




THE NAIROBI
DECLARATION ON
SUSTAINABLE
INSURANCE


Webinar 5: Sustainable Investments

February 2025


Tedd George











Meet your trainer: Tedd George



Tedd George

- More than 20 years of banking sector experience, focused on research/strategic advisory in emerging markets.
- Expertise in trade & commodities financing, syndicated loans & fintech.
- Extensive experience in delivering high-level training to professionals, including on structured commodity trade finance and ESG/sustainability issues.
- Thought leader on intersection of ESG and disruptive technology.



Course programme

Day 1	• Webinar 1: Sustainability Risk Concepts	
Day 2	• Webinar 2: Dependencies and Impacts for insurers' clients	
Day 3	• Webinar 3: Climate-related Risks for Insurers	
Day 4	• Webinar 4: Sustainable Underwriting	
Day 5	• Webinar 5: Sustainable Investments	
Day 6	• Webinar 6: Sustainable Finance Reporting and Disclosures	



Housekeeping



Keep your webcam turned on, it helps everybody to feel engaged!



Ask questions by raising hand



You are the local experts, so provide insight where possible!





Implementing the FSD ESG Roadmap

1	Develop ESG approach	<ul style="list-style-type: none"> Evaluate ESG risks. Determine ambition level. Identify gaps.
2	Define client/portfolio risk framework and appetite	<ul style="list-style-type: none"> Integrate ESG into existing client risk framework Define risk appetite. Engage clients on risk mitigation
3	Assess and escalate climate risk	<ul style="list-style-type: none"> Assess physical risks Identify transition risks Comply with climate-related regulation
4	Integrate ESG into core operations - Underwriting	<ul style="list-style-type: none"> Underwriting practices Product development and claim management Client engagement
5	Integrate ESG into core operations - Investment	<ul style="list-style-type: none"> Investment practices Sustainable product development Client engagement
6	Governance framework, monitoring and reporting	<ul style="list-style-type: none"> Develop governance structure Set KPIs Establish reporting mechanisms



Step 5: Integrate ESG into core operations - Investment

5

Integrate ESG into core operations

Investment

- Investment practices:
 - Embed ESG criteria into investment guidelines and risk assessment frameworks to evaluate potential investments based on environmental, social, and governance factors.
- Sustainable product development:
 - Create investment products that prioritize sustainability, such as green bonds or ESG-focused funds, by identifying market demand for sustainable investment options.
- Client engagement:
 - Collaborate with clients to understand their ESG preferences and provide tailored advice on aligning their investment portfolios with sustainability goals.



Agenda – webinar 5



1 Investment practices

2 Sustainable product development

3 Client engagement

4 Wrap up and Q&A

Investment practices

Integrate ESG into core operations

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- **Investment practices:**
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Three key objectives of sustainable finance

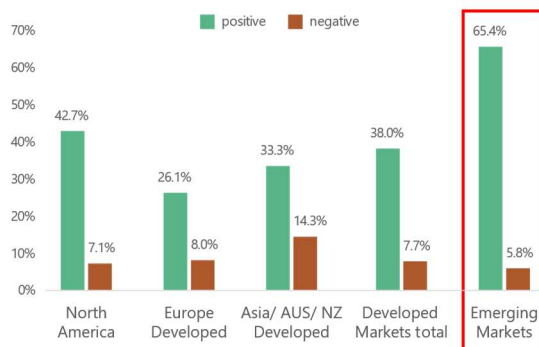
Key objectives	Approach	Question
A Maximize financial return	Financial materiality	Is the company mitigating ESG risks and taking advantage of growth opportunities?
B Do no significant harm & manage reputation	Normative	Is the company compliant with the UN Global Compact / has no significant controversies?
C Contribute to solving E and S challenges	Impact	To what extent does the company's product and operations contribute to sustainable development?



Maximize financial return: Studies confirm correlation between ESG and performance



Over 2000 studies covering ESG-CFP relationship (2022)



- Beijing University (2023)
 - 2,200 A-share listed companies in China from 2015 and 2021 showed ESG positively and significantly affects corporate financial performance.
- Robeco (2022)
 - Integrating ESG into scoring impacted 29% of investment cases, with 22% reducing risks and 6% capturing unpriced bond opportunities.
- NYU Stern & Rockefeller Asset Management (2021)
 - 58% found a positive relationship between ESG and financial corporate performance.



CASE STUDY

ESG can impact share values



Boohoo's share price never recovered!

boohoo



BBC

Boohoo dropped by Next, Asos and Zalando over exploitation claims

8 July 2020

Share

INDEPENDENT

Boohoo 'facing modern slavery investigation' after report finds Leicester workers paid as little as £3.50 an hour

RETAIL GAZETTE

Boohoo faces £100m lawsuit over modern slavery breaches

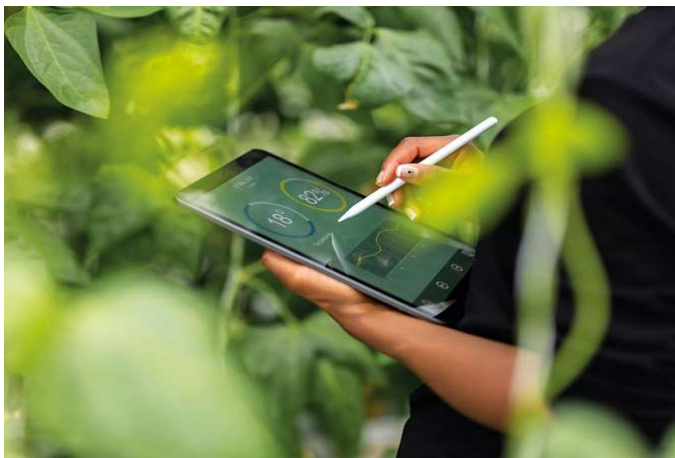
18th October 2023 | Julia Morgan

Source: Reuters, Google Finance

weesg IMPACT ACTUARIAL

fsdafrica UK International Development Partnership - Progress - Prosperity

Do no harm & manage reputation



- 1 Key exclusions
- 2 Global Compact
- 3 OECD

Source image: FT

weesg IMPACT ACTUARIAL

fsdafrica UK International Development Partnership - Progress - Prosperity

Contribute to solving E and S challenges



- 1 UN Sustainable Development Goals (SDGs)
- 2 Product vs Operations
- 3 Life cycle
- 4 Trade offs
- 5 Approaches: revenue vs qualitative

Source image: Confectionery News

GROUP EXERCISE

Integrating ESG into investments

1 Go into breakout groups and select one person to be notetaker.

2 Consider the 3 key objectives of sustainable finance.

3 Describe the characteristics of a fund which seeks to deliver to objective A, B and C, respectively (3 separate funds).

4 What is the key challenge you anticipate to implement such funds? If possible, share a specific example.

5 The notetaker will briefly share findings with the plenary.

Three key objectives of sustainable finance:

- A: Maximize financial return
- B: Do no significant harm + manage reputation
- C: Contribute to solving E and S challenges

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Sustainable product development

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Key types of sustainable fixed income products



Use of proceeds-based

"Green", "social", "sustainability", and "transition" bonds/loans raise money to finance new, or refinance existing green, social, sustainability or transition projects and activities.



Sustainability-linked

"Sustainability-linked" loans/bonds raise money for general purposes in exchange for the commitment to achieve an objective.

Instead of allocating the proceeds for certain sustainability activities, they are tied to an issuer's sustainability targets. Targets applied can vary, for example a greenhouse gas emission reduction goal, or a quota for diversity in the workforce.



What are green / sustainability bonds (use of proceeds)

ICMA green categories



Climate change mitigation



Climate change adaptation



Natural resource conservation



Biodiversity conservation



Pollution prevention and control

ICMA social categories



Affordable basic infrastructure



Access to essential services



Affordable housing



Employment generation



Food security & sustainable food systems



Socioeconomic advancement & empowerment

Source: ICMA





Green, social and sustainability loan/bond principles

USE OF PROCEEDS	PROJECT EVALUATION & SELECTION	MANAGEMENT OF PROCEEDS	REPORTING
<ul style="list-style-type: none"> Green projects Sustainability benefits Single or multiple projects Refinancing or not 	<ul style="list-style-type: none"> Evaluation & selection of projects Associated risks Official taxonomies and/or standards references SDGs alignment 	<ul style="list-style-type: none"> Management of proceeds Unallocated proceeds External review 	<ul style="list-style-type: none"> Frequency, duration & level of allocation & impact reporting Reporting indicators Indicator methodology Estimated lifetime results

Source: ICMA



CASE STUDY

Green bond case study - Ørsted



Adding onshore wind and solar PV as a strategy of broadening its scope of green financing.



ICMA Green Bond Principles category	Sub-category	Taxonomy environmental objective	Taxonomy activities
Renewable energy	Offshore and onshore wind	Substantial contribution to climate change mitigation	Electricity generation from wind power
	Solar PV	Substantial contribution to climate change mitigation	Electricity generation using solar photovoltaic technology

Source: Ørsted





Creating ESG-focused funds in insurance



Integrate ESG risks into investment strategies



Align fund objectives with global sustainability frameworks (e.g., SDGs, Paris Agreement)



Develop thematic funds targeting specific sustainability challenges



Leverage partnerships with sustainable asset managers and impact investors



Poll



Does your firm invest in sustainable bonds (ie green bonds, sustainability-linked bonds) for
1) internal funds,
2) client offering?



- 1** No
- 2** Only for internal funds
- 3** Only for client offering
- 4** For internal funds and client offering



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What drives an ESG investor?



Make a positive impact

Did you know? Climate change and food and water scarcity are the top ESG priorities for investors?



Incorporate personal values

36% say ESG aligns with their personal values

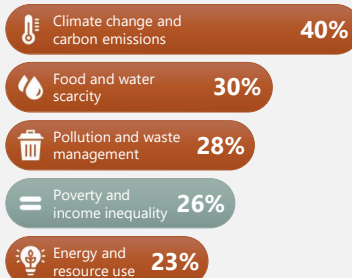


Expectations of outperformance

Negative perception on expected returns and risk mentioned by those who shunned ESG funds



Key themes



● Environmental issues ● Social issues

Sources: Santander AM, MSCI adapted by WeESG

How insurers can provide tailored sustainability advice



Assess client awareness

Use structured frameworks to gauge clients' understanding and interest in sustainability goals.

Integrate ESG metrics

Customize portfolios with ESG criteria that align with client objectives and regulatory requirements.

Promote sustainable investments

Recommend green bonds, impact funds, or thematic funds targeting climate solutions.

Engage actively

Influence companies through stewardship and voting to improve ESG practices.



Guest speaker: Roelof Coertze

Roelof Coertze

- Roelof Coertze is a deeply experienced life insurance actuary who is passionate about actuaries positively impacting the planet and society.
- He is Prudential's Africa Head of Enterprise Risk Management and previously was the Prudential's Group Director of Climate Policy, where he has set climate targets, lead authored climate disclosures and developed thought leadership on climate scenario testing.
- He also actively volunteers in climate change work, including co-chairing the Actuaries Carbon Collaboration with the previous president of the Institute and Faculty of Actuaries. He is also a father and wants to help leave the planet in good shape for his offspring.



Sustainability is about creating and protecting value



Our sustainability ambition: Deliver real-world impact and long-term resilience

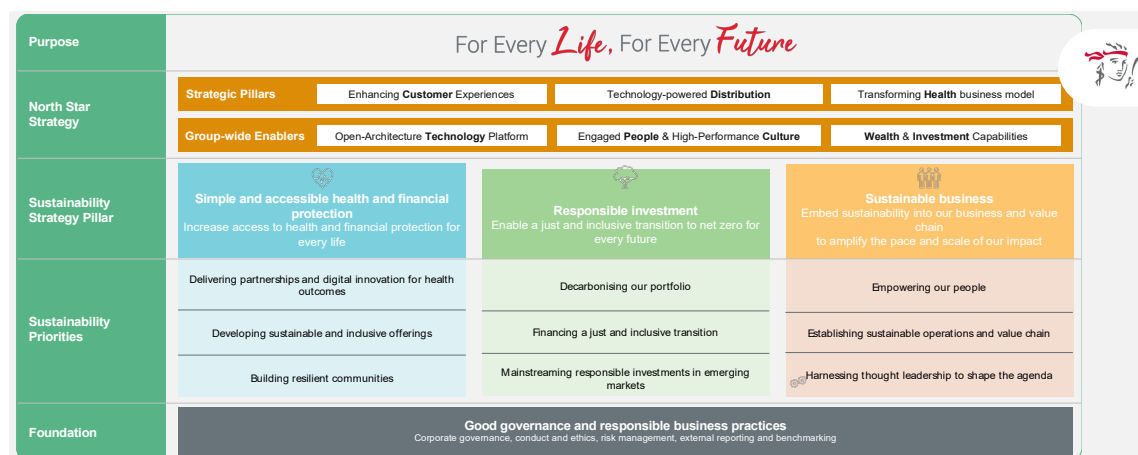


As a life and health insurer and long-term investor, our approach to sustainability is at the core of our purpose: 'For Every Life, For Every Future'. We want to have a positive impact on the future and wellbeing of our planet and our societies. **For us, positive impact means creating value in support of the UN Sustainable Development Goals** and ensuring this is underpinned by good governance and responsible business practices.

Our sustainability strategy centres on three pillars: **Simple and accessible health and financial protection, responsible investment and sustainable business.**



Prudential's Sustainability Strategy



Prudential's climate targets



Mainstreaming responsible investments in emerging markets

Eastspring voted in

97.2% of proxy votes

for which it was eligible to vote, and conducted 875 corporate engagements in 2023

87%

of Eastspring's international funds (SICAV) received EU SFDR Article 8¹ status

Decarbonising our investment portfolio

Upgraded our WACI reduction target from 25% to

55% by 2030

against our 2019 baseline

Ongoing engagement with companies responsible for

65%

of absolute emissions in our investment portfolio

Financing a just and inclusive transition

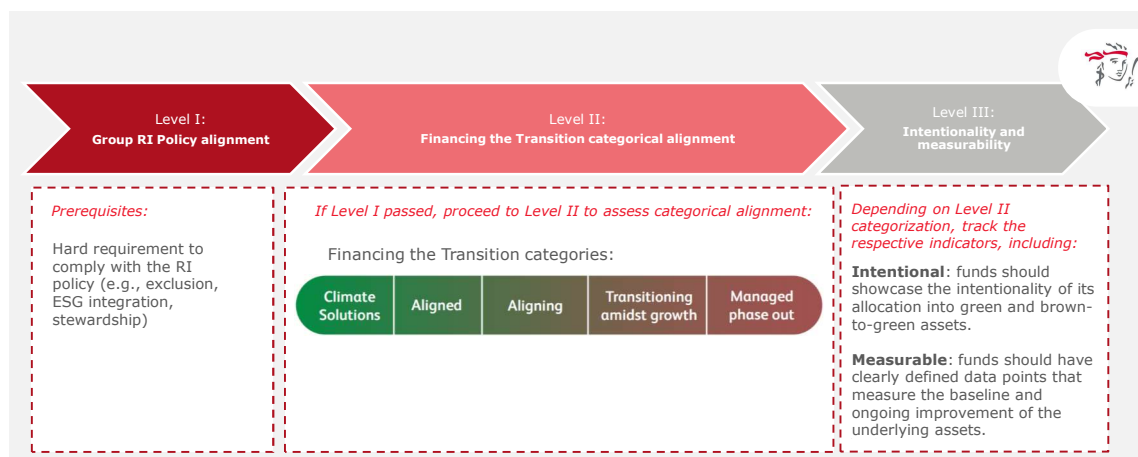
Established a

New investment target

on financing the transition, which operates as an underpin for our WACI reduction target



How Prudential creates value whilst supporting the just and inclusive transition



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Wrap up



This webinar has looked at

- integrating ESG criteria into investment guidelines and risk frameworks.
- addressing nature-related risks in investment decision-making.
- creating sustainable products.
- tailoring advice to align client portfolios with ESG goals.



Q&A

Additional resources by Prudential

Prudential's Financing the
Transition Framework:
white paper



Prudential's Financing the
Transition Framework:
factsheet





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Thank you for participating.



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sustainable insurance by following
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