

Vaccine Bonds Initiative A new issue in socially responsible investing ?



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Socially responsible investment market

Drivers of sustainable development and responsible investment

- Recognition of the hard facts underlying social and environmental issues*

Climate change, pressure on energy resources, loss of biodiversity and ecosystems, unequal access to full Human Rights and vital resources (water, food, healthcare, energy...), etc.

* commonly known as ESG (Environmental, Social and Governance)

- Emergence of international initiatives

Principles for Responsible Investment (PRI), UNEP-FI, Global Compact, The Equator Principles, Carbon Disclosure Project (CDP), International Corporate Governance Network (ICGN), Institutional Investors Group on Climate Change (IIGCC), Investor Network on Climate Risk (INCR), Investor Group on Climate Change Australia/New Zealand (IGCC), Sustainable Investment Forum (SIF)

Responsible investment definition

“A SRI (Socially Responsible Investment) is an investment that aims to reconcile economic performance and social and environmental impact by supporting companies and public entities that contribute to sustainable development regardless their industry. In influencing Governance and behaviours of actors, the SRI promotes a responsible economy” – AFG & FIR, 2 July 2013



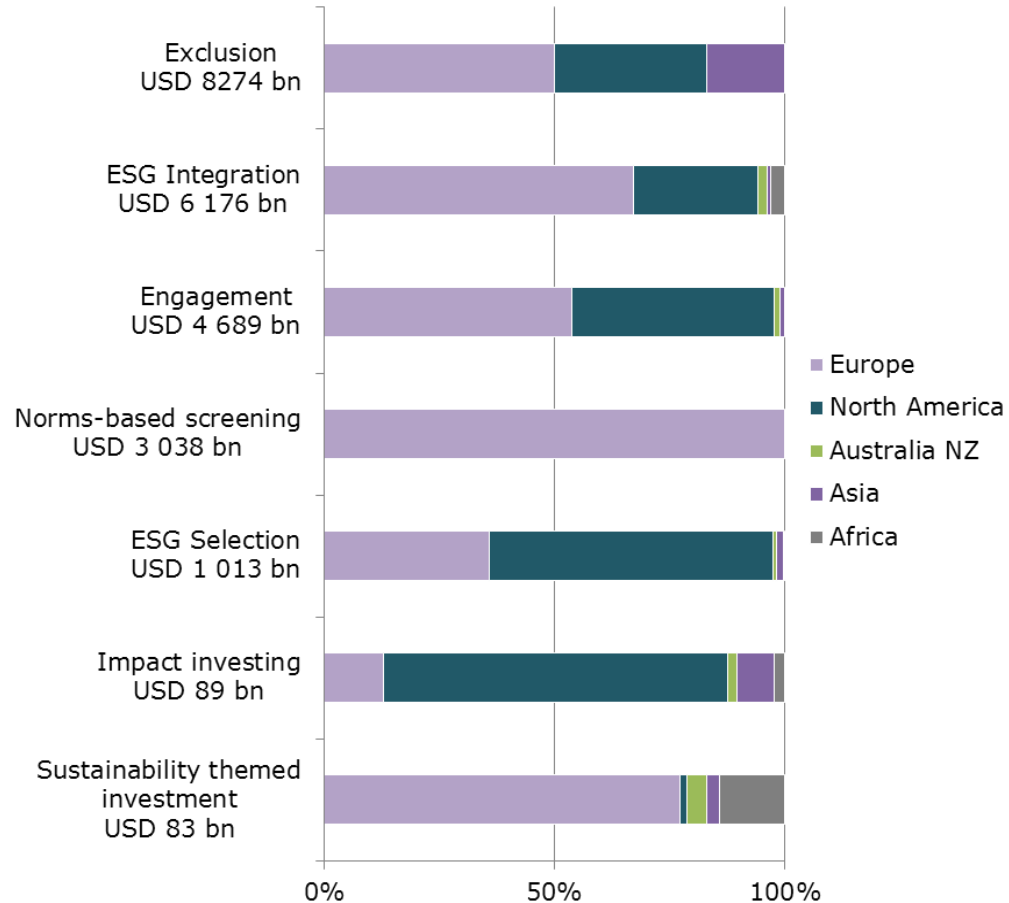
An SRI market of USD 13.6 trillion AuM

Looking at investments through an ESG spectrum filter

- Norms-based screening
Screening of investments according to their compliance with international standards and norms
- Exclusion
Exclusion of companies or sectors from the investment universe based on criteria relating to ESG or ethical issues
- ESG Selection or "Best In class"
Focus on companies that have historically performed better than their peers within an industry sector on measures of environmental, social and corporate governance issues
- ESG Integration
Consideration of ESG factors in mainstream investment processes and decision-making

Have an impact on the real economy

- Sustainability themed investment
Investment in themes or assets linked to sustainable development issues
- Impact investment
Investments in companies, organizations and funds with the intention of generating measurable social and environmental impacts alongside a financial return



Corporate engagement and shareholder action
Engagement activities and active ownership through voting of shares on ESG matters

Source : Global sustainable investment Review, GSIA, 2013



SRI investments within Natixis AM and Mirova

Investment philosophy of Natixis AM

- Target : achieve an ESG integration for 100 % of funds
- Exclusion for cluster munitions and anti-personnel mines

Investment philosophy of Mirova, a subsidiary of Natixis AM dedicated to SRI

"A global approach to reconcile value creation in financial markets with sustainable development"

- Long-term value research that connects investments and real economy
- An approach to market analysis based on eight sustainable investment themes to identify investment opportunities
- Knowledge and experience sharing, in particular through research partnerships such as that with the University of Cambridge's CPSL and through active participation in industry-wide initiatives
- Assets under management ⁽¹⁾:
 - **€4.2** billion in equity
 - a total commitment of over **€360** m in infrastructure projects ⁽²⁾⁽³⁾
 - **€5.8** billion in advising on SRI, excluding equities
 - **€23.6** billion in voting & engagement – **2nd** largest European manager of open-ended SRI funds ⁽⁴⁾
 - **N°1** in Impact investing in France and in Europe ⁽⁵⁾
- ⁽¹⁾ Data as of 30/09/2013. ⁽²⁾ The Infrastructure financing activity is managed by Mirova Environment and Infrastructure, a subsidiary of Natixis Asset Management. ⁽³⁾ including €264 m invested in infrastructure projects. ⁽⁴⁾ Source: Feri Lipper - 04/2013. ⁽⁵⁾ Baromètre Finansol 2012. Impact Investing: of which €55 million invested directly in solidarity organizations.



How do Green and social bonds address socially responsible investing issues ?

How can investors assess the environmental or/and social benefits of their investments?

- Socially responsible investment is not an exact science.
- The implementation of reliable and uniform ESG performance indicators is essential to providing greater visibility for results and for defining ESG added value. However, there are currently no “extra-financial ratios” recognized by the industry.

Equities	Fixed Income	Funding for infrastructure projects
<ul style="list-style-type: none"> • Thematic investments • Impact Investing 	<ul style="list-style-type: none"> • <u>Green and social bonds</u> 	<ul style="list-style-type: none"> • PPP

Advantages for SRI asset managers of green and social bonds

Double impact

- **Investment** : Contribution to an investment in a project (finance of savings)
 - Not a holding of share capital
 - Not a refinancing of the debt
 - Not a refinancing of the losses
 - Not a repurchasing of shares
- **Responsible** : greater visibility of impact on the real economy (KPI to measure the impact)
 - Concrete environmental and/or social benefit based on the project’s end purpose rather than the ESG policy of the issuer



Green and social bonds market

An attractive and innovative market

Issuers

Supranational & development banks

World Bank, EIB, IFFIm, IFC, etc.

Local authorities

Ile-de France region, Provence-Alpes-Cote-d'Azur region, New-York City, Göteborg City, US local governments, etc.

Companies

EDF, Air Liquide, Soitec, MidAmerican Energy's Solar Star, Golden Lane Housing, etc.

Banks

Bank of America

Projects

Green bonds / climate bonds

Renewable energies, energy efficiency, HEQ constructions, solar farms projects, etc.

Social bonds

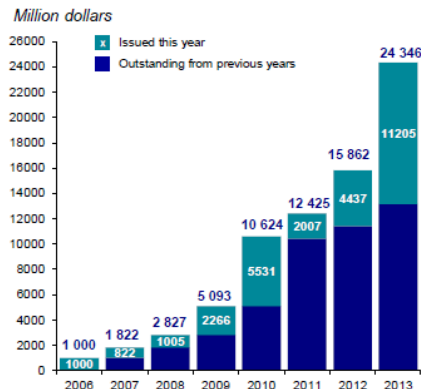
Women in business bonds, Vaccine bonds for GAVI, home healthcare, charity bonds, etc.

Green and social bonds

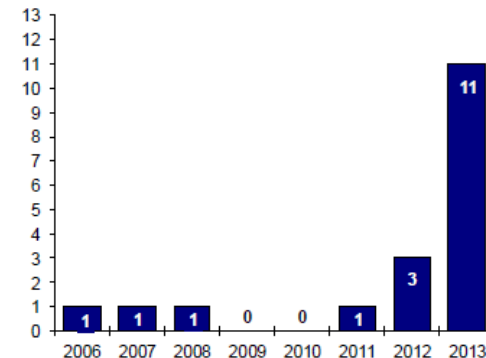
Development of rails, mix between environmental and social projects, etc.

A growing market that offers more and more significant projects

Evolution of amounts of Green/Sustainable bonds



Number of Green/Sustainable bonds (>USD 500m)



Source: Crédit agricole CIB, 2013



Sustainable bonds of Mirova

Mirova's main SRI fixed income fund

Issuer	Portfolio	Green	Green/Portfolio
Agency/Supra	10%	7%	73%
Corporate	21%	2%	19%
Sovereign	44%	0%	0%
Financials	15%	0%	0%
Other	11%	NA	NA

Issuers

Corporates : Air Liquide and EDF

Agency/supranationals/authorities : EIB, fmo, African Bank of Development, IFC (World Bank)

Conditions

- Impact : audit the capital allocation to social or green projects
- Reporting : regular updates, comparison of anticipated with current benefits, etc.
- Financials : same covenants as classic debt ; liquidity over 500 mUSD ; in EUR or USD



Why Vaccine bonds attract investors aiming to address healthcare issues?

All healthcare companies addresses sustainable development issues

- Why favour the cure of one disease rather than an other ?
- What are the most efficient initiatives for creating access to medicines?
- What companies' offerings are best suited to long term healthcare issues such as an ageing population, access to medicine, unhealthy lifestyles or unmet medical needs ?

Vaccine bonds ensure a concrete and lasting impact on Access to Healthcare in emerging countries through the implementation of sustainable immunisation programmes

“It is better to be safe than sorry”

The pharmaceutical industry is at a turning point

- Patents based on blockbuster model
- R&D productivity with integrated model
- 90 % of business in developed countries



- Access to healthcare in emerging and developed countries
- Unhealthy lifestyle: from disease curing to disease preventing
- Ageing population
- Unmet medical needs: tailored drugs through personalized medicine & flexible R&D (products, localization, adapted to prioritized diseases, etc.)

Vaccine bonds support the transition of healthcare companies to emerging countries and to preventative care.



Conclusion

Vaccine bonds address SRI issues through:

- ✓ **Financing investment in a project**
- ✓ **A clear and targeted social impact with a detailed reporting on performances**
- ✓ **An answer to both long-term issues of healthcare :**
 - Development of health systems in emerging countries
 - Support for preventative care

NATIXIS GLOBAL ASSET MANAGEMENT

Société anonyme au capital de 156 344 050 €
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NATIXIS ASSET MANAGEMENT

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21 quai d'Austerlitz – 75634 Paris Cedex 13
Mirova est une marque de Natixis Asset Management