UK's Carney champions sustainability

Efforts by UBS to bring sustainable investing (SI) to the mainstream earned a nod from Bank of England (BoE) Governor Mark Carney in just-published remarks.

In a speech last month entitled ‘A new horizon,’ Carney predicted that “climate and ESG (environmental, social and governance) considerations will likely be at the heart of mainstream investing” in the future, and highlighted UBS pilot efforts on SI that “will allow investors to rate how much weight they want to place on different ESG factors.” Carney also revealed the BoE will ask UK insurers to include climate change scenarios as part of wider stress tests this April. Rating agencies are already taking note: Earlier this year, Fitch Ratings announced a new scoring system that connects ESG factors to credit ratings.

UBS’s proprietary approach to SI offers investors a way to match the issues most important to them with investments that perform best against their personal values. Investors choose how much emphasis they wish to place on individual ESG factors, such as climate change or water. Their preferences are expressed in a personalized sustainability score, which is compared against 10,000 ESG-rated stocks, bonds and funds to find the best match.

This customization marks a further departure from the "one-size-fits-all" approach to SI. Each security is scored against seven ESG criteria: pollution and waste; climate change; water; people; products and services; governance; and ethics. Investors therefore gain a much more granular view of how investment instruments are performing against the sustainability criteria they value most. The process is dynamic, and can be updated as new information becomes available.

While acknowledging the progress made to date, CIO believes traditional approaches to environmental and social investment aren’t sufficient. “People care less about generic topics than specific causes they hold dear,” says Mark Haefele, Chief Investment Officer at UBS Global Wealth Management. "They want the chance to leave their mark on issues they are passionate about."

A UBS Investor Watch survey revealed that most investors expect to do well while doing good: 82% believe the returns of sustainable investments will match or surpass those of traditional investments. "Investors view
sustainable companies as responsible, well-managed and forward-thinking—thus, good investments," the survey found.

CIO shares this view. "We believe sustainable investing makes a measurable difference, and we think SI strategies can match the returns traditional strategies offer," says James Purcell, CIO’s Head of Sustainable and Impact Investing.

Investors can also consider CIO’s longer term themes with an SI dimension, such as Renewables.

Main contributor: Jon Gordon

For more information, please see the Sustainable Investing Digest, 8 March 2019 and How to resolve the challenges to achieving the SDGs, 22 Jan 2019, and Seeds of Sustainability, 13 March 2019.
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