Thinking Ahead Institute

Sustainable investing in practice

A series of case studies from the sustainability portfolio construction working group

Sustainability portfolio construction working group

This document has been written by members of the Thinking Ahead Institute's sustainability portfolio construction working group and the Thinking Ahead Group 2.0 (Roger Urwin and Marisa Hall). The authors are very grateful to the members of the working group for their contributions and note that the views expressed here are solely those of the individual authors and not necessarily representative of the formal views of their firms. Important disclosures are included in the limitations of reliance section of this report.

While the key objective of the group is to deliver to Thinking Ahead Institute members a series of publications that form a holistic framework for practically implementing sustainable investing, a secondary objective is to positively influence the investment industry outside the membership. We hope this paper serves both purposes.

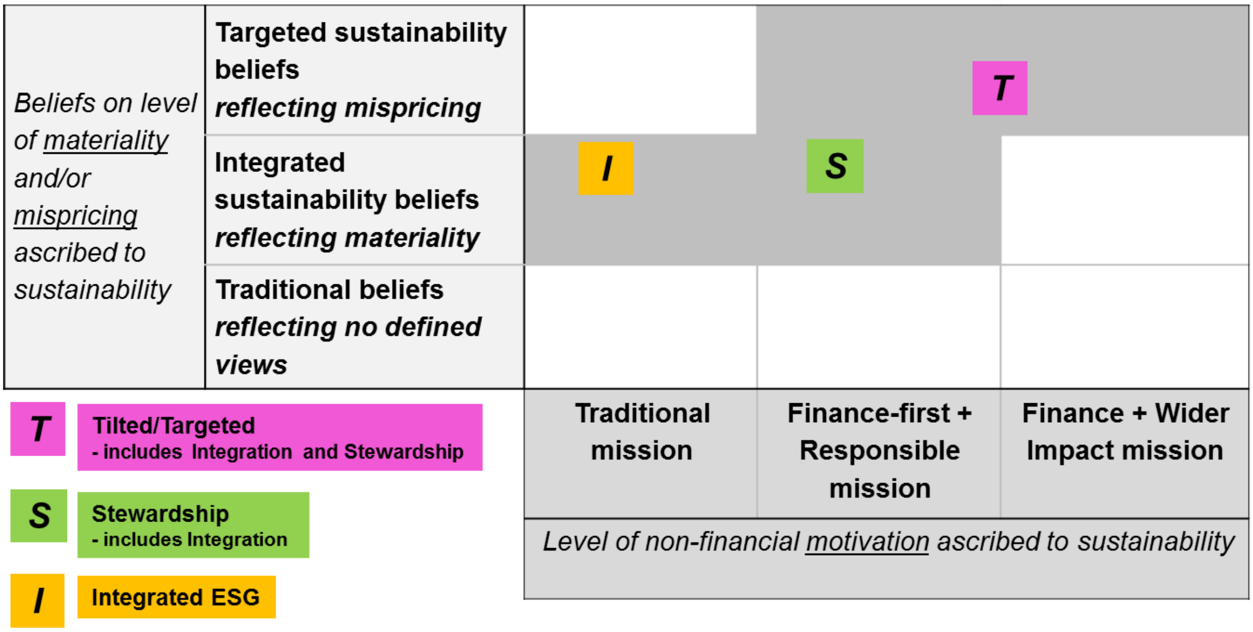
The members of this working group are as follows:

- Adrian Trollor, BT Financial Group
- Peter Brackett, State Street Global Advisors
- Herschel Pant, AXA Investment Managers
- Martina Macpherson, S&P Global
- Per Lekander, Lansdowne Partners LLP
- Lucy Thomas, Willis Towers Watson

Moving from beliefs to action: sustainability policies and practices

Effective sustainability practice is deeply connected to clear sustainability beliefs. In the Thinking Ahead Institute's paper '*Sustainability beliefs: a new measurement tool*', we discuss how beliefs can be mapped to sustainability policies and practices based on an organisation's motivations and levels of conviction (see Figure 1 below). This leads to approaches consistent with three broad areas of practice: integrated ESG, stewardship and tilted/target.

Figure 1: Strategic responses to sustainability beliefs



Most asset owner organisations that have explored their sustainability beliefs tend to fall into four matrix positions (shaded in grey above). There are normative reasons to support this mapping - funds increasingly need a social licence to operate with increased stakeholder responsibility to ensure their viability. This must be accompanied by more robust beliefs around sustainability materiality, mispricing and motivations (and supported by credible metrics on risk, return and impact). The pace of adoption for better sustainability practices is quickening and investors need to 'up their game' or get left behind. To do this, investors need to regularly challenge and update their sustainability beliefs, policies and practices.

In this paper, we focus on current sustainability practice. We showcase examples from members of the Institute's sustainability portfolio construction working group, covering the following topics:

- Four asset owner case studies (BT Financial Group / Willis Towers Watson)
- Incorporating responsible investment into fixed income portfolios (AXA Investment Management)
- How sustainable strategies deliver consistent returns: learnings from running Lansdowne Partners CLEAN energy fund (Lansdowne Partners)
- Scaling up green bonds through secondary market growth – S&P green bond indices (S&P Dow Jones Indices)
- Investing in a diverse workplace: Gender Diversity Index (State Street Global Advisors)

These case studies are by no means comprehensive and represent an abbreviated version of industry practice. We highlight these examples to encourage better sustainability practice, which we believe is a coming-of-age challenge to our industry.

Asset owner case studies

BT Financial / Willis Towers Watson

The following four case studies depict examples of asset owners with different approaches to sustainability. We have used case studies to highlight how varied sustainability strategies can be according to beliefs and crucially are linked to the unique context of the organisation and its unique journey. Each example represents a position on the sustainability beliefs and mission matrix.

.	Goals exclusively financial, with consideration of wider stakeholder non-financial factors which have no performance downside. Belief that sustainability provides mispricing opportunities. **T**	Goals predominantly financial but non-financial goals included with limited performance downside. Belief that sustainability provides mispricing opportunities.
Goals exclusively financial. Belief that sustainability factors may be financially material. **I**	Goals exclusively financial, with consideration of wider stakeholder non-financial factors which have no performance downside. Belief that sustainability factors may be financially material. **S**	

Asset Owner A

- DB corporate pension fund
- Assets of $1bn across equities and fixed income held in pooled vehicles
- Small team of CIO, CEO and one investment person
- Believe ESG factors may be financially material so ensure they select managers that integrate ESG analysis into the investment decision process.
- Review of investment managers includes discussion around ESG capabilities informed by reporting provided by investment manager.
- Limited involvement in voting influence as using pooled vehicles. Engagement outsourced to investment managers.
- ***Evolution*** of ESG approach underpinned by external advice and further development of sustainability beliefs.

Asset Owner B

- Wealth management asset owner with prominent brand
- Assets of $25bn across a diversified portfolio of public and private asset classes through segregated accounts.
- Sophisticated investment team of 10 people including asset class specialists
- Where there is no expected negative financial outcome, non-financial ESG issues will be taken into account.
- Have adopted a position of responsible asset owner implemented through active ownership, have recently signed local stewardship code and is a PRI signatory involved in a collaborative working group. Employs 3rd party services for voting and engagement with particular emphasis on corporate engagement in local region. Stewardship practices of private market mandates are an important consideration in manager selection and regular reporting from managers is required.
- ***Evolution*** of ESG approach underpinned by further development of sustainability beliefs and possible link between responsible investment position and brand

T

	Goals exclusively financial, with consideration of wider stakeholder non-financial factors which have no performance downside. Belief that sustainability provides mispricing opportunities.	Goals predominantly financial but non-financial goals included with limited performance downside. Belief that sustainability provides mispricing opportunities.
Goals exclusively financial. Belief that sustainability factors may be financially material. I	Goals exclusively financial, with consideration of wider stakeholder non-financial factors which have no performance downside. Belief that sustainability factors may be financially material. S	

Asset Owner C	Asset Owner D
• Large superannuation fund (DC) • Assets of $60bn across multiple asset classes in both delegated mandates and direct investments • Sizeable internal investment and operations team • Well articulated beliefs and have practiced ESG integration across strategies and stewardship for a number of years • Strong belief that sustainability represents mispricing opportunities and have introduced the theme of climate change into the strategic decision making process. As a result a targeted strategy of direct allocations have been made to strategies in private equity (energy efficiency technology) and infrastructure (renewable energy assets) that leverage the long term climate change theme. • ***Evolution*** of ESG approach likely in targeting specific assets aligned to mispricing, customised mandates, member communications and industry leadership.	• Large retirement fund with an distinct membership base oriented to state employment (e.g. health and education sectors) • Membership base is engaged on social and health issues • Recently the Board reviewed the fund's mission and extended it beyond financial and responsible only to include consideration for broader societal and health goals of the sectors the fund represents. • Goals are predominantly financial but non-financial goals are included with limited financial downside and where clear linkages exists between the mission of the sponsor and members and the investment strategy. • In addition to a strong belief that sustainability provides mispricing opportunities, the fund pursues strategies that generate a measureable impact in terms of improving inclusive social and health outcomes for all. • Additional non financial benefits, e.g. priority access, pricing benefits across social infrastructure, housing or health is offered to members. • ***Evolution*** of ESG approach underpinned by targeting specific impact strategies in the health and education sectors, customised mandates, enhancing communication of impact of strategies to members and sector leadership.

Incorporating responsible investment into fixed income portfolios

Herschel Pant, Senior Consultant Relations Manager, AXA Investment Managers

Nippon Life: paving the way for responsible investing in Japan

Japanese insurers have been looking towards overseas bonds to generate yield for some time due to deteriorating yields on Japanese government bonds under the central bank's policy. As a result, the investment criteria called for a long-term, fundamentally-based, low turnover and cost- effective solution that could help maximise and deliver stable yields over the long term.

One of Nippon Life's Fundamental Management Principles is to, in recognition of the public service aspects of the life insurance business, strive to contribute to the elevation of social welfare through proper investment activities. The company, apart from being a UNPRI signatory, has committed to responsible investment, independently participating in the first Paris Green Bond as well as the environmentally-friendly bonds issued by Transport for London[1].

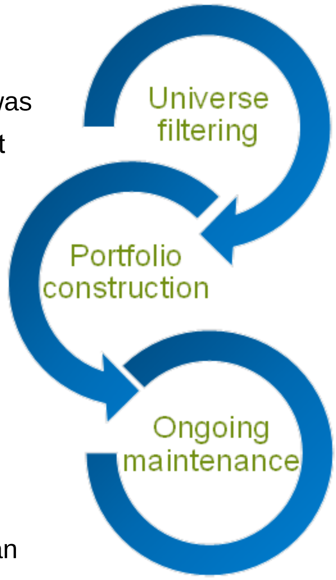
Driving ESG considerations through robust top-down management principles

As the largest Japanese life insurance company by assets, Nippon Life further enhanced its leadership position in the industry with a bold move to expand its ESG credentials. It added an ESG overlay to one of its core fixed income portfolios; a choice that also demonstrates a recognition that extra-financial criteria play an important role in identifying tail risk in a portfolio.

AXA IM collaborated with Nippon Life to help incorporate ESG analysis into a corporate fixed income mandate.

[1] https://www.nissay.co.jp/english/news/pdf/20160516.pdf.

An innovative combination



Two aspects of this mandate were rather novel for a Japanese insurer. The first was the concept of a 'buy and maintain' fixed income strategy. Buy and maintain credit strategies can help address the asymmetric risk inherent in credit investing by combining the low turnover efficiency of passive strategies with fundamental research of active management. Secondly, ESG analysis that is more commonly associated with equity investments is applied to a core credit strategy.

ESG to enhance fundamental analysis

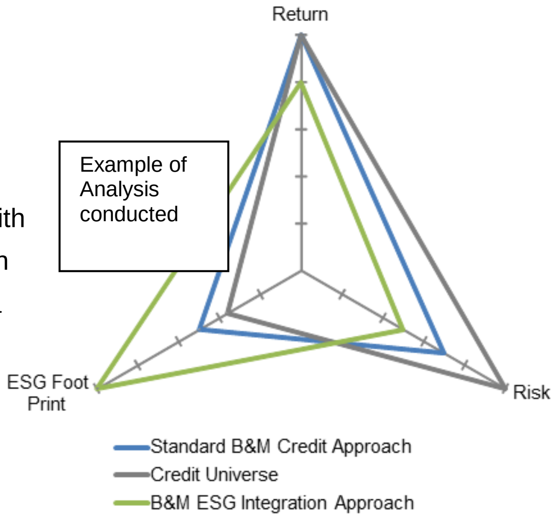
Integrating ESG factors into a core fixed income portfolio can simply be seen as an additional layer of fundamental analysis. It can help provide greater clarity on the quality of a firm's management or it may serve as a leading indicator of a slow-burning problem which could later affect credit-worthiness. Thus, the introduction of ESG criteria into the credit selection process can deepen the understanding of risks that are not readily identified through traditional credit analysis or public ratings.

Applying an ESG filter which combines a proprietary quantitative scoring model, qualitative opinions and controversies identified by external agencies can help reduce ESG tail risk, further mitigating credit risk as well as reputation risk.

The application of an ESG filter is a complementary partner to a buy and maintain strategy. Buy and maintain portfolios differ from 'buy and hold' strategies in that they are continuously monitored with positions adjusted if necessary. The credit-worthiness or 'ESG-compliance' of an issuer cannot be assumed to be constant. A continuous and forward-looking approach in monitoring fundamentals and managing reputational issues is required to mitigate risks, which in turn helps to maximise yield.

The desired outcome

A credit strategy that integrates a buy and maintain approach with ESG considerations can be mutually reinforcing: the introduction of ESG criteria aims to reduce issuer-specific credit risk, while a buy and maintain approach can help maximise yield capture and limit leakage due to transaction costs.



Thinking Ahead Institute
Willis Towers Watson

So what can investors learn from it?

- Incorporating ESG criteria is not restricted to just equities, especially as fixed income type assets become a larger portion of investor portfolios
- ESG criteria are another form of fundamental analysis which investors should consider, if they are focusing on risk management within their fixed income portfolio.
- Capability to incorporate ESG criteria requires the capacity to process and produce more comprehensive quantitative, qualitative and thematic research than standardised external databases.
- Familiarity of the depth and scale of fixed income markets along with ESG research capability is essential to successfully delivering desired investment outcomes.

Being an early adopter in expanding ESG analysis to fixed income, AXA IM has been active over the years in developing an ESG scoring system that spans geographies, asset classes and sectors. We have also leveraged strategic relationships with large insurance clients to build extensive credit coverage within the ESG research function.

Our collaborative work in this area shows that integrating a robust ESG framework into a credit strategy can be beneficial to both the construction and monitoring of the portfolio's performance and risks.

How sustainable strategies deliver consistent returns: learnings from running Lansdowne Partners CLEAN energy fund

Per Lekander, Fund manager, Lansdowne Partners

I have over the last three years worked on developing CLEAN and it has been running since beginning of 2017. CLEAN is an ESG compliant energy theme fund capturing opportunities from the transition to a more sustainable energy system. The following are my key lessons learnt from an ESG perspective from this work of preparing and running CLEAN.

1. Long-term, strong ESG performance is part of sustainable competitive advantage

The key objective for an asset manager is to deliver strong risk-adjusted returns and therefore a key push back when marketing ESG-strategies is that there might be a cost associated with it through lower returns. In the short term I agree with this. I frequently see attractive cyclical recovery stories in for instance mining and oil that are inaccessible with an ESG-hat on. However, I would argue that the longer time frame we have the less I see a contradiction between ESG and returns and in fact in most cases it is the opposite. ESG strength is undoubtedly reducing the tail risk for an investment. I also see positive effects on the investment case beyond risk reduction. In energy a strong environmental performance is linked to having a good market position given the overall market trends. Strong social and governance scores are always important aspects of a high performing organisation. Child labour; a weak board; lack of transparency are hardly winning long-term strategies. Thus, in my view ESG is more suited to mid- to long-term buy to hold strategies rather than shorter-term trading-oriented strategies.

2. Exclusion lists and quantitative screens are good starts, but only a first step

Exclusion lists are clearly a good starting point for ESG work. However, it is more than that. They are usually quite inconclusive focusing on issues where data is available. With regard to environmental issues lists are usually heavily focused on coal and CO_2 emissions. However, there are many other environmental issues; SO_x, NO_x, particles, hazardous waste etc. Also, lists tend to be very focused on companies where operations are the problem meaning that they typically include miners, oil and gas companies and utilities, but almost entirely exclude manufacturers and service companies. If we want change these companies need to also change. Exclusion lists also brings no help in selecting with a positive bias rather than just excluding the worst.

3. An in-depth ESG assessment should focus on four key questions

To do a proper ESG work, there are in our view key questions that needs to be researched; a significant work that can only be done in close contact with the company. First, what are the ESG issues the company has? Second, is the company aware of the issues and agreeing that they are weaknesses? Third, does the company have a strategy to deal with the weaknesses? Fourth, is this strategy backed by financial and human resources so that we can see an improvement in a 3-5 year perspective?

CLEAN Investment objective:
Invest in the structural winners from the transformation of the energy and transport systems

Long-term, strong ESG performance is part of a sustainable competitive advantage:

- Strong E is required to be well positioned from a markets' perspective
- Strong S&G are part of having a performance culture
- Short-term/cyclically "unsustainable companies" might outperform

Exclusion lists/quant assessments is only a first / partial step:

- Misses many issues and focuses strictly on issues where data is available (e.g. CO_2)
- Focus on process companies rather than product or services for E exclusion

An in-depth ESG assessment should focus on four questions:

- What "issues" exist?
- Is the company aware?
- Does it have a strategy to improve?
- Does it have resources set aside to make its strategy credible?

Scaling up green bonds through secondary market growth – S&P Green Bond Indices

Martina Macpherson, S&P Global

Background on green finance and the role green bond indices can play

Since the first green-labeled bonds were issued by the European Investment Bank (Climate Awareness Bonds) in 2007[2] and the World Bank[3] in 2008, demand for green bonds has increased significantly: The total amount of green-labeled bond issuances amounted to USD 93.4 billion at the end of 2016 (CBI, 2017)[4] and reflected strong and momentum from the Paris Agreement.

Scaling up green bond issuances for green finance sustainable development has become a key area of focus, especially since the introduction (at COP 21 in 2015) and ratification of the Paris Agreement (2016).[5] Green bonds can hence play an important role in engaging institutional market participants in the transition to a low-carbon and climate-resilient economy[6] in order to meet the United Nations Framework Convention on Climate Change goal (set in 2009)[7] of limiting global warming to 2°C above pre-industrial temperatures.

When S&P DJI's launched its first set of green bond indices, including the S&P Green Bond Index in 2014, the flurry of new products related to the indices was seen as a key indicator that the green bond market was rapidly scaling new heights.

Since then asset owner commitments such as the "Paris Green Bond Statement," which was signed in December 2015 by 27 investors representing over USD 11.2 trillion of total AUM[8], new principles and taxonomies, and the diversification of types of issuers and issuances have added more gravitas and scale.

[2] EIB, "EIB first CAB pioneered the Green Bond segment in 2007 and is the largest issuer of Green Bonds to date," October 2015: http://www.eib.org/investor_relations/press/2015/fi-2015-008-eib-is-first-to-link-individual-green-bonds-and-projects.htm.

[3] The World Bank, "World Bank and SEB partner with Scandinavian Institutional Investors to Finance 'Green' Projects," November 2008: http://treasury.worldbank.org/cmd/htm/GreenBond.html.

[4] Climate Bonds Initiative, "China Green Bond Market 2016," January 2017: https://www.climatebonds.net/files/files/SotM-2016-Final-WEB-A4.pdf.

[5] UNFCCC, "Adoption of the Paris Agreement," Dec. 12, 2015: https://unfccc.int/resource/docs/2015/cop21/eng/l09.pdf.

[6] World Bank, Zurich, Mirova, "Pension Fund Service Local Government," April 2015: http://treasury.worldbank.org/cmd/pdf/GettingtoKnowtheGreenBondMarket_PensionFundService.pdf.

[7] UN, "Framework Convention on Climate Change," Copenhagen, Dec. 7-Dec. 8, 2009: http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf.

[8] Climate Bonds Initiative, "The Paris Green Bonds Statement," December 2015: http://www.climatebonds.net/files/files/Paris_Investor_Statement_9Dec15.pdf.

The challenge for primary green bond market growth

The rationale for engagement regarding sustainability issues and green finance goes beyond "doing well by doing good". It is driven by a growing consensus[9] that acting to build sustainability into capital markets will bring significant economic gains, while inaction could lead to economic losses.

Many market participants, in particular investors, see disclosure and governance / standards as the central lever for making green bonds a viable long-term instrument for financing sustainable projects[10], e.g. in order to address climate-change risks and their financial impact[11]. However, the speed and scale at which the green bond market can further develop and mature relies on several variables, including policy and regulatory factors, market conditions, and financing trends.[12]

Mainstream investors entering the market still face multiple challenges and investment risks, including size, duration, liquidity, and credit - as well as a lack of commonly accepted green standards and definitions.[13] So it is no surprise that green bonds - despite their rapid growth - constituted less than 1.5% of the overall global bond market as of September 2016.[14]

Green bond reference benchmarks such as the S&P Green Bond Index are important to provide more transparency around green credentials and to assist investors and issuers in tracking primary market growth.

The solution for liquidity and secondary market growth

However, real green bond market growth depends on the growth in secondary markets and the availability of investment products that allow easy access to the market, in particular index funds and ETFs:[15]

- The accessibility and tradability of ETFs make them a powerful tool that essentially packages an entire market segment into a single trade – and hence provides further market liquidity.
- By design, ETFs provide transparency of holdings and pricing, making them well suited for passive investment strategies.

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9 See e.g. Bank of England/Mark Carney, “Breaking the Tragedy of the Horizon – Climate Change and Financial Stability,” Speech at Lloyds of London, Sept. 29, 2015: http://www.bankofengland.co.uk/publications/Documents/speeches/2015/speech844.pdf.

10 SÜDWIND e.V. – Institut für Ökonomie und Ökumene, “Green bonds – What is inside the Black Box with the Green Label?” June 2015: http://www.suedwind-institut.de/fileadmin/fuerSuedwind/Publikationen/Publikationen_Englisch/2016-18_Report_Green_Bonds_ENGL.pdf.

11 Simon Dietz, Alex Bowen, Charlie Dixon & Philip Gradwell, “Climate Value at Risk of Global Financial Assets,” Grantham Research Institute, published by Nature Climate Change, Vol. 6, 676-679 (2016), April 4, 2016: http://www.nature.com/nclimate/journal/v6/n7/full/nclimate2972.html.

12 See also OECD/Bloomberg Philanthropies, “Green Bonds – Mobilising the Debt Capital Markets for a Low Carbon Transition,” December 2015: https://www.oecd.org/environment/cc/Green%20bonds%20PP%20%5bf3%5d%20%5blr%5d.pdf.

13 See e.g. G20 Green Finance Study Group, “G20 Green Finance Synthesis Report,” Sept. 5, 2016: http://unepinquiry.org/wp-content/uploads/2016/09/Synthesis_Report_Full_EN.pdf.

14 G20 Green Finance Study Group, “G20 Green Finance Synthesis Report,” Sept. 5, 2016: http://unepinquiry.org/wp-content/uploads/2016/09/Synthesis_Report_Full_EN.pdf.

15 See e.g. Morgan Stanley, “Fixed Impact: Green Bonds Primer,” Feb. 4, 2016: http://www.morganstanley.com/msimage/Fixed-Impact-Green-Bonds-Primer.pdf.

- Therefore, index-tracking ETFs make indices investable, allowing market participants to better assess the risk and return of an asset class or market segment.[16]

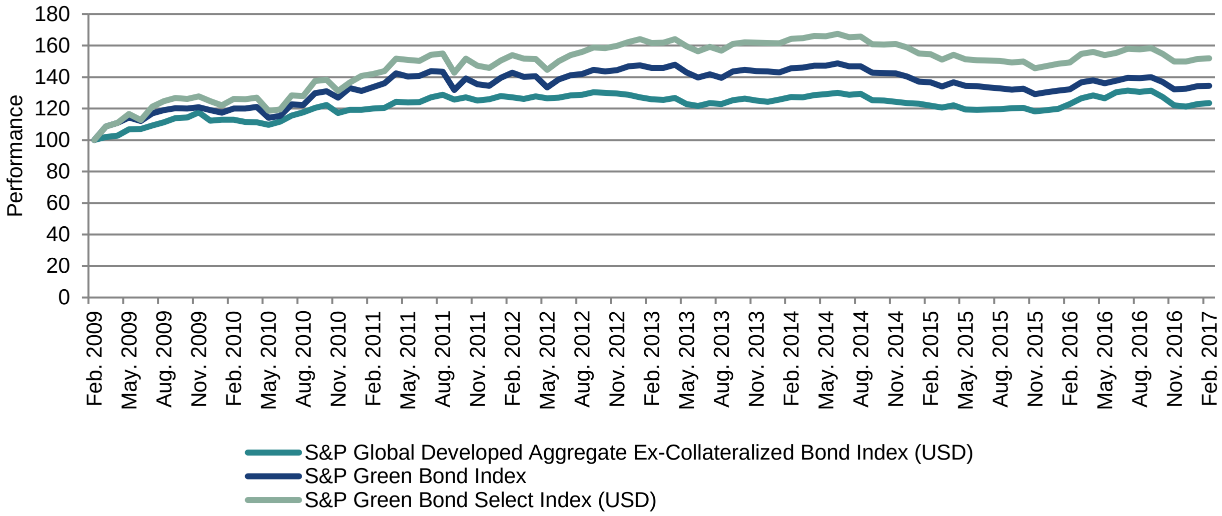
In 2017, S&P Dow Jones Indices is once again at the forefront of establishing further green bond momentum - this time through secondary market growth.

- The more recently launched S&P Green Bond Select Index[17] forms the basis for one of the world's first green bond exchange-traded funds (ETFs).
- The index is a market-value-weighted sub-index of the S&P Green Bond Index that seeks to measure the performance of green-labeled bonds issued globally, subject to stringent financial and extra-financial / green eligibility criteria.
- The index forms the basis for the first US-listed green bond ETF by Van Eck.[18]

Last but not least, it is important to note that the global green bond market, as represented by the S&P Green Bond Select Index, has many financial and extra-financial characteristics that are similar to the global core bond market, as represented by an index such as the S&P Global Developed Aggregate ex-Collateralized Bond Index[19].

As a result, green bonds may fit within a global core fixed income allocation without significantly affecting the risk/return profile.

S&P Green Bond Indices – performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2016. Index performance id based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

[16] See KPMG, "ETF Playbook," 2016: https://assets.kpmg.com/content/dam/kpmg/ie/pdf/2016/12/ie-etf-playbook-dec-2016.pdf for details.

[17] S&P Dow Jones Indices, "S&P Green Bond Indices Methodology," March 2017: http://spindices.com/documents/methodologies/methodology-sp-green-bond-indices.pdf.

[18] See Van Eck, "VanEck Launches the First U.S.-Listed Green Bond ETF," March 6, 2017: http://www.businesswire.com/news/home/20170306005742/en/VanEck-Launches-U.S.-Listed-Green-Bond-ETF for more details on the new Green Bond ETF.

[19] S&P Dow Jones Indices, "S&P Global Bond Indices Methodology," February 2017: http://spindices.com/documents/methodologies/methodology-sp-global-bond-indices.pdf.

Investing in a diverse workplace: Gender Diversity Index

Peter Brackett, UK Head of Consultant Relations, State Street Global Advisors

Background

State Street Global Advisors (SSGA), inspired by an institutional client, created the SSGA Gender Diversity Index. Inspired by a need to address gender inequity in American workplaces and in the investment landscape, we developed this new index to focus on listed US large-cap companies that have the highest levels within their sectors of senior leadership gender diversity. Studies and research have suggested that companies with more gender-diverse leadership teams have historically performed better, as measured by return on equity.

Key pillars

- **Leadership:** Tracks an index of large-cap companies that rank among the highest in the United States in terms of gender diversity within senior leadership positions in their sector
- **Influence:** The approach may inspire conversation and action to increase gender diversity in company leadership teams
- **Impact:** A portion of the advisor's revenue is donated to charitable organisations that seek to partner in innovative ways with educational programs to remove bias and empower women to take their place in business leadership

Why gender diversity

Research finds gender-diverse leadership can contribute to a company's performance:

- The strategy allows investors to support gender diversity in corporate America without sacrificing a key objective of achieving market-level or higher returns
- Evidence shows no impact when women make up less than 22 percent of an executive management team, but over that point, every 10 percent increase in gender diversity brings an increase of 0.3 percent in margin
- The approach provides a transparent, relatively low-cost way for investors to express their preference for companies that have achieved greater levels of gender diversity at the senior leadership level than their sector peers
- A portion of the advisor's revenue is directed to charitable organisations that seek to remove bias and empower future female leaders

Key research facts driving investment case

- Having a gender-diverse leadership is important. Evidence shows no impact when women make up less than 22 percent of an executive management team, but over that point, every 10 percent increase in gender diversity brings an increase of 0.3 percent in margin. (McKinsey, "Diversity Matters," February 2, 2015).

- Research shows that men and women think, lead and solve problems differently. This difference can result in more innovation and better decision-making, which produces better corporate performance and higher return on equity (ROE).
- A McKinsey study showed that gender-diverse firms had advantages in recruiting the best talent, stronger customer orientation, increased employee satisfaction and improved decision-making. (McKinsey, "Diversity Matters," February 2, 2015).

The graphic above is for illustrative purposes only and is not drawn to scale. Sources: Catalyst. As of September 30, 2015.Catalyst, Women CEOs of the S&P 500 (2015).Catalyst, 2014 Catalyst Census: Women Board Directors (2015).US Equal Employment Opportunity Commission (EEOC), "2013 EEO-1 Survey Data." S&P 500 is owned by S&P Dow Jones Indices LLC.

Index methodology

- The universe for the index is the largest 1,000 US companies, resulting in a large-cap core portfolio
- The index evaluates a company's gender diversity in its senior leadership relative to the other companies in the sector. Seeking to minimize divergent sector weights versus the 1,000 largest listed US companies, the index isolates senior leadership gender diversity as the primary factor exposure. This is a unique feature of our fund.
- If a stock is among the highest ranked in its sector for any of the ratios below, and the company has at least one female board member or either the CEO or chairperson is a woman, then it is included in the portfolio.
  - Ratio of female executives and female members of the board of directors to all executives and members of the board of directors
  - Ratio of female executives to all executives

- Ratio of female executives, excluding executives who are members of the board of directors, to all executives
- Definition of executive: Executives include each employee disclosed in company communications who holds the position of vice president and above in the organisational structure of the company; executives of financial sector companies include each employee disclosed in company communications that holds the position of managing director or above in the organizational structure of the company.

▪ The investment process results in investment in more than 150 large-cap US companies with greater levels of gender diversity at the senior management level than other companies within their sectors.

▪ The index rebalances annually in July.

Notes:

Lee, Linda-Eling, et al. Women on Boards: Global Trends in Gender Diversity on Corporate Boards, MSCI, November 2015. Accessed on 17 February 2016 at: https://www.msci.com/documents/10199/04b6f646-d638-4878-9c61-4eb91748a82b. Past performance is not a guarantee of future results.

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AXA IM

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- Work to bring those ideas to life for the benefit of the end saver.

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- Better organisational effectiveness.
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