

ESG MOVES INTO THE SPOTLIGHT

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CHARLIE NELSON
Vice Chairman & Chief Growth Officer
Voya Financial

Q: How is Voya keeping pace with the rapidly-changing ESG market momentum?

A: Charlie Nelson

Our commitment to ESG is woven throughout our enterprise and guides many of our decisions, with both a top-down and bottom-up approach. While we have made strides, the market continues to mature and companies are being held more accountable – further raising the bar. As such, we are harnessing our Diversity, Equity & Inclusion (DEI) efforts along with our continuous improvement DNA and long-standing culture of conducting business responsibly and ethically, as we evolve our ESG philosophy. We continually build on these successes across our organization to meet the growing demand and align with customer values.

Q: What are the growth prospects for the ESG market?

A: Christine HurtSELLERS

Today, it's estimated that one in four dollars invested in the United States takes ESG issues into account.¹ Simultaneously, the U.S. is experiencing a \$48 trillion intergenerational wealth

transfer from baby boomers to their children.² These younger, more socially and environmentally conscious investors want their actions to bring about a positive change in the world and desire a more transparent connection to these changes. And how this generation opts to invest their money is a key part of the growth equation for ESG.

Fully, 95% of Millennial respondents are interested in sustainable investing – up 9% from 2017.³ According to a February 2020 report from Deloitte, ESG-mandated assets in the U.S. could grow almost three times as fast as non-ESG-mandated assets and represent half of all professionally managed investments by 2025. In addition, an estimated 200 new funds in the United States with an ESG investment mandate are expected to launch over the next three years, more than doubling the activity from the previous three years.⁴ To make sure we maximize value for our stakeholders, we're strategically evolving our organization to keep pace with ESG market momentum.



CHRISTINE HURTSELLERS
CEO
Voya Investment Management

AS A LEADING RETIREMENT AND WORKPLACE BENEFITS PROVIDER, Voya is advancing its Environmental, Social, Governance (ESG) practices and initiatives. In this Q&A, Christine HurtSELLERS, CEO, Voya Investment Management, and Charlie Nelson, Vice Chairman and Chief Growth Officer, Voya Financial, share insights and perspectives on the dynamic ESG landscape.

Q: With increased focus on ESG broadly, what is the ESG landscape at Voya?

A: Christine HurtSELLERS

Voya has a long-standing culture of conducting business responsibly and ethically. In fact, we have differentiated ourselves from our peers in areas such as environmental stewardship, gender parity at the board level, transparent governance practices, a focus on client solutions and rigorous attention to corporate risks and opportunities. Our commitment to generating and leveraging ESG ideas isn't just incorporated into our corporate identity – it's embedded into our DNA. It represents the holistic approach in which we strive to serve our key stakeholders – colleagues, clients, communities and investors alike – with excellence every day.

And we are proud of the many accomplishments and recognitions Voya Financial has earned since establishing our ESG goals back in 2016; to see our ESG awards, I encourage you to visit our website at Voya.com. By focusing on E, S and G across our organization, we're positioned to harness the tremendous growth potential of this emerging market.



Q: How are you focusing on ESG within Voya Investment Management?

A: Christine Hurtsellers

We are exploring how to maximize the economic benefits of ESG investing to help clients meet all their investment objectives. To advance the integration of ESG factors into our investment processes, we are strengthening our governance structure and enhancing our firm-wide ESG investment philosophy. While our main focus is on integration, we have a select range of new ESG solutions and capabilities that enable clients to align their portfolios based on ESG values and investment goals. Our intent is to be authentic, comprehensive and innovative with our ESG integration and overall program to position us to differentiate and lead in this space.

Q: As consumer interest in ESG grows, how do you foresee this trend impacting benefits plans?

A: Charlie Nelson

Voya's research tells us participants are more than interested in ESG reflected within their workplace benefits. Specifically, 76% of individuals feel it is important for their employer to apply ESG principles to workplace benefits.⁵ As more companies embrace ESG values in their business models, it seems inconsistent to not also do so within their benefit plans to support employees. We see this ultimately becoming more of the standard than the outlier,

particularly with ESG-certified retirement plans.

Q: How can ESG-certified retirement plans benefit employers and employees?

A: Charlie Nelson

Businesses that embrace ESG in their business practices should also embrace ESG in their benefit plan design. One of the latest advancements in the industry has been the emergence of DALBAR's ESG-Certified Retirement Plan⁶ – an annual process to evaluate a plan's success in achieving retirement plan stewardship by actively applying the principles of ESG more broadly to their retirement plan. Voya provided assistance to DALBAR in developing this certification, but has no role in the evaluation process. This third-party certification ensures the retirement plan operates according to a defined set of ESG principles, including a review of environmental factors such as paper suppression, automatic enrollment and online capabilities; social factors from matching contributions to phone center capabilities; and governance measuring things like reasonable plan fees, regulation compliance and a sound investment policy. We're proud to be the first publicly traded company to attain the ESG retirement plan certification and to earn five out of five stars for Voya's retirement plan offering to its own employees.

However, this certification is more than five shiny gold stars –



it can serve as a true win-win for employers and participants. For instance, 60% of Americans say they are likely to contribute **more** to an ESG-certified retirement plan, while 73% of Americans find the idea of ESG investing appealing through a retirement plan.⁵ In addition to the potential for higher participation rates, higher contribution rates and enhanced retirement outcomes for employees, ESG-certified retirement plans can help employers with plan economies and increase appeal for employees. **NNM**

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. All security transactions involve substantial risk of loss. Environmental, Social and Governance (ESG) Risk has factors that may cause the portfolio to forgo certain investment opportunities and/or exposures to certain industries, sectors or regions. Products and services are offered through the Voya® family of companies.



FOOTNOTES:

¹ Global Sustainable Investment Review, Global Sustainable Investment Alliance, 2018

² Cerulli Associates, The great wealth transfer, March 2019

³ Morgan Stanley Institute for Sustainable Investing, Sustainable signals July, 2020

⁴ Deloitte, Advancing environmental, social, and governance investing: A holistic approach for investment management firms, February 2020

⁵ Consumer Sentiment during COVID-19, Voya Consumer Insights and Research, July, 2020

⁶ DALBAR, Inc. is a leading financial services market research firm that performs a variety of ratings and evaluations of practices and communications, committed to raising the standards of excellence in the financial services and healthcare industries. DALBAR is a separate entity and not a corporate affiliate of Voya Financial®. The DALBAR ESG Certification criteria fall into 3 categories: Environmental (Paper Suppression, Automatic Enrollment, Online Capabilities), Social (Premature Withdrawal Options, Matching Contributions, Phone Center Capabilities, Pre/Post Retirement Support) and Governance (Reasonable Plan Fees, Compliance with Applicable Regulations, Sound Investment Policy, Investment Review, 3rd Party Requirements). There is an annual fee for ESG Plan Certification which is uniform for all participants in the program and based on the number of participants in the plan (<1,000 participants is \$500, 1,000 - 10,000 participants is \$2,500, >10,000 participants is \$5,000). The DALBAR ESG Certification does not reflect actual client experiences or outcomes and is not indicative of future performance. While Voya provided assistance to DALBAR in developing the ESG certification, Voya plays no role in the evaluation process. This fact has been disclosed to the extent it may be perceived as a possible conflict of interest.