

# Generating Returns. Sustainably.

## 5<sup>th</sup> Basel Sustainability Forum



Credit Suisse AG  
Impact Advisory & Finance  
September, 2019

# Why?











# Progress?

Red  
Blue

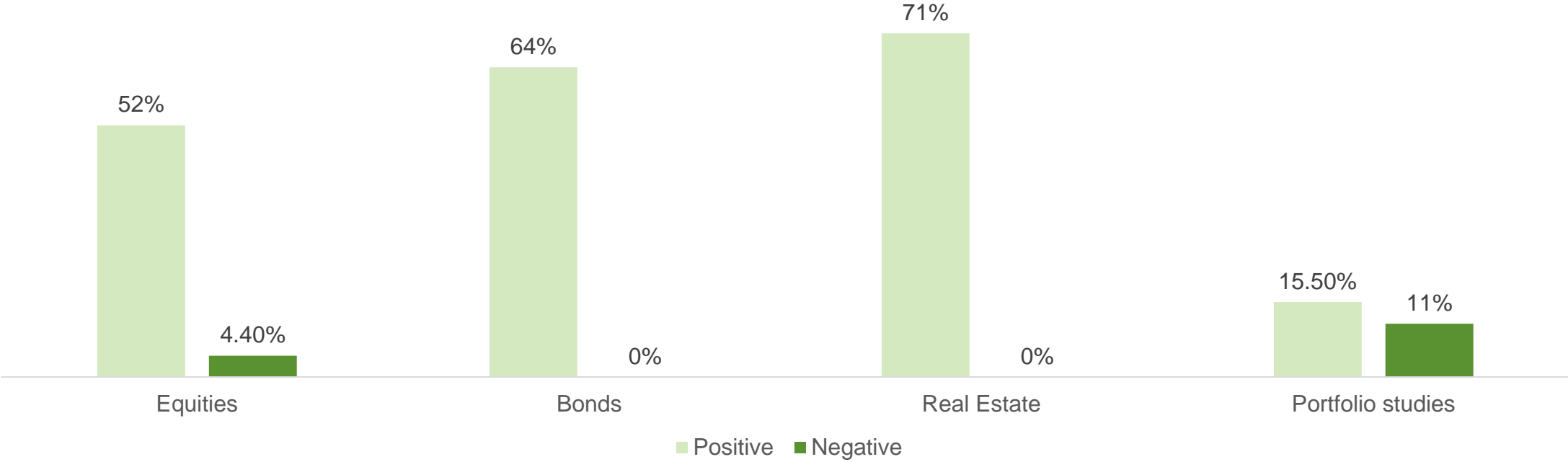
# A question of returns?



# A question of returns?

## Studies don't seem to think so

**Tracking the link between ESG & CFP across major asset classes**  
Vote count sample, over 2,250 studies analyzed (1970-2014)

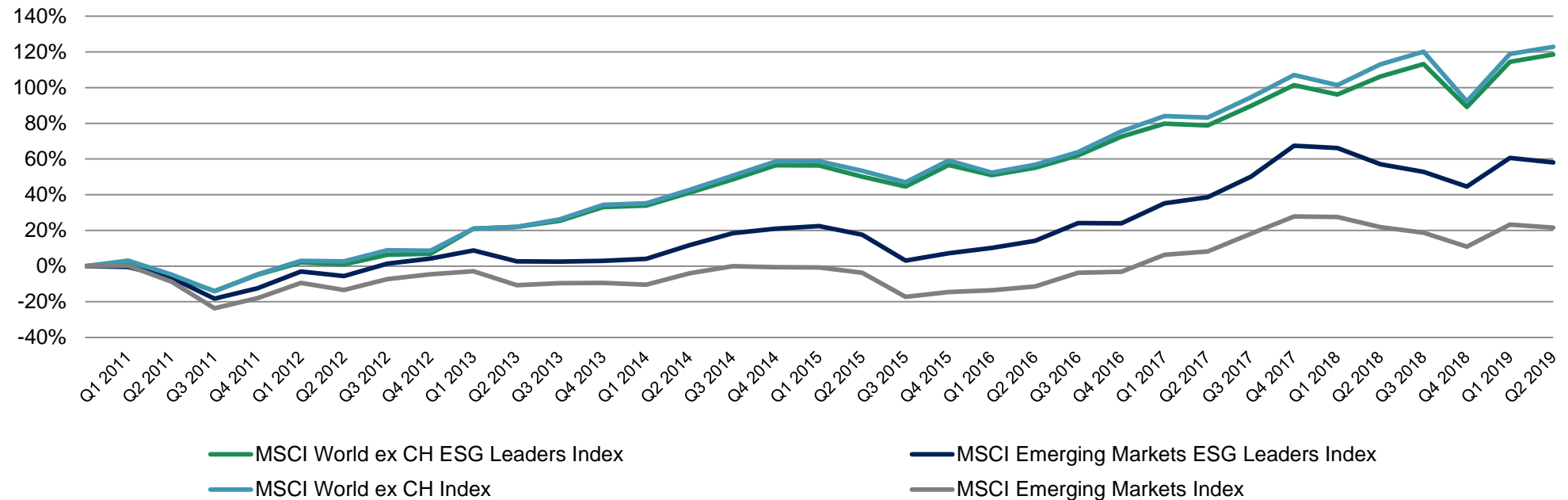


Source: Friede, Busch, Bassen (December 2015)

# A question of returns?

## Sustainability indices earn market returns

Comparison MSCI World ex CH ESG Leaders Index vs MSCI World ex CH Index (both TR CHF) & MSCI Emerging Markets ESG Leaders Index vs MSCI Emerging Markets Index (both TR CHF)



Source: Credit Suisse AG, 2019



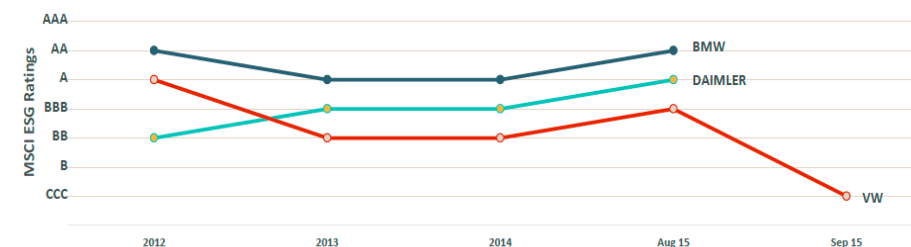
# A question of returns?

## Investing sustainably mitigates risks

### ESG risks

- From 2013 to 2015 MSCI downgraded VW from A to BB on controversies between 2013 and 2015, classified under the categories of product and service quality, bribery and fraud, and collective bargaining
- VW admits to installing software to circumvent nitrogen oxide emissions in diesel cars from model years 2009-2015

### MSCI ESG Ratings: VOLKSWAGEN



### Impact



**482,000 vehicles** in the US affected; potentially up to **11 million globally**



VW set aside **USD 16 billion** to cover potential costs



Market value drops by **USD 18 billion** within a day

Source: MSCI ESG; For illustrative purposes only

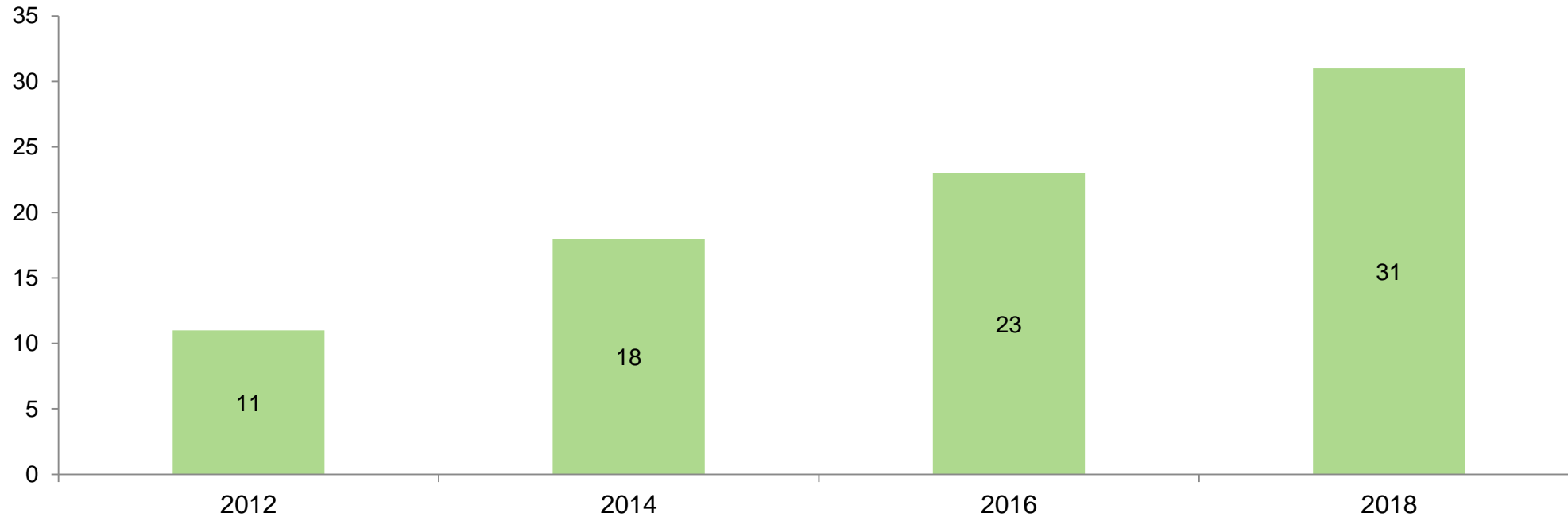
# But is it investable?



# Is it investable?

## Market is growing rapidly

**Global market development of sustainable investments**  
(AUM in USD, trillion)

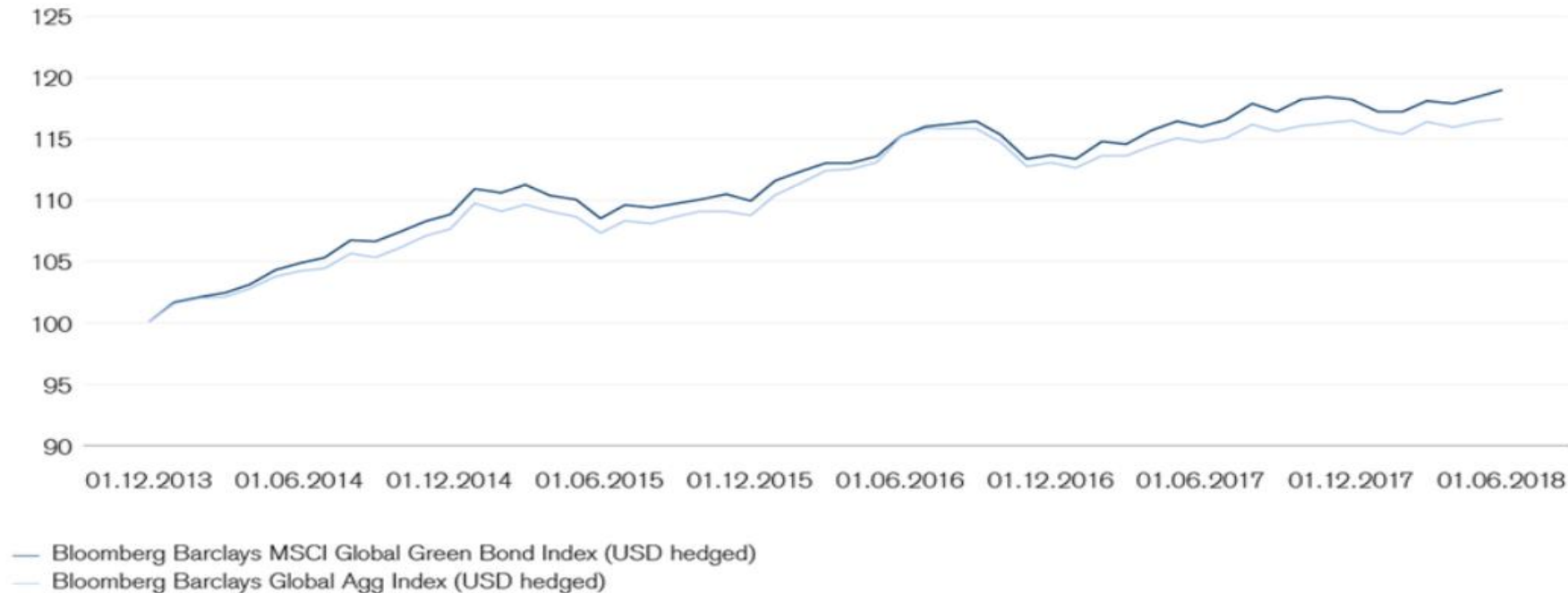


Source: Global Sustainable Investment Alliance Report 2018 (GSIA), report conducted every 2nd year

# Is it investable?

## Sustainable investing across asset classes

### Green bond market performance USD hedged



Source: Bloomberg, as of end June 2018

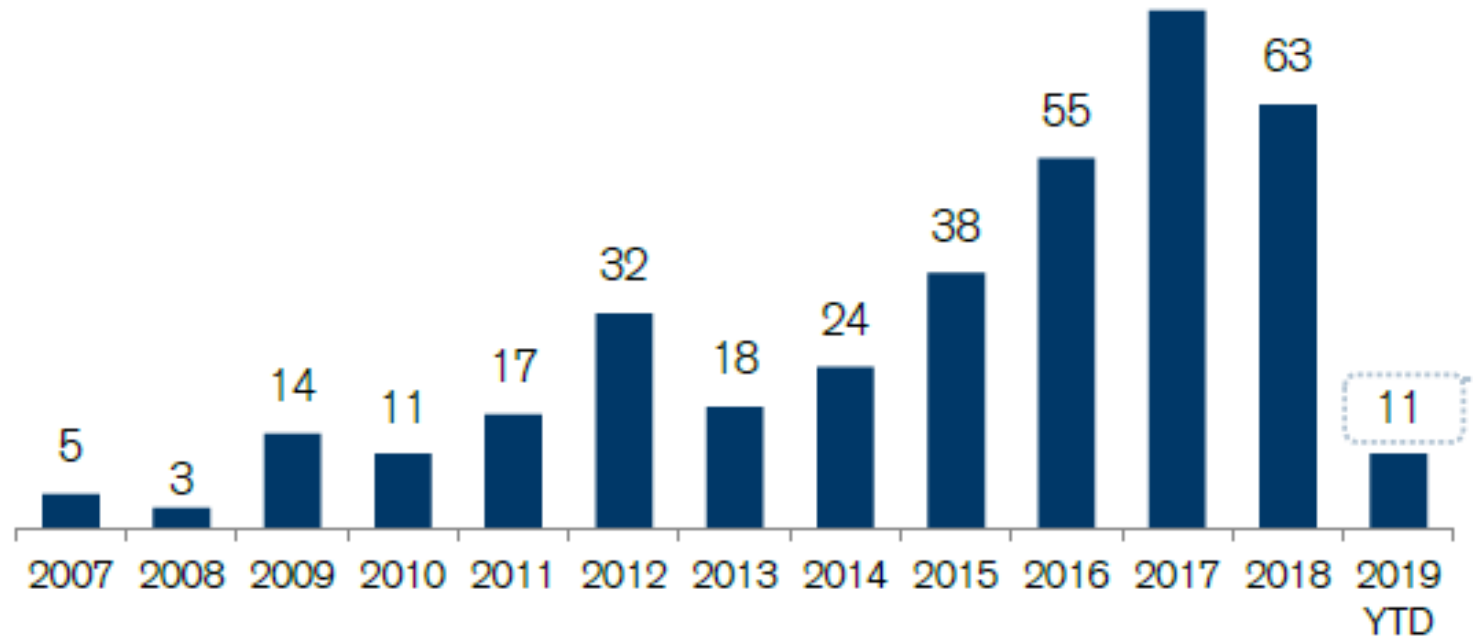


# Is it investable?

## Sustainable investing across asset classes

### Shareholder activism is on the rise

Number of ESG related campaigns 2007-2019 YTD



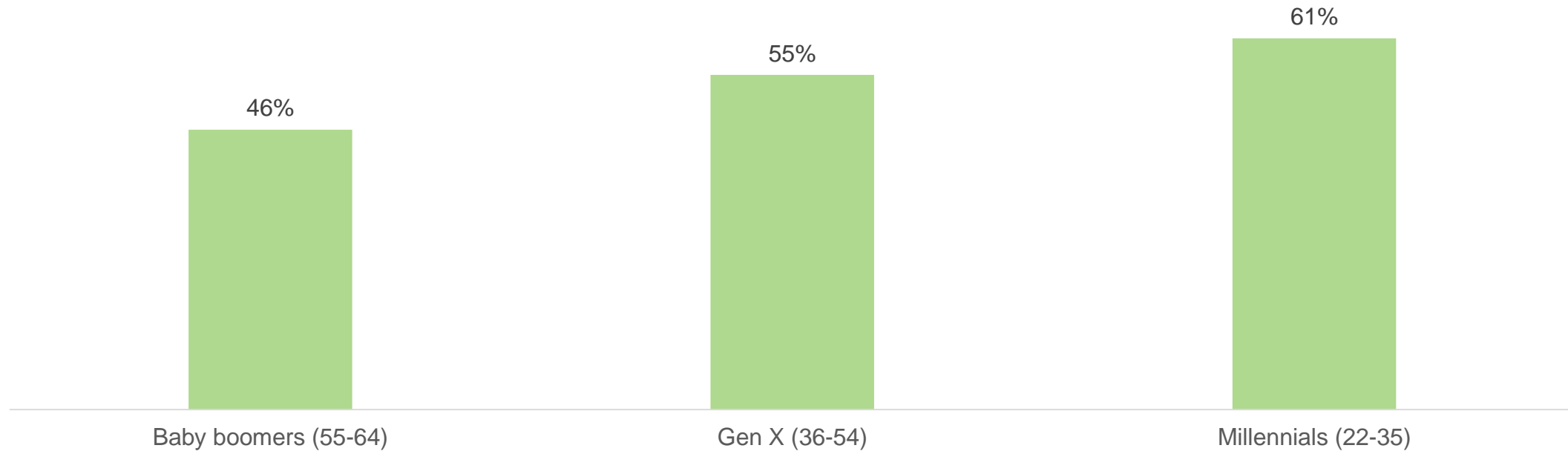
Source: Activist Insight

# Is it investable?

## Sustainability unlocks new investment opportunities

**% who agree they would pay more for eco-friendly products**

111,899 survey respondents



Source: Global WebIndex Q2 2018

# Is it investable?

## Sustainability unlocks new investment opportunities

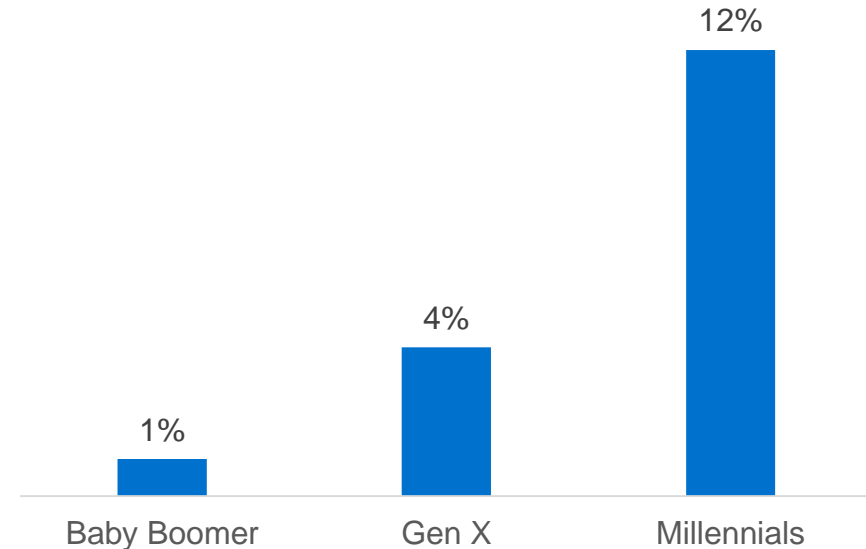
### Environmental impacts of meat come under scrutiny

**“A vegan diet is probably the single biggest way to reduce your impact on planet Earth, not just greenhouse gases, but global acidification, eutrophication, land use and water use’. It is far bigger than cutting down on your flights or buying an electric car,”**

- Joseph Poore, University of Oxford

- Livestock provide just **18% of calories** but take up **83% of farmland**
- If all humans were to convert to a plant-based diet, global farmland use could be reduced by more than **75 percent**
- Loss of wild areas to agriculture is the **leading cause of the current mass extinction of wildlife**.

### Millennials more likely to be vegan

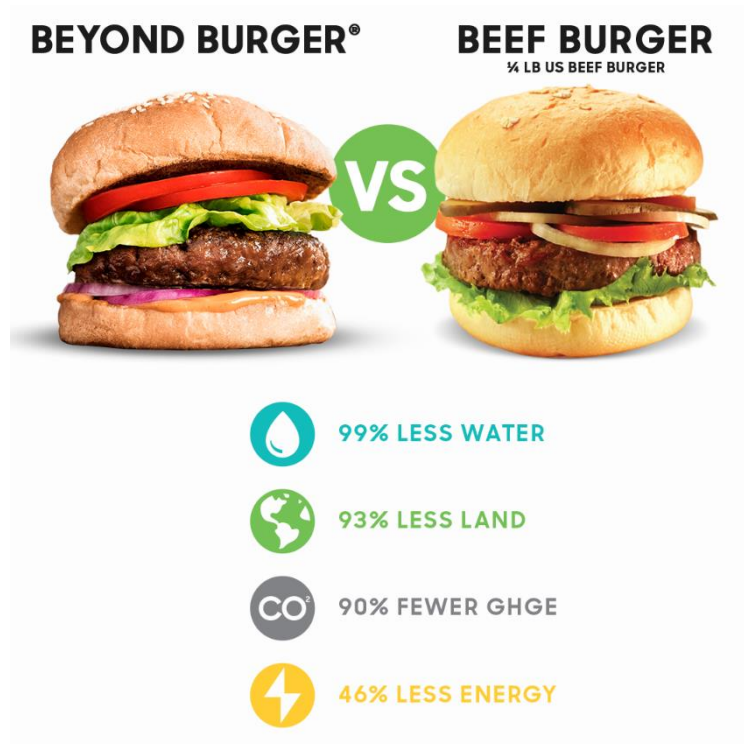


Source: New York Times, University of Oxford

# Is it investable?

## Sustainability unlocks new investment opportunities

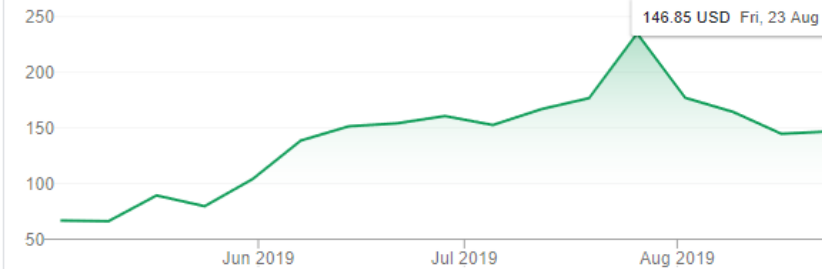
Plant-based alternatives claim environmental benefits



Beyond Meat becomes first vegan meat producer to IPO

Beyond Meat Inc  
NASDAQ: BYND  
**160.31** USD +3.29 (2.10%) ↑  
Closed: 29 Aug, 05:38 GMT-4 · Disclaimer  
Pre-market 162.40 +2.09 (1.30%)

1 day 5 days 1 month 6 months YTD 1 year **5 years** Max



Source: Beyond Meats, NASDAQ, retrieved August 2019



# Is it investable?

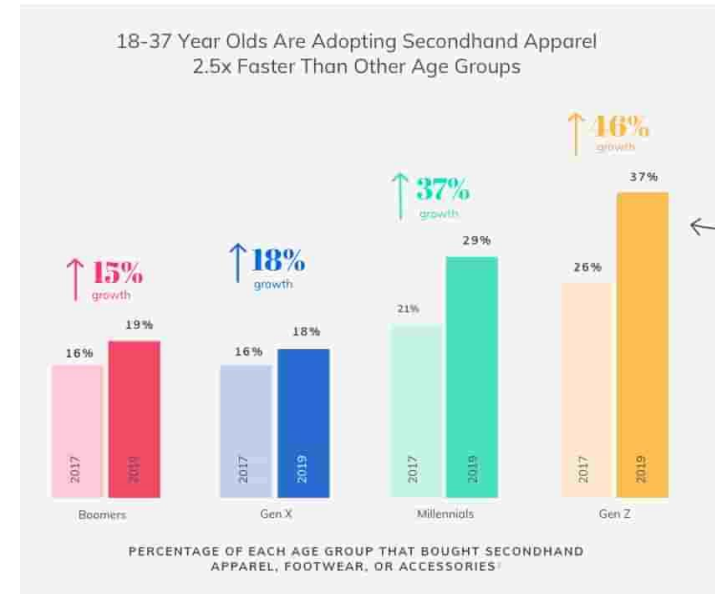
## Sustainability unlocks new investment opportunities

### Environmental impacts of fashion



- It takes **2700 liters** of water to produce one t-shirt
- Apparel is responsible for 20% of industrial wastewater pollution
- The global community consumes about **80 billion** new pieces of clothing a year
- **More than half** of fast-fashion garments are disposed of in less than one year

### Young consumers more likely to buy secondhand

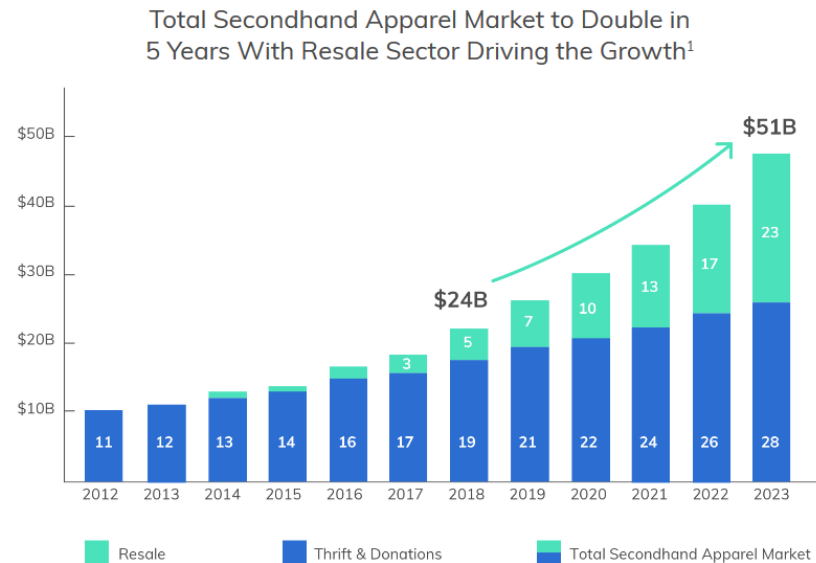


Source: ThredUp, GlobalData

# Is it investable?

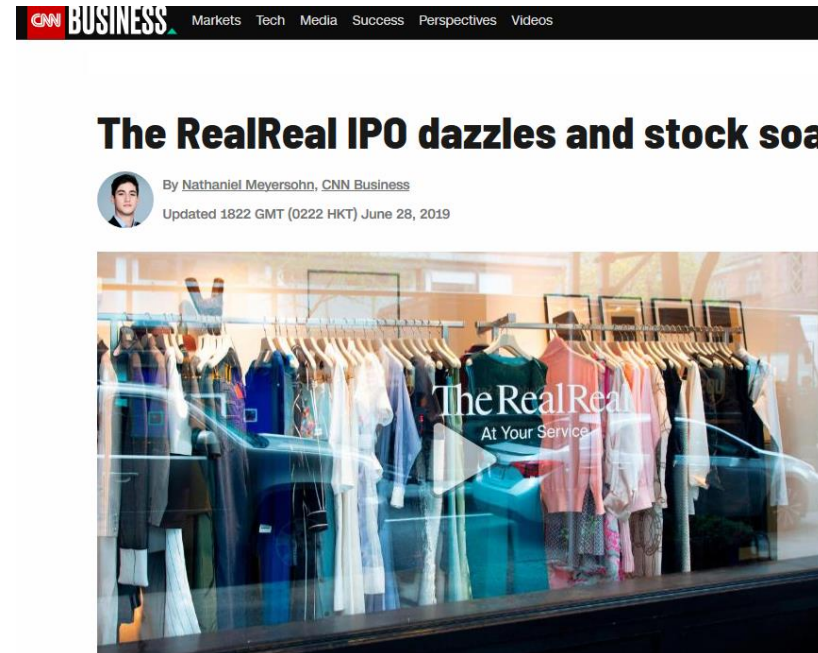
## Sustainability unlocks new investment opportunities

### Secondhand apparel market growing



Source: ThredUp, GlobalData, CNN Business

### Opportunities in secondhand market



# Is it investable?

## Sustainability unlocks new investment opportunities

### Millennial exposure boosts stocks

Companies catering to millennial tastes have outperformed



Source: Bloomberg, Financial Times, Credit Suisse

What if we  
*all*  
invested  
differently?





# What would happen if all invested differently?

## The world needs private wealth



Source: United Nations

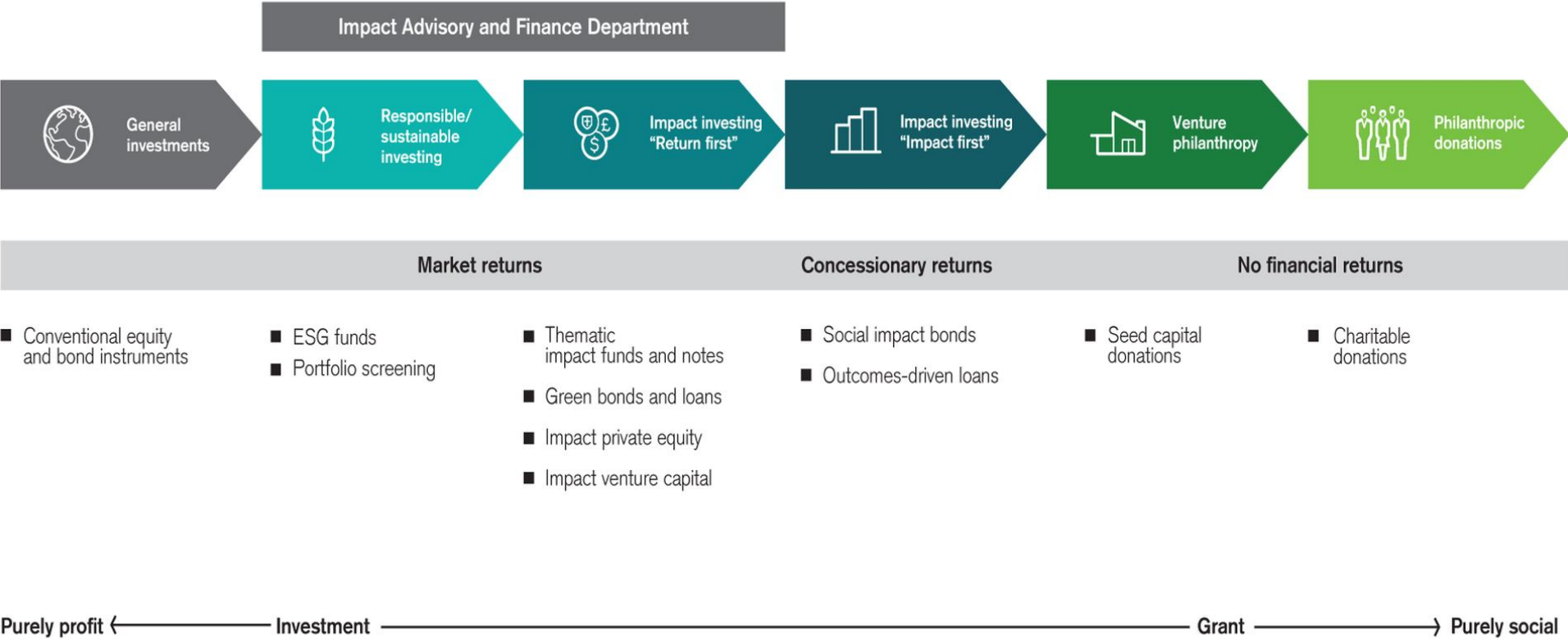
# Why *not*

# ???



# Impact Advisory and Finance

## The spectrum



Source: Impact Advisory and Finance Department, Credit Suisse



*"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."*

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