

1 00:00:12:07 00:00:14:01
Good morning, everybody.

2 00:00:14:03 00:00:17:15
My name is Peter Hartley, regional
sales director with Prudential.

3 00:00:17:17 00:00:20:19
Great to have so many of you
joining us this morning

4 00:00:20:21 00:00:25:02
and I'd like to welcome you
to the ESG and M&G session.

5 00:00:25:04 00:00:27:05
First, a few notes of housekeeping.

6 00:00:27:07 00:00:31:01
We are recording this session
for on-demand replay purposes.

7 00:00:31:03 00:00:35:08
You can now see the important
disclaimer slides on the screen.

8 00:00:35:10 00:00:38:02
There's two of those,
one from Prudential

9 00:00:38:04 00:00:41:08
and one from M&G
Treasury and Investment Office.

10 00:00:41:10 00:00:44:20
Today's session qualifies for
structured CPD,

11 00:00:44:22 00:00:49:01
that is accredited by
the CII and CISI.

12 00:00:49:03 00:00:51:17
You will leave this session
with an understanding

13 00:00:51:19 00:00:55:00
of the learning objectives
that you can now see on your screen.

14 00:00:55:02 00:00:58:22
We will take you through a look at
the challenges facing the planet,

15 00:00:58:24 00:01:01:24
how the financial sector
can really influence change

16 00:01:02:01 00:01:06:14
and a look at what is ESG
and how we integrate it.

17 00:01:06:16 00:01:09:02
The session will run
as a presentation,

18 00:01:09:04 00:01:11:06
but we are keen to have your input,

19 00:01:11:08 00:01:14:08
so we will be asking
some polling questions

20 00:01:14:10 00:01:16:02
to gather your views.

21 00:01:16:04 00:01:17:11
Please do participate,

22 00:01:17:13 00:01:20:24
this will help the presenters
with the session as we go through.

23 00:01:21:01 00:01:25:13
On the right hand of the screen,
you will see a tab for a poll.

24 00:01:25:15 00:01:28:06
Just click on this area
and submit your response

25 00:01:28:08 00:01:30:11
as we ask a question.

26 00:01:30:13 00:01:33:23
I'm going to kick that off now,
actually, with the first poll.

27 00:01:34:00 00:01:37:24
Why do you think there is
such a focus on ESG currently?

28 00:01:39:10 00:01:41:12
Just while you are answering that,

29 00:01:41:14 00:01:45:10
I'm going to introduce you to
our presenters for this morning.

30 00:01:45:12 00:01:49:01
We have Cat McInally, one of
our business development managers

31 00:01:49:03 00:01:53:05
and also Mark Riggall, head of
Client Portfolio Management

32 00:01:53:07 00:01:55:10
with Treasury and Investment Office.

33 00:01:55:12 00:01:59:24
Without further ado, I would just
like to say welcome to everybody,

34 00:02:00:01 00:02:02:23
thanks for taking your time
to be with us today

35 00:02:03:00 00:02:05:00
and I'll hand over to Cat.

36 00:02:06:11 00:02:07:22
Thanks, Peter.

37 00:02:07:24 00:02:10:02
A very warm welcome from

38 00:02:10:04 00:02:14:18
an extremely cold -10 Stirling
in Scotland today.

39 00:02:14:20 00:02:17:06
I can say it is not -10
in this room,

40 00:02:17:08 00:02:20:05
it's fairly warm
with the sun coming in.

41 00:02:22:03 00:02:25:12
Why all the hype around ESG?
If you are anything like me,

42 00:02:25:14 00:02:28:00
you will see that your inbox
is absolutely jam-packed

43 00:02:28:02 00:02:30:03
full of fund groups,

44 00:02:30:05 00:02:33:11
other types of compliance groups
telling you about ESG.

45 00:02:33:13 00:02:35:11
Eight or nine times out of ten,

46 00:02:35:13 00:02:38:07
usually there is
a new ESG fund proposition

47 00:02:38:09 00:02:40:24
for you to consider
off the back of that.

48 00:02:41:01 00:02:44:16
I often have a few worries
that advisers feel that

49 00:02:44:18 00:02:49:12
they need to start incorporating
these brand-new types of funds

50 00:02:49:14 00:02:51:07
into their propositions.

51 00:02:51:09 00:02:53:10
More often than not,
a lot of the funds

52 00:02:53:12 00:02:56:17
that you are currently using
are probably fit for purpose.

53 00:02:56:19 00:03:00:24
The aim of this presentation
is to give you some practical help

54 00:03:01:01 00:03:04:01
and around ESG, make sense of it,

55 00:03:04:03 00:03:08:05
what it means for your clients and
also what it means for your firms.

56 00:03:08:07 00:03:12:18
Hopefully, in a few seconds,
we will get the results of the poll.

57 00:03:12:20 00:03:15:08
It will come up,
to see what you think.

58 00:03:15:10 00:03:18:23
There, you can see
from the poll there,

59 00:03:19:00 00:03:23:22
which is moving, what people think
the reasons for ESG are.

60 00:03:23:24 00:03:27:08
Regulation topping the list there.

61 00:03:27:10 00:03:29:16
I do tend to agree with you

62 00:03:29:18 00:03:32:13
that regulation is probably
one of the major reasons

63 00:03:32:15 00:03:35:10

that we are seeing a lot of change
in the ESG journey.

64 00:03:35:12 00:03:37:17
It does play a big part.

65 00:03:37:19 00:03:41:15
Climate change, sustainability,
good governance

66 00:03:41:17 00:03:44:22
has rapidly risen up
the regulatory agenda.

67 00:03:44:24 00:03:47:16
You also do have
that David Attenborough effect,

68 00:03:47:18 00:03:53:06
you can't avoid BBC on a Sunday
night, Our Planet and the likes.

69 00:03:53:08 00:03:56:02
That is having a big effect
on how people think.

70 00:03:57:06 00:03:58:17
The big piece of legislation

71 00:03:58:19 00:04:01:00
that we're going to discuss
for a few minutes

72 00:04:01:02 00:04:03:19
is the sustainable
finance disclosure regulation.

73 00:04:03:21 00:04:09:24
This is the reason why we are seeing
the ESG journey steaming ahead.

74 00:04:10:01 00:04:14:02
This should be implemented in March
this year throughout the EU.

75 00:04:14:04 00:04:17:13
Interestingly,
the FCA did confirm that

76 00:04:17:15 00:04:22:23
the UK will not be required
to comply with FSDR down to Brexit.

77 00:04:23:00 00:04:26:02
Who would have thought Brexit
could have had an advantage

78 00:04:26:04 00:04:27:07

from EU regulation?

79 00:04:27:09 00:04:30:10
Instead, it's going to continue with
what they call the task force

80 00:04:30:12 00:04:32:15
on climate-related
financial disclosures,

81 00:04:32:17 00:04:35:06
which at the moment
is a voluntary framework.

82 00:04:35:08 00:04:39:07
Had we gone ahead with FSDR,

83 00:04:39:09 00:04:42:14
we would have been required or
advisers would have been required

84 00:04:42:16 00:04:44:16
to set out exactly what extent

85 00:04:44:18 00:04:48:05
you make suitability criteria
part of your advice.

86 00:04:48:07 00:04:50:11
This would have meant that firms,

87 00:04:50:13 00:04:53:08
even with no plans
to offer ESG portfolios,

88 00:04:53:10 00:04:55:22
would needed to have had
a policy in place.

89 00:04:55:24 00:04:59:05
So, you would have had to explain
to your clients,

90 00:04:59:07 00:05:02:01
if any,
what ESG portfolios are on offer

91 00:05:02:03 00:05:04:10
and do the due diligence
on the suitability.

92 00:05:04:12 00:05:06:08
As I said, thank God for Brexit.

93 00:05:06:10 00:05:09:08
However, we would be very naive
to think

94 00:05:09:10 00:05:11:21
that the UK will not follow suit.

95 00:05:11:23 00:05:14:13
And, in fact, the FCA has said that

96 00:05:14:15 00:05:16:16
at some point
they will look to follow

97 00:05:16:18 00:05:22:02
and I believe that Theresa May
did say that and FSDR equivalent

98 00:05:22:04 00:05:25:15
would be drafted into UK law
at some point.

99 00:05:25:17 00:05:27:08
However, there is no date.

100 00:05:27:10 00:05:29:24
Why are you hearing so much noise
from fund groups?

101 00:05:30:01 00:05:32:18
You have to remember that
a lot of the fund groups in the UK

102 00:05:32:20 00:05:34:23
sell their propositions into the EU.

103 00:05:35:00 00:05:38:23
Absolutely, just because the UK
is not taking part

104 00:05:39:00 00:05:42:17
does not mean that
we are not getting ready for it.

105 00:05:42:19 00:05:45:18
If I had taken part in that poll,

106 00:05:45:20 00:05:48:09
I would have clicked regulation
being the main driver.

107 00:05:48:11 00:05:53:05
However, as you can see
from our little bus here,

108 00:05:53:07 00:05:57:23
it moves along the screen,

109 00:05:58:00 00:06:01:04
it is time that we need to start
looking at this.

110 00:06:01:06 00:06:04:06
From a reputational lens,
ready or not,

111 00:06:04:08 00:06:06:08
this is capturing
your clients' attention.

112 00:06:06:10 00:06:09:03
Even if it's only
to ask the question,

113 00:06:09:05 00:06:10:17
the last thing you want to do

114 00:06:10:19 00:06:14:03
is have that well-known
Bristol-based self-serve platform

115 00:06:14:05 00:06:16:22
inboxing your clients,

116 00:06:16:24 00:06:19:23
talking to them about
the ESG propositions that they have.

117 00:06:20:00 00:06:23:10
You will start to hear more people
talking about this.

118 00:06:23:12 00:06:27:00
Again, think about another
large topic that we discuss at Pru,

119 00:06:27:02 00:06:28:24
intergenerational planning.

120 00:06:29:01 00:06:31:22
The next generation
that you will look after

121 00:06:31:24 00:06:35:10
are possibly more interested in ESG.

122 00:06:35:12 00:06:39:22
I know from my point of view,
with my children's' investments,

123 00:06:39:24 00:06:44:00
I have put a proportion of those
into some sort of impact-style funds.

124 00:06:44:02 00:06:46:02
Not my money
because I don't have any money.

125 00:06:46:04 00:06:49:03
With the performance,

we're going to have a look at that

126 00:06:49:05 00:06:51:14
in a little more detail
in a few slides time.

127 00:06:53:13 00:06:55:19
What are the challenges
facing the world today?

128 00:06:55:21 00:06:59:13
We will just quickly cover
what challenges we can see.

129 00:06:59:15 00:07:01:03
As I said,

130 00:07:01:05 00:07:03:10
none of this will be a surprise
for you.

131 00:07:03:12 00:07:05:17
The population is growing,
that, in turn,

132 00:07:05:19 00:07:08:16
puts pressure on food, energy,
housing and the likes.

133 00:07:08:18 00:07:10:11
That is then linked to consumption,

134 00:07:10:13 00:07:12:11
so we have increased
food consumption.

135 00:07:13:16 00:07:18:00
Deforestation to pop the cows on
so we can, in turn, eat them.

136 00:07:18:02 00:07:19:24
That is linked to climate change.

137 00:07:20:01 00:07:23:13
More often than not,
you will see these little colourful

138 00:07:23:15 00:07:26:18
17 United Nations
sustainable development goals

139 00:07:26:20 00:07:29:16
and these were launched in 2005
and they are what we call

140 00:07:29:18 00:07:32:11
the blueprint to addressing
the key global issues.

141 00:07:32:13 00:07:34:14
Initially aimed at governments,

142 00:07:34:16 00:07:37:18
we are now seeing a growing amount
of fund managers

143 00:07:37:20 00:07:40:17
and propositions aligning themselves
with these goals.

144 00:07:40:19 00:07:43:12
A really interesting fact,
nine of those

145 00:07:43:14 00:07:48:03
sustainable development goals
are actually linked to the climate.

146 00:07:48:05 00:07:53:04
That's why you might be seeing a lot
more emphasis on climate-style funds.

147 00:07:54:10 00:07:57:08
Now looking at what is ESG.

148 00:07:57:10 00:08:00:17
If you just take a step back
for a second

149 00:08:00:19 00:08:03:07
and think if I was to give you all
£1,000

150 00:08:03:09 00:08:06:02
and you had to pick a company
to invest in,

151 00:08:06:04 00:08:09:10
typically you would look at
things like cash flow,

152 00:08:09:12 00:08:13:07
yields, earnings, profitability,
growth prospects,

153 00:08:13:09 00:08:15:24
but what ESG does is
it takes it to a new level

154 00:08:16:01 00:08:18:09
and considers non-financial factors

155 00:08:18:11 00:08:19:16
And that, in turn,

156 00:08:19:18 00:08:23:16

helps identify material risks
and growth opportunities.

157 00:08:23:18 00:08:26:01
These factors can have
a huge material impact

158 00:08:26:03 00:08:28:19
and can actually create a lot of risk
for the company

159 00:08:28:21 00:08:30:08
if they don't consider them.

160 00:08:30:10 00:08:32:14
These factors are now considered

161 00:08:32:16 00:08:37:00
as a really important element
of companies' longer performance.

162 00:08:37:02 00:08:38:15
We are starting to see that
come through

163 00:08:38:17 00:08:40:09
when we talk about
performance in a second.

164 00:08:40:11 00:08:42:03
It actually makes perfect sense.

165 00:08:42:05 00:08:46:21
If you invest in companies with good
diligence, they are going to grow.

166 00:08:46:23 00:08:49:16
The E is fairly straight forward.

167 00:08:49:18 00:08:54:05
Big, big regulatory push
and a moral focus on environment.

168 00:08:54:07 00:08:58:05
Social, I actually find this
probably the most interesting one.

169 00:08:58:07 00:09:02:00
You are looking at the big megatrends
that are facing the world

170 00:09:02:02 00:09:03:14
such as globalisation,

171 00:09:03:16 00:09:06:17
urbanisation, digital disruption,

172 00:09:06:19 00:09:09:21

which we won't talk about because we had quite a lot of this morning.

173 00:09:09:23 00:09:13:00
But if you take the likes of Uber as an example,

174 00:09:13:02 00:09:16:09
the largest taxi company in the world owns no cars.

175 00:09:16:11 00:09:20:24
Instagram, the largest photo company in the world owns no cameras.

176 00:09:21:01 00:09:24:07
We are seeing the way that the world is changing.

177 00:09:24:09 00:09:26:08
In governance, just as I said,

178 00:09:26:10 00:09:31:01
it makes complete and utter sense that a well-run company will do well.

179 00:09:31:03 00:09:32:07
Avoiding scandals,

180 00:09:32:09 00:09:36:01
probably Uber wasn't the best one to use on the social one there.

181 00:09:36:03 00:09:38:23
Avoiding scandals and the likes,

182 00:09:39:00 00:09:40:23
that will see them in good stead.

183 00:09:41:00 00:09:43:04
You've all seen the impact on share prices

184 00:09:43:06 00:09:46:13
of companies who have been involved in scandals and the likes.

185 00:09:47:16 00:09:49:16
If I move on to the next slide here

186 00:09:49:18 00:09:53:13
and just have a look at ethical versus ESG.

187 00:09:53:15 00:09:58:04
It's worth just taking a moment to distinguish between ethical and ESG.

188 00:09:58:06 00:10:02:13
As the slide says,
ethical generally prioritises

189 00:10:02:15 00:10:05:19
the moral return
over the financial return.

190 00:10:05:21 00:10:09:11
With ESG, that can be integrated into
any type of strategy,

191 00:10:09:13 00:10:12:02
depending on what strategy
the client is after, of course.

192 00:10:12:04 00:10:14:15
We will come back into that.

193 00:10:14:17 00:10:17:04
But it doesn't mean that
you have to exclude anything.

194 00:10:17:06 00:10:19:18
We will talk about that
in just a second,

195 00:10:19:20 00:10:23:01
how he would explain
that sort of level to clients.

196 00:10:25:21 00:10:29:11
I will move onto talking
around about performance now.

197 00:10:29:13 00:10:31:20
Let me just put
these two performance charts up.

198 00:10:31:22 00:10:35:24
What we are actually starting to see
is that there is a difference

199 00:10:36:01 00:10:40:03
in performance of companies
that take into account ESG issues.

200 00:10:40:05 00:10:42:09
Back in 2016,

201 00:10:42:11 00:10:45:02
there was a study that
directly linked to performance

202 00:10:45:04 00:10:47:16
and disclosure on ESG issues
to higher share prices

203 00:10:47:18 00:10:48:18
and that was the first time

204 00:10:48:20 00:10:50:10
that they'd actually managed to
make that link.

205 00:10:50:12 00:10:52:04
A year later in 2017,

206 00:10:52:06 00:10:56:16
another research paper analysed
over 660 companies

207 00:10:56:18 00:11:00:02
and they found that the returns
were about 2.7% higher

208 00:11:00:04 00:11:03:16
than those firms
who had absolutely no ESG engagement.

209 00:11:03:18 00:11:07:08
They then monitored those companies
who had ESG and it didn't

210 00:11:07:10 00:11:09:15
and as the companies adopted ESG,

211 00:11:09:17 00:11:12:14
their share prices
started to outperform.

212 00:11:12:16 00:11:17:14
What we saw is they started to
outperform by over 7.5%.

213 00:11:17:16 00:11:22:02
Then, back to my saying,
this makes perfect sense.

214 00:11:22:04 00:11:25:07
If you take Nike, for example,
Nike invested in machines

215 00:11:25:09 00:11:28:22
that changed the way that
they cut the fabric for the trainers,

216 00:11:28:24 00:11:31:03
which effectively created less waste.

217 00:11:31:05 00:11:33:20
They need less fabrics,
which means more profit

218 00:11:33:22 00:11:36:03
and that's nothing to do with

the fact that

219 00:11:36:05 00:11:38:17
you pay over £100
for a pair of their trainers.

220 00:11:38:19 00:11:42:23
Companies engaged with the latest
social megatrends, for example,

221 00:11:43:00 00:11:46:08
digital disruption,
urbanisation, globalisation,

222 00:11:46:10 00:11:49:07
are, of course, going to be
best placed to benefit.

223 00:11:49:09 00:11:53:03
Being involved in laying 5G cables
in Asia, for example,

224 00:11:53:05 00:11:56:13
a shameless plug there
for what we do and TNIO.

225 00:11:56:15 00:12:01:08
Companies offering good governance
will obviously work a lot better

226 00:12:01:10 00:12:04:16
and better run companies
will perform better.

227 00:12:06:03 00:12:10:22
Having a look with conversations
with clients

228 00:12:10:24 00:12:16:04
and where do you actually start
having that discussion with clients?

229 00:12:16:06 00:12:19:05
What is ESG?

230 00:12:19:07 00:12:22:09
Why are you having that conversation?

231 00:12:23:19 00:12:28:09
I think, before we go on to discuss
this approach with ESG,

232 00:12:28:11 00:12:30:12
I'd actually be quite interested
to know,

233 00:12:30:14 00:12:32:23
there should be another poll

that comes up here,

234 00:12:33:00 00:12:34:12
just interested to know

235 00:12:34:14 00:12:37:21
have any of your clients
proactively approached you

236 00:12:37:23 00:12:40:07
regarding ESG and their investments?

237 00:12:40:09 00:12:41:17
That would be quite interesting

238 00:12:41:19 00:12:43:17
to have a little bit of a discussion
about that.

239 00:12:43:19 00:12:46:13
In the meantime,

240 00:12:46:15 00:12:49:10
let's have a look at
some of the questions

241 00:12:49:12 00:12:51:14
or where do we start with this?

242 00:12:51:16 00:12:55:06
First of all,
we all understand what ESG is,

243 00:12:55:08 00:12:58:05
but why are we having
this conversation now?

244 00:12:58:07 00:12:59:11
Clients might start to ask,

245 00:12:59:13 00:13:01:15
"Why, all of a sudden,
are you asking me this now?"

246 00:13:01:17 00:13:04:04
They might want to know

247 00:13:04:06 00:13:07:23
what do you do with the information
as a firm, what do you do,

248 00:13:08:00 00:13:09:10
when you ask the clients
the questions,

249 00:13:09:12 00:13:11:17
what do you do
with the information given?

250 00:13:11:19 00:13:14:16
Then, where are the opportunities
for you

251 00:13:14:18 00:13:16:23
and the firm and for the client?

252 00:13:17:00 00:13:19:17
Hopefully, when we see
in just a second,

253 00:13:19:19 00:13:23:00
we will see the results
of the poll will come up.

254 00:13:23:02 00:13:25:01
Wow, that's quite interesting.

255 00:13:25:03 00:13:26:20
What we see is 50-50 here.

256 00:13:26:22 00:13:31:08
50%, approximately half have said yes

257 00:13:31:10 00:13:33:05
and half have said no.

258 00:13:33:07 00:13:35:18
That is fairly interesting to see

259 00:13:35:20 00:13:40:06
that there is probably a lot more
clients talking about this

260 00:13:40:08 00:13:42:05
than they previously have before.

261 00:13:42:07 00:13:46:16
If we move back to the slides
and I'll move on to my next...

262 00:13:46:18 00:13:47:18
I'll go back a bit.

263 00:13:47:20 00:13:50:08
I'm going to stop the hybrid bus,
obviously.

264 00:13:50:10 00:13:54:04
An electric bus would be the tram.

265 00:13:54:06 00:13:57:07
We've started talking about
your clients already

266 00:13:57:09 00:13:59:13
and that's not where we need to start

with ESG.

267 00:13:59:15 00:14:03:16
It's not with the client,
it's with you and your business.

268 00:14:03:18 00:14:09:23
The most important starting point is
how you and your firm incorporate ESG

269 00:14:10:00 00:14:12:02
and how you document it.

270 00:14:13:17 00:14:16:19
If you already use Pru and
support Pru, then we will explain,

271 00:14:16:21 00:14:18:17
Mark will explain in a few minutes,

272 00:14:18:19 00:14:20:23
you are already ESG-integrated,

273 00:14:21:00 00:14:24:21
but what we need to do is understand
how you are going to deal,

274 00:14:24:23 00:14:28:20
at a firm level, with the responses
that the client gives you

275 00:14:28:22 00:14:32:14
and asking the question in the
wrong way can lead you down a path

276 00:14:32:16 00:14:35:23
that you are sort of stuck between
a rock and a hard place

277 00:14:36:00 00:14:40:18
and can you actually deal with
the response that you get back?

278 00:14:40:20 00:14:43:05
If you haven't started
your ESG journey,

279 00:14:43:07 00:14:45:02
then start with the business.

280 00:14:45:04 00:14:48:05
If you are on the TSG journey,
then it is possibly worthwhile

281 00:14:48:07 00:14:51:05
just having a think about
the questions that you are asking

282 00:14:51:07 00:14:52:22
and how you can incorporate that

283 00:14:52:24 00:14:55:12
into your centralised
investment propositions.

284 00:14:55:14 00:14:59:08
Some key questions
that I think are worth asking.

285 00:14:59:10 00:15:02:04
If you just have a look here.

286 00:15:02:06 00:15:05:04
Do you need to expand or modify
your product offering?

287 00:15:05:06 00:15:07:04
If you are going to offer ESG,

288 00:15:07:06 00:15:10:05
is your current proposition
fit for purpose

289 00:15:10:07 00:15:12:07
or do you need to expand that out?

290 00:15:12:09 00:15:16:14
Do you want to include ESG into your
existing suitability questionnaire

291 00:15:16:16 00:15:20:00
or do you maybe need to add on
another form of assessment?

292 00:15:20:02 00:15:21:24
That might be more practical
for your firm.

293 00:15:22:01 00:15:25:20
Then, what type of performance
scenarios are you going to use?

294 00:15:25:22 00:15:29:05
It's very, very difficult
to compare ESG funds

295 00:15:29:07 00:15:32:17
because, ultimately, they are
trying to do different things.

296 00:15:32:19 00:15:33:20
How do you...

297 00:15:35:19 00:15:38:14
..look at the performance
and the risk and return trade-offs?

298 00:15:38:16 00:15:41:23
And then what type of responses
will match what type of products?

299 00:15:42:00 00:15:44:05
Understand under what circumstances

300 00:15:44:07 00:15:47:17
do you want the clients to update you
on their preferences?

301 00:15:47:19 00:15:49:05
This is an ever-moving thing

302 00:15:49:07 00:15:52:20
based on what you want to make sure
that you are able to deal with them.

303 00:15:52:22 00:15:55:16
But if you don't have a strategy
at firm level,

304 00:15:55:18 00:15:57:22
there is every chance that
you will end up in a situation

305 00:15:57:24 00:15:59:18
that you are not going to be able to
deliver on

306 00:15:59:20 00:16:03:13
and, absolutely,
that is not what we want to happen.

307 00:16:03:15 00:16:06:13
Asking the question, then.

308 00:16:06:15 00:16:09:16
Here we have our little adviser

309 00:16:09:18 00:16:13:14
and he is asking the question
to a fictional client,

310 00:16:13:16 00:16:16:00
"would you like me to consider
ESG preferences

311 00:16:16:02 00:16:18:10
when considering
your investment choices?"

312 00:16:18:12 00:16:20:11
Now, if he was to say that
to a client,

313 00:16:20:13 00:16:23:13

they might turn round and say to you,
"What is ESG?"

314 00:16:23:15 00:16:26:21
And then your response
might look something like this -

315 00:16:26:23 00:16:29:22
"ESG is an approach
to managing your money

316 00:16:29:24 00:16:34:04
in a way that takes into account
your environmental, social

317 00:16:34:06 00:16:36:12
and governance preferences."

318 00:16:37:18 00:16:39:24
I would suggest that you are
probably going to have to

319 00:16:40:01 00:16:42:14
go on a little bit further
and explain that to your clients

320 00:16:42:16 00:16:44:24
until they have that lightbulb moment

321 00:16:45:01 00:16:47:18
as to what it is that you are
actually trying to achieve.

322 00:16:49:03 00:16:52:12
I like this chart
because I think this really helps

323 00:16:52:14 00:16:56:22
to explain that there is
a wide variety of sustainable,

324 00:16:56:24 00:17:01:08
ESG, impact,
engagement products out there

325 00:17:01:10 00:17:03:19
and they all employ
slightly different strategies

326 00:17:03:21 00:17:06:20
and there is no one
that is better than the other.

327 00:17:06:22 00:17:10:00
This is very much down to
your individual client preferences.

328 00:17:10:02 00:17:14:01

On the left-hand side here,
you can see norm-based exclusions.

329 00:17:14:03 00:17:15:10
This is exclusions

330 00:17:15:12 00:17:18:23
where pretty much all funds
should be adhering to these.

331 00:17:19:00 00:17:21:02
These are areas
that are sanctioned by the UN

332 00:17:21:18 00:17:26:03
and are not deemed morally right
to be investing into.

333 00:17:26:05 00:17:29:11
If we move on to sector screens,

334 00:17:29:13 00:17:33:03
sector screens is where
you might exclude certain sectors,

335 00:17:33:05 00:17:36:17
maybe the tobacco sector or the
sin sector, gambling and the likes,

336 00:17:36:19 00:17:41:01
alcohol, whatever your client values
or preferences might be.

337 00:17:41:03 00:17:46:07
Then you can move on to
ESG screens, ESG screens...

338 00:17:46:09 00:17:48:11
I like to call this best in class.

339 00:17:48:13 00:17:51:18
This is where the fund managers
or the portfolio builders

340 00:17:51:20 00:17:55:03
will engage with companies
who maybe have a high ESG score.

341 00:17:55:05 00:18:00:00
You might screen out the companies
that have a low ESG score.

342 00:18:00:02 00:18:03:07
Mark touches upon this
a little bit later on.

343 00:18:03:09 00:18:06:05
Then you have ESG engagement.

344 00:18:06:07 00:18:10:09
ESG engagement is where you would
actively interact with companies

345 00:18:10:11 00:18:14:07
using your shareholder rights,
if you are a major shareholder,

346 00:18:14:09 00:18:18:13
and working with companies
on their management of ESG factors.

347 00:18:18:15 00:18:19:22
And again, at Prudential,

348 00:18:19:24 00:18:22:09
we have lots of examples
of where we've done this.

349 00:18:22:11 00:18:25:05
Time permitting,
we don't have time to do that today,

350 00:18:25:07 00:18:28:14
but certainly we can pick that up
at individual account level

351 00:18:28:16 00:18:30:12
if it's something that
you're interested in.

352 00:18:30:14 00:18:34:15
Then we come down to
the sustainability and impact.

353 00:18:34:17 00:18:38:01
Investment in these areas
is where you are trying to

354 00:18:38:03 00:18:42:18
make a positive contribution to
the environment, economy, society,

355 00:18:42:20 00:18:44:24
but alongside that financial return.

356 00:18:45:01 00:18:46:11
More than sustainability,

357 00:18:46:13 00:18:50:00
you will be looking to do that
alongside the financial return.

358 00:18:50:02 00:18:54:13
Impact investing, if you see some of
these funds with impact on the title,

359 00:18:54:15 00:18:56:23
then the purpose is generating

360 00:18:57:00 00:19:00:13
a measurable social
or environmental return.

361 00:19:01:20 00:19:05:13
You must be able to demonstrate
the impact of the investment there.

362 00:19:05:15 00:19:08:06
So, impact is where,
on the odd occasion,

363 00:19:08:08 00:19:11:06
you may accept a lower return
for doing good.

364 00:19:11:08 00:19:15:08
Clients can have a variety of options
in here.

365 00:19:15:10 00:19:20:03
As I said, there is not one
that is better than the other.

366 00:19:20:05 00:19:21:17
So, back to our client here

367 00:19:21:19 00:19:25:11
and being prepared to facilitate
the response from the client.

368 00:19:25:13 00:19:27:14
Here we see our client,
you have explained

369 00:19:27:16 00:19:30:11
and gone through that chart
about all the different funds

370 00:19:30:13 00:19:34:02
and as she turns around
and she says something about,

371 00:19:34:04 00:19:36:09
"Now that you mention it,
I am really concerned about

372 00:19:36:11 00:19:38:06
the amount of plastic
that's in the oceans.

373 00:19:38:08 00:19:40:18
I've seen the picture
of the whale they cut open

374 00:19:40:20 00:19:42:24
and it poured out with plastic.
Horrorific.

375 00:19:43:01 00:19:45:24
I would like you to consider that
when investing my money."

376 00:19:47:10 00:19:49:02
Where do you start with that?

377 00:19:49:04 00:19:50:16
Is that actually possible?

378 00:19:50:18 00:19:53:19
Have we just set ourselves
an impossible task

379 00:19:53:21 00:19:57:23
to deal with filtering out companies
that invest in plastic?

380 00:19:58:00 00:19:59:12
Back to that starting point,

381 00:19:59:14 00:20:01:16
how will you engage
with those customers

382 00:20:01:18 00:20:04:06
and how can you, at firm level,
accommodate this?

383 00:20:05:12 00:20:07:23
Ask the question,
but we need to do it in a way

384 00:20:08:00 00:20:12:00
that gets you a response that you can
actually deal with at a firm level.

385 00:20:12:02 00:20:14:15
Here we have some examples for you.

386 00:20:14:17 00:20:17:03
What I've put on these screens
is some questions

387 00:20:17:05 00:20:20:07
that you could incorporate
into your factfinder document.

388 00:20:20:09 00:20:22:05
I have done this in three ways,

389 00:20:22:07 00:20:24:14
there's three different ways
you could do this.

390 00:20:24:16 00:20:28:05
You could incorporate these types of
questions into your fact find,

391 00:20:28:07 00:20:30:15
we've actually got
two pages of these.

392 00:20:30:17 00:20:32:04
You will get a copy of the slides

393 00:20:32:06 00:20:34:05
so you can pick these up
in your own time.

394 00:20:34:21 00:20:37:14
Examples of how you could ask
a question that doesn't lead you

395 00:20:37:16 00:20:40:17
down a awkward path
that you can't actually deal with.

396 00:20:40:19 00:20:45:09
The other way you could do this is
address clients' specific concerns.

397 00:20:45:11 00:20:49:07
That lady there who has a specific
concerns around about plastic.

398 00:20:50:10 00:20:53:00
How concerned are they
around tobacco?

399 00:20:53:02 00:20:54:16
Alcohol? Sin sectors?

400 00:20:54:18 00:20:56:17
Weapons? Climate? All these things.

401 00:20:56:19 00:20:58:16
This leads into having

402 00:20:58:18 00:21:02:06
much more engaged conversations
with the client.

403 00:21:02:08 00:21:04:15
Finally, the other way
that you could do this

404 00:21:04:17 00:21:06:24
is just by capturing
the client's thoughts.

405 00:21:07:01 00:21:10:22

On your fact find, you could just ask the clients about their values.

406 00:21:10:24 00:21:16:23
Understand their specific values,
is it product or company specific?

407 00:21:17:00 00:21:19:06
We will all have companies
that we want to avoid

408 00:21:19:08 00:21:21:13
based on the way that
they have treated staff

409 00:21:21:15 00:21:24:06
or how they have portrayed themselves
in the media.

410 00:21:24:08 00:21:27:16
Clients might have specific values
as well.

411 00:21:27:18 00:21:32:05
Then, discuss the consequences
of these values

412 00:21:32:07 00:21:35:10
and how that might impact
on their investment.

413 00:21:35:12 00:21:36:13
The example there,

414 00:21:36:15 00:21:40:07
"What it is about the climate
that concerns you, Mr or Mrs client?"

415 00:21:40:09 00:21:42:01
If it's animal testing,

416 00:21:42:03 00:21:46:13
is it in the cosmetic industry
or is it in the medical industry?

417 00:21:46:15 00:21:48:00
And that's probably, again,

418 00:21:48:02 00:21:50:20
just really engaging
the conversations with clients.

419 00:21:52:05 00:21:54:22
OK, coming back to
the point we've made

420 00:21:54:24 00:21:57:12
around about your clients' values.

421 00:21:57:14 00:22:00:05
We will do a polling question now.

422 00:22:00:07 00:22:02:18
Just quickly, if you want to go on
and say

423 00:22:02:20 00:22:07:13
would the ability to filter funds to
incorporate client values be helpful?

424 00:22:07:15 00:22:10:14
Yes, no, not sure.

425 00:22:10:16 00:22:13:03
Then we will move on and have a chat
about the slides

426 00:22:13:05 00:22:15:20
while we wait for the results
of this poll to come up.

427 00:22:17:19 00:22:21:07
We've spent a bit of time talking
about ESG and how we facilitate this,

428 00:22:21:09 00:22:25:11
but let's not forget why your client
comes to you for advice.

429 00:22:25:13 00:22:26:19
And however you word it,

430 00:22:26:21 00:22:30:21
it's to secure their financial future
or to meet their financial objectives

431 00:22:30:23 00:22:32:14
whatever you have
on your mission statement

432 00:22:32:16 00:22:33:21
when clients come to visit you.

433 00:22:33:23 00:22:36:15
But first and foremost,
you have to ensure that

434 00:22:36:17 00:22:40:16
the investments and advice that
you are giving is suitable overall.

435 00:22:40:18 00:22:44:20
Taking into account the client's
attitude to risk, capacity for loss,

436 00:22:44:22 00:22:47:13

expected expenditure, et cetera,
et cetera.

437 00:22:47:15 00:22:49:20
Whatever it is that the client
is trying to do

438 00:22:49:22 00:22:51:18
to get to that financial objective.

439 00:22:51:20 00:22:54:12
If the clients want to
make a difference

440 00:22:54:14 00:22:56:19
or an impact with their pension,

441 00:22:56:21 00:23:01:02
but the expected returns predicted
that's not going to be possible,

442 00:23:01:04 00:23:03:17
how are you going to record that
on your suitability?

443 00:23:03:19 00:23:07:04
We need to think about balancing
the financial objectives

444 00:23:07:06 00:23:08:18
and the ESG preferences.

445 00:23:08:20 00:23:12:22
In the MiFID rules and regulations,
it does state that

446 00:23:12:24 00:23:17:18
you have to put the financial
objectives of the clients first.

447 00:23:17:20 00:23:20:02
A good question to ask would be,

448 00:23:20:04 00:23:23:19
"Is it more important for you
to incorporate ESG

449 00:23:23:21 00:23:27:02
or maintain returns
to retirement age?"

450 00:23:27:04 00:23:29:22
And then record it.
Record, record, record.

451 00:23:29:24 00:23:33:24
Get all these written down
and that keeps you right.

452 00:23:34:01 00:23:37:04
OK, now we can see the chart.

453 00:23:37:06 00:23:39:21
What the ability to filter funds
be helpful?

454 00:23:41:20 00:23:46:16
And if, by magic... hopefully,
when I get the slide to move.

455 00:23:49:15 00:23:51:14
Here we go. Coming soon.

456 00:23:51:16 00:23:54:11
We actually have, at Prudential M&G,

457 00:23:54:13 00:23:58:17
developed our fund
and sustainability research tool

458 00:23:58:19 00:24:00:20
that will allow you to do just that.

459 00:24:00:22 00:24:03:17
The first phase of this launch
is coming in March.

460 00:24:03:19 00:24:06:06
Here, what you can see

461 00:24:06:08 00:24:10:24
is that you will be able to do
ethical exclusion filters.

462 00:24:11:10 00:24:13:23
Is your client really concerned
about tobacco?

463 00:24:14:00 00:24:17:11
You will be able to include
those exclusion filters.

464 00:24:17:13 00:24:19:15
The sustainable impact filters,

465 00:24:19:17 00:24:22:20
linked to the United Nations
sustainable goals.

466 00:24:22:22 00:24:24:04
You will be able to include those.

467 00:24:24:06 00:24:27:09
But what I think is quite unique
about this tool

468 00:24:27:11 00:24:30:03
is that primary objectives filter.

469 00:24:30:05 00:24:33:11
That point I've just said
around about the regulations,

470 00:24:33:13 00:24:35:14
you have to take ESG
into consideration,

471 00:24:35:16 00:24:39:02
but you must also remember the
financial objectives of the client.

472 00:24:39:04 00:24:42:22
You can put the financial objective
of the client into that box

473 00:24:42:24 00:24:46:03
and then what that will look like..

474 00:24:46:05 00:24:50:03
For this lady here, our lady that was
really concerned about plastic.

475 00:24:50:05 00:24:53:21
As I said,
that's probably impossible to do.

476 00:24:53:23 00:24:57:01
But with the tool,
what you will be able to do

477 00:24:57:03 00:25:02:08
is start to look at what sort of
filters you can put in place there.

478 00:25:02:10 00:25:05:01
For the lady
that's concerned about plastic,

479 00:25:05:03 00:25:08:08
things like climate action,
environmental solutions

480 00:25:08:10 00:25:09:22
and circular economy,

481 00:25:09:24 00:25:13:05
which is all around about
reusing and recycling.

482 00:25:13:07 00:25:15:03
We could get pretty close

483 00:25:15:05 00:25:18:23
to helping that client out for you

in that example.

484 00:25:20:11 00:25:23:04
Next steps, what do you need to do?

485 00:25:23:06 00:25:25:21
What we've got here is
just a couple of things

486 00:25:25:23 00:25:28:01
for you to take away
and think about.

487 00:25:28:03 00:25:30:15
Consider your business approach
to ESG.

488 00:25:30:17 00:25:33:17
Consider the client preferences
and suitability

489 00:25:33:19 00:25:36:06
and can your business
incorporate that?

490 00:25:36:08 00:25:39:19
And determine whether
your current fund solutions

491 00:25:39:21 00:25:41:14
meet these preferences.

492 00:25:41:16 00:25:45:07
I don't think this as big a job as
what a lot of advisers think it is.

493 00:25:45:09 00:25:47:18
It feels like a massive change.

494 00:25:47:20 00:25:49:01
This is business as usual,

495 00:25:49:03 00:25:52:16
a lot of the funds you are currently
using will already incorporate ESG.

496 00:25:52:18 00:25:55:20
That last point,
regular review and report.

497 00:25:55:22 00:25:59:03
If it's not written down, it didn't
happen, in the words of the FCA.

498 00:25:59:05 00:26:01:17
With that,
I'm just going to pass over to Mark,

499 00:26:01:19 00:26:04:24
who is going to take you
around about how we incorporate ESG

500 00:26:05:01 00:26:06:22
into our solutions at the moment.

501 00:26:06:24 00:26:08:01
Mark?

502 00:26:09:14 00:26:10:13
Thanks, Cat.

503 00:26:11:11 00:26:14:05
A lot of information there for you.

504 00:26:14:07 00:26:17:16
With what I'm going to cover off
today, my name is Mark Riggall,

505 00:26:17:18 00:26:20:04
head of the Client Portfolio
Management team

506 00:26:20:06 00:26:22:16
within the Treasury
and Investment Office.

507 00:26:22:18 00:26:27:21
Treasury and Investment Office manage
circa 170 billion of funds

508 00:26:27:23 00:26:29:13
within multi-asset

509 00:26:29:15 00:26:33:08
for a lot of your clients
within Pru Fund, with-profit fund.

510 00:26:33:10 00:26:38:11
For me, it's the next step is
bringing this to life for you

511 00:26:38:13 00:26:40:10
with regard to what we are doing

512 00:26:40:12 00:26:43:23
around integrating ESG
into our existing fund range.

513 00:26:44:00 00:26:46:16
But also the framework
for going forward as well.

514 00:26:46:18 00:26:48:08
What does the pathway look like?

515 00:26:48:10 00:26:50:22

This is all evolving
for us as well as you.

516 00:26:52:02 00:26:53:17
Today is about giving you a feel,

517 00:26:53:19 00:26:56:22
there is lots more information
we will be bringing out to you

518 00:26:56:24 00:26:59:11
around what we are doing
with the existing funds

519 00:26:59:13 00:27:03:19
and if there's any pathway to
new funds over the next 3-6 months.

520 00:27:03:21 00:27:05:24
So, the first thing I want to do

521 00:27:06:01 00:27:10:21
is just give you an overview of
what it means for the whole business.

522 00:27:10:23 00:27:13:06
This is really important

523 00:27:13:08 00:27:19:15
because where we start off is at PLC,
at board level within M&G.

524 00:27:19:17 00:27:24:08
The board really will set the overall
direction for where we want to be.

525 00:27:24:10 00:27:27:16
We want to imbed in our culture
certain things

526 00:27:27:18 00:27:30:04
and that is around
our key priorities.

527 00:27:30:06 00:27:33:20
Two of the key priorities
we have within M&G

528 00:27:33:22 00:27:37:06
is around climate change
and diversity and inclusion.

529 00:27:38:20 00:27:42:10
Overall, what does that mean
for the business?

530 00:27:42:12 00:27:47:08
What it means is that the board

wants our business to recognise

531 00:27:47:10 00:27:51:03
the importance for us,
but also for our clients,

532 00:27:51:05 00:27:55:15
you and our end clients
that are investing money with us.

533 00:27:55:17 00:28:00:02
We want to be a long-term
sustainable business

534 00:28:00:04 00:28:03:11
that recognises some of the issues
that are going on in the world today

535 00:28:03:13 00:28:06:09
and then implements that
across the rest of the business.

536 00:28:06:11 00:28:10:15
The other two lines on here
are really looking at

537 00:28:10:17 00:28:14:03
the asset owner, which is a term
that is used a lot

538 00:28:14:05 00:28:16:02
within what we are looking at
with ESG,

539 00:28:16:04 00:28:19:22
and that basically means us
at Treasury and Investment Office,

540 00:28:19:24 00:28:24:05
who, like an institutional pension
fund, like a sovereign wealth fund,

541 00:28:24:07 00:28:26:04
we have a large amount of assets

542 00:28:26:06 00:28:30:00
which we then pass on to
investment managers to manage for us.

543 00:28:30:02 00:28:34:22
What we need to have is a policy
that shows, quite clearly,

544 00:28:34:24 00:28:36:24
to you and our investors

545 00:28:37:01 00:28:39:17
what we are doing with regard

to how we integrate

546 00:28:39:19 00:28:42:07
some of the factors
Cat has already touched on

547 00:28:42:09 00:28:44:21
within ESG, with enough funds

548 00:28:44:23 00:28:48:24
and the underlying mandates
that are run by M&G,

549 00:28:49:01 00:28:52:00
internal managers, external managers.

550 00:28:53:16 00:28:56:01
The way we do that as an asset owner,

551 00:28:56:03 00:28:57:20
I'll come back to this in a moment,

552 00:28:57:22 00:29:01:17
is basically we are looking to have
a clear overall policy,

553 00:29:01:19 00:29:04:03
how that policy involves
deciding on

554 00:29:04:05 00:29:07:04
how we meet certain ESG principles
that we set

555 00:29:07:06 00:29:09:18
and how we integrate that.

556 00:29:09:20 00:29:13:02
So, that's our annual
strategic asset allocation process

557 00:29:13:04 00:29:15:23
that we use within
most of our multi-asset funds.

558 00:29:16:00 00:29:20:13
It's about how that process
needs to change to incorporate ESG

559 00:29:20:15 00:29:23:04
and then also
when we are then deciding

560 00:29:23:06 00:29:26:18
which investment managers
run the mandates for us,

561 00:29:26:20 00:29:30:06

what is it we need integrate
into the process around selection,

562 00:29:30:08 00:29:34:01
design of the mandates and the
ongoing oversight of those mandates?

563 00:29:34:03 00:29:35:16
I will come back to that.

564 00:29:35:18 00:29:38:21
The last bit is
the investment managers we use,

565 00:29:38:23 00:29:41:13
whether they are internal
or external,

566 00:29:41:15 00:29:44:02
the policy we have
has to, basically,

567 00:29:44:04 00:29:47:14
be taken on by those managers
so that they engage,

568 00:29:47:16 00:29:52:01
if we want engagement with
underlying businesses, which we do,

569 00:29:52:03 00:29:53:20
if we want them to be active

570 00:29:53:22 00:29:57:06
in what they are looking at
with regard to the policy,

571 00:29:57:08 00:29:59:03
with regard to voting,

572 00:29:59:05 00:30:02:09
and ensure that ESG is integrated
to the level that we want it to be.

573 00:30:02:11 00:30:05:19
If we then move on to just focus on
where I said,

574 00:30:05:21 00:30:08:08
Treasury and Investment Office.

575 00:30:08:10 00:30:11:03
We are responsible for,
as I said,

576 00:30:11:05 00:30:14:16
the asset allocation,
who we give money to

577 00:30:14:18 00:30:17:07
and as I've already said,
two of the key things

578 00:30:17:09 00:30:21:11
that we are doing is looking at the
strategic asset allocation process.

579 00:30:21:13 00:30:26:12
That involves us looking to have
ideas around what returns we get

580 00:30:26:14 00:30:29:06
from asset classes, geographies,

581 00:30:29:08 00:30:31:13
the correlation
between those asset classes.

582 00:30:31:15 00:30:33:04
And the process we have,

583 00:30:33:06 00:30:36:16
which is the process
that has evolved over decades,

584 00:30:36:18 00:30:39:00
which is underlying all of our funds,

585 00:30:39:02 00:30:42:07
we are now introducing
within that process

586 00:30:42:09 00:30:44:14
climate scenarios.

587 00:30:44:16 00:30:46:15
We are mapping asset classes

588 00:30:46:17 00:30:51:13
and the impact on those asset classes
to a set of temperature pathways

589 00:30:51:15 00:30:53:23
regarding climate change.

590 00:30:54:00 00:30:55:21
We are also looking at emissions.

591 00:30:55:23 00:31:00:08
We are looking at governmental policy
around climate, etc.

592 00:31:00:10 00:31:03:23
All of this is being embedded into
what we do

593 00:31:04:00 00:31:08:08
and those scenarios will have an
influence on where we look to invest.

594 00:31:08:10 00:31:10:08
We are a long-term investor,

595 00:31:10:10 00:31:13:17
so we can look at this looking out
5, 10, 15 years.

596 00:31:13:19 00:31:15:01
The other thing that
we are considering

597 00:31:15:03 00:31:16:12
within the asset allocation

598 00:31:16:14 00:31:20:08
is the long-term impacts
of climate change.

599 00:31:20:10 00:31:25:07
What are the physical risks
to sectors, to companies

600 00:31:25:09 00:31:26:20
and to geographies?

601 00:31:26:22 00:31:28:20
What is the transition risk,

602 00:31:28:22 00:31:33:13
as in, going from where we are today
to where we want to be in the future

603 00:31:33:15 00:31:37:01
and are countries or businesses
and sectors actually doing

604 00:31:37:03 00:31:39:21
what they need to
to transition to the new world

605 00:31:39:23 00:31:44:11
taking into account, as Cat said,
regulation and where ESG is changing?

606 00:31:44:13 00:31:47:23
If we then flip onto
what we are looking to do

607 00:31:48:00 00:31:51:06
with our team that run
all of the mandates

608 00:31:51:08 00:31:53:21
that are underlying our funds,

609 00:31:53:23 00:31:57:16
it is about how we integrate this
into the design,

610 00:31:57:18 00:32:00:11
how we integrate into
the selection of the manager

611 00:32:00:13 00:32:02:14
to run an asset for us
within a sleeve,

612 00:32:02:16 00:32:05:15
the oversight that we have
going forward.

613 00:32:05:17 00:32:08:23
We are looking for investment
managers to add value for clients,

614 00:32:09:00 00:32:12:13
over that longer term,
we are also looking for them

615 00:32:12:15 00:32:16:17
to manage the assets in
a consistent way to our ESG policy.

616 00:32:16:19 00:32:19:08
The last bit is, obviously,
what we are doing

617 00:32:19:10 00:32:21:16
with regard to
that ongoing monitoring

618 00:32:21:18 00:32:23:13
of those investment managers.

619 00:32:23:15 00:32:26:15
We speak to them on a regular basis,
we have good access

620 00:32:26:17 00:32:30:04
to all the managers that run
significant amounts of money for us

621 00:32:30:06 00:32:31:16
within that 170 billion.

622 00:32:31:18 00:32:37:20
We are integrating new annual ESG
questionnaires to what we do,

623 00:32:37:22 00:32:41:13
we are also looking for them
to evidence what they are doing

624 00:32:41:15 00:32:43:20
and also giving us ESG case studies

625 00:32:43:22 00:32:46:15
around companies,
around the mandates.

626 00:32:46:17 00:32:49:10
Also within
the due diligence that we do,

627 00:32:49:12 00:32:52:07
we are looking to
change our scorecard

628 00:32:52:09 00:32:55:14
around the due diligence
we do on a mandate,

629 00:32:55:16 00:32:57:17
on a manager
that's running that mandate for us,

630 00:32:57:19 00:33:00:06
to include some ESG questions

631 00:33:00:08 00:33:04:18
that will be relevant to the policy
we want to them follow.

632 00:33:04:20 00:33:08:00
If we then move on.

633 00:33:08:02 00:33:13:15
As Cat has done already, she has
really set the scene with this slide.

634 00:33:14:18 00:33:16:20
Let me just give you
a little bit more detail.

635 00:33:16:22 00:33:22:16
We are using this with regard to
understanding the different levels

636 00:33:22:18 00:33:25:05
of integration and outcomes
we can get

637 00:33:25:07 00:33:28:11
within the types of
different funds that we have

638 00:33:28:13 00:33:31:04
within our multi-asset range.

639 00:33:32:10 00:33:33:24

Ultimately, it's about choice.

640 00:33:34:01 00:33:37:05
We want your clients to have choice
when it comes to their funds

641 00:33:37:07 00:33:41:05
with regard to what ESG integration
is undergoing with existing funds,

642 00:33:41:07 00:33:44:17
but also the new fund offerings
that are coming down the track

643 00:33:44:19 00:33:46:19
from us and from other people.

644 00:33:46:21 00:33:49:01
This is a good way to evidence this.

645 00:33:49:03 00:33:51:16
This is something that I would
look to use with the client.

646 00:33:51:18 00:33:54:19
There's various ways,
four different ways

647 00:33:54:21 00:33:57:23
to integrate ESG
into your existing funds.

648 00:33:58:00 00:34:01:03
One size won't fit all for this,

649 00:34:01:05 00:34:05:02
but most asset managers
will use these to help them decide

650 00:34:05:04 00:34:09:05
what level of integration
they are having in existing funds.

651 00:34:09:07 00:34:13:05
As Cat said, you've got negative
screening there, the first column,

652 00:34:13:07 00:34:18:01
which is around...
Sorry, you've got UN norms screening,

653 00:34:18:03 00:34:20:01
which is looking at
business practices,

654 00:34:20:03 00:34:22:11
things like weapons
you are not going to include,

655 00:34:22:13 00:34:24:21
we don't include weapons,
controversial weapons

656 00:34:24:23 00:34:25:24
in our funds already.

657 00:34:26:01 00:34:28:20
That is something
which is a baseline.

658 00:34:28:22 00:34:32:13
You have then got negative screening,
which is around, as Cat said,

659 00:34:32:15 00:34:37:22
around identifying having a policy
on something like coal or tobacco

660 00:34:37:24 00:34:39:16
and then having a way to screen

661 00:34:39:18 00:34:43:18
to show the companies that are not
meeting your policy, your red line.

662 00:34:43:20 00:34:49:04
You then move on to, as Cat said,
best in class, positive screening.

663 00:34:49:06 00:34:52:17
That is really where you want to
identify the companies

664 00:34:52:19 00:34:55:09
that are going to add value
through the way

665 00:34:55:11 00:35:00:01
that they have integrated ESG into
their business, into their practices

666 00:35:00:03 00:35:02:13
and therefore they will get
a better ESG score

667 00:35:02:15 00:35:05:00
versus the businesses
in their peer group.

668 00:35:05:02 00:35:07:07
The last two are about outcomes.

669 00:35:07:09 00:35:09:17
Cat's explain them really well.

670 00:35:09:19 00:35:11:17

Just to reiterate,

671 00:35:11:19 00:35:16:09
most funds will have a number of
the first four in them,

672 00:35:16:11 00:35:20:05
the last two is really about
driving the type of outcomes

673 00:35:20:07 00:35:24:13
that a client has set out when
he talks to you about their values,

674 00:35:24:15 00:35:26:21
their wishes.

675 00:35:26:23 00:35:31:01
Yes, financial outcome is important,
the last two are also looking at

676 00:35:31:03 00:35:35:17
that additional return
with regard to investing in companies

677 00:35:35:19 00:35:39:06
that will achieve that sustainability
or that impact.

678 00:35:39:08 00:35:42:18
And it is measurable, as Cat said
in the last one, with impact.

679 00:35:42:20 00:35:44:12
Let me give you an example of
what we are doing.

680 00:35:49:02 00:35:50:20
If we just show you coal.

681 00:35:50:22 00:35:53:16
We are looking at
a number of different sectors

682 00:35:53:18 00:35:56:07
with regards to the screens
that we have been working on.

683 00:35:56:09 00:35:59:10
During the last year we have been
doing a lot of work on this.

684 00:35:59:12 00:36:01:17
One of the screens is around coal

685 00:36:01:19 00:36:03:23
and what we have decided
as our policy

686 00:36:04:00 00:36:06:06
is that we do not want to include
any companies

687 00:36:06:08 00:36:09:19
that have a revenue of more than
25% derived from coal.

688 00:36:09:21 00:36:12:06
Obviously, the most revenue

689 00:36:12:08 00:36:14:21
that people derive from coal
is coal power generation,

690 00:36:14:23 00:36:18:20
that's a lot of the companies
you will see in portfolios

691 00:36:18:22 00:36:23:14
where now, within M&G
Treasury and Investment Office

692 00:36:23:16 00:36:26:20
and the funds that we have,
we are now looking to exclude

693 00:36:26:22 00:36:29:11
anything with revenue
of more than 25%.

694 00:36:29:13 00:36:31:24
This is a live example,
this is an example

695 00:36:32:01 00:36:34:20
that went to investment committee
for sign off around the policy,

696 00:36:34:22 00:36:38:01
but also then the companies
that we want to exclude

697 00:36:38:03 00:36:40:24
from our underlying mandates
and our funds.

698 00:36:41:01 00:36:44:08
Company A, we have excluded.

699 00:36:44:10 00:36:47:09
Reason being
they have 76% of their revenue

700 00:36:47:11 00:36:49:23
coming from coal power generation.

701 00:36:50:00 00:36:53:01
We discussed this company
with the investment manager

702 00:36:53:03 00:36:55:22
and the investment manager
told us that

703 00:36:55:24 00:36:58:01
they're based in a state in the US,

704 00:36:58:03 00:37:00:14
that state has very supported
coal policies

705 00:37:00:16 00:37:03:00
and therefore they are not likely
to change what they do

706 00:37:03:02 00:37:04:11
so we have excluded it.

707 00:37:04:13 00:37:06:10
Company B is the flip.

708 00:37:06:12 00:37:10:06
Historically, it's had 45% revenue
from generation.

709 00:37:10:08 00:37:14:04
What we saw
in the last 12 to 18 months

710 00:37:14:06 00:37:19:05
was that the company managed to
get its generation from coal

711 00:37:19:07 00:37:21:18
down from 45% to 30%.

712 00:37:21:24 00:37:28:01
It has committed to reducing further
down to 10% by 2030.

713 00:37:28:03 00:37:31:20
This is about engagement.
This is an example of engagement.

714 00:37:31:22 00:37:35:13
Do you just want to exclude
and throw all companies out

715 00:37:35:15 00:37:37:17
with regard to a policy?

716 00:37:37:19 00:37:39:18
Or, if there is change
and a transition

717 00:37:39:20 00:37:41:17
which the company wants to undergo,

718 00:37:41:19 00:37:44:16
in this case to renewables
and gas power generation,

719 00:37:44:18 00:37:45:22
should we be supportive?

720 00:37:45:24 00:37:48:09
At M&G, within
Treasury and Investment Office,

721 00:37:48:11 00:37:49:18
we want to use engagement

722 00:37:49:20 00:37:52:24
because we feel that is the right way
to get things moving forward

723 00:37:53:01 00:37:55:14
with regard to
some of the issues that we have

724 00:37:55:16 00:37:59:01
with regard to climate change,
et cetera and ESG.

725 00:37:59:06 00:38:00:23
If we then move on to...

726 00:38:02:11 00:38:04:16
Let me just finish off
that previous slide.

727 00:38:04:18 00:38:06:20
The one thing that
I would say to you is that

728 00:38:06:22 00:38:09:08
this is an evolving piece of work
that we are doing

729 00:38:09:10 00:38:11:08
and it will be
for most asset managers.

730 00:38:11:10 00:38:12:17
We have looked at weapons,

731 00:38:12:19 00:38:15:06
we have looked at tobacco,
we have looked at coal,

732 00:38:15:08 00:38:16:11
we are looking at oil and gas,

733 00:38:16:13 00:38:19:03
we are looking at biodiversity,
we are looking at deforestation

734 00:38:19:05 00:38:20:06
and there are other things

735 00:38:20:08 00:38:22:08
that will probably come along
that we will look at

736 00:38:22:10 00:38:26:00
and will implement those policies
into our existing funds

737 00:38:26:02 00:38:31:16
and then it will filter across to
the rest of our funds in the future,

738 00:38:31:18 00:38:34:09
whether they sustainable, impact,
etc.

739 00:38:36:18 00:38:37:18
If you haven't seen this,

740 00:38:37:20 00:38:40:21
this is just really highlighting an
announcement that was made this week.

741 00:38:40:23 00:38:44:07
As I said, we've got 170 billion of
assets under management.

742 00:38:44:09 00:38:47:00
A lot of that is in
the profit-life fund and Pru Fund.

743 00:38:47:02 00:38:50:00
What we are looking to do
within the profit-life fund

744 00:38:50:02 00:38:52:08
is to move some of those assets

745 00:38:52:10 00:38:55:16
into an area
which we are calling catalyst,

746 00:38:55:18 00:39:00:10
which is a round us having
a specific fund

747 00:39:00:12 00:39:03:04
that is looking at private assets
and private investment

748 00:39:03:06 00:39:06:11
and that is huge
and will be huge going forward.

749 00:39:06:13 00:39:08:11
We are looking to move
£1 billion a year

750 00:39:08:13 00:39:10:20
for the next four to five years
into this fund,

751 00:39:10:22 00:39:13:09
managed by
a lot of existing resources,

752 00:39:13:11 00:39:15:09
25-strong team, global team,

753 00:39:15:11 00:39:19:04
that's looking to provide
global demand for capital,

754 00:39:19:06 00:39:22:16
it's looking to build on the existing
capabilities that we have

755 00:39:22:18 00:39:25:16
to find sustainable private assets

756 00:39:25:18 00:39:28:01
working to create
a more sustainable world.

757 00:39:29:18 00:39:34:13
We have already 65 billion of assets
in this area within private equity,

758 00:39:34:15 00:39:36:14
private credit, real estate

759 00:39:36:16 00:39:39:06
and they are looking at
asset and development finance,

760 00:39:39:08 00:39:41:20
they are looking at companies
and opportunities

761 00:39:41:22 00:39:45:02
around affordable housing
and energy from waste facilities,

762 00:39:45:04 00:39:47:08
also technology investments as well.

763 00:39:47:10 00:39:49:02
Just a snippet there.

764 00:39:49:04 00:39:53:03
Also, just to say,
at this moment in time as a business,

765 00:39:53:05 00:39:58:11
we already invest £600 million in
clean energy across six continents.

766 00:40:00:15 00:40:06:14
We have solar investments, the output
from them is 4,800 megawatts,

767 00:40:06:16 00:40:09:20
which, if you look at
how much that is,

768 00:40:09:22 00:40:11:23
that is a huge amount
of power generation

769 00:40:12:00 00:40:13:15
from the investments
we've already got.

770 00:40:13:17 00:40:17:11
We are invested in ten fibre
and business data centres

771 00:40:17:13 00:40:21:07
connecting one million plus people
and businesses across the world,

772 00:40:21:09 00:40:24:15
which has social impacts,
smart cities, infrastructure.

773 00:40:24:17 00:40:29:20
We already own 270 plus schools
and 50 plus hospitals across the UK

774 00:40:29:22 00:40:32:18
and Europe and Australia and Canada.

775 00:40:32:20 00:40:36:06
This is about improving social,
we are already doing that.

776 00:40:36:08 00:40:38:17
It's obviously about investment
and financial as well.

777 00:40:38:19 00:40:41:02
Just an idea about
what we already do

778 00:40:41:04 00:40:44:09
and some of the experience

and expertise we have.

779 00:40:44:11 00:40:45:18
Just finishing up.

780 00:40:46:19 00:40:49:00
How can we show your client
what this means

781 00:40:49:02 00:40:51:03
when you look at our funds
on the menu?

782 00:40:51:05 00:40:54:05
The menu we have,
which we put together,

783 00:40:54:07 00:40:57:23
is showing four levels of ESG nests,
as I call it.

784 00:40:58:00 00:41:02:00
Those levels are -
where we are integrating into ESG,

785 00:41:02:15 00:41:05:11
and that also means...

786 00:41:05:13 00:41:09:18
Sorry, where we are integrating ESG
into our existing funds.

787 00:41:09:20 00:41:13:11
Then where we have funds, which has
got what we are calling ESG plus,

788 00:41:13:13 00:41:16:20
that's got more of our
positive screening, best in class.

789 00:41:17:11 00:41:20:16
Then you've got sustainable funds
and, at the top, impact funds.

790 00:41:20:18 00:41:24:00
I've given you an idea of where
some of our existing funds sit

791 00:41:24:02 00:41:26:18
within Treasury and Investment
Office, within integrated,

792 00:41:26:20 00:41:28:12
then I've given you some M&G funds

793 00:41:28:14 00:41:31:00
that, obviously,
are available from the group,

794 00:41:31:02 00:41:33:10
which sit in
those other three areas.

795 00:41:34:12 00:41:38:06
All funds, I believe, will have
a level of integration exclusions,

796 00:41:38:08 00:41:39:08
best in class...

797 00:41:42:09 00:41:46:14
Most funds will have a level of
stewardship integration exclusion.

798 00:41:46:16 00:41:48:24
If you look at the dials there,
it's showing you, in our funds,

799 00:41:49:01 00:41:52:15
how much of that
is in each of those areas.

800 00:41:52:17 00:41:55:05
Then you've got the best in class,
impact investing,

801 00:41:55:07 00:41:58:08
which will provide choices
for your clients.

802 00:41:59:14 00:42:01:13
It's important we provide choice.

803 00:42:01:15 00:42:03:12
It's important we give you
clear communication

804 00:42:03:14 00:42:05:17
about what we are doing
and what the future looks like,

805 00:42:05:19 00:42:07:14
we will carry on doing that.

806 00:42:07:16 00:42:09:08
Thank you for joining the call
this morning.

807 00:42:09:10 00:42:13:09
I am going to pass you back to Cat
just for a final couple of points.

808 00:42:13:11 00:42:14:04
Thank you.

809 00:42:15:23 00:42:18:11

That's great.
Thanks very much, Mark.

810 00:42:19:17 00:42:21:17
Just a couple of slides left
from me

811 00:42:21:19 00:42:25:11
just to demonstrate
how we can support you.

812 00:42:25:13 00:42:28:07
Obviously, a lot of you on this call
will be Pru Fund

813 00:42:28:09 00:42:30:20
and Pru folio supporters and
we thank you very much for that.

814 00:42:30:22 00:42:35:09
Here you can see, you can visit
the ESG part on our website,

815 00:42:35:11 00:42:39:05
which will talk to you
around about the ESG integration.

816 00:42:39:07 00:42:41:22
Hopefully, what Mark has
demonstrated there,

817 00:42:41:24 00:42:45:20
if you are using our solutions
just now,

818 00:42:45:22 00:42:48:15
then you are already
incorporating ESG

819 00:42:48:17 00:42:51:03
into your proposition
for your clients.

820 00:42:51:05 00:42:53:08
I think we maybe
just need to word it,

821 00:42:53:10 00:42:56:19
make sure that we are recording
in your suitability letters

822 00:42:56:21 00:42:59:11
or within your
centralised investment position.

823 00:42:59:13 00:43:02:08
We can help you with that
within the de facto guide

824 00:43:02:10 00:43:04:07
that you see on the screen there,

825 00:43:04:09 00:43:06:04
using the Pru Fund range.

826 00:43:06:06 00:43:08:13
Page 15 explains...

827 00:43:11:16 00:43:15:06
..the ESG outlook
within the Pru Fund range,

828 00:43:15:08 00:43:18:07
so give that read,
it's also getting updated.

829 00:43:18:09 00:43:23:19
And here, what we've done is we've
got some suitability paragraphs.

830 00:43:23:21 00:43:25:24
These will be, hopefully,
out shortly.

831 00:43:26:01 00:43:30:23
This is just, again, that point of
continue doing what you are doing.

832 00:43:31:00 00:43:33:24
It probably already has
that ESG integration

833 00:43:34:01 00:43:35:24
or some level of ESG in there,

834 00:43:36:01 00:43:38:20
but we will try to help you out
by just a couple of examples

835 00:43:38:22 00:43:41:03
of some paragraphs
that you might want to add in

836 00:43:41:05 00:43:42:24
to your client suitability letters

837 00:43:43:01 00:43:47:23
just to ensure that you are covering
off that ESG framework and lens.

838 00:43:48:00 00:43:50:13
On the next slide,
just a couple of things.

839 00:43:50:15 00:43:54:04
I have touched on the tool.

840 00:43:54:06 00:43:57:10
We think this is fairly
groundbreaking in the market,

841 00:43:57:12 00:44:00:01
it certainly is
a very comprehensive tool.

842 00:44:00:03 00:44:02:05
It is free for advisers to use,

843 00:44:02:07 00:44:04:06
so keep in touch
with your account manager

844 00:44:04:08 00:44:06:07
and they will let you know
more about that

845 00:44:06:09 00:44:07:23
as and when we get that launched.

846 00:44:08:00 00:44:09:13
I think the really important part
for that,

847 00:44:09:15 00:44:11:08
which we are coming into
the second phase of it,

848 00:44:11:10 00:44:15:04
that ability to filter
by your client preference,

849 00:44:15:06 00:44:18:21
but also their financial objective,
which is key at the end of the day.

850 00:44:18:23 00:44:22:19
It will analyse all funds,
not just those that are badged ESG.

851 00:44:22:21 00:44:24:04
The final bit from me,

852 00:44:24:06 00:44:28:10
hopefully you have enjoyed
listening to the presentation today,

853 00:44:28:12 00:44:31:05
but if you get a spare 40 minutes,

854 00:44:31:07 00:44:33:09
click on the YouTube link there

855 00:44:33:11 00:44:36:01
to that video

around about our planet.

856 00:44:36:03 00:44:38:06
For me, that really cemented

857 00:44:38:08 00:44:41:15
why we are on this journey
and why it's not a fad

858 00:44:41:17 00:44:45:06
and why it is here to stay and
why it will become the new norm.

859 00:44:45:08 00:44:47:13
Certainly give that a watch

860 00:44:47:15 00:44:52:24
if you get some 40 minutes spare
over your lunch break or whenever.

861 00:44:53:01 00:44:55:09
OK, if I move onto the next slide,

862 00:44:55:11 00:44:58:13
I will pass back to Peter who will
take you through the wrap-up.

863 00:44:58:15 00:44:59:16
Thank you very much.

864 00:45:01:15 00:45:05:03
Thank you very much, Cat
and also to Mark.

865 00:45:05:05 00:45:06:13
Two excellent presentations,

866 00:45:06:15 00:45:09:23
hopefully you found that
to be the case too.

867 00:45:11:13 00:45:12:24
We've covered a lot of ground today

868 00:45:13:01 00:45:16:05
as part of the learning objectives
for the session.

869 00:45:18:02 00:45:20:18
Hopefully that was of value
to yourselves.

870 00:45:20:20 00:45:22:24
I'm going to just take you through
the next steps.

871 00:45:23:01 00:45:25:20
First of all, just like to

put the next slide up,

872 00:45:25:22 00:45:31:19
which is covering the fund range
within the sustainable funds

873 00:45:31:21 00:45:34:21
that we have available
for you to access

874 00:45:34:23 00:45:38:22
through Prudential's Retirement
Account product at the moment.

875 00:45:38:24 00:45:44:17
As you can see, quite a number of
funds there, both in-house, M&G,

876 00:45:44:19 00:45:47:14
sustainable and climate funds,

877 00:45:47:16 00:45:49:20
and also a number of external funds

878 00:45:49:22 00:45:52:19
that are very popular
in the marketplace too.

879 00:45:52:21 00:45:57:18
In addition to those, it's an area
we are very passionate about

880 00:45:57:20 00:46:02:04
and as we speak,
developing fund solutions for.

881 00:46:03:23 00:46:06:11
There will be further funds
to come from us

882 00:46:06:13 00:46:08:08
as we go throughout this year,

883 00:46:08:10 00:46:11:16
including within the Pru Fund range,
which, again,

884 00:46:11:18 00:46:14:24
should be exciting developments
later in the year.

885 00:46:16:08 00:46:17:23
In terms of next steps,

886 00:46:18:00 00:46:23:05
this is the second of seven of our
Managing Future Risks seminar series.

887 00:46:23:07 00:46:25:23
If you haven't yet signed up
for any of the others,

888 00:46:26:00 00:46:29:06
you will be able to see a link
on your screen now

889 00:46:29:08 00:46:30:10
for the upcoming sessions.

890 00:46:30:12 00:46:33:11
That's on the left-hand panel
of the screen.

891 00:46:33:13 00:46:36:17
Also, your feedback
is really important to us

892 00:46:36:19 00:46:41:13
in terms of being able to ensure
these events meet your requirements

893 00:46:41:15 00:46:46:12
and help us to further improve them
as time goes on.

894 00:46:46:14 00:46:49:09
So, you will see on the screen there,
again, on that panel,

895 00:46:49:11 00:46:51:22
that there is a feedback link.

896 00:46:51:24 00:46:55:05
If you can take two or three minutes
to complete that,

897 00:46:55:07 00:46:56:20
we would appreciate it.

898 00:46:56:22 00:46:58:10
Once we've got your feedback,

899 00:46:58:12 00:47:01:00
then our events team
will be sending you an email.

900 00:47:01:02 00:47:03:11
That will land with you
early next week

901 00:47:03:13 00:47:06:10
and in there will be
an embedded CPD certificate.

902 00:47:06:12 00:47:09:24
First of all, make sure that

you do save the email

903 00:47:10:01 00:47:12:13
for your records
in terms of that.

904 00:47:12:15 00:47:15:19
The email also will have a link to
a copy of the slides from today

905 00:47:15:21 00:47:18:17
and also a recording of the session.

906 00:47:18:19 00:47:22:12
You can also get that from
Pru Adviser Seminar page,

907 00:47:23:12 00:47:26:20
both the recording
and the copy of the slides.

908 00:47:26:22 00:47:28:07
That's our follow-up.

909 00:47:28:23 00:47:31:06
If you could take a couple of
minutes to complete the feedback,

910 00:47:31:08 00:47:33:06
that would be greatly appreciated.

911 00:47:33:11 00:47:37:09
I'd like to once again
thank our speakers, Cat and Mark,

912 00:47:37:11 00:47:38:17
for doing an excellent job

913 00:47:38:19 00:47:41:24
and also thank you
for using your valuable time

914 00:47:42:01 00:47:44:14
to attend and join with us
this morning.

915 00:47:44:19 00:47:47:14
Wish you all a great rest of the day

916 00:47:47:22 00:47:50:17
and look forward to catching up
with you again soon. Thank you.