

Case study : Biodiversity impacts of the largest european listed equity

Biodiversity measurements for Business and Finance : an update on recent developments and lessons learnt.

Webinar– December, 8th 2020



**Caisse
des Dépôts**
GROUPE

CDC Engagement

Caisse des Dépôts signed the Finance for Biodiversity Pledge on September 25th, 2020



Finance for Biodiversity Pledge is supported by **26 financial institutions** from **10 countries** and representing **€3,000 bn** of assets managed



*“.....contribute to the protection and restoration of biodiversity in **our financial activities and investments.**”* Eric Lombard, CEO.

Introduction to the case study



- Case study on a European Large Cap Equity universe performed by CDC (GDAP) and analysis conducted by CDC Biodiversite with the Global Biodiversity Score® tool



- Data input: financial data only, based on Factset® data, using the EXIOBASE nomenclature for regions and industry groups.



- Questions explored:
 - ✓ *What are the impacts on biodiversity of the Large Cap Equity universe?
Because of which industries and which pressures?*

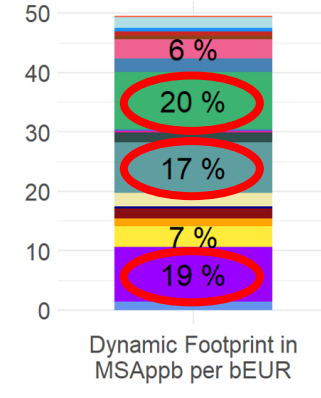
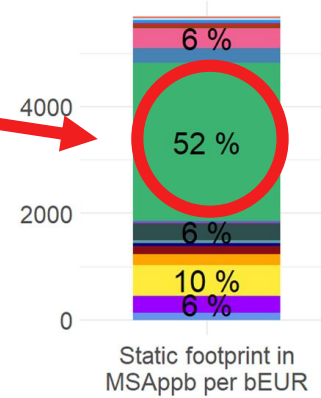
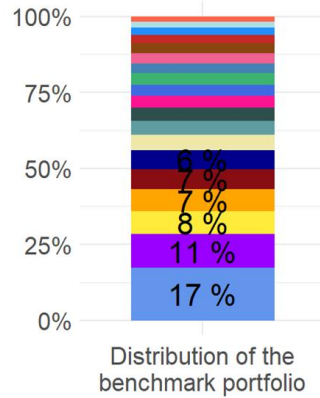


- ✓ *How does the assessment inform strategies to reduce impacts on biodiversity?*

The analysis reveals the most impacting industries within the universe

Manufacture of food products
 companies represent 4% of the turnover
 but 52% of the stock of (static)...

... and for 20% of the additional
 (dynamic) impacts



- Exiobase industry group
- Retail trade, except of motor vehicles and motorcycles
 - Post and telecommunications
 - Other service activities
 - Other
 - Mining of metal ores
 - Manufacture of paper and paper products
 - Manufacture of motor vehicles, trailers and semi-trailers
 - Manufacture of food products
 - Manufacture of electrical equipment
 - Manufacture of computer, electronic and optical products
 - Manufacture of coke and refined petroleum products
 - Manufacture of chemicals and chemical products
 - Insurance, reinsurance and pension funding, except compulsory social security
 - Human health and social work activities
 - Financial service activities, except insurance and pension funding
 - Electricity, gas, steam and air conditioning supply
 - Activities auxiliary to financial services and insurance activities

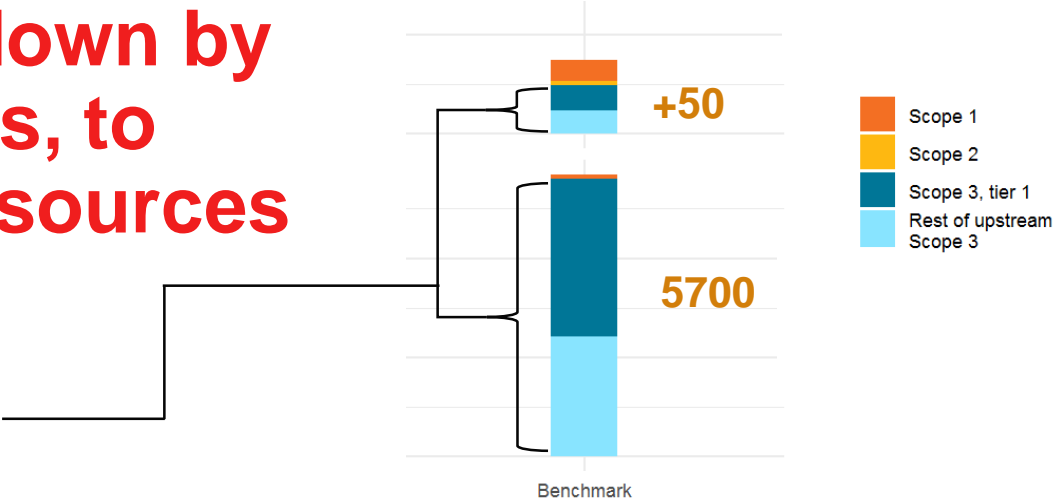
Manufacture of coke and refined petroleum products (11% of the turnover) and **Electricity, gas, steam and air conditioning supply** (5% of the turnover) cause significant flows of additional impacts due to their GHG emissions : 19% and 17% respectively

Impacts can be broken down by Scopes and by Pressures, to understand the impacts sources

Most of the impacts occur within the supply chains : including upstream Scope 3 in assessments is thus critical

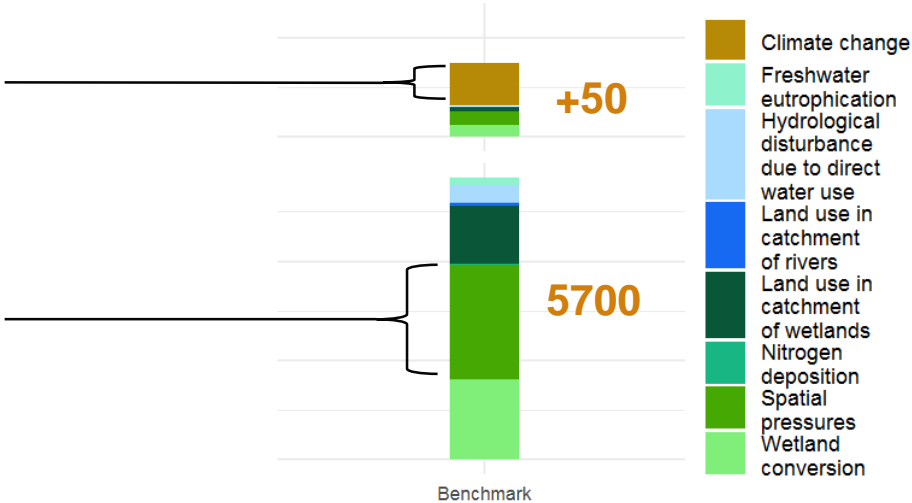
75% of the dynamic impact is due to climate change pressure, driven by electricity, gas and petroleum companies

The main driver of static impact is land use (spatial pressures) by food processing and manufacturing companies



Footprint in MSAppb/b€ by Scope

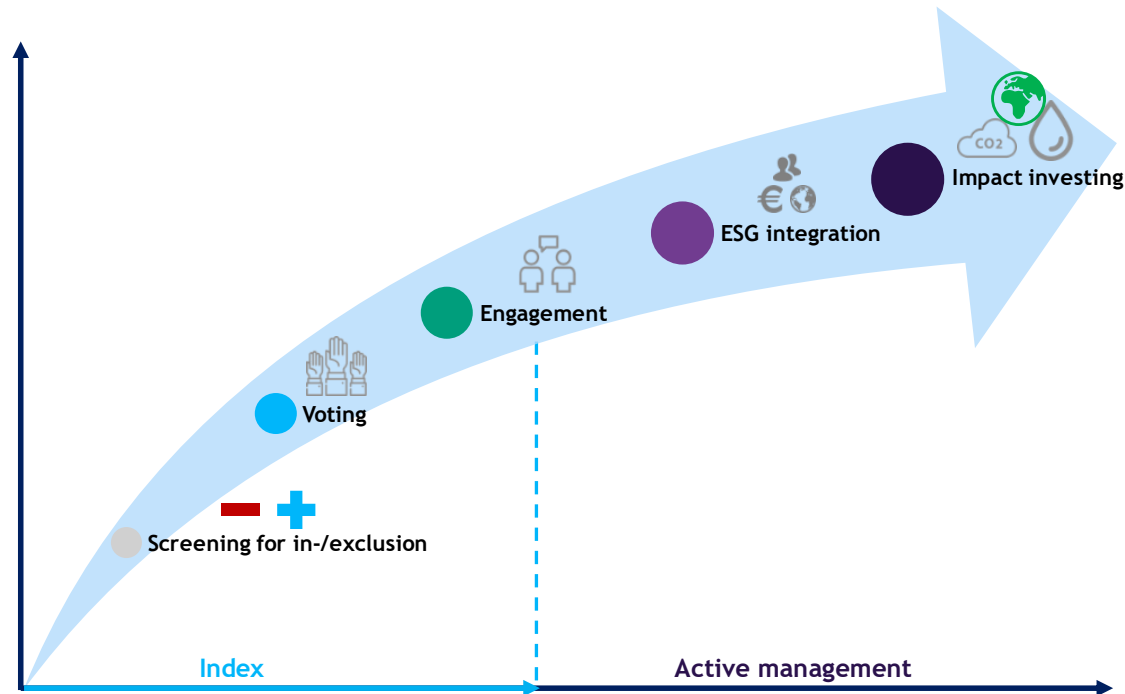
Source: GBS 1.0.1 computation, Dec 2020, Sibylle



Footprint in MSAppb/b€ by pressure

Source: GBS 1.0.1 computation, Dec 2020, Sibylle

Different investment strategies and ESG solutions are available to reduce biodiversity impacts



Source : Finance for Biodiversity Pledge guidance (CDC biodiversité & Actiam)

1. Exclusion

When companies/countries do not adhere to our responsible investment criteria

2. Voting

Voting at AGMs and EGMs of companies

3. Engagement

Active ownership by stimulating responsible business conduct by entering into a dialogue with the company on violations made

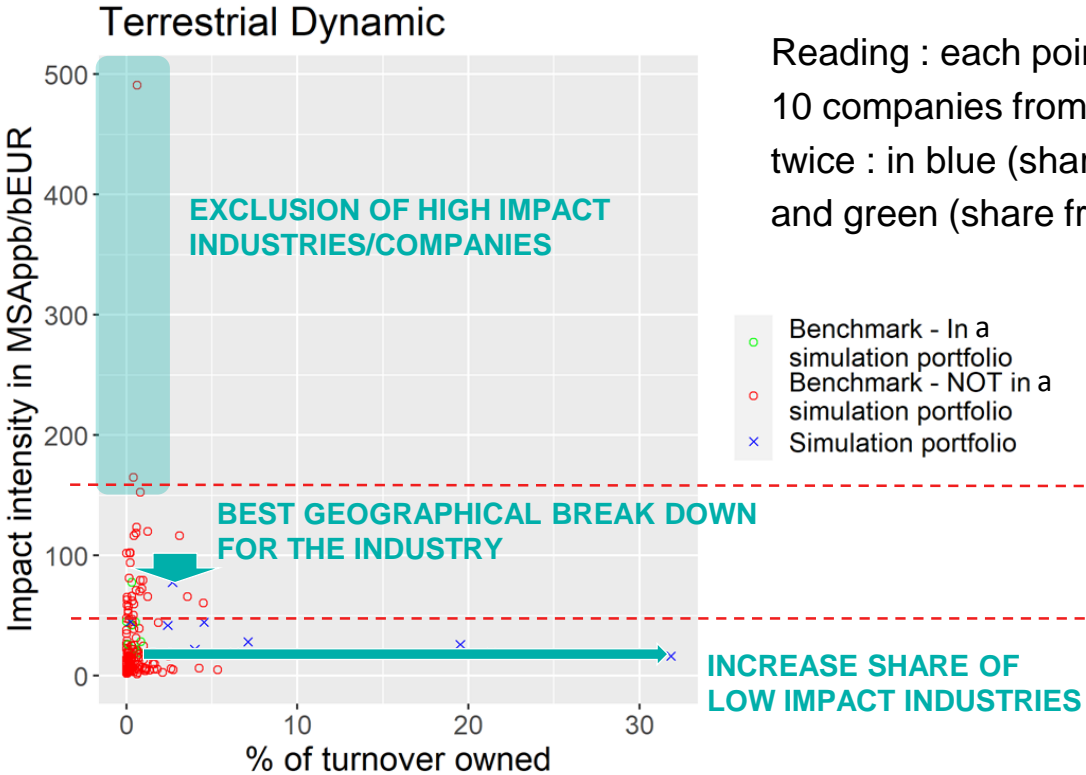
4. ESG-criteria

Integrate ESG-criteria in the portfolio management process

5. Impact Investing

Investing in assets where, next to a financial, the aim is to achieve a measurable positive social and environmental return

Example of a using the results: the measure the performance improvement of a simulation portfolio against its benchmark



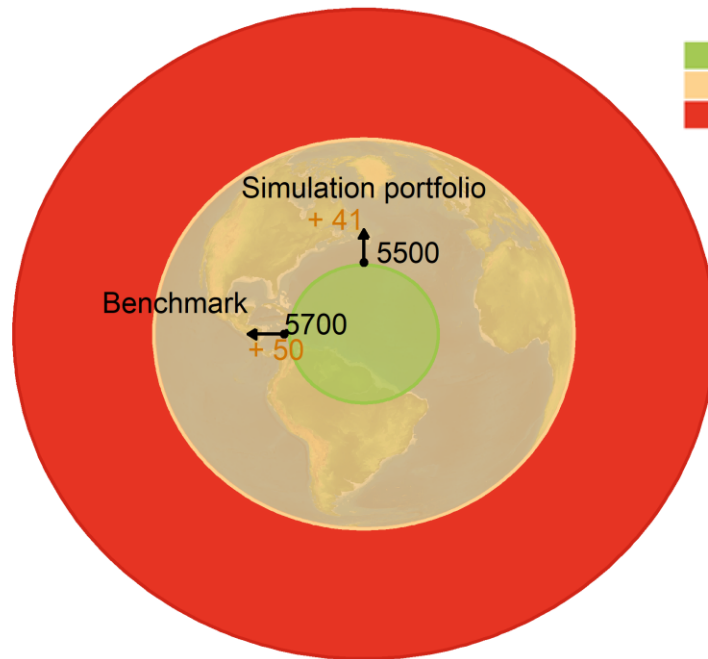
Reading : each point on the figure is a company. 10 companies from a simulation portfolio appear twice : in blue (share from the simulation portfolio) and green (share from the benchmark).

High impact intensity threshold

Average intensity of the vertically integrated benchmark

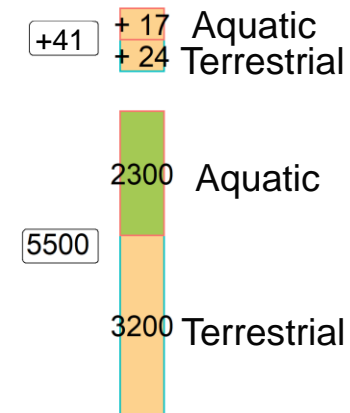
The low impact portfolio performs significantly better than the index and is near the low to intermediate impact

Overall performance against benchmarks (MSAppb/bEUR)



Breakdown of performance of the portfolio (MSAppb/bEUR)*

- Low to intermediate impact zone
- Intermediate to high impact zone
- Very high impact zone

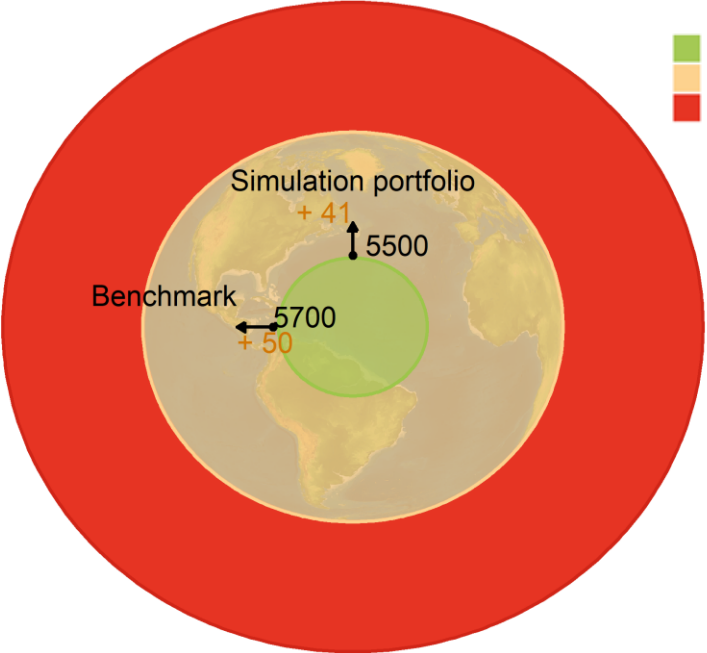


*: the equivalent in MSA.m²/k€ are: 0.2 (aquatic dynamic), 3 (terrestrial dynamic), 20 (aquatic static) and 500 (terrestrial static)

Source: GBS 1.0.1 computation, Dec 2020,

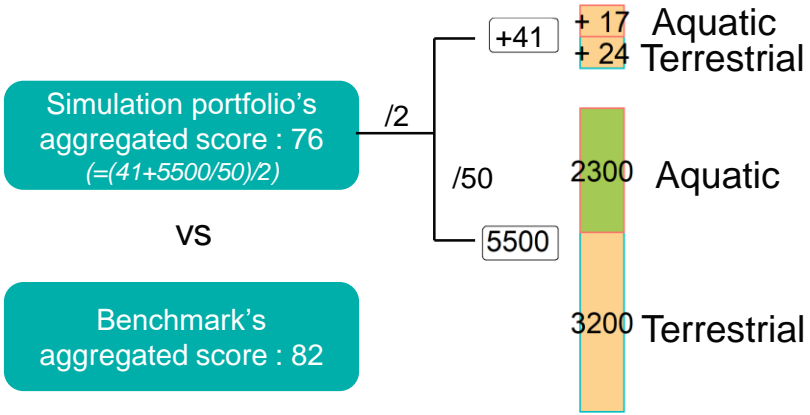
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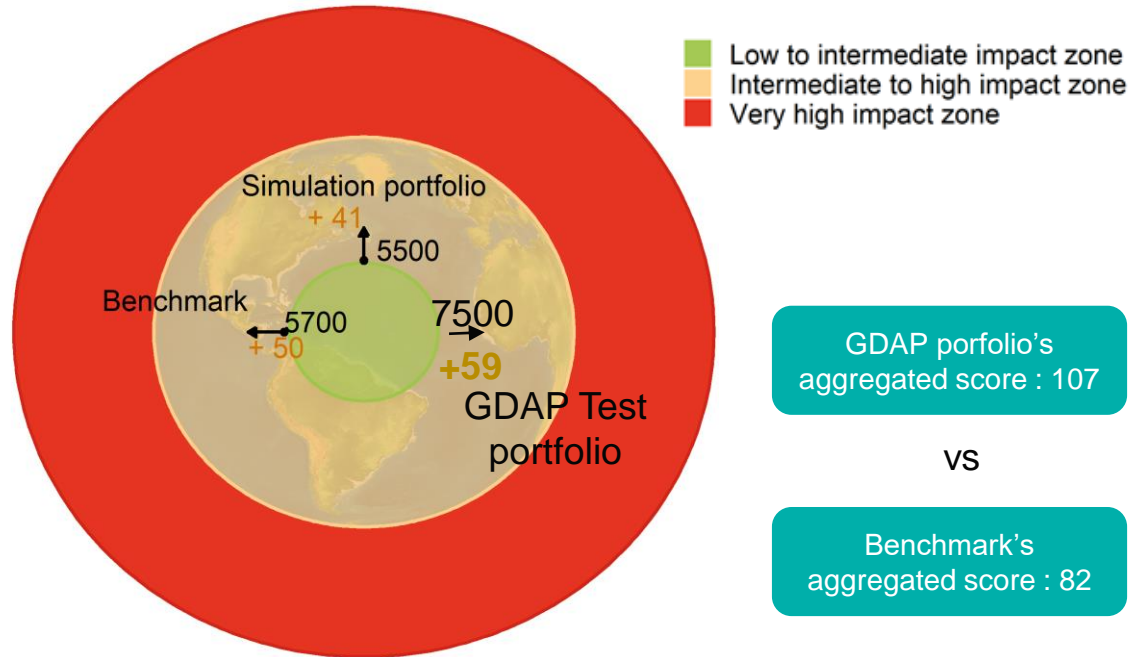
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Source: GBS 1.0.1 computation, Dec 2020,

A test portfolio from GDAP has been assessed to start the journey towards the protection and restoration of biodiversity

Overall performance against benchmarks (MSAppb/bEUR)



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