

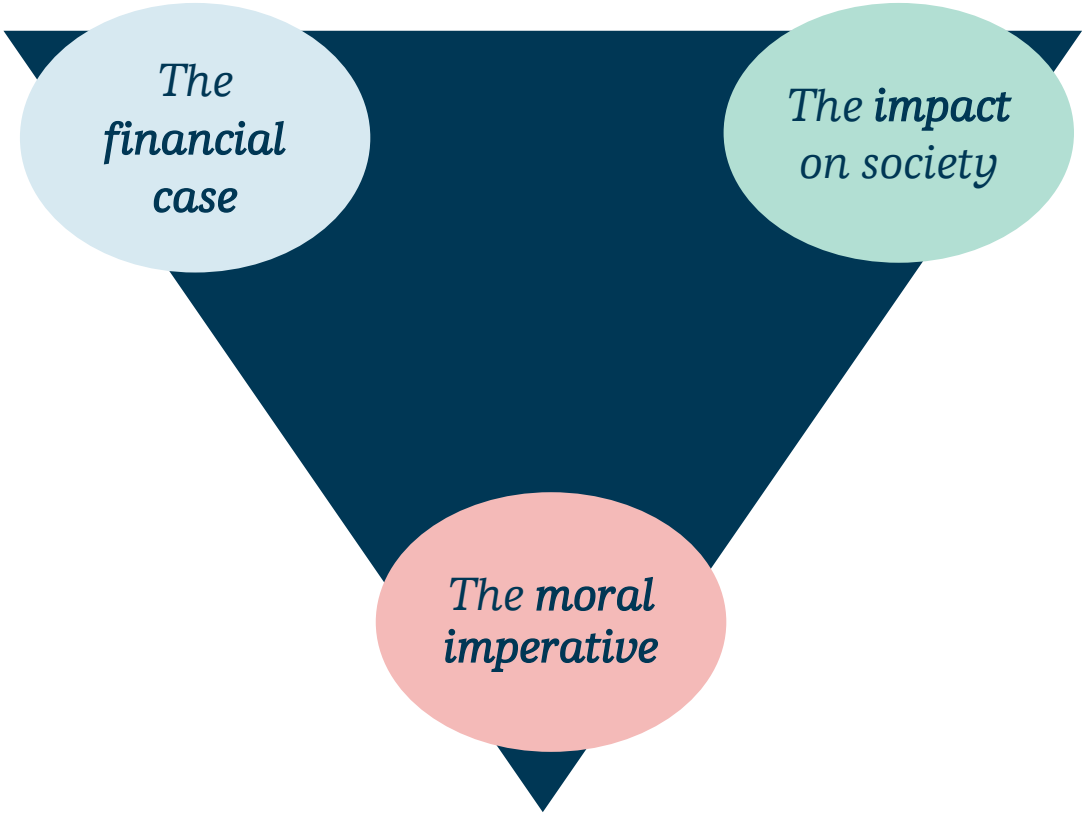
Ashvind Guness - Danske Bank / Dania

EFCA Conference 2017

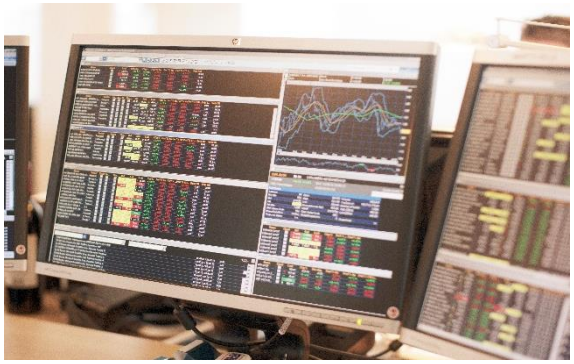


Why are we focusing on responsible and sustainable investments?

Three drivers



Laying the foundation



*"...**intentionally** seeks to create both **financial return** and **positive social** or **environmental impact** that is actively **measured**"*

– World Economic Forum

- Expecting a financial return
- Intending to tackle social and environmental challenges
- Committing to measure and report against intended social and environmental impact

– United Nations Development Programme



Many paths can be taken…

Liquid strategies

Traditional	*Responsible*	*Sustainable*	*Impact / Thematic*
Competitive returns			
Limited or no focus on ESG factors of underlying investments	*ESG risk management*		
	Focus on ESG risks ranging from a wide consideration of ESG factors to negative screening of harmful products	*ESG opportunities*	
		Focus on ESG opportunities, through investment selection, portfolio management and shareholder advocacy	*High-impact solutions*
			Focus on one or a cluster of issue areas where social or environmental need creates a commercial growth opportunity **for market-rate or market-beating returns**
Examples JUNE			

Illiquid Strategies

- **Asset class:**
  - Infrastructure
  - Renewables
  - Etc.
- **Format:**
  - Direct Investments
  - Fund Investments

Danica Pension

The case for infrastructure



Attractive risk adjusted returns

Hedge against inflation

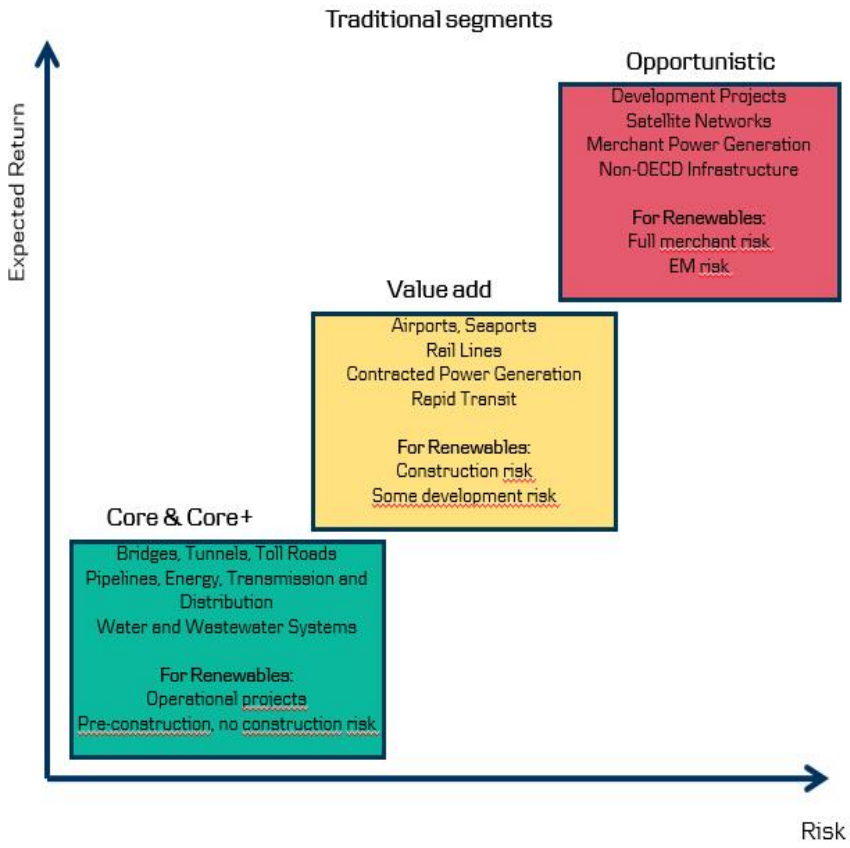
Low correlation and volatility compared with other asset classes

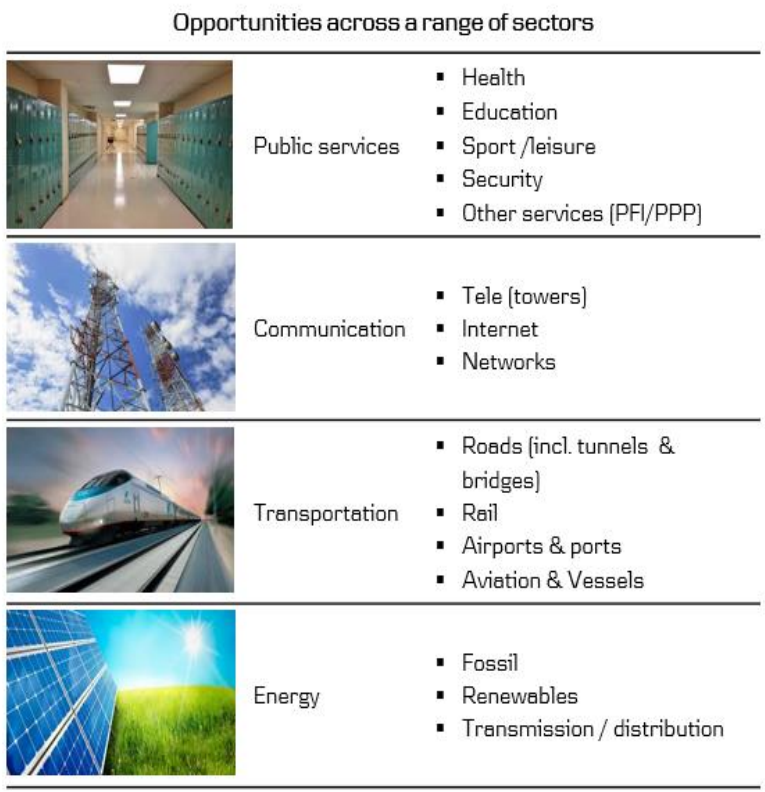


Stable, operating cash flows

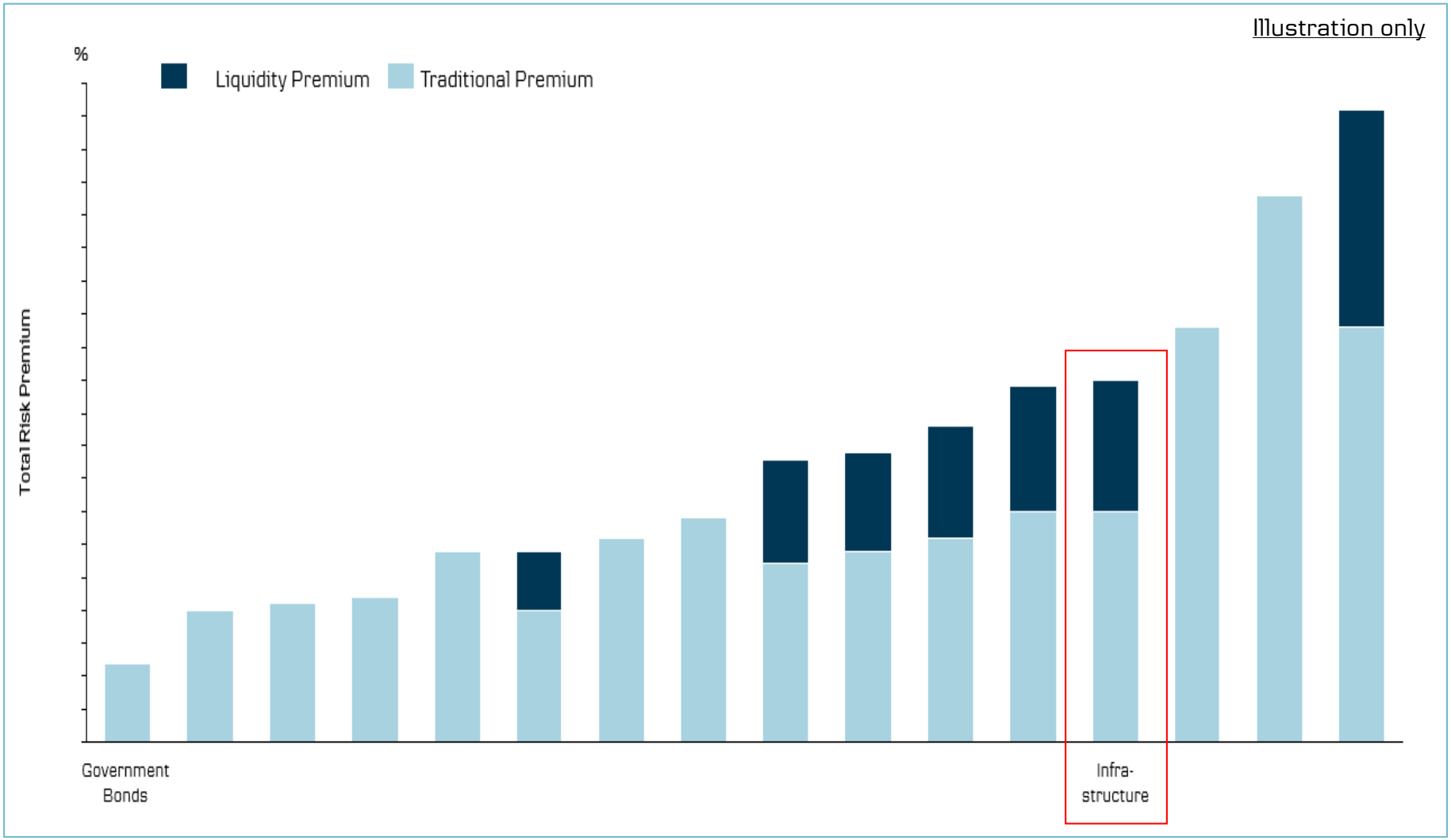
Potential for value enhancement through active management of assets

Infrastructure has different risk return profiles





I'ts about relative value…



Barriers for sustainable infrastructure

Unfavorable and uncertain regulations



No "bankable" pipelines





Infrastructure - prone to corruption ?



Economics of scale → transaction cost

For those who want to know more !

McKinsey Center for Business and Environment
January 2016

Financing change: How to mobilize private sector financing for sustainable infrastructure



Disclaimer

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The presentation must be read in conjunction with the oral presentation provided by the division of Danske Bank A/S.

