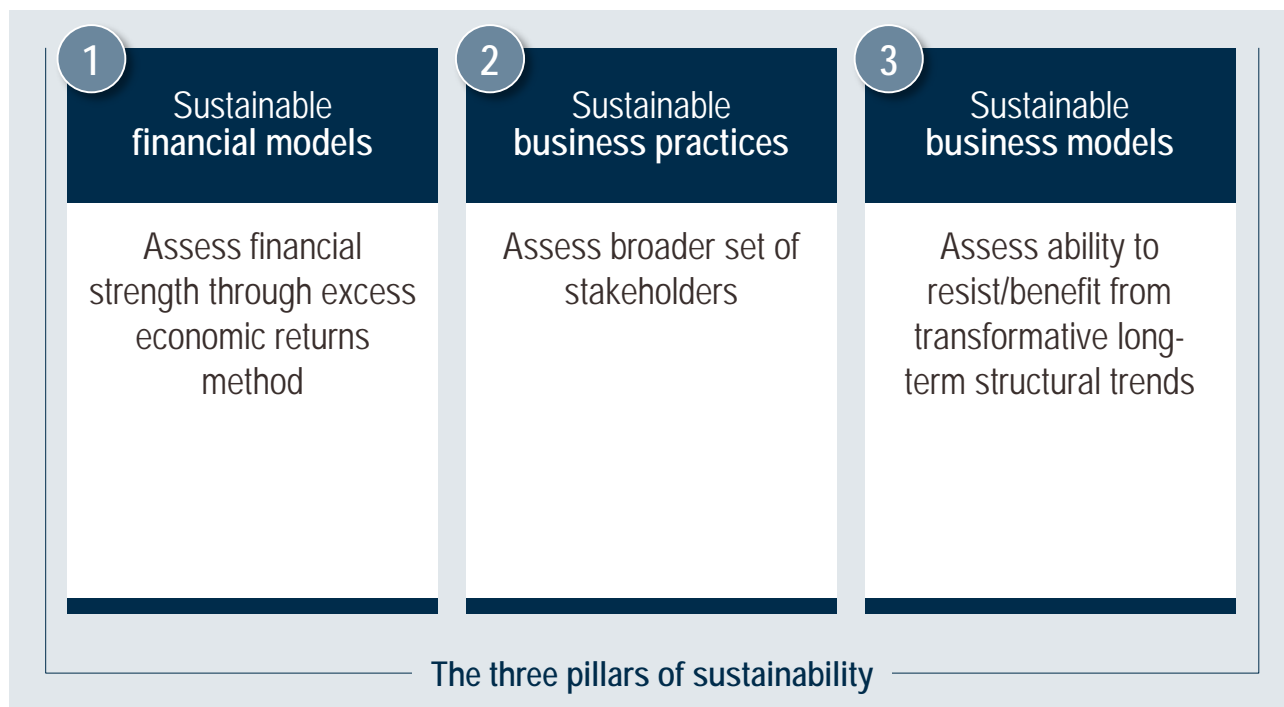
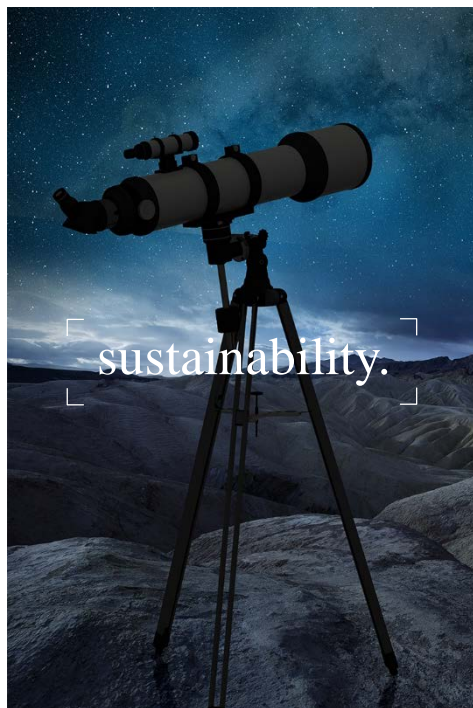


Source: LOIM. For illustrative purposes only. Target performance/risk represents a portfolio construction goal. It does not represent past performance/risk and may not be representative of actual future performance/risk.

Sustainability is at the heart of our investment philosophy

We embed it in portfolio management

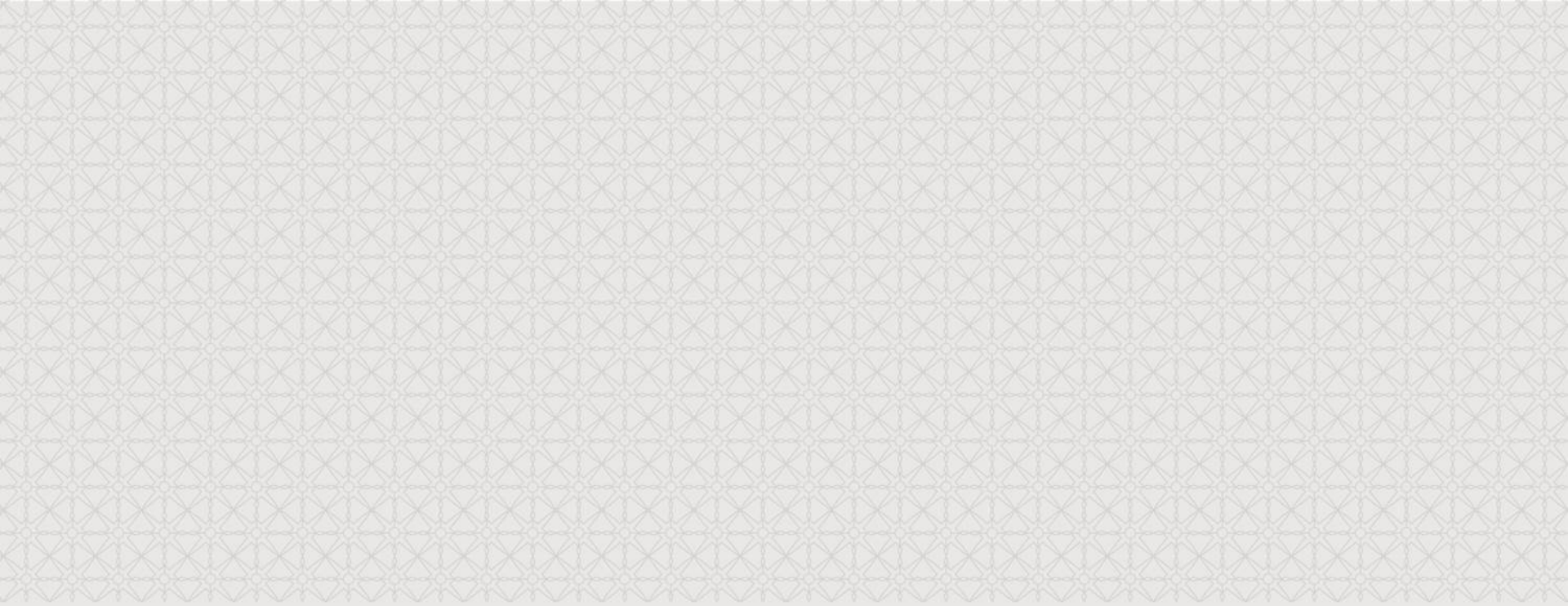
We believe long-term returns will be driven by companies with a combination of:



Source: LOIM. For illustrative purposes only.

Please see important information at the end of the document.

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BUSINESS PRACTICES

LOMBARD ODIER'S METHODOLOGY

Introduction

BUSINESS PRACTICE METHODOLOGY BASED ON RAW DATA

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



Source: LOIM. For illustrative purposes only.

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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.

Please see important information at the end of the document.

How our proprietary CAR approach looks deeper into ESG scoring



Example data points

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

= 115 data points

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



Example: AIA

Company Information

Name	AIA GROUP LIMITED
Code	C-AIAG
Country	HONG KONG
GLCS 1 Sector	Financials
GLCS 2 Sector	Insurance
Impact metrics relevant Sector	Insurance
Percentile relative to GLCS 2	75.7%
ESG Reliability	45.6%
Type of Coverage	Comprehensive

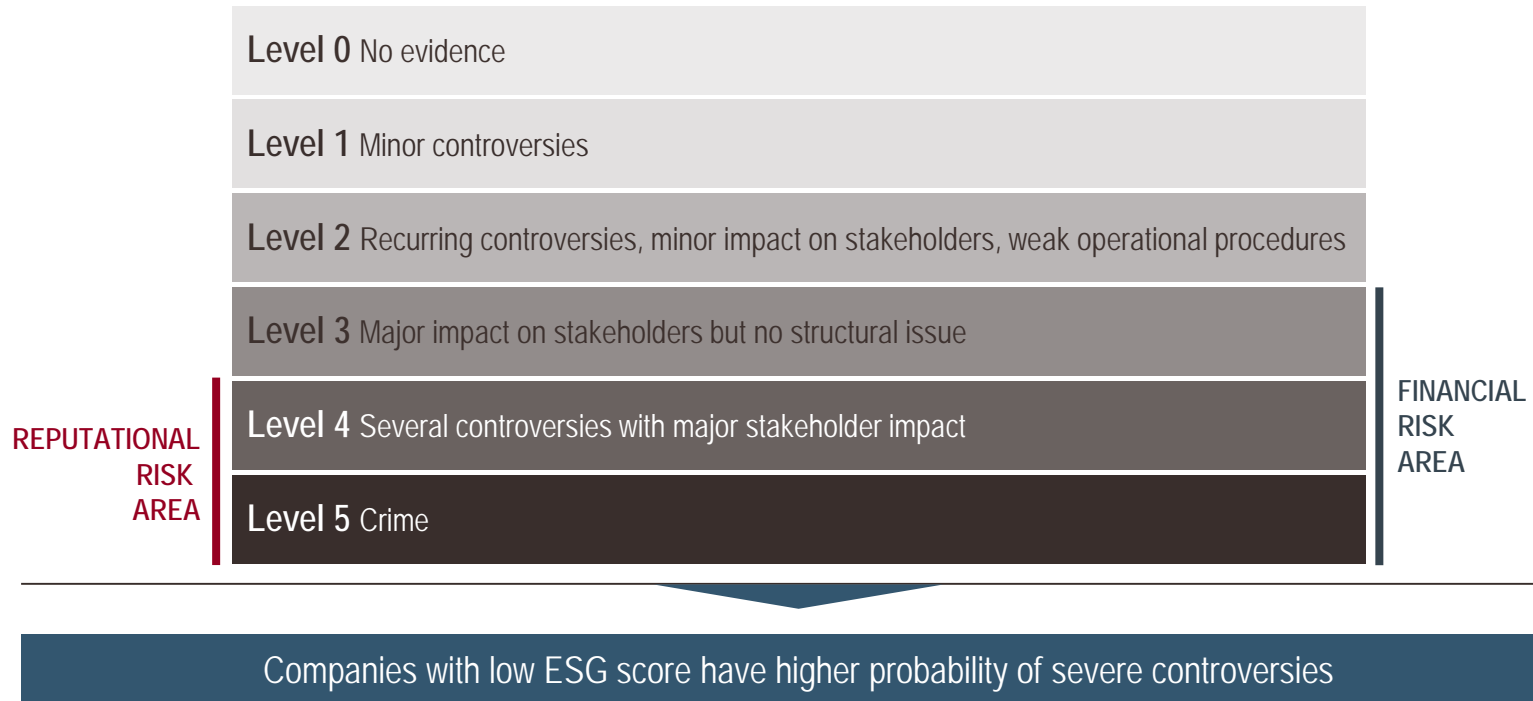
ESG-CAR breakdown

OVERALL	ENVIRONMENT	SOCIAL	GOVERNANCE
60.7 2020-03-31	53 2020-03-31	62.4 2020-03-31	66.7 2020-03-31
60.7 2020-06-16	53 2020-06-16	62.4 2020-06-16	66.7 2020-06-16
0%	0%	0%	0%
CONSCIOUSNESS	ENVIRONMENT - CONSCIOUSNESS	SOCIAL - CONSCIOUSNESS	GOVERNANCE - CONSCIOUSNESS
57.1 2020-03-31	95 2020-03-31	31.3 2020-03-31	44.9 2020-03-31
57.1 2020-06-16	95 2020-06-16	31.3 2020-06-16	44.9 2020-06-16
0%	0%	0%	0%
ACTION	ENVIRONMENT - ACTION	SOCIAL - ACTION	GOVERNANCE - ACTION
59.8 2020-03-31	39.4 2020-03-31	60.4 2020-03-31	79.7 2020-03-31
59.8 2020-06-16	39.4 2020-06-16	60.4 2020-06-16	79.7 2020-06-16
0%	0%	0%	0%
RESULTS	ENVIRONMENT - RESULTS	SOCIAL - RESULTS	GOVERNANCE - RESULTS
62.6 2020-03-31	44.4 2020-03-31	76 2020-03-31	67.6 2020-03-31
62.6 2020-06-16	44.4 2020-06-16	76 2020-06-16	67.6 2020-06-16
0%	0%	0%	0%

Source: LOIM. For illustrative purposes only.

Controversies: a short term assessment of companies

Classification of incidents following standards by United Nations Global Compact Principles



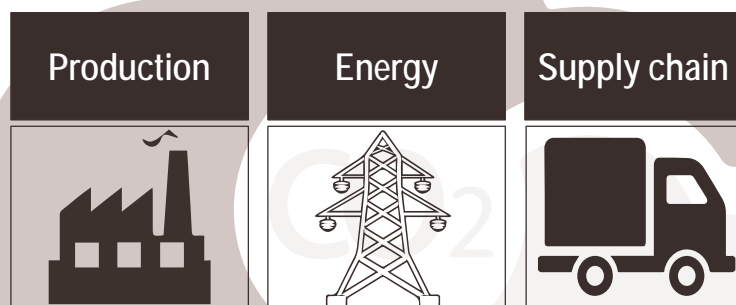
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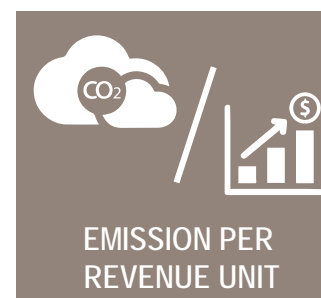
Impact measures – carbon emissions

Total production & emissions scope

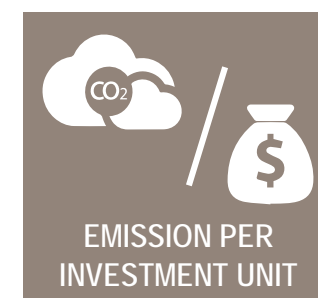


How do the firm's carbon emissions compare to peers?

What is the investor accountable for?



INTENSITY RATIO
(Tons eq. CO₂ per MUSD generated)



INVESTMENT RATIO
(Tons eq. CO₂ per MUSD invested)

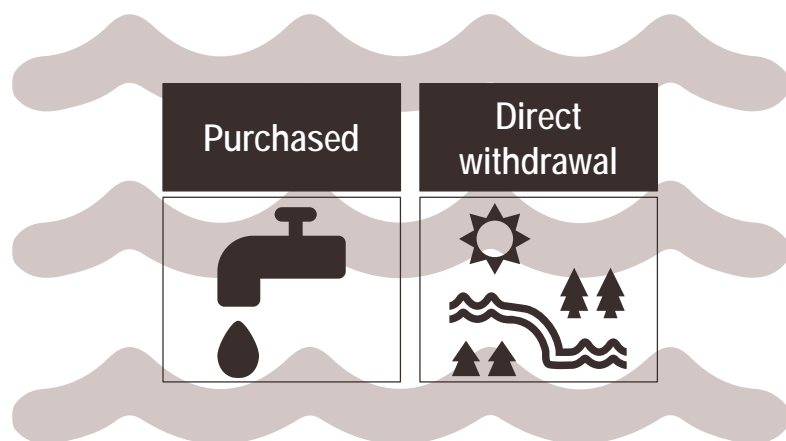
Analysis is performed for:

- 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.

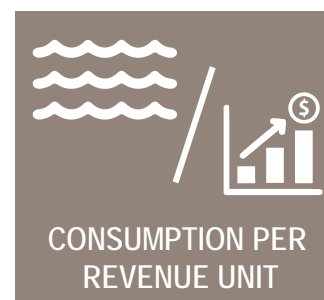
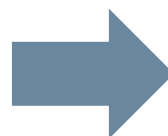
Impact measure – water consumption

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

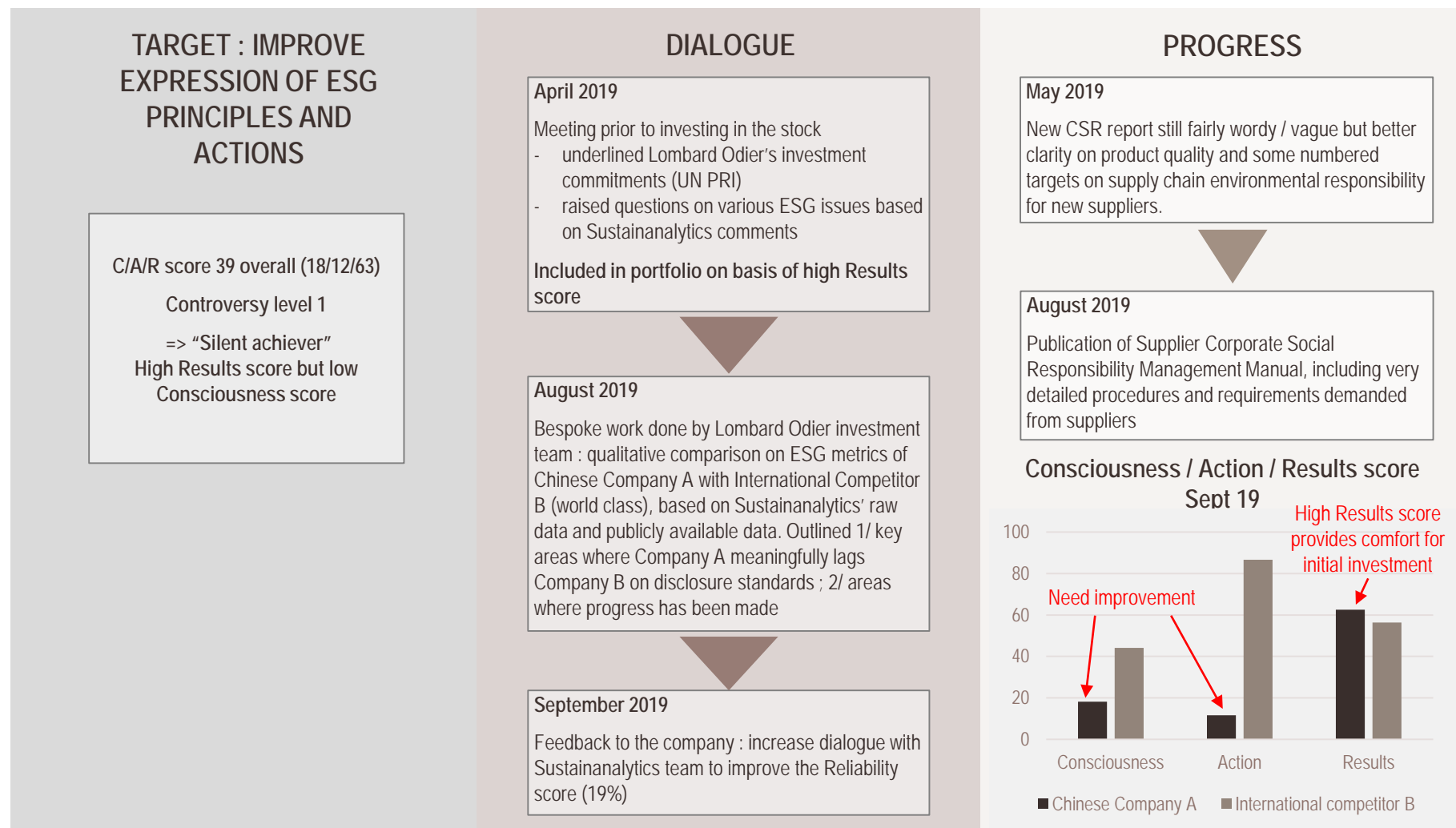
Source: LOIM analysis.
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BUSINESS PRACTICES

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Stewardship example : China sporting goods 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:

		Pillar 1	Pillar 2	Pillar 3
COMPANY	DETAILS	EXCESS ECONOMIC RETURN	ESG	BUSINESS MODEL
<p>AIA is the leading life insurance company in many Asian markets. They are growing the value of new business by >25% most quarters.</p> 	<ul style="list-style-type: none"> Significant amounts of free cash flow (US\$2+ billion annually) Very low net debt Trades a reasonable multiple compared to its quality 	✓		
	<ul style="list-style-type: none"> Scores well on its overall ESG score (60.7) Good performance in corporate governance and environmental impact. Improving corporate governance 		✓	
	<ul style="list-style-type: none"> Aging population will increase the need of insurance protection In the top 3 players in Hong Kong, Singapore and Thailand 100% ownership of its stake in its Chinese business 			✓

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