

An online mini-series

BREAKING THE FEVER



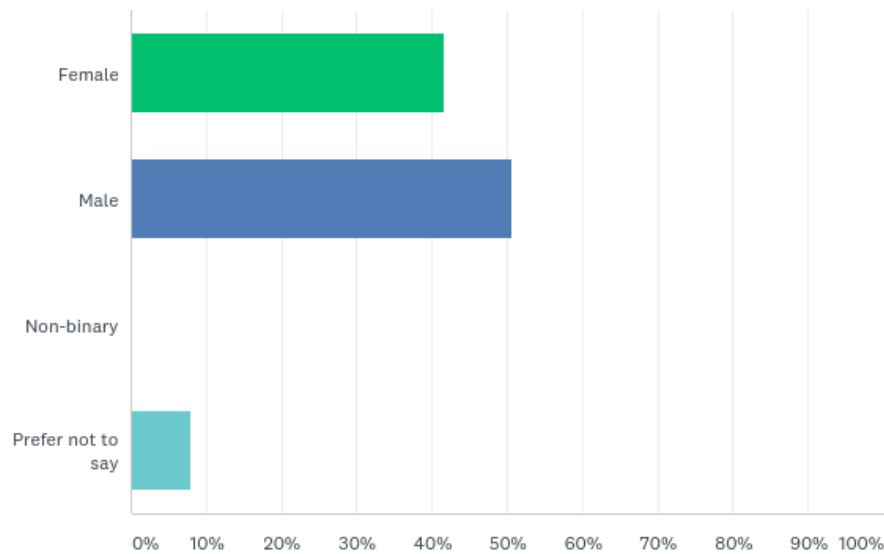
Hot take: ESG influencers and the Covid-19 response

Respondents

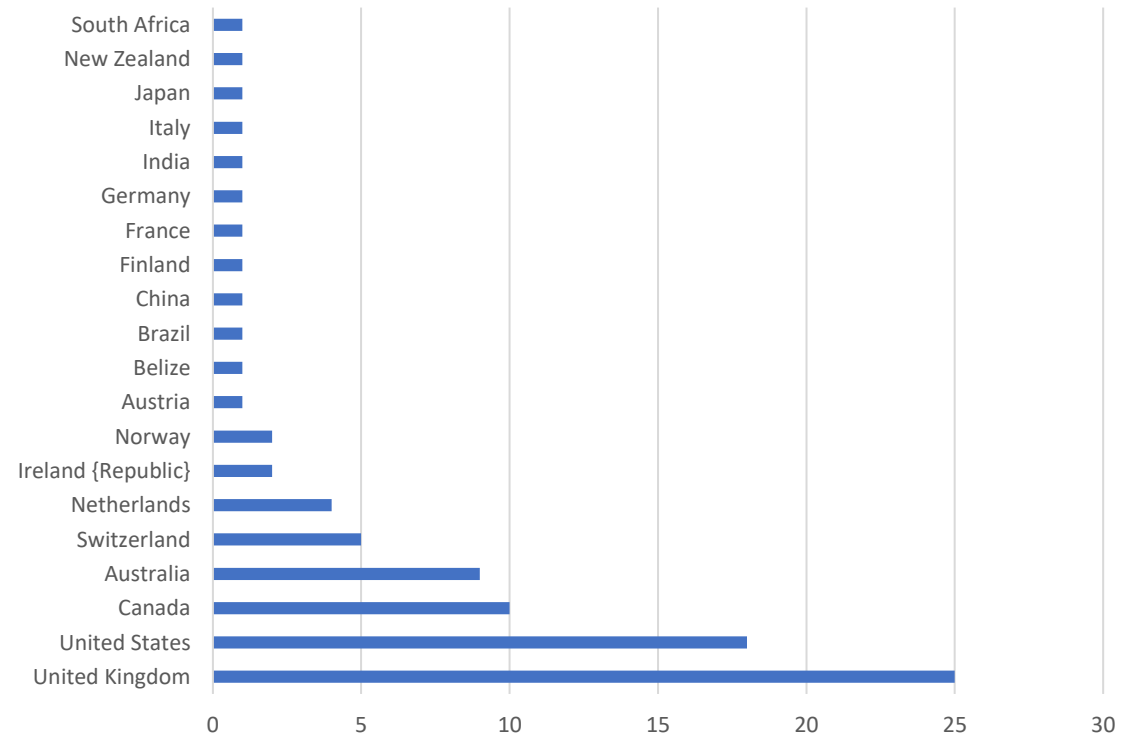


- 90 full responses from 200 invitations = 45% response

By gender



By country



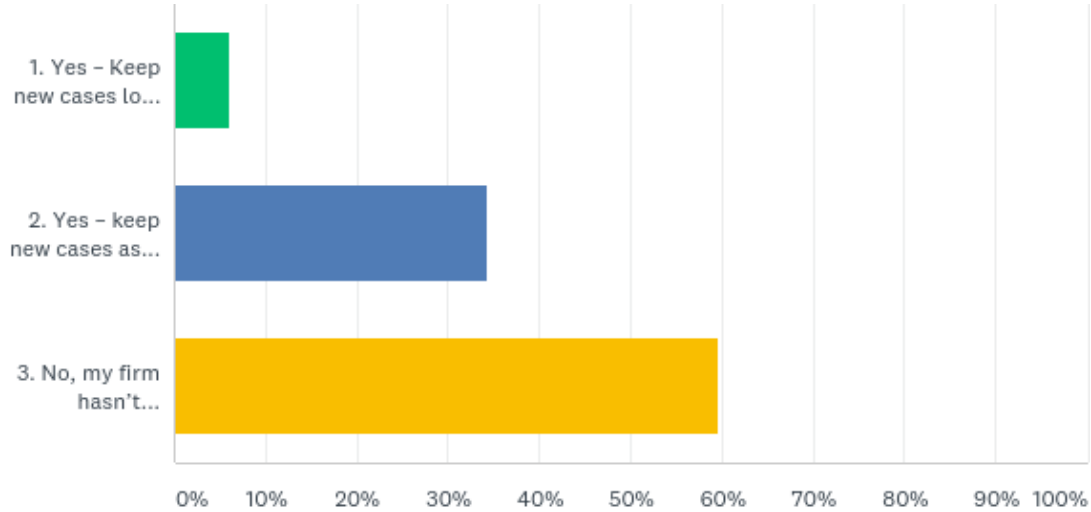
Thinking about the Covid-19 pandemic and its economic consequences, **in your personal opinion**, which of the following government responses is the most appropriate?



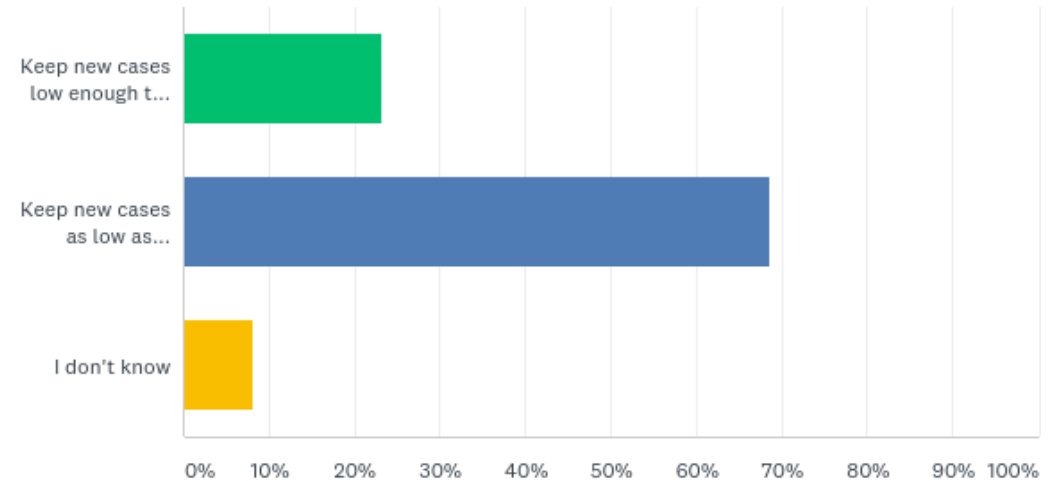
Because the future matters. A lot.

ANSWER CHOICES	RESPONSES	
Keep new cases low enough to stay within healthcare capacity while the majority of the population builds herd immunity	23.23%	23
Keep new cases as low as possible (e.g. Test, Trace & Isolate)	68.69%	68
I don't know	8.08%	8
Total Respondents: 99		

Does your firm (or if you aren't employed, the firms you know best) have a view on this question, and if so which?



Firm view



Personal view

Did your answer lean more towards integration (0), or towards stewardship (100)?



- Average score is 45, lean slightly towards integration. Some comments (edited for clarity):

Need integration (e.g data and process) to do stewardship

Our analysts are unsure how to interpret the impacts of Covid-19 beyond the more obvious demand impacts. Hence so far the response has been more focused on finding out more from the companies we invest in and on encouraging best practice with respect to protection of employees, etc.

ESG factors are considered in every investment. But we are aware of the limited evidence that integration changes company behavior.

Main goals in engagement: collaborate to reduce negative impact on society (protecting employees, working on vaccines, maintaining employment). We see dialogue as a better (and more direct) approach in comparison to integration.

Many companies and governments are issuing bonds to deal with the pandemic, so I suspect this would be a great time for the bond investor to step-up and work on conditional bond buying programs.

What message should investors send to companies in the short to medium term?

	CRITICAL	IMPORTANT	NICE BUT LESS IMPORTANT	I DON'T AGREE WITH THIS STATEMENT	TOTAL
We would like you to use consumer advertising and internal communications to educate about the pandemic even if this risks upsetting some stakeholders.	13.04% 12	46.74% 43	39.13% 36	1.09% 1	92
We would like you to lobby governments with regards to the desired pandemic response (Q.2) even if this goes against what some politicians might prefer.	24.18% 22	36.26% 33	19.78% 18	19.78% 18	91
We would like you to endorse the ICGN statement on shared governance responsibilities.	30.00% 27	46.67% 42	22.22% 20	1.11% 1	90
We would like you to collaborate proactively with civil society organizations to address emergency issues (shelters, soup kitchens, etc.)	33.70% 31	43.48% 40	22.83% 21	0.00% 0	92
We would like you to protect workers (eg avoid layoffs, pay for hospital bills, etc) even if this means suspending dividends/bonuses.	68.13% 62	28.57% 26	3.30% 3	0.00% 0	91

Commentary on the short-term response

E:

Link bailout with green recovery, double down on decarbonization.

S:

Involve workers in all pandemic / health and safety related decisions.

Redesign work environment for safety.

G:

Support your supply chains including in emerging markets and poor countries.

Avoid modern slavery.

Other:

We need to show the finance industry is playing its part. This is not about epidemiology. For banks it is about provision of credit. For long term investors it is about rebuilding the economy.

Collaborate to make sure society has access to protection, testing equipment and vaccine.

These issues seem very US centric!

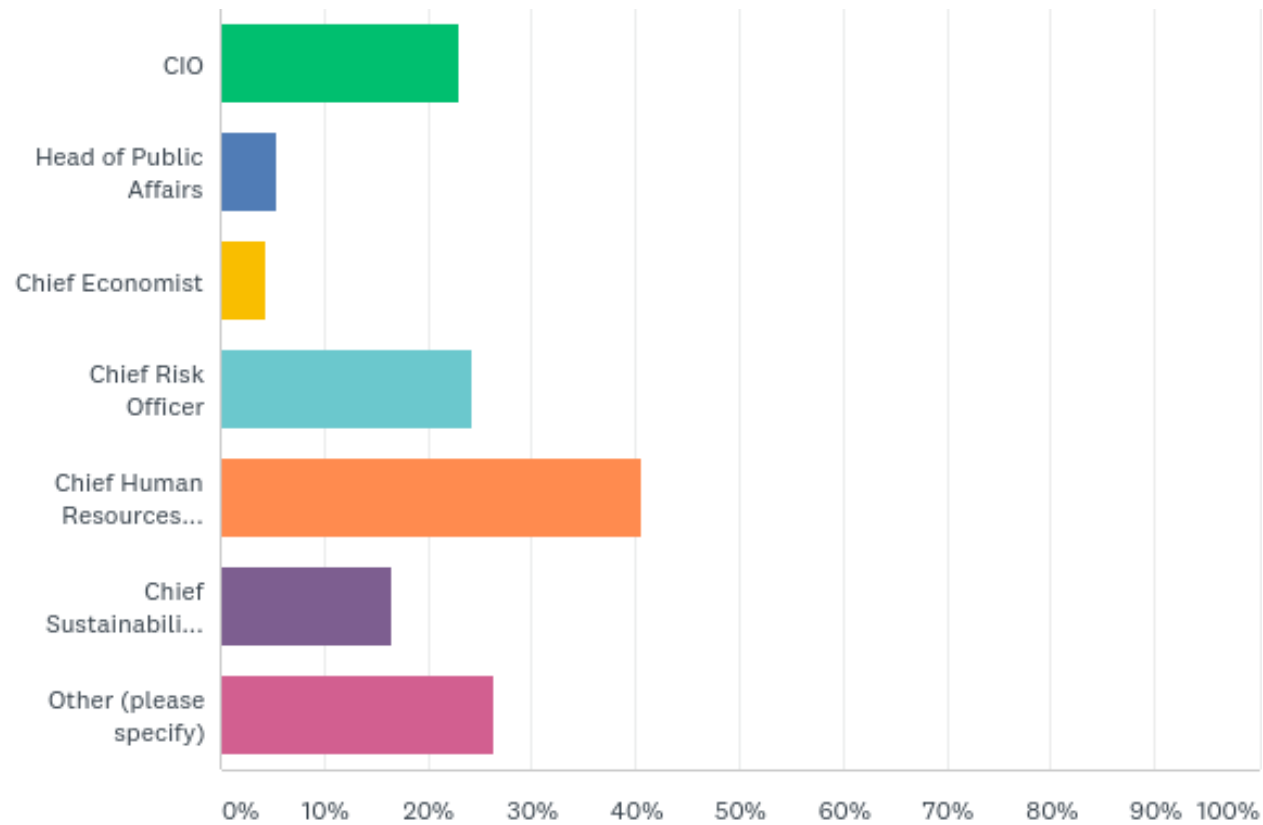
Debate:

*Need robust and forceful stewardship vs.
Need less confrontational discussions on these topics.*

Who in your firm has most impact on the Covid-19 response?
(leaving aside the CEO & Chair)



Because the future matters. A lot.



Please rate the following common statements on the long-term response

	CRITICAL AND REALISTIC	CRITICAL BUT UNREALISTIC	IMPORTANT AND REALISTIC	IMPORTANT BUT UNREALISTIC	LESS IMPORTANT	I DISAGREE WITH THIS STATEMENT	TOTAL
Social issues must rise to the top of the ESG agenda, even if it means deprioritizing other issues.	20.00% 18	4.44% 4	36.67% 33	8.89% 8	3.33% 3	26.67% 24	90
The crisis will shake up global trade. ESG Investors need to affirm the existing benefits of globalisation in the face of nationalistic pressures.	18.18% 16	3.41% 3	39.77% 35	7.95% 7	15.91% 14	14.77% 13	88
Institutional investors must examine their own role in creating or exacerbating systemic crises even if this transforms their business or savings and pension systems.	44.32% 39	26.14% 23	19.32% 17	5.68% 5	1.14% 1	3.41% 3	88
Investors need to help companies become more resilient, even at the cost of shareholder primacy.	38.64% 34	19.32% 17	19.32% 17	9.09% 8	3.41% 3	10.23% 9	88
We need to accelerate efforts to protect climate and biodiversity, even this accelerates the demise of incumbent companies.	51.14% 45	23.86% 21	15.91% 14	6.82% 6	0.00% 0	2.27% 2	88
Market concentration is a growing issue (e.g. Amazon, tech firms, financial services, etc.) that exacerbates systemic risks and needs to be addressed by competition authorities, even if it hurts their profitability.	35.63% 31	13.79% 12	29.89% 26	10.34% 9	4.60% 4	5.75% 5	87
On big systemic issues, Investors can't substitute for regulators. Governments and central banks need to develop meaningful norms of behavior, even if it means more rules and taxes.	54.55% 48	13.64% 12	25.00% 22	3.41% 3	0.00% 0	3.41% 3	88

Commentary on long term response

- False dichotomy: governments and investors both have a role to play - that's the nature of systemic issues.
- Simplify, clarify and enforce the regulations that already exist.
- The finance sector has influence but won't solve the big problems. But if financial firms committed to ESG don't pull their weight and only focus on ESG integration, then governments and civil society must step in.



Because the future matters. A lot.

Disagree with the first statement. The "S" in ESG has historically attracted less attention. Rightfully the current crisis has put it center-stage but this should not be at the detriment of the significant advances made in E and G issues. It is not a zero-sum game, E, S & G are linked and working on S will have knock on effects on E & G and vice-versa.

- We need new forms of cooperation: business - governments - third sector parties that can address local-regional challenges, demonstrate new approaches and then inspire others to scale them.
- I am concerned with the state of democracies. I am not sure emphasizing global trade is the right response vs. ruthless nationalist agendas. It's about educating people...
- These issues don't mean the same thing depending on countries.
- These are all false choices.

Missing themes:

- ESG benefits of an accelerated digital disruption
- Green recovery
- Health and wellness
- Tax and inequality

Who do you admire?



Because the future matters. A lot.

Public/government	Financial institutions
Jacinda Ardern	Commerzbank (economist team)
Anthony Fauci	Domini Social Investments, New York State Common Retirement Fund
Andrew Cuomo	Matt Comyn, CEO Commonwealth Bank - early visible leadership and community support
Danish government (tax havens)	Hermes EOS
German government (early intervention)	BMO
Australian government (childcare and job keeper support)	APG
Adrian Orr (Government reserve fund of New Zealand)	RCM
	Erste Asset Management
	Kepler Funds
Academia, etc.	Investor organizations
Nassim Taieb	ICCR
John Hussman	PRI - Fiona Reynolds
Stephanie Kelton, Paulina Tcherneva, Bill Mitchell (MMT economists)	ICGN
Robert Eccles	GIIN
	SHARE - Kevin Thomas

But also:

No discernible leadership

Investors have been rather quiet, besides high-level expectations

Some nice noises but I only trust real action

BCG Covid-19 Investor Pulse



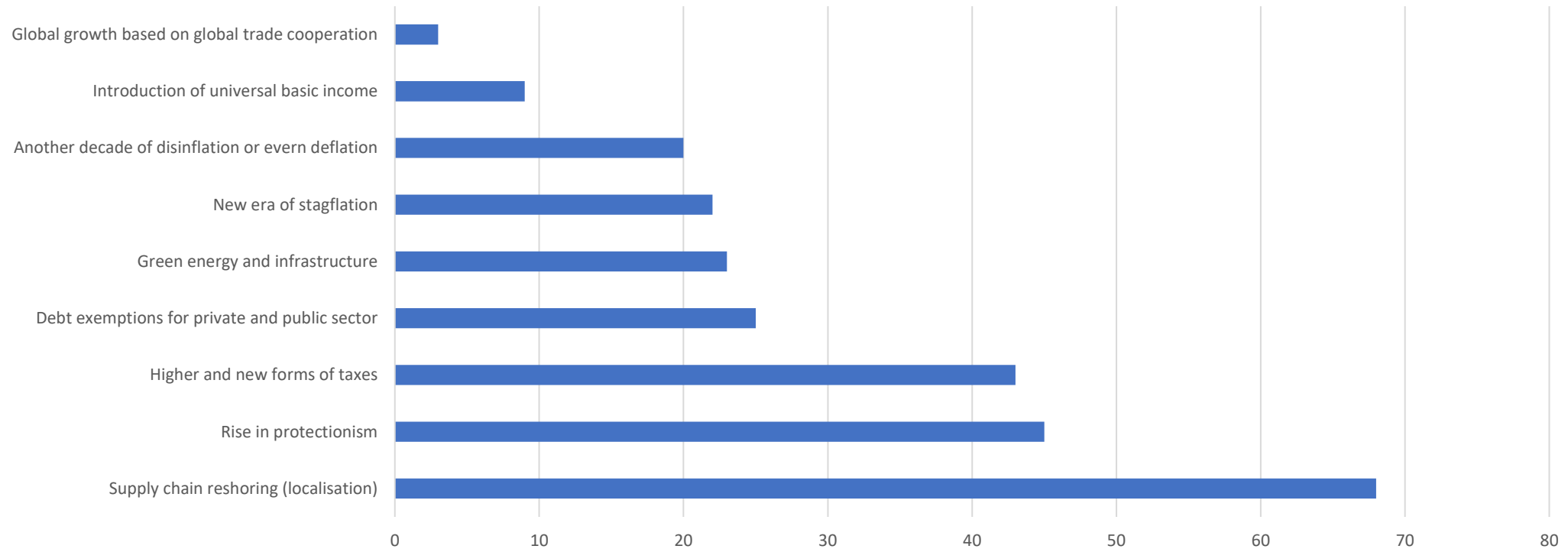
- 68% agree healthy companies should focus on liquidity
- 29% agree healthy companies should preserve dividends
- 85% understand why companies withdraw guidance for 2020
- 48% think healthy companies should pursue ESG agenda (56% one month ago)
- What they look for in leadership teams:
 - 18% transparent and honest communications
 - 13% long term and strategic mindset
 - 8% liquidity
 - 7% agility
 - 7% preserve workforce.

BoFA Global Fund Manager Survey



Because the future matters. A lot.

Which of the following are the likely structural shifts post pandemic crisis?



Source: BoFA Global Fund Manager Survey, May 2020

An online mini-series

BREAKING THE FEVER

