INTERVIEW

Isabelle Cabie
Global Head of Responsible Development,
discusses Candriam's involvement with Environmental,
Social and Governance and the future direction of ESG

Candriam: Engaging with impact

What is distinctive about Candriam's approach to ESG investment?
Like other ESG asset managers, we look at a company's management and best practices in terms of corporate social responsibility; but what distinguishes Candriam is that we also analyse its business model in terms of sustainable development in its sector. This includes its impact on climate change, its use of natural resources, its solutions for health and well-being, etc. – which we see as the sustainability challenges of tomorrow. We have based our investment decisions on an equal weighting between these two criteria for 10 years now – and it's a huge differentiator for Candriam.

How important is cooperation with other organisations?
It's clearly very important. We use publicly-available information, but we also contact companies to obtain further details – either on our own or with advocacy groups, NGOs, trade unions, or other bodies. It all depends on the leverage needed and the sensitivity of what we want to discuss. Topics such as a company's cybersecurity, tax and social issues are best tackled as a group, particularly if an NGO has specific expertise in an area that we would like to pursue. By sharing our expertise and resources, we make it harder for companies to remain silent.

How have corporate attitudes to ESG factors changed?
More doors are opening now, as a result of the increasing pressure from the asset management community and NGOs, and there is a better understanding of the ESG challenges. There is also more of a partnership among asset managers and other groups. Two years ago, companies were complaining about having to supply data to every single organisation that requested it. Now, there is a new dynamic and we are better structured, in larger groups, and we focus on the key issues when we talk to companies and we avoid the minor details.

How have ESG factors helped to deliver improvements?
About 10% of the companies with whom we had direct dialogue last year have changed their practices, and we have reviewed whether or not to maintain a company's stock in our portfolio in over 50 other cases. We also use ESG indicators to see if our investments have led to real improvements in sustainability, i.e. better impacts in terms of ESG factors, such as carbon footprints, the health and safety of employees, gender balance and diversity. We know it's difficult to transform companies in the energy sector, for example, but we are looking for a change of strategy from them and a positioning that reflects the energy transition.

What will drive future growth in ESG funds?
Increasing regulation will be a factor, particularly at an EU level with its action plan on sustainable finance, and the publishing of ESG information will become more standardised across the value chain. In turn, this will lead to the mainstreaming of ESG factors and improvements in data collection – which is not as mature today as it is for financial data. But I also think that growth will be driven by the next big challenge: the social impact of a corporate behaviour, the 'S' in ESG, where relatively little information is provided today. Sustainability is not just about reducing CO_2 emissions.