



TRANSCRIPT PODCAST GREEN MOMENTUM INVESTORS CRUCIAL ROLE IN SHAPING CORPORATE RESPONSIBILITY STRATEGIES

Introduction

Jérôme Libeskind: Hello, everyone, this is Jérôme Libeskind speaking, and you are listening to Green Momentum. This is the first podcast dedicated to green finance and its role in the global approach of companies and governments for better preservation of the environment. Green Momentum is brought to you by Natixis. This episode of the second season focuses on a central question: How can investors influence corporate strategy and how can they create a virtuous dynamic?

To answer these questions, we welcome two guests today:

- Nathalie Pistre, director of Research and SRI at Ostrum Asset Management, which is an affiliate of Natixis investment managers.
- And Laure Delahousse, Deputy Managing Director of the Association Française à la gestion financière.

Question: If we think about how investors can influence companies, the first thing may be to convince companies to have a CSR policy and perhaps to go further, faster, maybe stronger. This is what you call engagement, to engage. Do you need to talk with the companies themselves to get them to commit in this movement?

Nathalie Pistre: Yes. What we call engagement is having a dialogue with firms, telling them the thematic axes that are important for us, for the extra financial part, and looking at their actions in time and seeing what they do along the road to increase their practice or to enhance their practice in this area.

Engagement, commitment. How do you start the dialogue with the companies you want to invest in?

Laure Delahousse: You have several means to engage in dialogue with a company. You must have clear objectives on which you engage with the company. You have several ways to influence a company to adopt a better CSR policy. You can select the better actors or the better companies who have the best CSR policy. You can also exclude the ones who have a bad CSR policy, and you can engage, so you can dialogue with a company.

You have several ways to engage. It's different, for instance, if you are a shareholder or a debt holder, because when you are a shareholder, you have a word to say in the General Assembly, because you can vote, you can vote against a resolution, for instance. You cannot do that when you are a debt holder, so you have to use other means.

**Question: We will talk a little bit later on about the means.
The pressure tactic you're talking about -- is it effective as a shareholder?**

Laure Delahousse: Yes, as a shareholder it's very clear, because you're at the General Assembly of the company and there are some resolutions about remuneration, for instance, of the directors or some resolutions about the representation of women in the board so you can vote and you have a direct action.

Question: Nathalie Pistre, this is a very slow movement. We don't want to give the image that it's happening quickly. You have to give companies the time to change and to explain to them what they want them to do.

Nathalie Pistre: Yes, this is true because you tell companies that this aspect -- climate aspect or remuneration or women in board -- these types of things are important for you. And so, you give them time to implement new strategy, to give you proof that it works and that they are able to put it in place. Generally, there are costs for this type of innovation in terms of environment. So, you need to give them some time and observe the actions over time.

Question: It's a kind of guidance?

Nathalie Pistre: It's guidance. And after that -- observation, monitoring, constant dialogue with the firms -- and see what happens.

Question: Let's talk about the proof for a short moment. It's very difficult: before you had just financial topics, which are quite objective. Now the proofs are more subjective. How do you get real proof of the change within the companies?

Nathalie Pistre: Yes, we need data, and we also need what we call KPIs, key indicators, that we want to monitor over time. We try to be very objective in terms of indicators, so very often we ask the firms to give us information about these indicators, which is a first step. For instance, in our engagement policy, we have the transparency engagement. We ask firms to be very transparent in terms of financial data or extra financial data. So, you need indicators by the firms or by external data providers.

Question: Showing a will to change things -- is it a massive move from all investors everywhere in the world or not?

Laure Delahousse: Yes, it's a massive move, especially from European and French investors, because it's very ancient, but we have the regulations which push us, to take into account these ESG key indicators, as Nathalie said. It's a very strong movement, especially in Europe. It's less the case in the US or in other countries in the world, but it will surely become a very strong movement.

Question: Nathalie Pistre, how has this movement changed the way you work? Before you were just an analyst on a financial basis, now you have many other topics to monitor. How did you change your method of work?

Nathalie Pistre: Yes, in fact, it changes the job itself, the work of a financial analyst. We can say now that they are financial and extra financial analysts. They always had dialogues with firms but now the dialogue is at the same time on the financial aspect and on the other aspect, the extra financial aspect. There is a lot of work. Also, there are a lot of axes of engagement, there is not only one axis. There is not only climate or not only biodiversity. There are a lot of different aspects, so that changes the means that you need and the way you work with firms.

Question: So that means that there's a lot of work for companies too because effecting change across all these topics is a huge amount of work.

Laure Delahousse: Do you mean the asset management companies or the companies you invest in?

The companies you invest in.

Laure Delahousse: Yes, of course, it changes the state of mind of the companies because they must communicate on the balance sheet and the PNL. But they also have to communicate on KPIs to give proof that they have a real CSR policy.

Nathalie Pistre: And they must change their business sometimes, the way they do it. Communication is a big part. And a few years ago, it was only communication, maybe, for some corporate firms. But now they need to give proof. The proof is in the pudding. So, they need to change strategy. They have to prove that they are able to finance new technology or a new way of working -- these types of things.

Question: And the opinion is asking that too?

Laure Delahousse: Yes, the company must change its business model and to give us as investors some good indicators that prove that they have changed their business model. That's a very important point: we need data, reliable data, and it's a real issue today.

Question: Laure, you said that it was quite simple when you are a shareholder, but when it comes to finance the debt of the companies, if you are an investor, you get no means to vote. So how can you have an influence on companies?

Laure Delahousse: As I said before, you have to engage a dialogue with the companies; you present your objectives, and you follow their implementation. If the company doesn't move, doesn't change its business model, its way of working, you must exclude the company from your portfolio. And it's very clear now in the French regulation monitored by the Autorité des Marchés Financiers, you have to give the proof that your engagement policy has some real impact on your portfolio.

Question: Nathalie Pistre, isn't that an angelic vision of things? You say you can exclude companies when investing but there will always be an investor to invest in them, there will always be good investors and bad investors.

Nathalie Pistre: We can call it a virtuous circle. We are not alone; an asset manager alone can't do everything by themselves. But if many asset managers have the same opinion and the same engagement policy plus the regulators, I would say their actions and the government and the public opinion and all -- in the end it's a virtuous circle. For some sectors, especially coal, for instance, which is the biggest problem we have with climate, it's more and more difficult to find investors, to finance your position when you are developing, for instance, new coal production, these types of things. It becomes very difficult.

Question: Laure Delahousse, coal is a very good example of the key role of regulations, isn't it?

Laure Delahousse: Coal is not in the regulations. The regulation doesn't say you have to exclude coal from your portfolio. But as you have to show what your carbon footprint is in the fund, if you invest in coal, obviously your carbon footprint would be very high, so it's not good. So, it's not mandatory, but you have to progressively to exclude coal from your portfolio. And a lot of French asset managers have already excluded coal from their portfolios.

Nathalie Pistre: And there are the reputation aspects also. Regulatory aspects, but also reputation itself, for investors, for asset owners, and for the asset managers. Everybody knows who invests in coal, and who is getting out of coal. It's visible.

Question: It's true in Europe, but is it true anywhere else in the world? In China or in Russia? Is the movement the same?

Nathalie Pistre: The movement is not exactly the same, at the same speed, but the movement is already in place. I think that for the US the new president will really impact its regulation and also what is expected from investors, what is expected from oil, gas, coal companies. Some production is stopping in these types of things. And even China recently announced that they will get out of coal. Not as fast as Europe, but they already announced the fact that they want to, even if it's not the case for the moment. But in 2040, even if China for the moment needs coal for growth.

Question: Let's talk about customers. I am a customer. Because you are in asset management but I am an investor. As a small investor, as a customer. Let's say I have like a thousand euros to invest in my life insurance, for instance. How can we be sure that your criteria become my criteria for my choice?

Laure Delahousse: You must ask your financial adviser, because now I think that more and more the customers, especially the young generation, will ask where they invest. If you have an adviser, you have to ask what kind of fund they invest in and what there is in this fund.

Question: Is he able to answer that?

Laure Delahousse: You mean the advisor? They will have to, because -- back to the issue of regulation -- in some months' time when you go to your bank or to your financial adviser, they will have to ask you if you have some preferences regarding responsible investments, if you want your financial products to integrate some environmental or social criteria. It will become mandatory.

Question: Nathalie Pistre, do you think that one day ISR environment criteria will become as important as income, as return on investment?

Nathalie Pistre: Yes, I think that they already may be becoming as important as the financial aspect for some investors, and for some final customers. This is the case for young people, for instance. Both aspects are important, and they are really integrated now. We call it integration, integration of extra financial and financial aspects. It's becoming more and more important.

Question: Are you doing this work in order to be able to offer more products that are interesting and take into account all of these criteria?

Nathalie Pistre: Absolutely. All our products integrate the extra financial and financial aspect. We don't want them to be separated.

Question: OK, thank you very much for this explanation. We have one last question in this program. Given everything we said from the beginning, are you optimistic or pessimistic for the future?

Nathalie Pistre: I am conscious, I am aware of what's happening, observing the movement on the markets, the movement of customers, the regulatory movements, and also the investments from the states, from the European Union, for instance. I think we need a lot of investment in new technology and in creating jobs in these fields.

Laure Delahousse: I'm quite optimistic because I see that everything goes in this direction. But I think the question is, are we going fast enough?

Question: And the answer is maybe no?

Laure Delahousse: Maybe no.

Jérôme Libeskind

Thank you very much. This is the end of Green Momentum for today. Thank you to you for following us. If you just discovered Green Momentum, the previous episodes are available on all podcast platforms. Thank you again and see you soon for another Green Momentum episode!

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