

ESG INVESTING

UNDERSTANDING THE CHALLENGES HARNESSING THE OPPORTUNITIES



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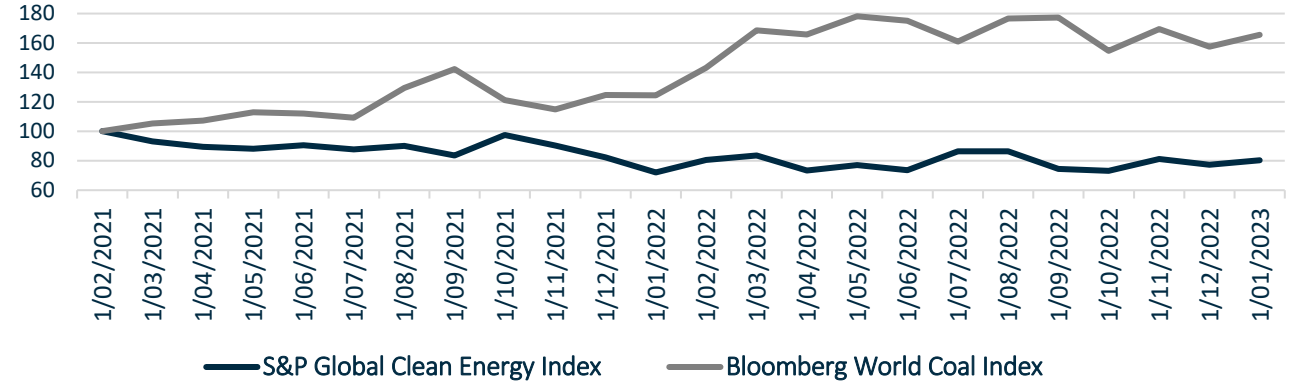
PUTTING ESG TO THE TEST

Criticism Mounts



Source: Bloomberg

Coal Outperforms Clean Energy



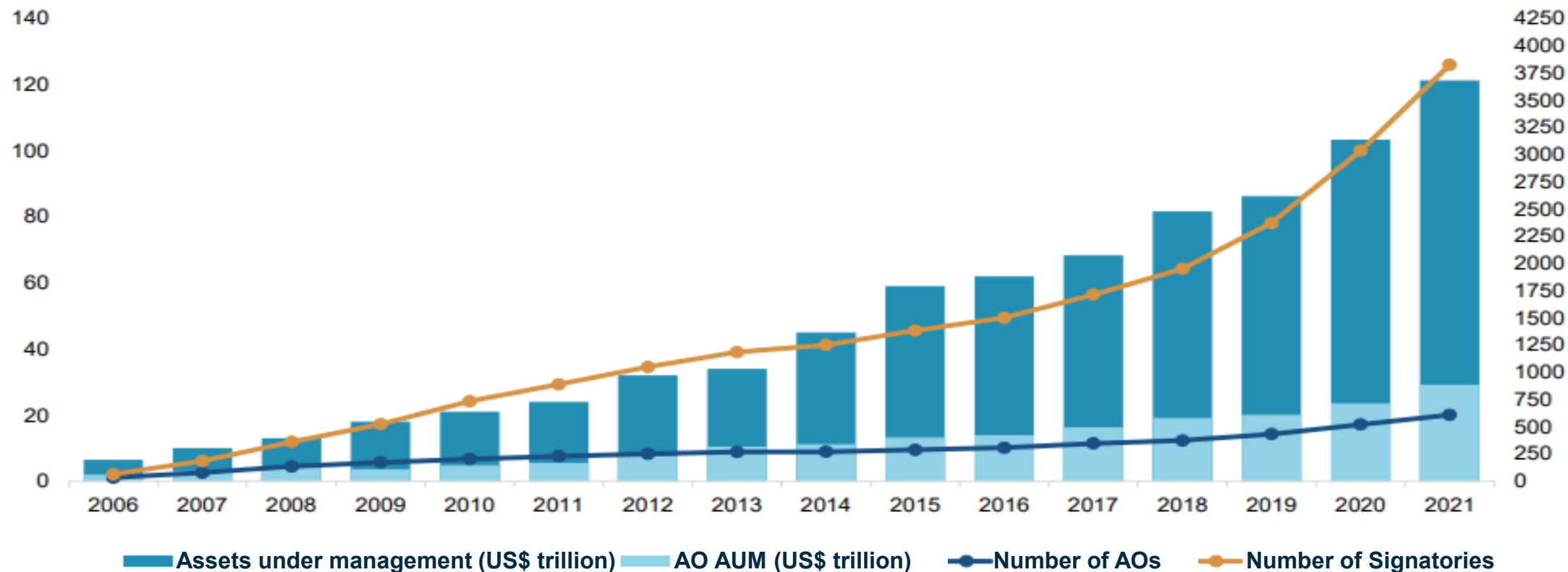
A GLOBAL MOVEMENT

Growth in Signatories - UN PRI

AUM, total number of signatories and number of asset owner signatories all increased

Assets under management (US\$ trillion)

No. of Signatories



*Total AUM include reported AUM and AUM of new signatories provided in sign-up sheet that signed up by end of March of that year, Source: Bloomberg Intelligence

SO WHAT ARE WE REALLY TALKING ABOUT

	Traditional Investments	Responsible Investments					Philanthropy
Focus	Financial Only	Negative Screening	ESG Integration	Sustainability themed	Impact and return aligned	Impact over return	Impact Only
Financial Goals		Target competitive risk-adjusted financial returns				Accept low risk-adjusted returns	Accept partial/full capital loss
Intention		Avoids harm					
			Benefits stakeholders				
				Contributes to solutions			

CONNECTING WITH REAL WORLD IMPACT

\$1M invested in the strategy during 2021 ...

CLEANER ENERGY

Generating

209 MWh

of renewable energy



equivalent to the annual energy use of 16 Australian households.

ENVIRONMENTAL SERVICES
Recycling or recovering

20 tonnes

of waste materials



equivalent to the total waste produced by 16 Australian households per year. Saving \$1.9k in reduced landfill costs.

HEALTH

65

People provided with healthier lives through preventative care.



WATER MANAGEMENT

Avoiding

278.5k litres

of water use



equivalent to the water used by 4.5k showers.

HEALTH

163 people

provided healthcare treatment.



\$137.1k of costs saved through more efficient healthcare systems.

EDUCATION

Students receiving

76 days

of tertiary and vocational education.



RESOURCE EFFICIENCY

Avoiding

147 tonnes

of CO₂e emissions



equivalent to the energy use of an average Australian house for 22 years. Saving \$3.7k in avoided carbon costs.

WATER MANAGEMENT

Treating

10.4m litres

of waste water



equivalent to the total annual wastewater generated by 92 Australian households.

INTERRELATED CHALLENGES

Greenwashing	Misleading Information	Inconsistent methodologies and ratings confusion	Political and Regulatory Challenges
1. EGREGIOUS			
2. MISLEADING			
	3. SUPRISING		
		4. CONFUSING	

1. EGREGIOUS

Greenwashing: Creating a false impression or providing misleading information about responsible characteristics

German police raid DWS and Deutsche Bank over greenwashing allegations

(31 May 2022)

DWS chief resigns (1 June 2022)



Goldman Sachs to pay US\$4m SEC Penalty (November 2022)



Sources: SEC (23 May 2022), "SEC Charges BNY Mellon Investment Adviser for Misstatements and Omissions Concerning ESG Considerations", <https://www.sec.gov/news/press-release/2022-86>; Financial Times (31 May 2022), "German police raid DWS and Deutsche Bank over greenwashing allegations", <https://www.ft.com/content/ff27167d-5339-47b8-a261-6f25e1534942>; Financial Times (31 May 2022), "DWS chief resigns after police raid over greenwashing claims", <https://www.ft.com/content/50f5c4a1-5ebe-40cc-a89f-2952f58ba324>

1. MISLEADING



The Statement

Until now there had not been “enough money in the world to fund the transition” to renewable energy by 2050, but thanks to the Glasgow Financial Alliance for Net Zero, or Gfanz, “we have all the money needed”.

Mark Carney – COP26

The Detail

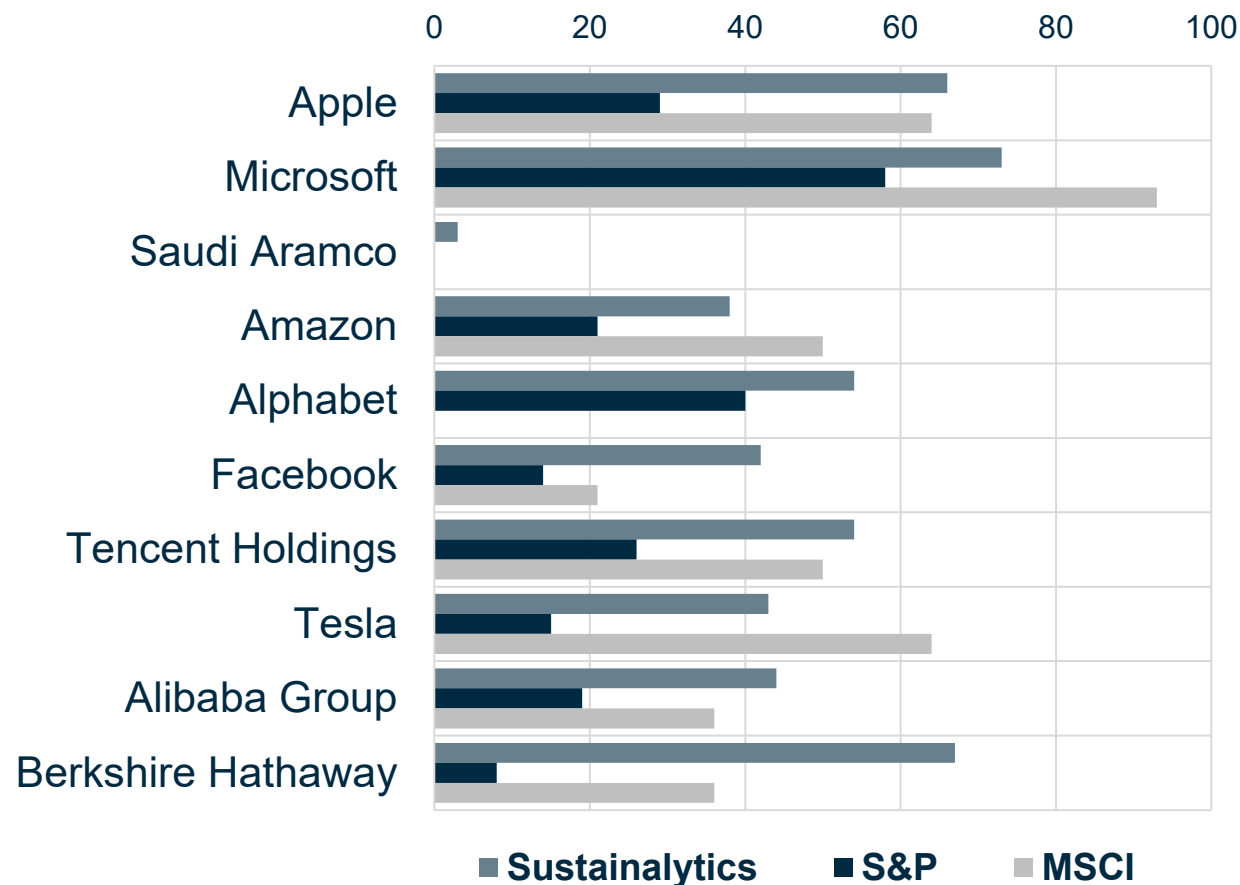
- No credible near-term plan
- Not a fresh pool of money
- Double counting
- No minimum signatory standards

2. CONFUSING

Correlations between ESG ratings

	S&P	Moody's	Refinitiv	MSCI
Sustainalytics	0.67	0.71	0.67	0.46
S&P		0.70	0.62	0.38
Moody's			0.69	0.42
Refinitiv				0.38

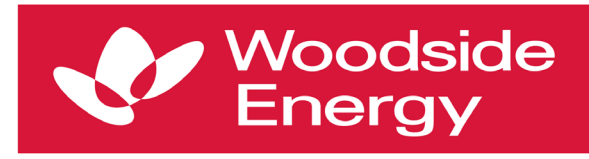
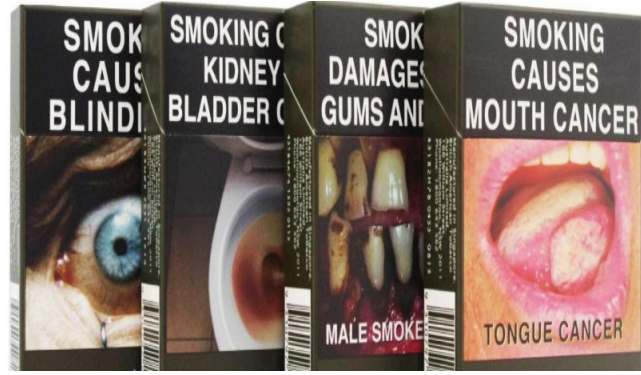
ESG scores of some of the world's largest companies in 2021



Sources: Berg, Florian and Kölbl, Julian and Rigobon, Roberto, Aggregate Confusion: The Divergence of ESG Ratings (15 April 2022). Forthcoming Review of Finance, Available at SSRN: <https://ssrn.com/abstract=3438533>; Statista, "Comparison of the environmental, social and governance (ESG) scores of the 25 largest companies by market capitalization worldwide in 2021, by ESG score provider", <https://www.statista.com/statistics/1268534/comparison-esg-scores-largest-companies-provider-worldwide/>.

3. SURPRISING

Dow Jones Sustainability World Index Constituents



Source: Dow Jones Sustainability Indices as at 19 December 2022. https://portal.csa.spglobal.com/survey/documents/DJSIComponentsWorld_2022.pdf

WHAT ARE WE MISSING?

Imperfect information results in market inefficiencies

**Data isn't
standardised**

Interpretation

**Data isn't easily
understood**

Comparison

**Information
Costs**

Search

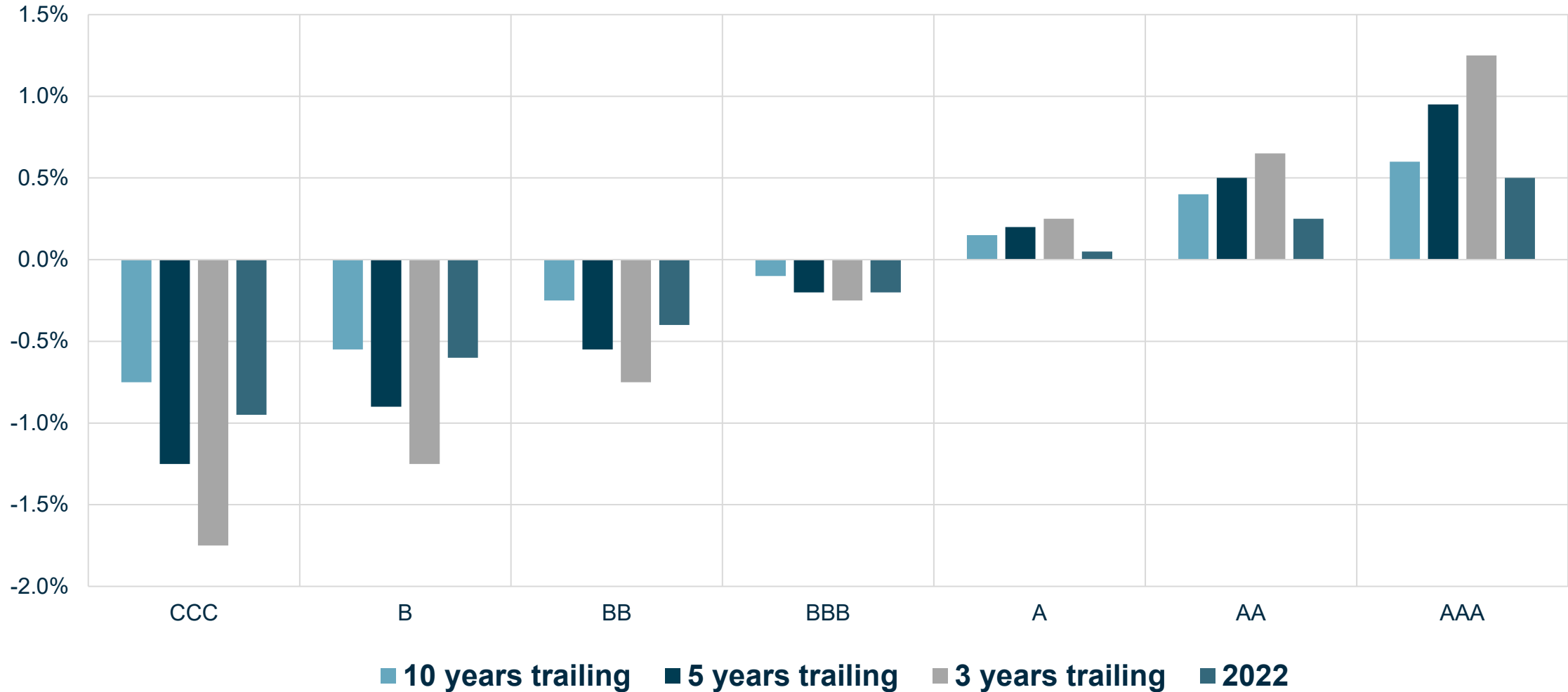
**Externalities
aren't priced in**

Pricing

**Data isn't
widely reported**

ESG FACTORS CONTINUE TO OUTPERFORM

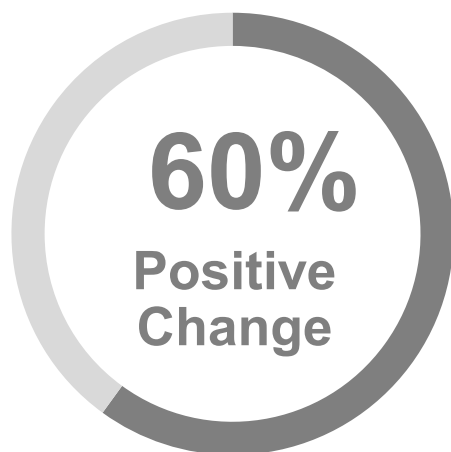
MSCI All Country World IMI – Pure ESG Active Return Contribution



OUR ALPHA PHILOSOPHY

Fundamentals drive ideas, evidence drives action

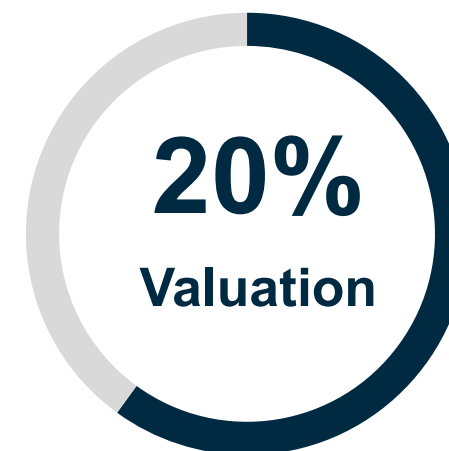
By focusing on three clearly defined alpha drivers, our objective is to compound capital over the long-term and deliver risk-adjusted relative outperformance of 2-4% per year by fundamentally investing in quality, dynamic growth businesses.



- Forward-looking, fundamental, empirical, holistic approach which incorporates improving ESG as an alpha source
- Consistent integration and transparency of information across geographies, global sectors, and market caps

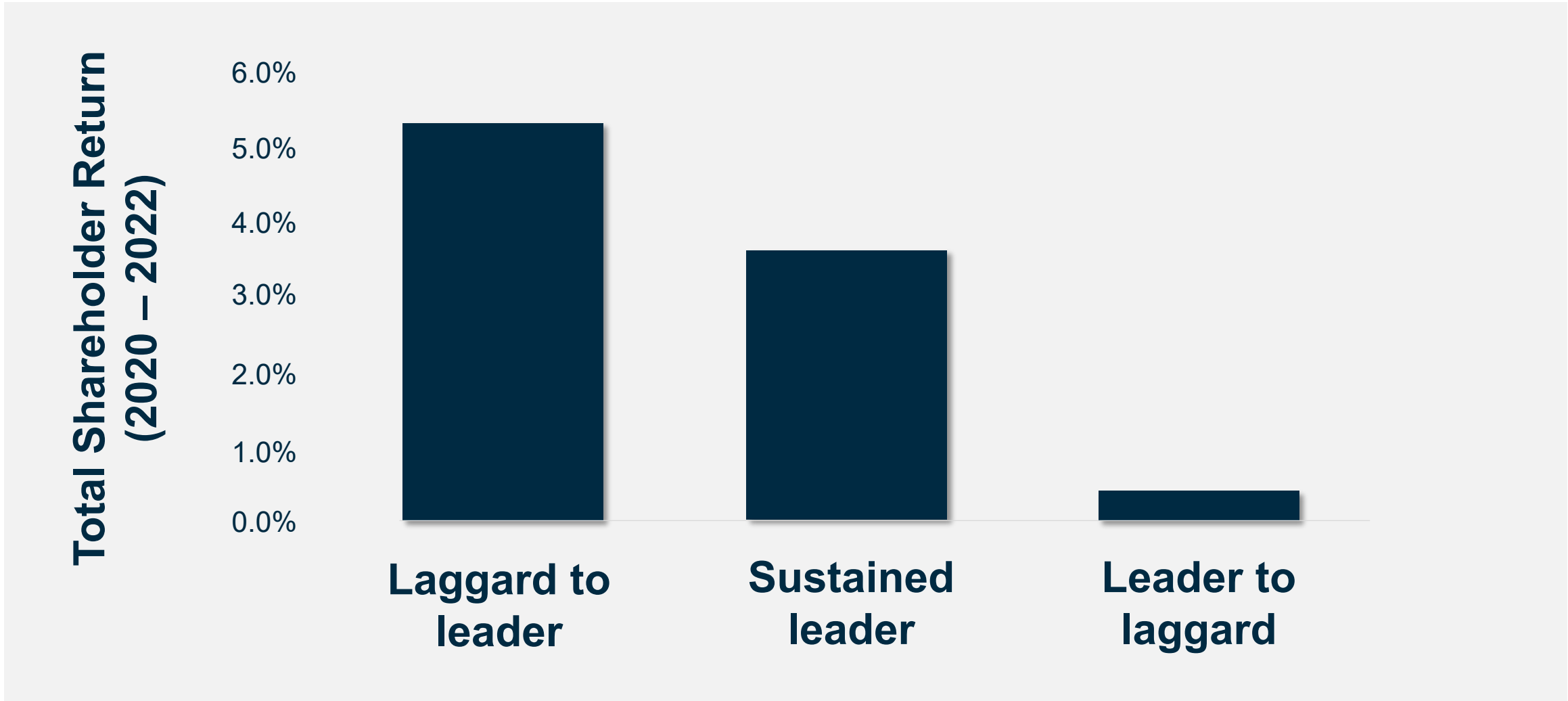


- Performance tailwinds from compounding organic earnings growth and positive ESG characteristics
- Focus on profitability, returns, cash generation, and balance sheet integrity

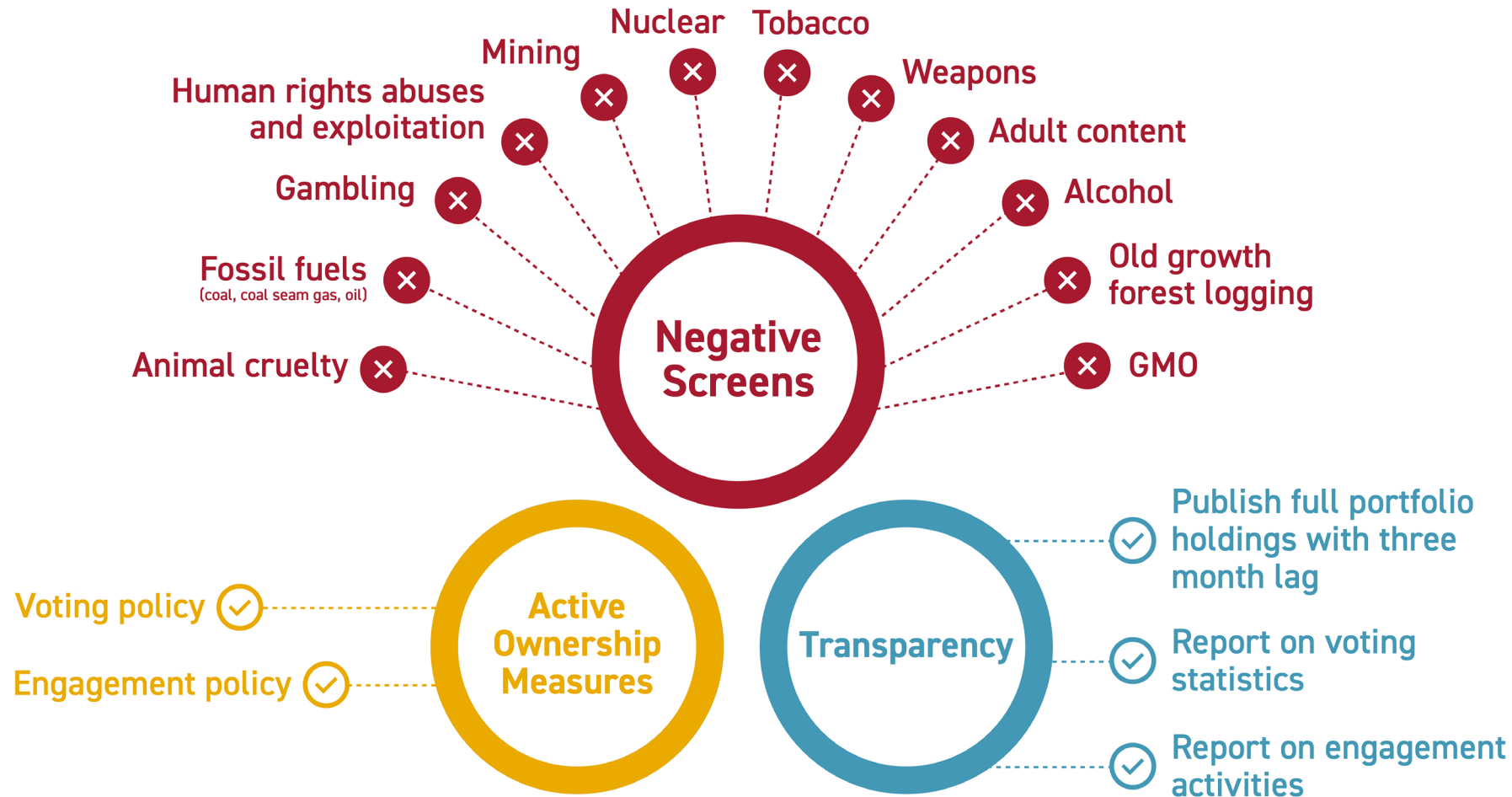


- Comprehensive assessment of valuation provides insight into the implicit expectations for a company
- Attractive valuation confirms upside potential and provides risk control benefits

ESG IMPROVERS ADD INCREMENTAL VALUE



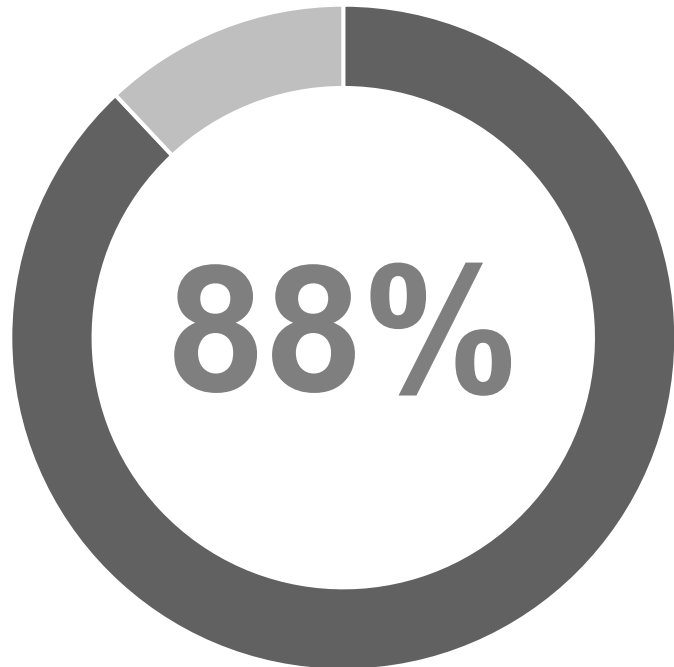
ESG IS EMBEDDED IN THE PROCESS ALONG WITH ETHICAL SCREENS



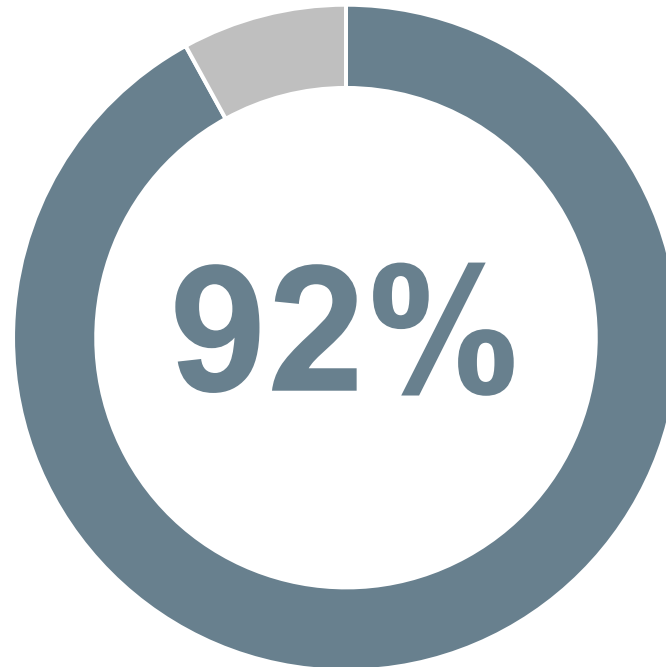
DATAPOINTS ON THE ACCELERATING TRANSITION

National net zero carbon commitments

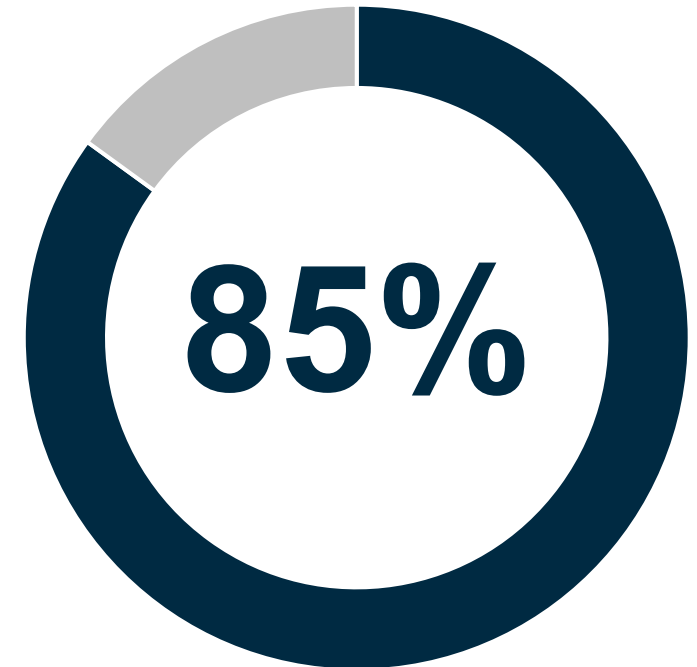
Emissions



GDP (PPP)



Population



COUNTRY-LEVEL COVERAGE ONLY

NEGATIVE EXTERNALITIES AND POSITIVE IMPACT

Focus on companies that provide solutions

Business at risk

15% 

ExxonMobil

Peabody
ENERGY



Transitioning

70% 

Adobe



M&S
EST. 1884

Unilever

TOYOTA

Alphabet

VISA

Microsoft

amazon

Sustainable growth

15% 

• APTIV •

ARCADIS

solar**edge**

Only companies shown in the “Sustainable growth” category are considered for WHEB’s investment strategy. Examples shown under “Business at risk” or “Transitioning” categories are not included in WHEB’s investment universe.

DECARBONISING ENERGY

Technological advancements drive improvements

TPI WIND BLADES THROUGHOUT THE YEARS



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2007 Blades

151 ft | 46 m

2014 Blades

187 ft | 57 m

Neuschwanstein Castle

213 ft | 65 m

2021 Blades

262 ft | 80 m

Statue of Liberty

305 ft | 93 m

Big Ben

314 ft | 96 m

Wind Turbine

574 ft | 200 m (height)
492 ft | 160 m (diameter)

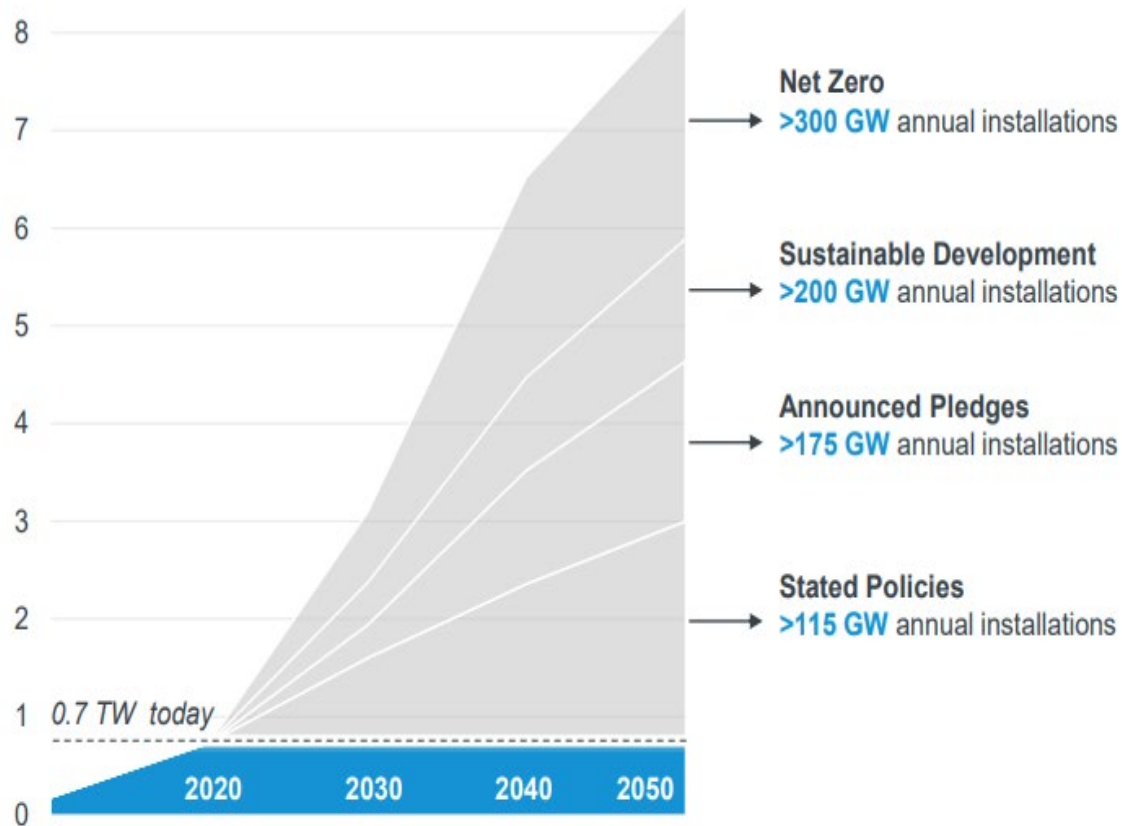
VESTAS WIND SYSTEMS



The world needs hundreds of GW in incremental wind capacity every year

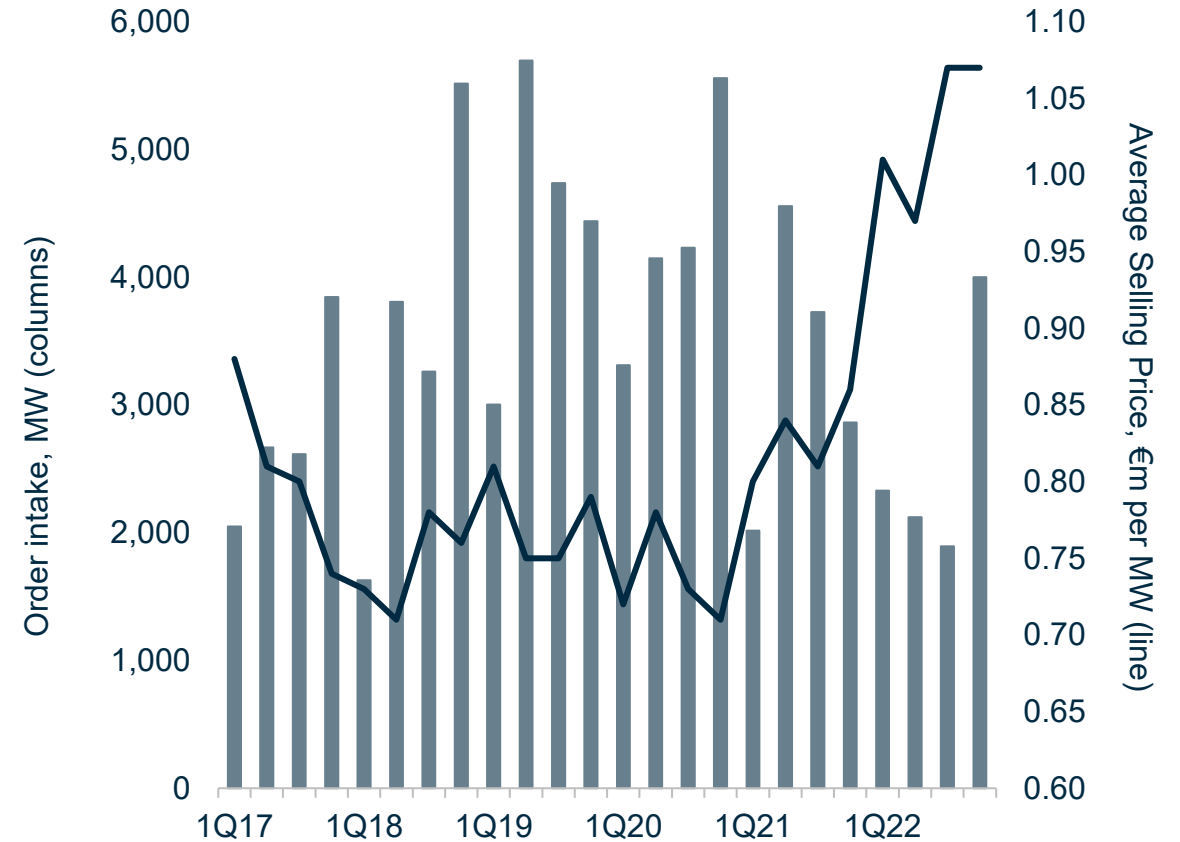
Global wind generation capacity scenarios

In terawatts (TW)



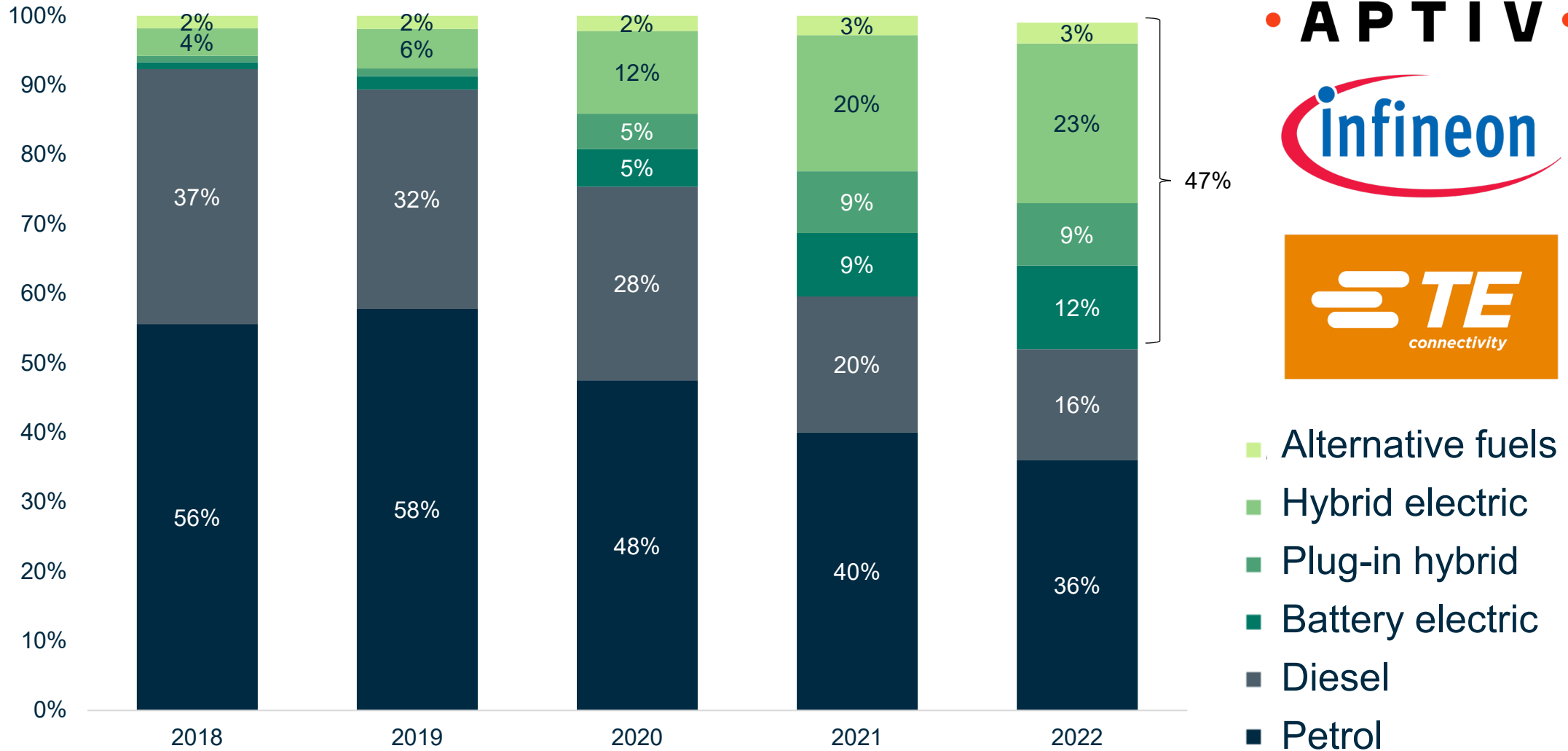
Source: IEA, Vestas Wind Systems.

Order intake - volume and price



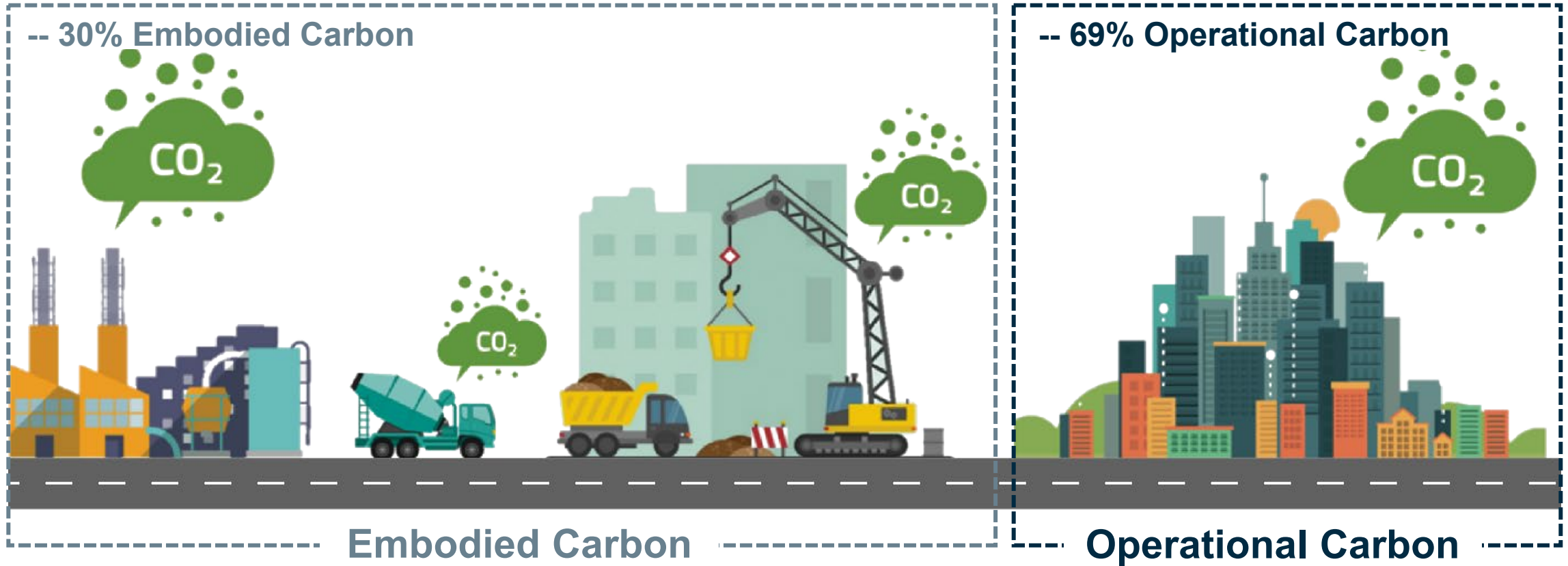
DECARBONISING TRANSPORT

New car sales in the EU by fuel type



Source: European Automobile Manufacturers' Association, "Fuel types of new passenger cars in the EU". Accessed on 1 Feb 2023 from <https://www.acea.auto/figure/fuel-types-of-new-passenger-cars-in-eu/>.

DECARBONISING CONSTRUCTION AND BUILDINGS

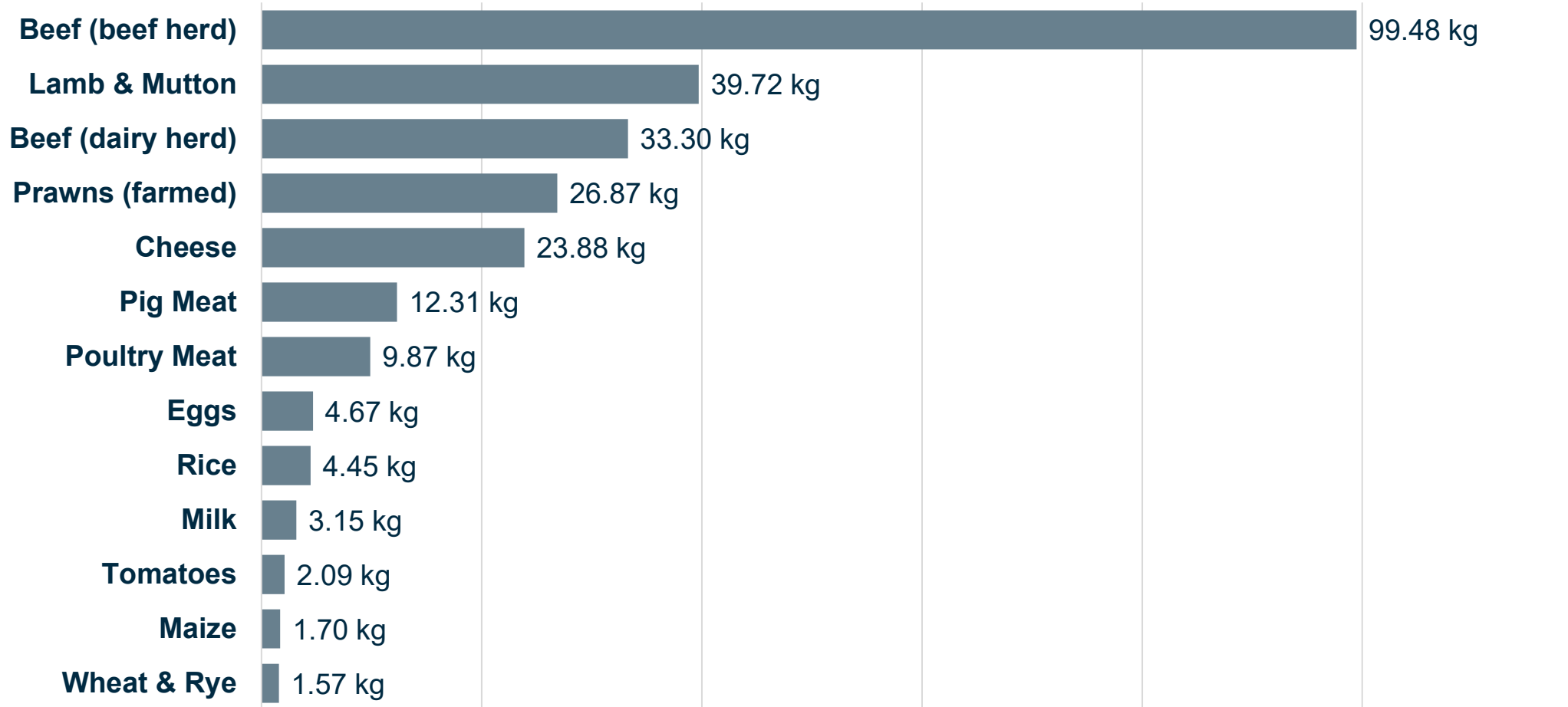


Source: European Automobile Manufacturers' Association, "Fuel types of new passenger cars in the EU". Accessed on 1 Feb 2023 from <https://www.acea.auto/figure/fuel-types-of-new-passenger-cars-in-eu/>.

DECARBONISING FOOD

Food production is responsible for at least one-quarter of the worlds GHG emissions

Greenhouse gas emissions (C02e) per kilogram of food production



Source: ourworldindata.org

DECARBONISING FOOD

Bovaer® cattle feed additive reduces methane emissions



Bovaer®

One burp
at a time

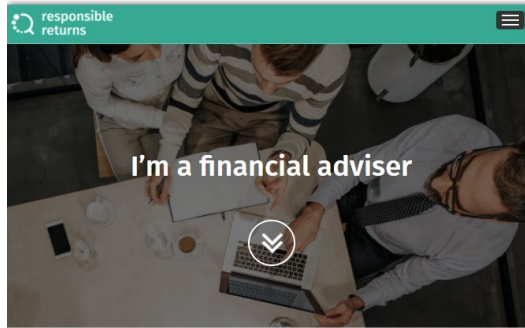
How cows can help us fight climate change

ADVISER RESOURCES

Ethical Advisers co-op



ResponsibleReturns.com.au



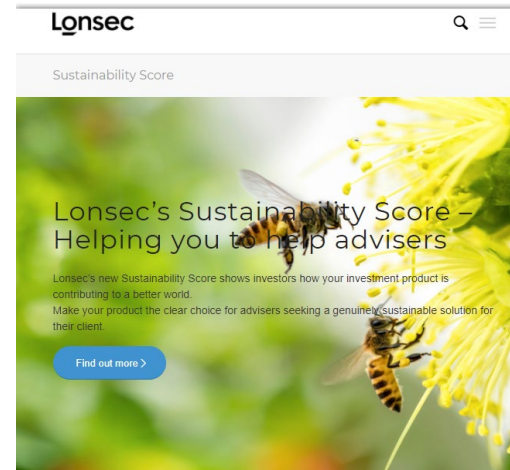
Times are changing, and more than ever before, people are expecting their financial adviser be knowledgeable about responsible and ethical investment options.

Fortunately, the market continues to grow with a plethora of options for all kinds of investors across diverse asset classes, risk profiles and impact areas of interest. Australia's responsible investment market now comprises \$1.149 billion in assets under

ResponsibleInvestment.org



Lonsec Sustainability Score



MSCI ESG Ratings



Morningstar Sustainability Rating

Distribution	Score	Descriptive Rank	Rating Icon
Highest 10%	5	High	
Next 22.5%	4	Above Average	
Next 35%	3	Average	
Next 22.5%	2	Below Average	
Lowest 10%	1	Low	



Evergreen Responsible Investment Grading Index



FTSE Russell





CONCLUSION

**RESPONSIBLE INVESTING
IS THE NEW NORMAL**