

Moral Money ESG investing**Bernard Sabrier: it's an 'illusion' to say doing good makes more money**

Plus, are carbon credits a looming threat to profits?



Bernard Sabrier: one of the biggest philanthropists in Europe's fund management industry

Simon Mundy and **Laurence Fletcher** 4 HOURS AGO

This article is an on-site version of our Moral Money newsletter. Sign up [here](#) to get the newsletter sent straight to your inbox every Wednesday and Friday.

Visit our [Moral Money hub](#) for all the latest ESG news, opinion and analysis from around the FT

Looking at my employer's business performance during the Covid-19 pandemic, I reckon the most interesting story comes from the FT Live events division.

Its established business, bringing people together for in-person discussions, was knocked out almost overnight — indeed for some time it was actually illegal in many countries. And while video conferencing technology has been around for many years, I would never have expected it to offer a platform for stimulating conferences.

It turns out I was wrong. I'm fresh from taking part yesterday in my first Moral Money digital summit, part of FT Live's hugely popular and successful pivot towards virtual events. Even as in-person conferences start to return, it's clear that there is an exciting future for these digital counterparts, which enable people to watch and engage in compelling debates across huge distances (with a relatively tiny carbon footprint). That looks like a valuable new channel for truly global discussion as we seek a path towards a fairer, more sustainable world economy.

I greatly enjoyed my conversations with speakers ranging from McKinsey Global Institute chair **James Manyika** to former US trade representative **Michael Froman**. As you'll have noticed if you tuned in for my sessions, I took the opportunity to quiz several participants on a line of thought that I've been pondering a lot recently. Even as corporate leaders put a new emphasis on their environmental and social impacts, what fiscal, regulatory and legislative changes are needed to help them move in the right direction? And what should we make of concerns — which seem to be getting increasingly common — that the emphasis on corporate action is distracting from the need for governments and lawmakers to revamp the economic rule book?

I'd love to hear Moral Money readers' responses to these critical questions. Please send your ideas and insights to moralmoneyreply@ft.com, or engage with us on Twitter [@ftmoralmoney](https://twitter.com/ftmoralmoney). — *Simon Mundy*

Moral Money Q&A: Bernard Sabrier

There are few executives in the asset management industry who have quite the same perspective as **Bernard Sabrier**. The chair of \$22.1bn-in-assets investment company Unigestion, which he took control of from his father in the 1970s, has worked in the finance industry for five decades. He was an early pioneer of investing in hedge funds in the 1980s, getting to know industry legends such as George Soros and Paul Tudor Jones.

But the 68 year old is also one of the European fund management industry's biggest philanthropists. In 2011, Sabrier founded the Famsa Foundation, and donated the majority of his 45 per cent ownership stake and 55 per cent voting stake in Unigestion to the project.

Moral Money's **Laurence Fletcher** spoke to Sabrier about his hopes and concerns over the fund management industry's rush into environmental, social and governance (ESG) investing, and to tackle the question of whether or not investors can make more money by doing good.

MM: What do you think of the asset management industry's approach to ESG investing?



The Eiffel Tower illuminated with the message 'The Paris accord is done' on November 4 2016, to celebrate the first day of the application of the climate agreement © AFP/Getty Images

BS: With sustainability, the whole industry jumped on the bandwagon reasonably quickly after the Paris accord in 2015.

My question — and I am still struggling with this — are we going to make more money by being ESG compliant? That I don't know if it is true.

Time will tell how much value investors will give to all these qualitative points. Maybe we will end up one day where your balance sheet is totally meaningless. People will invest in you not for your profits, not for your turnover, but for the way you treat your employees for the impact you have on society, on the climate and nature. Maybe you do zero profits and they will pay you a billion [dollars]. If that happens that will be an opportunity.

MM: That is a key idea that has been pushed by asset managers — that you can make more money by doing good. Do you think that is correct, or has the performance of ESG funds been driven by investor flows?

BS: It's all new, it's all exciting, and it's all good. So you have the recipe for huge flow, for huge momentum and potentially some catastrophes along the way. We won't have catastrophes, but we will have, most probably, people who will say things they will not do and people who will believe things that will not happen.

For me as an investor, you have to have a strong line between profits and doing good. My worry is that when you mix doing good with potential profit, that is where the ethical frontier might be breached.

You have to have a clear border between what is philanthropy and what is investment. And I think mixing [philanthropy and investment] is a complex exercise. I think you should make money to do philanthropy or social projects. But I think it is an illusion for me to tell people: do good and you will make more money.

Q: We have seen [with Tariq Fancy](#) more questioning now of ESG as a concept that actually people do not really know.

BS: The border is not totally defined yet. I'm afraid that mixing investment with [ESG] could lead to potential ethical issues. Maybe in five years' time you may have pensions, endowments and sovereign wealth funds that say "we have dedicated a part of their portfolio to impact". Does it mean impact to our performance or impact for the world? I think some people may sacrifice performance to be better citizens or more impactful investors. Others might say "no" regardless of what I do, I want to make more money. In Europe, we see more of our clients who are convinced that they should move toward ESG. You go to America and people don't care or care much less.

'Wiped out': company profits threatened as carbon prices surge



The run-up in carbon prices poses a significant threat to certain business sectors including heavy construction, utilities and metals production © AP

Europe's energy shortage, coupled with the prospect of tighter environmental regulations, are pushing carbon prices to new heights on the continent. The EU's carbon price [soared to a new high](#) in August and shows no signs of falling. Carbon prices in the UK's emissions trading system, which debuted in May, hit a record high in September.

Now, these record prices for carbon allowances have companies scrambling to figure out how to swallow the costs. For example, Pittsburgh-based US Steel said in July that it had to buy additional EU emissions allowances, costing the company €67m, up from €38m spent by the end of 2020.

Cap-and-trade schemes require companies to buy credits for emissions of carbon, so big polluting energy companies must buy credits to cover their emissions. Other companies that have emissions allocations to spare can sell credits into the market.

The run-up in carbon prices poses a significant threat to certain business sectors, according to Osmosis Investment, a \$2bn company based in London. Net profits in the oil and gas industry could be “wiped out”, the firm said in a recent report. Heavy construction, utilities and metals production businesses risk net losses as well.

Companies could adapt, Osmosis said, “but the need for action becomes more urgent and the required change more extreme the worse the [company’s] starting position is”. Orsted, a Dutch energy company that has transformed itself into a renewables leader, is an example of a best-in-class company that made a successful transition, Osmosis said.

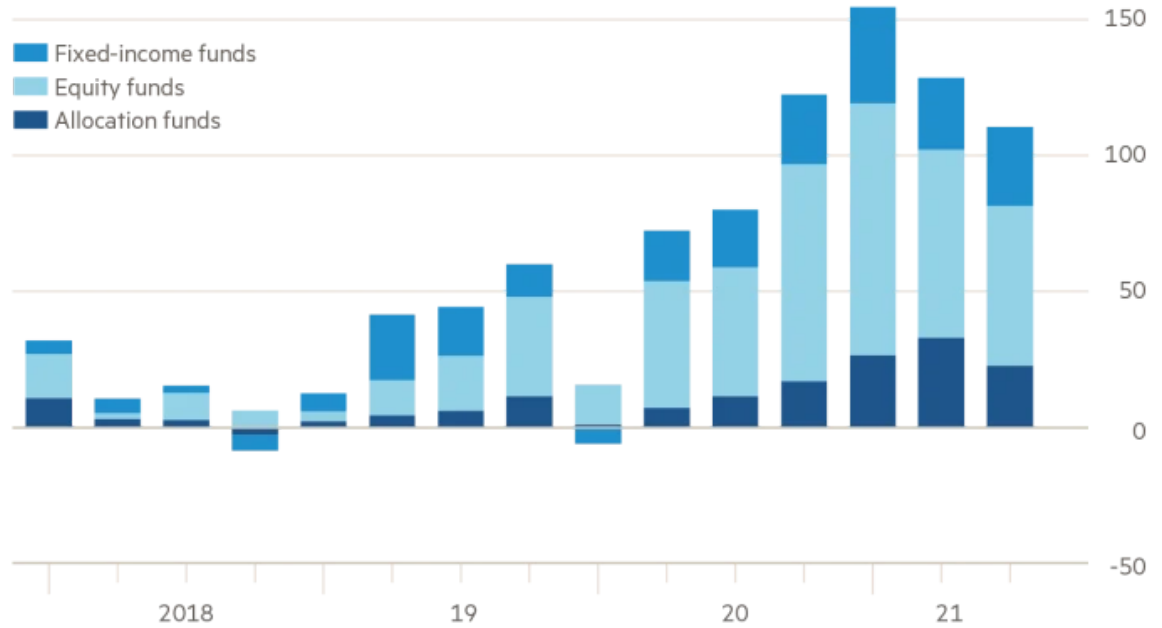
The pressure to adapt is on as emissions trading systems (ETS) proliferate worldwide. Washington [in 2023](#) will become the 13th US state to have a carbon pricing programme. Despite [some initial limitations](#), China this year launched an emissions trading scheme in the world’s largest carbon market.

These market-based approaches to climate change might end up doing more to set global prices for carbon than top-down government regulations. We will be watching for additional ETS discussions at COP26 next month. (*Patrick Temple-West*)

Chart of the day

ESG fund flows

\$bn



Source: Institute of International Finance
© FT

After a strong start to the year, ESG fund flows continued to lose momentum in the third quarter of 2021, according to a report from the Institute of International Finance. Flows into ESG fixed-income funds in the third quarter were slightly stronger than in the second, but still below the first-quarter tally.

Smart reads

- Mike Hewitt, a former US naval rear admiral, is pitching investors on an unusual green venture: nuclear power — specifically “modular nuclear reactors”. The hope is to combine government funds with investors focused on ESG mandates. “The traditional ESG criterion has kept nuclear power out [of their funds],” Hewitt said. “But we think this is changing.” Please check out [Gillian’s Tett’s latest report](#) about how nuclear power could help fill gaps in the transition away from fossil fuels.

- BlackRock will allow institutional investors to vote on their shares in equity index funds — giving clients freedom to have a greater say on issues ranging from executive pay to environmental disclosures. BlackRock's decision will kick in next year and is the first step by a major asset manager to provide the ultimate owner of votes in a company the right to use them. Please read our colleague's FT story [here](#).
- The Global Reporting Initiative this week launched new disclosure standards to integrate human rights reporting expectations. The goal is to position companies for new regulations from the IFRS and European Commission. "What we have now is a better articulation of what goes into a [sustainability] report. It's not just about performance metrics but the big picture of the processes of operations," **Eric Hespeneide**, chair of the board of the GRI, [told Forbes](#).

Recommended reading

- Foundations, private-equity firms create ESG reporting platform ([WSJ](#))
- Hedge funds cash in as green investors dump energy stocks ([FT](#))
- Can African countries prosper by going green? ([FT](#))
- Fed's Brainard says banks likely to need direction from regulators on managing climate risks ([WSJ](#))
- DWS launches new greenwashing review amid regulatory heat ([FundFire](#))
- Shops want more ESG data from public firms: ISS ([Ignites](#))

Recommended newsletters for you

Trade Secrets — A must-read on the changing face of international trade and globalisation. Sign up [here](#)

Energy Source — Essential energy news, analysis and insider intelligence. Sign up [here](#)

[Copyright](#) The Financial Times Limited 2021. All rights reserved.
