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# RESPONSIBLE INVESTMENT MAGAZINE

SGSS2023 ESGSRI

TIME FOR ACTION?

THE FUTURE IS YOU

SOCIETE GENERALE
Securities Services

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# ESG - WHERE ARE WE TODAY?

For a long time, the European Commission (EC) has intended to **increase sustainable finance growth**, by encouraging investments considering specific Environmental, Social and Governance (ESG) criteria. In 2018, three legislative proposals were published, aiming at creating a European Union (EU) sustainable finance taxonomy, enhancing transparency on sustainable investments and risks, and finally, establishing low-carbon benchmarks.

On the one hand, asset managers have been forced to undertake a strong shift towards investments that incorporate ESG factors and to comply with a new regulatory investment framework. On the other hand, **EU regulation offers new business opportunities and solutions for investors who are increasingly giving due consideration to 'green' investments**.

To answer investors' growing expectations, several things were done to enhance ESG investment strategies.

One of the first steps was the creation of labels contributing to channel investment towards funds following sustainable objectives. After that, numerous studies by the Global Sustainable Investment Alliance showed a huge increase in the number of financial products claiming to be sustainable. But there was still a long way to go.

In 2019, the European Commission **published its main ESG regulation** applicable to financial market participants: the **Sustainable Finance Disclosure Regulation** (SFDR). In 2020, another regulation was introduced: the EU Taxonomy, which lists economic activities eligible to **EU green sector**.

## ESG CONCERN ON STANDARDISATION AND TRUE GREEN ASSETS

In the reality, **the ESG scope remains saturated with terminologies and different types of strategies**, creating lots of possible interpretations for both sustainability and ESG factors.

As far as we are concerned, we see several points of attention: a lack of precision in regulations that prevents harmonisation between products; a need to be inclusive with strategies on ESG transitions without focussing only on dark green consideration; and finally, sustainable finance should also be present on secondary market and not limited to primary market.

At the end, we are now observing several institutions among the major asset managers deciding to move from Art. 9 of SFDR (dark green) to Art. 8 of SFDR (green or light green).

**In this situation, one can wonder whether all those regulations reached their goals**. That is the question we asked to major observers of the market trends. You will find their views and suggestions to relaunch the dynamic in the first chapter of this magazine.

## NEVERTHELESS, TRULY GREEN ASSETS EXIST

Despite the challenges to comply with the regulatory framework, more and more companies are transforming their organisation, their offerings and their commercial practices to comply with their investors' expectations. It is also the purpose of this magazine to allow investment players to explain how they managed to meet their clients' sustainable objectives and align their strategies with the growing demand for a new criterion: the fund's performance, both financial and on sustainability.

## FINAL STEPS IN 2023 ON GREEN TRANSPARENCY?

How can the finance industry step up about producing and achieving this **"green transparency"** expected since many years by investors, consumers and financial producers interested in green economy, environment, and preservation of the planet?

How can regulation be more supportive of those initiatives and be complemented accordingly?

Those are some of the questions that should be addressed in 2023 knowing that we will be seeing the **first periodic ESG reporting this year and consequently rely on a global view of the European market in its ESG transformation**.

Our ESG magazine gives the floor to ESG stakeholders to take a picture on green matters from regulation to practical ESG requirements, sharing experience and vision of the future.

We hope that you will enjoy those high-level contributions to this exciting debate!


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# HAS THE REGULATION REACHED ITS GOAL?

# SUSTAINABLE FINANCE REGULATIONS: A DRIVER FOR THE ASSET MANAGEMENT INDUSTRY?

In recent years, we have seen a significant increase in the importance of CSR[1] issues within the finance industry, driven by the urgency of certain major challenges such as climate change and the decline in biodiversity, as well as an awareness of the levers we have as investors and the potential for value creation within the companies in which we invest. As a result, we have also seen an extremely strong acceleration of regulations on sustainable finance over the last 2 to 3 years.

## WHY IS THIS?

- To satisfy the need to direct capital flows towards responsible investments
- To encourage players to better integrate the risk management dimension and to have a long-term vision
- To provide a framework for these approaches that are emerging from all sides in order to raise the game and limit greenwashing

With its sustainable finance action plan, Europe has been a pioneer in the supervision of ESG practices in finance, notably with the much-vaunted European Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR), the first European regulation specific to this sector.

## WHAT IS THE OBJECTIVE?

To create a clear, structured and above all homogeneous framework in order to harmonise and reinforce the transparency of sustainable products in the European financial market and thus limit all attempts at greenwashing. **This regulation therefore provides long-awaited answers on how to define objectives, communicate our commitments and qualify our actions and ambitions regarding sustainability**.

Many asset managers were already committed to a CSR approach, but in a very heterogeneous and unfocused way. There were still many players with little or no commitment. The Sustainable Finance package is a real boost to the implementation of a CSR approach, which is becoming a must-have rather than a nice-to-have. It is more and more difficult for asset managers to declare that they do not take these issues into account, as everyone wants to match the best in class on these topics. It provides a framework for the foundations we need to put in place to have a solid and transparent approach, it pushes us to systematise the integration of ESG in our processes, to commit ourselves to our investors and to respect these commitments. We are no longer expecting a statement of intent or a best effort. We have to define what characterises our approach and commit ourselves to respecting it contractually, since this is in our fund regulations.

## WHAT IMPACT?

We must now define our ambition, systematise it in each of our investments, industrialise our procedures to generalise this approach and monitor it. We need to train and raise the awareness of both the investment teams, who must implement these commitments at fund level, and the investor relations teams, who must explain these commitments to investors. We must also educate and support the companies we invest in to help them progress on sustainability issues.



This means mobilising our employees, our stakeholders and part of our resources to address these issues.

**However, it leaves a substantial number of unanswered questions, as it has revealed strong challenges and specificities related to our business**.

The Sustainable Finance regulation is a **layered regulation**: the SFDR regulation itself (level 1), the SFDR delegated regulation (level 2) and the multiple publications by the European Commission and the European supervisory authorities make the whole framework illegible for neophytes (and difficult even for "experts"). **It is highly evolutive**, as is the European Taxonomy, which will be completed with new themes in the coming months.

The **need for communication and education** for market participants is huge. Many asset managers are very small and ill-equipped to deal with the massive arrival of regulations on sustainable finance. Some institutional investors wish to invest primarily in art. 9 SFDR funds because they themselves must comply with certain rules. But beware, the **SFDR regulation is not a label**, it is about rules on transparency and the publication of information by the financial actors concerned.

Indeed, as a reminder, we talk about product classification according to SFDR in **"art.6" products/funds (no ESG specificity of these funds), "art.8" funds (promotion of certain ESG characteristics) and "art.9" funds (funds including only sustainable investments in the sense of SFDR)**. Very quickly after the SFDR, article 9 was considered the most virtuous level and therefore it became necessary to target this category in order to show commitment.

However, **the hierarchy of Article 8 or 9 must be qualified**; Article 9 is not too demanding, but it characterises a very specific investment thesis, mainly sectoral or thematic, whereas Article 8 gives funds the freedom to integrate CSR to a greater or lesser extent into their process and allows the most ambitious ones to act concretely for the transformation of the invested companies, whatever their activity or their level of ESG maturity at the time of investment. Sustainable finance regulations are not a label that guarantees uniform practices. It is a framework within which we can define our CSR strategy and within which we must formally commit to our investors.

## LOOKING BEYOND REGULATORY CONSTRAINTS

So we are in a world of regulatory constraints, but also and above all of environmental and societal emergencies to be addressed that are impacting the sustainability of the companies we support and the ability of future generations to live sustainably on our planet. Companies must therefore be particularly active in addressing these challenges. Indeed, these regulations are not only there to constrain us, they are mainly linked to a global awareness of the major issues we are facing, primarily the acceleration of climate change and the biodiversity crisis.

So, let's not focus only on compliance issues. Our mission must remain above all to support companies in their sustainable transformation and in their ecological transition. And the good news is that as an investor, we have the means to act!

**(1)** Corporate Social Responsibility

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# ESG REGULATION IN 2023: RIDING THE WAVE RATHER THAN WAITING FOR THE END

## AMBITIOUS REGULATIONS HAVE BEEN A GAME CHANGER

For years, I witnessed first-hand the concept of ESG and sustainable investing being brushed off as wishful thinking. **However, regulations have now driven the majority of financial players to take notice and act. That, in itself, is a major achievement**.

**The 2018 Sustainable Finance Action Plan has many merits**. Its broad net covering definitions, data at entity and product levels, product marketing and distribution was quite a bold move. **The fact that it would target the fund, banking, insurance, pension and capital markets industries all at once is even more revolutionary**.

Now that these bold ideas have, generally speaking, been translated into regulations, the implementation period starts. **The efforts are considerable. They require strategic coordination, imply financial and human resources and certainly a vision too**. Let's be honest, these can be pain points for some actors that face what seem to be a daunting task. The question is: Will this bear fruit in the long term?

To answer this question, let's start with the cornerstone of the European Union (EU) Sustainable Finance Package – the EU Taxonomy.

## THE EU TAXONOMY AS A TOOL RATHER THAN THE SOLUTION

**Until now, the absence of an agreed classification framework has allowed room for different interpretations of "green activities" and with that unfortunately some level of greenwashing**. Thanks to the EU Taxonomy, we will not just move towards mandatory reporting, we also have the perfect foundation to move towards a more understandable, science-based assessment of a company's share of green activities, the level of green assets in its balance sheet and the sustainability characteristics and impacts of our investments.

However, the EU Taxonomy is not yet complete. Major sectors are missing within the current form of the document including agriculture. Intense debates were also ignited due to the inclusion of nuclear and gas, and the multiplicity of regional and local taxonomies do not ease the work of international investors. **With these limitations and the stark reality that our current economic model is definitely not aligned with climate objectives, the percentage of taxonomy alignment is generally very low**.

**With this in mind, the EU Taxonomy should be looked at as a tool rather than the solution to reorient capital**. In addition, many of the investments necessary to meet net zero by 2050 are too small, not yet profitable enough, or take place in emerging economies that are considered riskier.

A recent study from the Luxembourg Green Exchange (LGX)[1], demonstrates the voluntary use of the EU Taxonomy by issuers as a tool to report alignment of their bonds. Indeed, while the Taxonomy is still a work in progress and issuers of sustainable bonds are under no obligation to report on alignment, a number of issuers have started to adapt their disclosures to reflect this key part of the Sustainable Finance Package.

The study's analysis of 5,451 sustainable bonds indicates that elements of the green classification system are already included in the disclosures for 27% of the green, sustainability and sustainability-linked bonds listed by EU-based issuers.

**It is then fair to say that the EU Taxonomy is, even if still showing room for improvement, a powerful tool to propel positive change**.

## SUSTAINABILITY PREFERENCES ALONGSIDE EDUCATION CAMPAIGNS

Looking at the amendments to MiFID[2] II and IDD[3], it is fair to wonder if asking for investors' sustainability preferences will eventually boost demand for sustainable products.

**It is probably too early to say. Whilst the proposed approach of bringing the concept of sustainability preferences closer to the investor is absolutely key, the "how" to do it meaningfully remains a burning question**. As the European Banking Authority outlines, "the definition of the three categories of financial instruments between which investors must choose is very technical and contains references to regulatory sources that cannot be illustrated to the client in a simple and understandable way." So, not really something that can be covered during a 30-minute meeting with your financial advisor.

Sustainability preferences will put this topic of discussion on the table and make people realise that their investments have an impact on the real economy. Something that was so abstract in the past, and so far-reaching that it was completely overlooked.

**What is certain is that these efforts must be accompanied by massive public campaigns and education programmes to raise awareness of the end investors, who sit on the fence between enthusiasm and scepticism of sustainable products**.

## DISCLOSURES MAKING FINANCIAL PLAYERS MORE CONSCIOUS OF THEIR SUSTAINABILITY CLAIMS

Lastly, will SFDR[4] succeed in reducing information asymmetries when it comes to sustainability risks, impacts and characteristics of financial products?

I recall a time when asset managers would say that they were doing "ESG integration" and deem their full range of funds to be sustainable. **SFDR made asset managers look at every single product and become more conscious when it came to their claims. This is a big step indeed**.

**(1)** https://www.bourse.lu/eu-taxonomy-study-2022 **(2)** Markets in Financial Instruments Directive **(3)** Insurance Distribution Directive **(4)** Sustainable Finance Disclosure Regulation.

## BUT THE FEAR OF GREENWASHING SHOULD NOT BE DISCOURAGING

**However, regulation, the fear of being accused of greenwashing**, the complexity of complying with the smallest details, **may also deter asset managers from crossing over to the "green" side**.

The recent investigations and fines by several regulators like the US SEC[5] or the UK's FCA[6] related to misleading sustainability claims, as well as the Call for Evidence for greenwashing from the European Supervisory Authorities, are very welcomed developments. **Whilst these initiatives rightfully pinpoint what is misfunctioning, one should not forget that the industry is also making considerable, genuine efforts to disclose accurate and reliable information**.

## REGULATION SHOULD CREATE ENTHUSIASM RATHER THAN FEAR

**It is important that regulation continues to encourage rather than discourage. Create enthusiasm for sustainable products rather than fear**.

Is a systemic shift on its way? Only time will tell. In any case, these regulations are here to stay, and most asset managers will figure out the nuts and bolts over time.

Regulation can certainly not change how we, as individuals, ultimately save, invest or borrow by itself, nor will asset managers and other financial players. For our mindsets and habits to change, massive amounts must be invested in financial and sustainable finance education, even if these two areas should not be considered separate, isolated concepts.

**(5)** United States Securities and Exchange Commission. **(6)** United Kingdom's Financial Conduct Authority

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# EU ACTION PLAN ON SUSTAINABLE FINANCE

By deploying the most ambitious regulatory framework in the world, in order to support the European Green Deal, has the European Union achieved its objectives? Given the climate crisis, social inequalities and geopolitical instability that are transforming our world, financial institutions can play a key role.

*Thanks to its European Action Plan for Sustainable Finance, the European Union now has the most advanced and extensive regulatory framework in the world. The regulatory issues related to sustainable finance, with the hopes they raise and the passions they crystallise, were, in 2022, a topic of primary importance for most financial institutions.*

In order to judge whether the year 2022 has enabled concrete progress to be made in the transition to sustainable finance, or whether all the work undertaken and speeches are, in fact, nothing more than a "greenwashing" operation, it is appropriate to take a look at the initial ambitions and the first results obtained.

## EU ACTION PLAN ON SUSTAINABLE FINANCE: AN AMBITIOUS PROJECT

When the European Union launched its action plan in 2018, its ambition was to reorientate capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth; manage financial risks stemming from climate change, natural disasters, environmental degradation and social issues; and foster transparency and long-termism in financial and economic activity.

As Commissioner Mairead McGuinness of the European Commission reminded us in the hearing conducted by the economic and environmental groups of the European Parliament on December 5: *"We do not want to separate the economy and the environment and we want a regulation that must, at the same time, be used wisely by professionals and push sustainable finance to align itself with the European Green Pact".*

In order to achieve these goals, the European Union has adopted a comprehensive set of laws, regulations and amendments to existing legislation. **In recent years, we have been confronted with a true race of words and acronyms, that only process owners understand... SFDR[1], CSRD[2], NFRD[3], ESRS[4], MiFID[5], IDD[6], PAI[7], EBA PILLAR III[8], CBR[9], GBS[10], SDR[11] and many others**.

This legislative framework, at first sight complex, testifies above all to the complexity of the subject and the high level of expertise required to tackle these issues head on. And, like any academically complex subject, this one faced real challenges when it had to be launched from an operational point of view in 2022.

Indeed, the year 2022 has not been easy for financial market participants who were trying to start implementing the regulator's new requirements. Between the challenges of the timetable, notably on European Taxonomy[12], for which financial market participants had to disclose a percentage of green alignment from companies they invested in, even though the companies will only have the obligation to provide this information next year.

A misunderstanding of the substance, since the regulator had not planned those Articles 8 and 9[13] could have been perceived as a kind of label that managers want to obtain, or different interpretations from one national regulator to another.

## A PATH FULL OF CHALLENGES

Another major challenge is **the difficulty in defining a Sustainable Investment[14]**, as requested by the SFDR regulation, for which multiple interpretations exist, even though the technical standards require Article 9 funds to be "100% Sustainable Investment". So much so that today, there seem to be at least as many definitions of the concept of sustainable investment as there are Financial Market Participants in the European Union. It is then up to the end investor (or their Wealth Manager) to sort out the percentage of Sustainable Investment whose methodologies differ from one institution to another.

More worryingly, it seems that the early enthusiasm, as clarifications and Q/A's were made, had to give way to a certain conservatism that may ultimately raise questions about the ability of this regulatory framework to be truly applicable. For example, we can quote the figure of *94%[15] of the Article 8 and 9 funds disclosing taxonomy entered 0%* or the **recent downgrades of Article 9 to Article 8 funds by large asset managers**. Indeed, they have downgraded billions of dollars of ESG funds, adding to the sense of disarray that is spreading through the European asset management industry, a strong signal of the inapplicability of the regulation, even for large players normally best qualified to solve this type of question.

Finally, the latest investigation published by a consortium of journalists on November 29, 2022, casts doubt on the probity of the sector. Entitled "The Great Green Investment Investigation", it questions the practices of asset managers by comparing them with the reality of their portfolios: some funds, although committed to so-called "sustainable" themes, make investments in carbon-intensive sectors or companies subject to very severe controversies.

## SO, HAS THE EUROPEAN UNION FAILED IN ITS MISSION?

That's what you might think at first glance, but it may not be true... Indeed, a clear climate objective will never prevent a social controversy; a strong social commitment will never allow a product or service to become non-polluting, and the diversity of the facets of sustainability will always generate a certain amount of mistrust from savers' point of view. Perhaps we should face the facts: **it is complicated to build sustainable portfolios in a world that is not sustainable**. Even with all the good will in the world.

However, many objectives have been met: ESG and climate issues, which were unknown to most asset managers a few years ago, are gradually becoming mainstream. The average level of knowledge among investors has increased significantly in recent years, which can reassure us that the financial system is better able to mitigate climate change and biodiversity erosion risks. Moreover, any major paradigm shift takes time: it was necessary to go through these steps to mature the ESG & Climate market, and thus move it forward. In addition, although the regulations are complex to apply, they are still under construction, so they will improve over time and many standards will emerge in the years to come. Finally, end investors are now increasingly aware of the power of their money to transform the world.

**So, glass half full or half empty? It's up to you to decide!**

**(1)** Sustainable Finance Disclosure Regulation **(2)** Corporate Sustainability Reporting Directive **(3)** Non-Financial Reporting Directive **(4)** EU Sustainability Reporting Standards **(5)** Markets in Financial Instruments Directive **(6)** Insurance Distribution Directive **(7)** Principle Adverse Impacts **(8)** European Banking Authority Pillar 3 **(9)** Central Bank Reporting **(10)** Global Biodiversity Score **(11)** Sustainability Disclosure Requirements. **(12)** The European Taxonomy designates a classification of economic activities with a favourable impact on the environment. Its objective is to direct investments towards "green" activities. **(13)**The SFDR regulation requires financial institutions that claim to manage sustainable funds to classify their ESG funds between Article 8 and 9 according to their characteristics, with associated reporting obligations. **(14)** Article 2 (17) of the SFDR regulation defines "sustainable investment" as: "…an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance". **(15)** Source: As of September 2022, FE fundinfo.


**OLIVIA BLANCHARD**
Founder and President
**Acteurs de la Finance Responsable**

# POLICY GUIDANCE CAN HELP IMPROVE ESG MARKET PRACTICES TO SUPPORT SUSTAINABILITY

## PROGRESS

Over the past decade, the use of Environmental, Social, and Governance approaches to assess investment risks and opportunities, and shape asset selection decisions, has become a leading form of sustainable finance. As of 2021, portfolios influenced by ESG investing approaches, such as ESG Integration, exceeded $40 trillion AUM by certain measurements[1]. In parallel, stock exchanges across advanced and emerging market economies have increasingly called for disclosures of ESG factors, and more than 80% of the market capitalisation of exchange-listed companies have an ESG score by at least one prominent ESG rating provider. ESG practices have grown across markets for several reasons, including the **demand from end investors and other stakeholders to better understand how companies and financial institutions navigate environmental and social impact**. This is particularly the case due to concerns over growing climate physical and transition risks, and the devastating effects of Covid-19 on employees. At the same time, businesses and institutional investors are broadly embracing ESG integration as an approach to embed forward-looking medium-term factors into the assessment of risks and opportunities to safeguard long term enterprise value. This is welcome progress, driven largely by market-initiatives and evolving client demand.

## CHALLENGES

While sustainable finance approaches are increasingly used by financial market participants, a number of challenges continue to impede the efficient allocation of capital to support sustainability objectives, including management of climate physical and transition risks[2]. These challenges include limited transparency and comparability of ESG methodologies and metrics. In particular, the types of metrics used, their number, and weightings of such metrics vary enormously, and contribute to certain individual corporate entities being rated as an ESG leader by one ESG rater and a laggard by another rater. OECD analysis found that, in aggregate, this has resulted in very low correlations of ratings of issuers across major ESG ratings providers, and raises questions as to the meaning and usefulness of such ratings for investors[3]. In this context, ESG funds rated highly based on ESG scores of underling investments have not outperformed low-ESG rated funds over the past five years. Moreover, our assessment found a bias that firms with large market capitalisations were more likely to receive higher ESG scores, and smaller firms were less likely to receive high ESG scores, all else equal. To the extent that very large firms have greater resources to invest in ESG-oriented assessments and communications, this finding suggests that **efforts should be made by exchanges and financial authorities to improve ESG capacity building among small and midsized companies** to facilitate ESG reporting. This effort could include guidance on how to utilise metrics that are more readily available or less complex to calculate, which in turn could improve active reporting, quality of metrics, and enhance ESG ratings, thereby improving market efficiency.

Evidence from the environmental pillar score of ESG ratings sheds light on what it can and cannot contribute to support investment decisions. Certainly, ESG scoring and reporting has the potential to unlock a significant amount of information on the management and resilience of companies with respect to environmental and physical climate-related risks to the firm, and firms' own risk management approaches, including metrics that measure environmental awareness, governance, and biodiversity.



Yet, OECD research illustrates that the environmental pillar scores of ESG ratings of major providers often do not correlate with lower levels of overall greenhouse gas emissions or carbon intensity measures[4]. In fact, for some ESG rating providers, high environmental pillar scores are often associated with higher absolute carbon emissions. Moreover, a comparative analysis of such scores with climate transition data from transition framework providers indicates that firms receiving higher "E" scores are more likely to acknowledge environmental risks and communicate policies to mitigate such risks, yet there is little evidence of progress in reducing emissions or carbon intensity[5]. In this respect, such findings suggest that E scores may not necessarily be suitable for investors seeking to better align their portfolios with low carbon economies, and they may wish to combine ESG ratings with other tools to more effectively assess the alignment of their portfolios with the Paris Agreement.

## POLICY GUIDANCE TO IMPROVE DISCLOSURE AND MARKET PRACTICES

Given the disparate range of ESG data and metrics being utilised in markets, **policies are being considered to foster global comparability and interpretability of ESG approaches**, as well as to strengthen the methodologies that underpin disclosure, ratings, and valuations in financial markets associated with ESG factors that contribute to long-term enterprise value and sustainability goals.

To this end, a measure of progress is being made in international fora with respect to disclosure, ratings approaches, and integrity of market products labelled ESG. The IOSCO[6] report on Environmental, Social and Governance Ratings and Data Products Providers provides recommendations for securities markets regulators as well as ESG ratings and data products providers, users of ESG ratings and data products, to consider various factors related to issuing high quality ratings and data products, including publicly disclosed data sources, defined methodologies, and high levels of transparency[7]. In turn, following a recommendation by the G20, at COP26 the IFRS[8] Foundation Trustees announced the **creation of the International Sustainability Standards Board (ISSB) to deliver a global baseline of sustainability disclosures** to meet capital market needs, and has produced an exposure draft on climate-related disclosures, which is positioned for implementation in 2023. Efforts are being made by financial authorities and regulatory bodies to strengthen principles and taxonomies, depending on jurisdiction, to strengthen market integrity of the labelling and functioning of traded products, such as labelled green and climate funds and ETFs[9].

**(1)** Global Sustainable Investment Alliance (2021), "2020 Global Sustainable Investment Review". **(2)** See OECD (2021), ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations, OECD Paris. **(3)** Boffo, R., and R. Patalano (2020), "ESG Investing: Practices, Progress and Challenges", OECD Paris. **(4)** Boffo, R., C. Marshall and R. Patalano (2020), "ESG Investing: Environmental Pillar Scoring and Reporting", OECD Paris. **(5)** OECD (2022), "ESG ratings and climate transition: An assessment of the alignment of E pillar scores and metrics". **(6)** International Organization of Securities Commissions. **(7)** IOSCO (2021), "Environmental, Social and Governance (ESG) Ratings and Data Products Providers Final Report". **(8)** International Financial Reporting Standards. **(9)** Exchange Traded Funds.

In parallel, in 2022 the OECD developed policy guidance on market practices for ESG investing and to finance climate transition[10]. It is a principles-based approach that serves policy makers and market participants, from financial authorities to ESG ratings providers to asset managers. In particular, the recommendations support policy makers in voluntarily engaging to strengthen ESG investing and climate transition practices, notably through the development of high-quality disclosures, metrics, ratings, targets and frameworks.

The OECD recommendations with respect to ESG seek to **improve the transparency and credibility of ESG rating methodologies and promote market integrity**. These policy recommendations encourage global comparability and quality of ESG metrics and approaches, such as through mandatory disclosure; and transparency of ESG rating methodologies to clarify and strengthen the high-level purpose of each of the alignment of each of the ESG pillars with long-term value and sustainability goals. As well, policy makers, financial authorities, central banks and other relevant authorities should encourage transparency and comparability of climate-related factors in the environmental pillar of ESG ratings, and encourage improved quality and integrity of metrics used by ESG rating providers to achieve climate-related objectives. As well, they should strengthen the availability and use of reliable, comparable and high-quality data to assess climate risks and opportunities in line with global baseline standards. Also, **policy makers can consider ways to strengthen the quality of climate-related data used by market participants**, as well as develop mandatory disclosure requirements and improve climate transition plans. Importantly, the guidance calls for science-based interim net-zero targets to ensure that transition plans and supporting material are credible in supporting markets in effectively allocating capital and managing climate-related risks. In this context, market efficiency and integrity are critical to ensure that capital is effectively allocated to support sustainability goals and low-carbon transition, and safeguard financial stability, while delivering long-term enterprise value.

The OECD's policy recommendations for market practices on ESG investing and to finance a climate transition are complemented by OECD policy guidance on corporate transition plans, to improve credibility of environmental integrity in pathways and interim targets. Together, these policy recommendations for markets and corporates contributed to the development of the G20 Sustainable Finance Report 2022 which contains recommendations for scaling up transition finance, and supporting credible transition plans in the financial sector[11]. Yet, more work is needed at both global and national levels to turn guidance on reporting, ESG ratings, and sustainable finance products into good practices and, where appropriate, market regulation to ensure further scaling up of sustainable finance is supported by transparency, investor confidence, and market integrity.

**(10)** OECD (2022), Policy guidance on market practices to strengthen ESG investing and finance a climate transition, OECD Business and Finance Policy Papers, OECD Publishing, Paris. **(11)** G20 (2022), "2022 G20 Sustainable Finance Report", Sustainable Finance Working Group.


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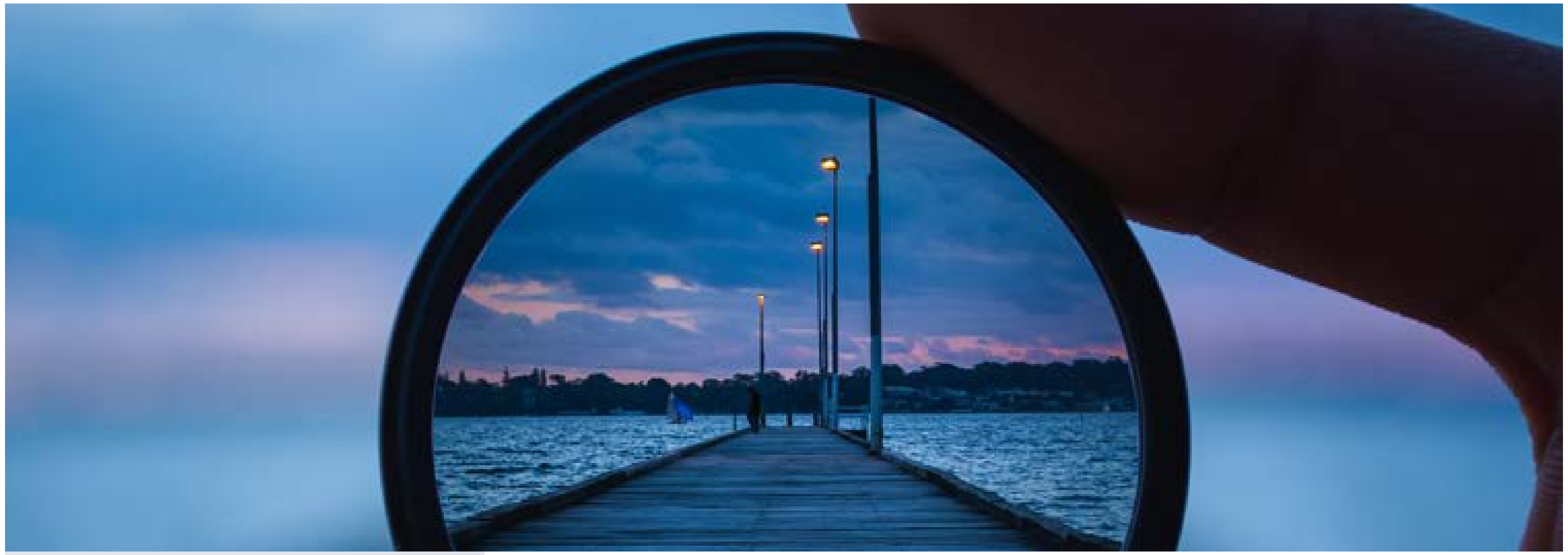
# HOW DO ASSET MANAGERS ANSWER THEIR CLIENTS' NEEDS?



# METHODOLOGIES, DATA, AND REPORTING: KEY DRIVERS TO MEET OUR CLIENTS' NEEDS

In this article, we consider how asset managers can help their clients meet their responsible investment requirements, by exploring a selection of the key challenges and considerations in this area.

## A WIDE VARIETY OF APPROACHES

In the wider world of responsible investment, terms such as 'sustainable investing', 'ethical investing', 'ESG' and 'impact' can often be conflated. And yet, while there are commonalities, there are also key differences in these approaches.

With its roots in the nineteenth century, ethical investing has traditionally involved excluding certain sectors, such as tobacco, alcohol, weapons, gambling, and pornography, in line with investors' values. As a more recent phenomenon, ESG investing is an extension of risk management, involving the integration of environmental, social and governance (ESG) criteria alongside, or within, financial analysis. While it may be combined with exclusions, ESG analysis primarily offers another lens through which investors can analyse the risks and opportunities around a company, by considering its sensitivity to issues such as climate risks and supply-chain disruption.

Sustainable investors also consider the ESG credentials of investee companies. However, **they are concerned not only with the risks to the company, but also the outcomes of its operations (this is known as 'double materiality')**.

Amongst other criteria, investee companies should not fall foul of the 'Do No Significant Harm' principle, by ensuring they do not negatively impact any social or environmental causes, even while contributing positively towards another.

Impact investors will also use ESG analysis and sustainability considerations in the investment process. However, the key difference is the directing of capital exclusively towards companies or projects providing intentional, measurable solutions to the world's most pressing social and environmental challenges, such as climate change, better healthcare or inequality.

With a variety of investment approaches, and sometimes subtle differences between how these are implemented across strategies and companies, **a key challenge for asset managers is to ensure their range of products cater to the diverse requirements and expectations of their client base**.

## WHAT ABOUT EXCLUSIONS?

In particular, clients may have strong views on which sectors or activities they feel comfortable investing in. For example, one client may be happy to invest in energy companies that are in the process of transitioning from fossil fuels to renewables, while others would not. Similarly, some clients may be happy for asset managers to select investments from all sectors, on the condition that they apply minimum overall scores or thresholds on ESG issues. Again, with such nuances between approaches, **it is key for asset managers to understand clients' requirements and offer the appropriate products**.



## THE DATA CHALLENGE

Any responsible investment approach is only as effective as the data that informs it. And yet, **with differing frameworks and a general reliance on company reporting, the evolving field of ESG and sustainability data poses challenges for investors**. To overcome this, some asset managers will be content to rely solely on ESG data and scores from external providers and use these as a basis for their investment decisions.

As active investors, at M&G we carry out fundamental in-house research to inform our range of products, whether they are impact funds, sustainability funds or funds without a sustainable mandate that solely employ ESG considerations as part of the risk management framework.

M&G is an investor with a long pedigree of fundamental research capabilities. So, while we take account of external provider research, and utilise it for purposes such as monitoring for potential breaches of the United Nations Global Compact, this is supplemental to our own in-house research, both from our investment teams and in-house ESG research team. This allows us to have confidence in research outcomes, and to better understand the companies we invest in and the industries in which they operate, giving us a clearer picture of the related risks and opportunities. Furthermore, **by conducting research in-house, we are better able to evidence our decision-making process, providing greater transparency for clients and other stakeholders**.

## MONITORING AND REPORTING IS ESSENTIAL

**Asset managers must carry out ongoing monitoring of their products with regards to ESG or sustainability requirements, and report on this**. The frequency, type and granularity of reporting will be set out in the pre-contractual documents seen by clients before they invest. In Europe, this reporting is now prescribed under the EU's Sustainable Financial Disclosure Regulation (SFDR) framework.

For example, a fund utilising ESG integration as an extension of its risk management framework may have limited additional reporting obligations. Conversely, an impact equity fund may produce an annual impact report, which identifies key impact indicators for every holding (a measure chosen to assess the company's positive impact) and reports the annual progress for these indicators.

Furthermore, asset managers must stay abreast of any incoming regulatory requirements when it comes to reporting. For example, in Europe the reporting of Principal Adverse Impact Indicators (PAIIs) under the SFDR requirements.

**KELLY HEBERT**
Global Head of Sustainability Development
**M&G Investments**

# GETTING THE EDGE ON ESG BIG DATA WITH A DATA-DRIVEN, SCIENCE-BASED APPROACH

Sustainable investing has become common practice, however there is not one route to the final portfolio. Asset owners need to navigate not only regulatory requirements and internal KPIs[1], but the breadth and depth of data, data providers and diverse approaches by asset managers.

Institutional investors must identify those asset managers who master the data and can transparently implement their regulatory requirements and stakeholder objectives. Quantitative or systematic asset managers typically apply a data-driven approach to investing which includes broad universe coverage, fundamental analysis of securities and portfolio diversification across factors, sectors, and countries.

Quantitative managers are well positioned to provide transparency and guidance when navigating ESG big data. Let's look at the route ahead using climate data as an example.

## DATA AND SCIENCE AS THE FOUNDATION FOR INVESTMENT DECISIONS

As systematic asset managers, we try to identify trends and patterns based on relevant data. Our expertise lies primarily in the development of signals, but also in the sophisticated combination of individual metrics and their integration into existing investment models.

At Quoniam, our investment approach is **data-driven and science-based. By data-driven we mean using large amounts of data to power our decisions. Science-based implies that our choice of data is based on the use of rigorous, systematic, and objective methodologies to obtain reliable and valid knowledge**. This means that when adding ESG data to our investment process, we do not proceed superficially, but apply the same data-driven and science-based approach we apply to financial investing.

## NAVIGATING ESG BIG DATA

As a quantitative asset manager, we draw on existing infrastructure for the analysis and exploitation of sustainability data. This way, we efficiently extract the relevant information for sustainable portfolios that are aligned with financial investment objectives and clients' KPIs.

When we approached ESG as a new data project, our first goal was to understand the data and the relationship between the many metrics that exist in the ESG field. Important keywords here are distribution of data, coverage and correlation.

With regard to ESG data, our research showed that some of the data is often only relevant for a few industries. For example, does a company have a risk of stranded assets, such as large coal or oil reserves that have not been extracted? We also found that **historical data is often not available or only insufficiently available, especially for climate data**.

## EXCITING FINDINGS BENEATH THE CLIMATE DATA

When we analysed the data in the ESG field, we noticed that **green patents are partly positively correlated with $CO_2$ emissions**, i.e. companies with more green patents tend to have higher $CO_2$ emissions. We found this interesting, which is why we deepened our analyses on green patents.

We also noticed that companies' climate assessments mainly look at emissions from the past. We believe, however, that such an assessment should also consider how companies plan to reduce emissions in the future. A pure concentration of the portfolio on past emissions data excludes high-emission industries, but also potentially strong transformation candidates.

## FOCUS ON FUTURE OPPORTUNITIES

In turn we focussed our climate data research on metrics that have a connection to the potential future emissions of the company, which included further exploration of, for example, green patents. The field of forward-looking data is not yet widely researched, and we chose to publish our findings in the "Back to the Future: The Role of Forward-looking Climate Metrics in Decarbonization Portfolios" working paper[2].

**The strength of quant managers lies in integrating climate risks and opportunities into the existing investment process**. To create our climate equity strategy, we looked at how climate metrics can be reconciled with return forecasts and how they correlate with classic style factors. The avoidance of sector and country bias was also relevant. Finally, we addressed the question of how to implement a climate strategy with a certain return potential that manages climate risks and climate opportunities at the same time, and what the impact of climate integration is on the performance of the investment strategy.

## NEXT DEVELOPMENTS

At the moment we use classic or structured ESG data, but there are efforts on the part of research, data providers, but also on our part to improve the data quality, availability and understanding to use and filter unstructured data such as news articles, earnings calls and company reports for additional information. **We expect ESG big data to remain a dynamic topic**.

**(1)** Key Performance Indicators **(2)** The paper can be found at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4135443

**DR. JIEYAN FANG-KLINGLER**
Co-Head of Research Forecasts
**Quoniam Asset Management**

# SOCIAL IMPACT INVESTMENT: TOWARDS A MORE INCLUSIVE ECONOMY

Amundi, a major player in European asset management, is also a pioneer in responsible impact investment. Laurence Laplane-Rigal, Head of impact investing at Amundi, tells us more about this ambition.

## HAVE YOU SEEN GROWING PRESSURE FROM YOUR INVESTORS TO IMPLEMENT RESPONSIBLE INVESTMENT STRATEGIES?

Since its creation, Amundi has made Responsible Investment (RI) one of its four founding pillars. As a result, the ratings of our portfolio companies have always combined both financial and non-financial criteria.

The growing interest of investors has been supported - and probably accentuated - by the emergence of territorial initiatives around sustainable development.

A global framework was then established, first in Europe with the arrival of numerous labels (SRI, Greenfin, etc.), guidelines, and regulations aimed at better defining responsible investments and encouraging them.

The movement spread out fast, particularly in the United States, with the creation of the Sustainable Development Goals (SDGs) enacted by the United Nations; the SGDs serve today as the basis for social and environmental impact.

This growing trend reinforces the idea that the finance industry is truly committed to this ambition to contribute to the common good. But at the same time the question is **how to make clear and readable the huge amount of information given to the retail investor, who might have trouble finding his or her way despite a real desire to invest responsibly**.

## WHAT ARE THE AMBITIONS YOU HAVE SET FOR YOURSELF TO MEET THESE CUSTOMER NEEDS AND EXPECTATIONS?

Once again, more than an ambition, responsible investment is part of Amundi's raison d'être.

To illustrate this, let's take the example of the high social impact fund. It is invested in unlisted securities (equity and debt) of small and midsize companies focused on social utility and mutual help. The roadmap set up in 2018 aimed to increase the fund from €150 million to €500 million in assets under management by 2021 and establish it among the regional banks of Crédit Agricole Group in France. Today, with €500 million in assets under management, Amundi has of course set itself new, more ambitious objectives to keep the fund growing.

We should point out that this success has been made possible largely thanks to nearly one million[1] committed savers through their employee savings schemes.

That said, if we want the economy to reach a higher level of commitment one day, **the participation of commercial companies and institutional investors is still largely lacking. For those, I believe an educational effort is needed to raise their awareness of the interweaving of social and environmental issues**.

In order to get large investors (corporate and institutional) on board, we probably need to change the angle and approach the environmental transition from the perspective of its necessary social inclusion component. We are now talking about **a "fair transition", which combines environmental impact (and therefore a certain level of financial return) with social inclusion**.

## WHAT IS THE LEVEL OF EDUCATION AND TRANSPARENCY THAT YOU IMPLEMENT TO SHARE THE PERFORMANCE OF YOUR FUNDS WITH SAVERS AND INVESTORS?

I would say that there are two levels of education: the one aimed at investors, which we will come to, but also the one aimed at the invested companies, which is just as critical.

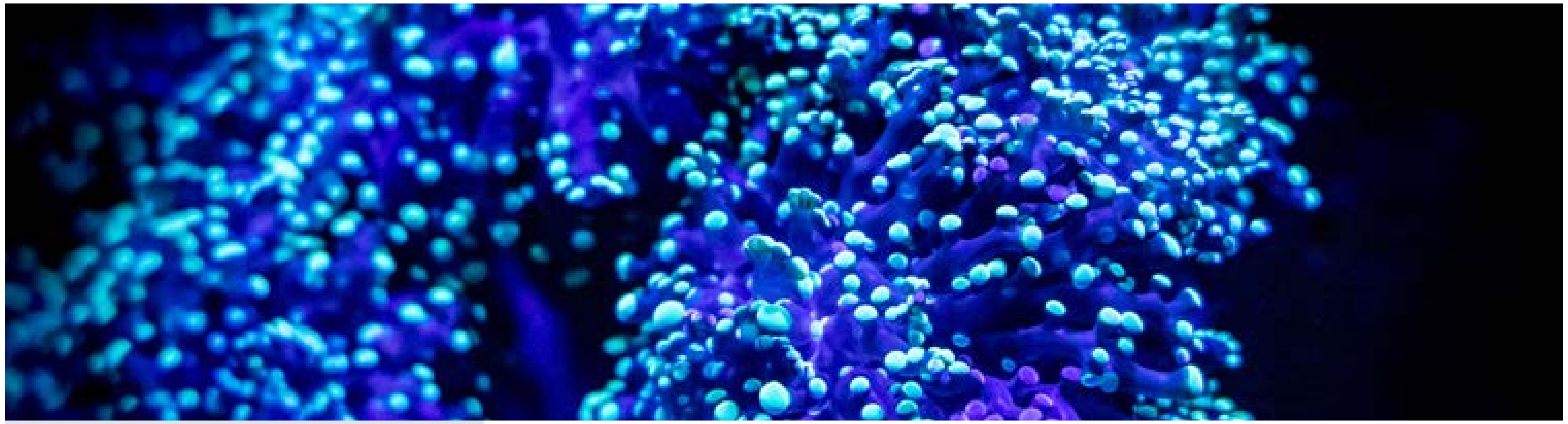
In addition to establishing a rating - both financial and non-financial - for the companies in portfolio, Amundi establishes a permanent dialogue with these companies. Amundi has set up a voting policy fitting its responsible investment strategy and votes at 95%[1] of the shareholders general meetings according to it. This is possible thanks to the entire value chain, from ESG to custodians such as SGSS.

Returning to social impact investment activity, a dedicated website presents the impact reporting[2] that illustrates the performance of the high social impact fund mentioned above. The performance of the fund must be considered as the result of combining social impact and financial performance. We have chosen to highlight simple impact measurement indicators, which have been co-constructed with the companies in our portfolio: i.e, the number of homeless people housed, the number of jobs created or the number of micro-credit beneficiaries… those are indicators that a retail investor considers tangible and understandable.

**I am convinced that earning our clients' confidence is a common responsibility of all players in the asset management chain, from the analyst to the custodian, including of course the manager and salespeople.**

**(1)** Amundi internal source. **(2)** https://amundi.oneheart.fr/assets/amundi/media/amundi_reporting_impact.pdf

**LAURENCE LAPLANE-RIGAL**
Head of Social Impact Investing
**Amundi**



# BIODIVERSITY: A STRATEGIC CHALLENGE

After the fight against climate change, finance discovers a new and significant challenge in preserving biodiversity. With endangered or extinct species, endangered terrestrial ecosystems, and oceans weakened by pollution, the worldwide degradation of biodiversity represents a significant challenge for humanity. Known as the sixth mass extinction, the alarming decline in biodiversity represents one of the main threats that the world must face, according to the World Economic Forum (WEF). The latest edition of the "Living Planet" report published in October 2022 by WWF[1] indicates that since 1970, the population of wild vertebrates has decreased by almost 70%. Similar to the IPCC[2]'s reports on climate, the intergovernmental IPBES[3] platform on biodiversity also sounds the alarm. The main factors responsible for the degradation of our ecosystems include changes in land and sea use, direct exploitation of species, climate change, pollution, and invasive species.

## A MULTIDIMENSIONAL ISSUE WITH HEALTH, SOCIAL AND ECONOMIC CONSEQUENCES

The biodiversity crisis and the climate crisis are what we can call joint-crisis. Beyond the interest for species and ecosystems, it is a matter of ecosystem services, integrating a climate regulation prism. Our ecosystems play a central role in the absorption of carbon. Indeed, oceans and terrestrial ecosystems absorb nearly half of the $CO_2$ emitted globally. By removing this $CO_2$, they contribute directly to mitigating global warming. They also protect us from the impact of storms, floods, etc. The degradation of nature has health and social repercussions. The sustainability of economic models and the financial system is also under threat. There are direct consequences on companies' activities and, inevitably, on their revenues. It is estimated that 5 to 8% of current world agricultural production, representing an annual market value of 235 to 577 billion US dollars, is directly attributable to animal pollination[4].

## BIODIVERSITY VERSION OF THE PARIS AGREEMENTS

**The COP 15 on biodiversity**, held from December 7th to 19th, 2022 in Montreal, was highly anticipated after successive cancellations due to Covid. The political ambition was to replicate for biodiversity the mobilising effect of COP 21 that led to the Paris Agreements.

196 countries gathered around this common goal and, after several months of intense negotiations, adopted an agreement that can be considered historic. **This agreement defines a clear course and sets quantified and measurable targets to significantly reduce the loss of biodiversity**. One of the key targets adopted is to protect up to 30% of the land and 30% of the sea by 2030. Other strong commitments include halving pesticides and excess nitrates, restoring 30% of degraded terrestrial and marine ecosystems by 2030, reducing by half the introduction of invasive alien species, halting the extinction of protected species due to human activities by 2050 and eliminating harmful subsidies to biodiversity to the tune of $500 billion per year by 2030 to stop supporting activities that impact nature. To ensure that all countries can implement these goals, the framework also sets a target of transferring $30 billion from the richest countries to developing countries by 2030.

## THE REGULATORY FRAMEWORK IS MAKING PROGRESS AND ENCOURAGING INVESTORS TO ACT

**CSRD[5], which is scheduled to come into force on January 1st, 2024, will represent a major step forward, thanks to the harmonisation of extra-financial data published by European companies**. To improve their understanding of the issues, investors are also encouraged to turn to different information providers, often more experienced and more specialised in biodiversity issues than traditional extra-financial rating agencies. NGOs[6] are among these potential new partners.

While there are still difficulties in harmonising the available data and defining coherent objectives at the international level, **investors' interest in the biodiversity issue is encouraged at the European level by SFDR[7]**. The challenge is to make the information more legible for clients so that they are encouraged to finance issuers that are more respectful of the climate and biodiversity. In France, the preservation of biodiversity has not been forgotten in the Energy-Climate Law. Article 29 of this Law, which sets out new extra-financial reporting requirements for investors, stipulates that biodiversity-related risks must be considered and that investment strategies must be aligned with long-term biodiversity objectives.

The European Commission should be able to provide investors with rules to follow regarding the "technical criteria for alignment" of four environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and finally protection and restoration of biodiversity and ecosystems. This progress will allow all stakeholders (companies and investors) to have the same references and to speak the same language on biodiversity.

This regulatory progress, whether at domestic or European level, combined with greater public and investor awareness of these issues, must now be translated into concrete investment actions.

## A POOL OF OPPORTUNITIES

From our investor point of view, our role is to assess how these criteria for respecting biodiversity are actually integrated by companies. First, this means excluding companies with negative impact, whose activities directly contribute to the degradation of marine and/or terrestrial ecosystems. Then, investing to preserve biodiversity means choosing companies that offer solutions that contribute to reducing pollution, improving water quality or decreasing waste production, particularly through prevention and recycling. We now have a fairly good map of the impacts and dependencies of activities and sectors. This is why it remains essential to understand the fundamentals of companies' activities and their sensitivities regarding biodiversity.

The fight against biodiversity loss represents a pool of opportunities, within which new solutions and technologies are emerging. **According to the WEF, biodiversity-related investments represent a potential market valued at 10 trillion dollars per year, and nearly 395 million jobs by 2030**. Companies positioned in this field represent real investment opportunities, even if the potential may seem more limited than for the climate. These companies can be found in all geographical areas. Japan, for example, has several ocean-focused companies specialising in the protection of the marine ecosystem. With its exceptional but threatened fauna and flora, Australia also stands out with its companies dedicated to the circular economy. In Europe and the United States, companies are more focussed on the fight against pollution through, for example, the preservation of terrestrial or freshwater ecosystems. In practical terms, some companies are using nature-based solutions to improve their bottom line while others are focussing on natural assets and ecosystem services to guide their own business decisions.

**In this regard, we are convinced that biodiversity preservation can become the new priority theme for sustainable investors**.

**(1)** World Wildlife Fund. **(2)** Intergovernmental Panel on Climate Change. **(3)** Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. **(4)** Source: IPBES. **(5)** Corporate Sustainability Reporting Directive. **(6)** Non-Governmental Organisations. **(7)** Sustainable Finance Disclosure Regulation.

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# INNOVATIONS & GREAT STORIES: PROOF OF THE INDUSTRY'S COMMITMENT

# HAS ESG BECOME A BAD WORD?

It is becoming clear that ESG is not sufficient to assess the true impact of companies. However, it is possible to go beyond the ESG model, thanks to the larger volume of data collected within the framework of impact analysis.

Contrary to popular belief, ESG was never designed to measure sustainability.

Rather, ESG is a measure of financial risk and of the materiality of E (Environment), S (Society) and G (Governance) factors for a company's financial performance. Although IFRS[1] and the ISSB[2] defend the single materiality approach (ESG), Europe is taking the lead by adopting the double materiality approach, that is also taking into account the impacts of a company's activities on E, S and G. Not only does this make sense ethically speaking, but these impacts will also become financially material over the long term.

Moreover, E, S and G are inextricably linked, and considering only one letter (as proposed by The Economist) shows an inability to grasp the complexity of the impacts generated. The same is true for the United Nations Sustainable Development Goals (UN SDGs).

## THE DIFFERENCES BETWEEN IMPACT AND ESG

Sustainable investment has become an overused term that encompasses several investment strategies: exclusionary, ESG-based, themed or impact-oriented.

But how do you define impact investing? **Impact is the result of a measurable change in the life of a stakeholder (a group of people such as customers, suppliers, communities, etc. or even the planet) over time. It can be positive or negative, intentional or unintentional**.

An outcome is the level of well-being experienced by a stakeholder as a result of an action or event. Impact management is the process of identifying the negative and positive impacts of a company on its stakeholders.

The fact that ESG agencies claim to measure "impact" misleads many investors who end up making themed investments, founded on an ESG-based approach.

## FROM DOUBLE MATERIALITY TO SINGLE MATERIALITY

This concept is at the heart of the debate, given the divide between Europe and America. Materiality is the process of identifying whether an issue is material to a given entity. If an issue has an impact on the valuation of a company, it can be categorised as financially material. If it has an impact on stakeholders, it can be considered material for them. The double materiality approach takes both dimensions into account, whereas the single materiality approach only considers the former.

Why is this important? Single materiality (ESG) advocates argue that the role of financial institutions is to ensure the prosperity of their clients, while those for double materiality argue that we need to broaden our scope to truly save our planet. The debate becomes interesting when the former argue that stakeholders' problems are financially material in the long run, and therefore should only be considered under the lens of the single materiality.

In theory this works, but in practice it does not, as a majority of ESG analyses use SASB[3] standards that do not incorporate this long-term view. As a result, **investors using the single materiality approach "risk missing risks" not only material for stakeholders but also for themselves in the long run**.

## GOING BEYOND ESG

ESG, by design, is insufficient to achieve the SDGs. We need to contextualise the data with a holistic approach, based on the double materiality approach and covering the full range of impacts. **Impact assessment provides an additional layer of risk management and a "best in class" vision of alignment with the SDGs**. A rigorous, anti-washing methodology to obtain credible data is essential to support sustainability claims.

Basing one's sustainable investment strategy on ESG data and single materiality in 2022 is the equivalent of an investment strategy based solely on a company's assets and liabilities in the 1920s, and not on a complete view of its financial balance sheet here.

## IMPAK'S MISSION

impak was born from the idea that ESG as we know it today is not an adequate response to the major problems facing the world in which we live. As such, impak works to plug the gaps in ESG and to reflect the reality of the impacts of a company's activities on society and on the environment.

impak's methodology distinguishes positive impacts from the mitigation of negative impacts and is founded on international standards such as the 17 UN SDGs and the Impact Management Project (IMP).

**Through its solution, impak's mission is to help investors to make more sustainable decisions by providing them with a suite of impact data**.

Founded in 2017, impak serves clients such as Societe Generale, HSBC, Franklin Templeton and Vega IM (a Natixis subsidiary), and is backed by Institutional investors including Societe Generale Ventures and Altalurra (a US-based impact VC fund). impak's team consists of around 125 employees (and growing), 85 of them expert impact analysts[4].

**(1)** International Financial Reporting Standards. **(2)** International Sustainability Standards Board. **(3)** Sustainability Accounting Standards Board. **(4)** Impak internal source, as of December 2022.

**BORIS COUTEAUX**
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# INVEST FOR GOOD: HOW PRIVATE DEBT CAN ADD DIVERSIFICATION, RESILIENCE, AND IMPACT TO YOUR PORTFOLIO

## WHAT ARE THE CURRENT CHALLENGES FOR EMERGING MARKETS?

Emerging markets have been developing at a breathtaking pace over the recent decades, and improvements in the livelihood of their residents have been massive: 99% of the Indian population now has access to electricity, up from 59% in 2000[1]. GDP[2] per capita at purchasing power parity increased from USD 4,300 to USD 15,000 in the same period[3]; and the development of mobile money has allowed millions of people to access financial services for the first time. Challenges persist nonetheless: women still experience greater difficulty than men in obtaining financing and employment, the quality of education still requires improvement in many developing countries, and with rampant development comes environmental pressure. And it is estimated that 1.6 billion people still lack access to financial services[4]. The flow of capital to emerging countries is currently not enough to solve these issues. According to the OECD[5], the Sustainable Development Goals (SGDs) financing gap in developing economies reached USD 4.2 trillion in 2021, up from USD 2.5 trillion before the Covid pandemic struck[6]. The good news is that investors could jump in fairly easily: just 1.1% of global private capital (USD 380 trillion) would suffice to fill the SDG financing gap in emerging markets[7]. Investing in private impact debt can contribute to this goal, while providing investors with true diversification and return potential.

## HOW DO YOU RECONCILE SOCIAL AND ENVIRONMENTAL PROGRESS WITH FINANCIAL RETURNS?

Private impact debt has come a long way since its beginnings in the early 2000s. According to the 2022 Tameo Private Assets Impact Survey[8], it now represents an investable universe of over USD 32 billion, covering sectors such as microfinance, SME[9] financing, clean energy, fintech, education and agriculture. **With exposure to the real economy, the asset class has demonstrated remarkable long-term resilience**. The SMX MIV (USD) index, an index of impact debt funds, has performed negatively in fewer than 10 months since its launch in 2003 and generated an annualised return of 3.4%[8]. Despite periods of tremendous geopolitical turmoil, like the 2008 global financial crisis or the Covid pandemic, the sector rebounded quickly.

## IS PRIVATE IMPACT DEBT SENSITIVE TO GLOBAL MARKETS?

**Another defining feature of impact private debt is its capacity to act as an effective portfolio diversifier**. The loans in our portfolios benefit from a double layer of protection versus global markets. Firstly, frontier markets have historically shown lower correlation to the global economy; and secondly, we are predominantly exposed to local small and medium businesses rather than large corporates. Private impact debt is therefore weakly correlated with major market indices. This holds true not just for global bond or equity markets, but also for listed emerging market debt: since the inception of the SMX MIV index, correlation with the JP Morgan EMBI Global is around 0.1[10]. The economic and geopolitical turmoil of 2022 put this quality to the test, and impact private debt passed with flying colours. **Whilst most major asset classes posted double-digit losses over the year, impact private debt remained firmly in positive territory**.

## HOW CAN LOCAL CURRENCY INVESTING ADD VALUE FOR INVESTORS?

At first sight, adding unhedged local currency exposure to impact debt portfolios seems counterintuitive. Historically, emerging market currencies have been sensitive to capital controls, economic shocks and geopolitical turmoil. Since we started including local currency exposure to our portfolios in 2013, we have noticed that it can add return potential to a portfolio, while keeping risk in check. We carry out rigorous macroeconomic analysis and apply a highly diversified exposure at all times – today, we invest in more than 30 currencies across Latin America, Africa, and Asia. This approach paid off in 2022 when most emerging market central banks promptly adjusted monetary policies to mitigate the effect of rising global yields and unhedged local currency mandates performed better than their hedged counterparts. We believe this trend will be supported by stronger medium-term economic growth rates in the developing world.

Local currency debt also enhances the impact of our portfolios. Portfolio companies do not need to manage the exchange rate risk or cost of hedging the loan, which **allows more money to flow to those who need it most**.

## HOW IMPORTANT IS IMPACT FOR YOU?

First and foremost, **Symbiotics Asset Management invests 100% of its clients' money in impact investments[11]**. Since our debut in 2005, our due diligence processes and risk methodologies have assessed investment opportunities from both a financial standpoint and also an ESG standpoint. We think it is a positive development that **impact is now high on the agenda of financial regulators and institutional investors across the world**. It is important to note that all our products comply with article 9 of SFDR[12], the new European regulatory framework for sustainable investing. We also share industry concerns for greenwashing. As reported by Morningstar, SFDR Article 9 funds saw assets shrink by EUR 175 billion in just the last quarter of 2022[13]. This is mainly driven by the realisation by some asset managers that they are unable to prove the sustainable nature of all their investments and, as such, meet the SFDR article 9 reporting requirements.

At Symbiotics Asset Management, we strongly believe that a robust impact methodology is key to maintaining trust and continuous commitment from investors. For this reason, we have always included impact at every stage of our investment process. All our portfolio companies benefit from an internal ESG rating, all loans and bonds we invest in commit to a formal SDG target, and all our portfolios report on a wide range of impact indicators.

## WHAT SHOULD INVESTORS CONSIDER BEFORE INVESTING?

Private debt in emerging markets is a powerful asset class to add resilience and impact to an investment portfolio, though it may be daunting for investors to access and understand.

It is important to work with an expert in the field, who can advise and guide investors to navigate the complexity of selecting high-quality portfolio companies in emerging markets; deal with the intricacies of local currency investing and build efficiently diversified portfolios. It is also key to measure and report on ESG and impact indicators using a robust and transparent methodology.

**(1)** Source: Our World in Data. **(2)** Gross Domestic Product. **(3)** Source: World Bank, GDP per capita at purchasing power parity, current prices. **(4)** Source: IFC, EM Compass 109, January 2022. **(5)** Organisation for Economic Co-operation and Development. **(6)** Source: oecd.org: "Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet". **(7)** Source: OECD UNDP Scoping note for the G20 Development Working Group, 31 March 2021. **(8)** The report can be downloaded here: https://sun-connect.org/tameo-report-shows-17-growth-in-private-impact-fund-sector/ **(9)** Small and Medium-sized Enterprises. **(10)** Source: Symbiotics AM, Bloomberg, Tameo. **(11)** Symbiotics Asset Management internal source, communicated on January 2023. **(12)** Sustainable Finance Disclosure Regulation. **(13)** https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt92a308fa6f5d94e2/63d25ebec31a7126813ff235/SFDR_Article_8_and_Article_9_Funds_Q4_2022.pdf

**DAVID GRIMAUD**
CEO
**Symbiotics Asset Management**

# EDUCATION & SUSTAINABLE FINANCE

**“Training is the prerequisite for action”**, reads an open letter to French President Emmanuel Macron sent by 17 prominent civil society figures including climate and energy expert Jean-Marc Jancovici. An open letter demanding that members of the French government be educated on the climate issue.

This is hardly surprising given that the topic was already at the heart of the Rio Conference, organised by the United Nations in 1992, and that in 2015, during COP21, Article 12 of the Paris Agreement once again emphasised the importance of **education on climate change** in order to achieve the objectives set.

This reflection concerns society as a whole, including the financial sector, of course. Numerous regulations, such as the **MiFID2[1] revision on ESG preferences**, encourage financial intermediaries to offer responsible investment products to their clients and to explain to them that they have the **power to take positive action for the climate and society with their savings**. However, to date, according to an IFOP[2] survey for the French Forum for Responsible Investment published in September 2022, only one in 10 French people have been offered SRI[3] products by their advisor. This striking finding illustrates **financial advisors’ lack of training** in these subjects and, consequently, their discomfort in addressing these issues, and ultimately their inability to offer their clients the opportunity to discover SRI.

In view of this observation and convinced of its responsibility on the matter, **La Financière de l’Echiquier (LFDE) decided, from 2018, to actively contribute to the training of its employees and clients** in sustainable finance.

## TRAINING OUR TEAMS

Our path began with the **training of all our staff**, starting with our fund management and sales teams. Each employee receives general training on sustainable finance when he or she joins the company, as well as access to thematic training modules throughout the year, provided by our Responsible Investment Research team. The topics covered are numerous: finance and climate, corporate governance, biodiversity, European taxonomy, customer satisfaction, sustainable finance regulations, etc. This ongoing training is essential to enable each employee to take ownership of **these subjects, which are at the heart of our company’s culture**, and to keep up with market developments, particularly regulatory issues. In addition to this internal training programme, **we offer our teams an opportunity to have their knowledge certified** through programmes such as the CFA ESG or the new AMF[4] Sustainable Finance Certification in France. This opportunity has already been seized by some thirty of our employees. The emulation provided by this training dynamic allows us to anchor the challenges of sustainable finance in the daily life of each of our teams.



## TRAINING OUR CLIENTS

Very quickly, we decided to **adapt our internal training courses to our clients**, particularly wealth management advisors. We began with a **general programme on sustainable finance, L’Ecole de l’ISR by LFDE**, to ensure that our clients have a basic knowledge of sustainable finance and that they can develop a critical mindset about the products they are offered. In 2020, this programme was adapted into an **educational podcast**, “Un pied devant l’autre”, so that a wider audience can benefit from its teachings. Finally, as part of LFDE’s climate and biodiversity strategy, we wanted to **increase our clients’ knowledge of climate and biodiversity preservation issues**. We have therefore sponsored a MOOC[5] dedicated to biodiversity, the “MOOC Biodiversity, Meeting the challenge of life”, which is both expert and educational, and open to all. We have also raised awareness among our clients through the La Fresque du Climat interactive workshops. In a similar vein to the SRI School, in 2022 we launched L’Ecole du Climat by LFDE, designed to increase our clients’ knowledge on the subject and give them the means to become agents of change. We also offer these courses to **tomorrow’s finance professionals** by providing courses on these issues in various higher education institutions in France.

In total, **more than 3,600 people have been trained by us** and **more than 330 hours of training** have been delivered by our teams! We are proud to be contributing to the democratisation of sustainable finance through these awareness-raising and training initiatives, in the hope of mobilising more and more capital flows in favour of responsible companies that are shaping tomorrow’s world.

Disclaimer: The opinions expressed in this document are those of its author. LFDE cannot be held responsible for them in any way.

**(1)** Markets in Financial Instruments Directive. **(2)** French public opinion institute. **(3)** Sustainable and Responsible Investment. **(4)** French Financial Markets Authority. **(5)** Massive Open Online Course.

**COLINE PAVOT**
Head of Responsible Investment Research
**La Financière de l’Echiquier**

# SOCIETE GENERALE SUPPORTS FINANCIAL INSTITUTIONS IN THEIR SUSTAINABILITY ROADMAP

In 2022, the financial sector and investors faced several challenges even as the fossil fuel and defence sectors recorded excellent results. Despite this, ESG investments[1] remain a key factor in achieving sustainable development goals.

Driven by increasingly prescriptive regulations, financial institutions fluctuate between wanting to go even further in their ESG approach and remaining cautious given the size of the investments at stake.

In defining and implementing a robust ESG strategy, financial institutions must come to grips with numerous challenges. Meeting complex regulatory challenges and obtaining relevant data are two major structuring factors.

- In Europe, ESG regulations, whose main objective is to improve the standardisation and transparency of environmental, social and governance factors, are multiplying. In France, for example, legislations such as Article 29 of the Law on Energy and the Climate requires asset managers, insurers and mutual insurers to publish a climate and biodiversity alignment strategy in favour of Transparency. Furthermore, these regulations now incorporate the concept of double materiality to capture the negative effects probably caused by ESG investment decisions. The rapid enforcement of these regulations is one of the main concerns of financial institutions.

  The complexity of these regulations is twofold because they are difficult to interpret and implement. **Thus, while regulations on sustainable finance have established the necessary frameworks, the tools needed to comply with them are based on access to reliable and comparable data that remains difficult to acquire**.

- In the ESG ecosystem, beyond access to relevant data, **the requirement for greater transparency and traceability**, from design to data usage, **is a key factor in making ESG investment credible**.

  On the climate front, the current supply of data is varied and enables us to meet overall needs in an investment universe covering large companies. However, access to exploitable and reliable data remains an area that needs to be improved for smaller companies and, more generally, in the unlisted asset universe. In addition, data that incorporates the climate into the sovereign bond market is still scarce, despite growing investor interest.

  Moreover, awareness of the challenges around biodiversity protection has increased in recent months, culminating with the adoption of an ambitious roadmap at COP 15 in December 2022. Prior to this agreement, considerable work had been carried out on the convergence of biodiversity impact analysis methodologies with a view to providing high quality data to investors.

Societe Generale's clients can rely on extensive experience and proven expertise in incorporating environmental, social and governance factors into all our investment, financing and advisory solutions. They also benefit from Societe Generale Securities Services (SGSS)'s operational systems to implement and manage their investment strategies.

Societe Generale's Capital Markets division provides ESG support to financial institutions at multiple levels:

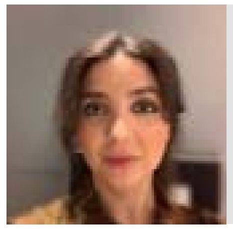
- **Advisory:** drawing on in-depth knowledge of the challenges faced by financial institutions in implementing their ESG approach, our experts support and offer guidance several areas. For example, our services include refining a climate change investment strategy, defining an investment strategy aligned with biodiversity objectives, integrating the new ESG regulatory framework into an investment strategy, or providing data analysis to optimise the consideration of ESG factors.
- **Research:** the sustainability research department was created in 2006. Since then, ESG has been integrated into all equity analysis and, more broadly, into the work of all research teams. Consequently, we provide a practical framework to help investors make informed decisions, by combining traditional financial metrics with relevant and actionable analysis of key ESG issues. These innovations complement numerous thematic publications issued by the research team on current ESG topics.
- **Products:** we leverage our financial engineering capabilities across asset classes to deliver tailored solutions to our clients, aligned with their ESG investment needs and strategies, as well as their hedging and financing needs.
  - We offer access to an ESG index platform based on internal research or research carried out by external partners.
  - We are pioneers in the field of Positive Impact notes to allow clients to invest in a structured note while promoting Positive Impact Finance[2].
  - In addition, we offer bespoke sustainability-linked derivatives and financing solutions which embed ESG criteria.

SGSS also supplements this offering with full operational support for investment professionals with their ESG needs, covering:

- The provision of a management platform incorporating the ESG data chosen by the managers to define and steer their strategy, as well as pre- and post-trade controls;
- The production of regulatory reports that meet SFDR[3] and Taxonomy requirements or EET[4] needs, as well as management reports for its investor clients;
- A specific service that is currently being developed for investors in Private Markets that factors in the need to collect data from investors prior to producing the aforementioned reports;
- A routing service for voting instructions at general meetings incorporating access to voting advice aligned with the strategies defined by clients;
- Finally, the integration of ESG criteria contained in prospectuses for depositary controls.

Societe Generale is proud to offer a wide range of operational services and expertise to support investment companies in choosing and implementing their sustainable strategies, and fully contribute to achieving the financial industry's ESG transition ambitions.

**(1)** ESG: Environment, Social and Governance. **(2)** Read Societe Generale's Sustainable and Positive Impact Bond Framework. **(3)** SFDR means Sustainable Finance Disclosure Regulation. **(4)** EET means European ESG Template.

**DÉBORAH AMSELLEM**

ESG Advisor for financial institutions

**Societe Generale**

**GUILLAUME HERAUD**

Global Head of Marketing

**Societe Generale Securities Services**

# AUTHORS' BIOGRAPHIES


### LAETITIA HAMON

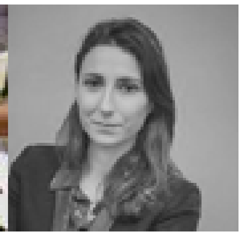
Head of Sustainable Finance **- Luxembourg Stock Exchange**

Laetitia started her career in 2008 as an ESG analyst for an extra-financial rating agency, before joining Thomson Reuters in London. After that she moved to Luxembourg to work with the ALFI (Association of the Luxembourg Fund Industry) and LuxFLAG (Luxembourg Finance Labelling Agency), where she actively promoted and developed Responsible Investment and Microfinance in Luxembourg and abroad. Laetitia then spent 8 years managing and then leading the Sustainable Finance audit and advisory practice at KPMG in Luxembourg, before joining the Luxembourg Stock Exchange in 2020 where she is now responsible for the exchange's sustainable finance strategy and leads the Luxembourg Green Exchange.


### NOELLA DE BERMINGHAM

Chief Sustainability Officer **- Andera Partners**

Noëlla de Bermingham started her career in the Sustainable Development Department of a major Hotel Group. In 2014, Noëlla joined Private Equity sector as CSR Manager in a leading global investment company. With more than 13 years of experience in responsible business transformation, Noëlla de Bermingham joined Andera Partners in 2021 as Chief Sustainability Officer to confirm and accelerate the responsible commitment of the management company. In January 2022, Noëlla became the Chair of the Sustainability Commission of France Invest.

### OLIVIA BLANCHARD

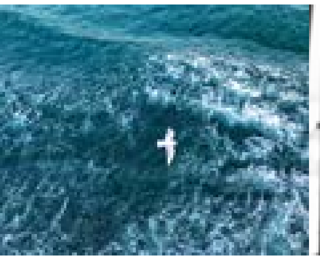
Founder and President**- Acteurs de la Finance Responsable**

Olivia has over 10 years of experience in finance in various fields including private banking, investment banking, asset management and institutional brokerage. She has held several compliance and control positions in France and internationally. Six years ago, she set up her own company in London and then in Paris, where she is on the management committee of companies to assist the Directors in the implementation of a regulatory framework in line with their core business. She innovates on the evolution of the compliance business by integrating social and environmental issues.


### ROBERT PATALANO

Senior Counsellor - Directorate for Enterprise and Financial Affairs **- OECD**

As senior counsellor, Rob Patalano leads the OECD's engagement on FSB, NGFS and other international bodies and fora focused on aspects of global finance. Prior to this, he was Head of the Financial Markets Division, where he represented the OECD on the G20 Sustainable Finance Working Group. Before joining the OECD, Rob led the assessment of global financial stability risks at the Financial Stability Board and chaired its Analytical Group on Vulnerabilities. Before that, he served at the Federal Reserve Bank of New York and the European Central Bank in their markets departments.




### DR. JIEYAN FANG-KLINGLER

Co-Head of Research Forecasts **- Quoniam Asset Management**

Dr. Jieyan Fang-Klingler joined Quoniam Asset Management in April 2013 and is Co-head of Research Forecasts. Previous positions include McKinsey & Company and KPMG. Jieyan initially studied finance, statistics and management accounting/controlling at the University of Cologne, Germany, and was subsequently awarded a doctorate from the University of Mannheim, Germany. She wrote her thesis, entitled 'An analysis of the mutual fund industry: mutual fund investors, mutual fund managers and mutual fund companies' while working at DWS Investments (now Deutsche Asset & Wealth Management Investment GmbH).


### KELLY HEBERT

Global Head of Sustainability Development **- M&G Investments**

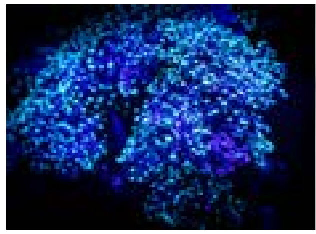
Kelly Hebert is Global Head of Sustainability Development & the Country Head BeLux at M&G Investments. She is a key member of the sustainability leadership team and is responsible for expanding M&G's ESG proposition, ensuring the company's range of products meet clients' evolving needs in this area. Prior to joining M&G in 2014, Kelly held sales and distribution positions at Financière de l'Echiquier and AXA Investment Managers.




### LAURENCE LAPLANE-RIGAL

Head of Social Impact Investing **- Amundi**

Laurence Laplane-Rigal began her career in investment banking in 1985 as an interest rate trader at CIBC and then Indosuez (now CACIB); she then became a senior analyst for market risks and then a business manager in securitisation and complex arrangements. In 2001, she became Secretary General of CACIB's Investment Banking division before joining in 2006 the Asset Management division of the Crédit Agricole Group as Head of Organisation. From 2010 to 2017 she was Chief of Staff to the CEO of Amundi and Secretary of the Executive Committee.




### EMMANUELLE SÉE

Head Equity Management **- Swiss Life Asset Managers France**

Emmanuelle Sée has more than ten years of asset management experience with an international background. She joined Swiss Life Asset Managers France in September 2022 as Head Equity Management. Emmanuelle Sée is responsible for consolidating the equity range, supporting the implementation of the "quantamental" strategy (a combination of quantitative and fundamental) – in particular three impact funds on biodiversity; climate; green buildings and infrastructure – and for playing an active role in developing this asset class.


### BORIS COUTEAUX

Vice President, Business and Product Development **- Impak Analytics**

Boris is VP, Business and Product Development and heads the indexing, data and scoring team at impak Finance, the leading independent impact rating agency. Boris has 12 years experience in responsible finance and social entrepreneurship, in various roles at ING in Belgium, Pollinate Energy in India and lately impak in Canada. Boris holds a master's in business engineering and Finance from the Solvay Brussels School of Economics and Management (Belgium).


### COLINE PAVOT

Head of Responsible Investment Research **- La Financière de l'Echiquier**

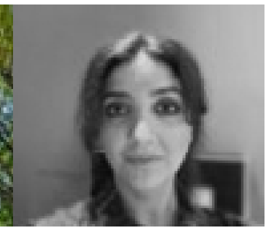
After graduating from SKEMA Business School sustainable development degree, followed by several internships in this field and after gaining valuable experience in microcredit, Coline began her career as a responsible investment product specialist in 2014 at BNP Paribas Wealth Management. She joined La Financière de l'Échiquier in February 2017 as an SRI analyst. In 2020, she became Head of RI Research. In 2021, she obtained the CFA-Certificate in ESG Investing.


### DAVID GRIMAUD

CEO **- Symbiotics Asset Management**

David Grimaud is the CEO of Symbiotics Asset Management, part of the Symbiotics Group. Symbiotics AM manages tailored impact debt portfolios for institutional investors across Europe, covering impact themes such as microfinance, small business finance, climate change, agriculture, and education. Symbiotics AM has assets under management and advisory of close to USD 3 billion. All its funds and mandates are classified as SFDR article 9 funds[1].

**(1)** https://symbioticsgroup.com/asset-management/

### DÉBORAH AMSELLEM

ESG Advisor for financial institutions **- Societe Generale Global Markets**

Déborah Amsellem advises financial institutions on their ESG journey. Earlier, she worked at the Group Strategy and Corporate M&A team where she was in charge of executing M&A transactions and developing strategic partnerships. Prior to this role, she held a position within the Wholesale Banking Strategy and Corporate development team, leading GBIS strategic initiatives and business orientations. She started her career at Societe Generale as an auditor on Global Markets. Déborah graduated from Telecom Paris Engineering School and holds a master's in financial mathematics from Paris VII University.


### GUILLAUME HERAUD

Global Head of Marketing **- Societe Generale Securities Services**

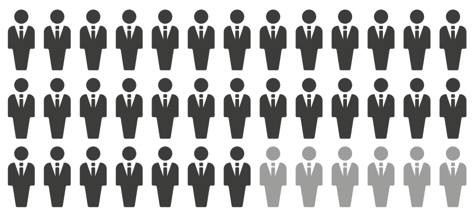
Guillaume joined Societe Generale (SG) in 1990 at the bank's "Inspection Générale". After several assignments within the retail banking branch, Guillaume was given the responsibility of strategic international development. In 1998, Guillaume launched an entity in Switzerland specialised in clearing and custody for the Swiss and German markets. He then returned to France in 2002 as Chairman of PAREL S.A, a clearing subsidiary of SG, before becoming Deputy Head of the clearing product line in 2008. In 2010, Guillaume was appointed Head of Clearing Services for Institutional Clients for SGSS, then Head of Business Development for Financial Institutions and Brokers in 2012, and Head of Strategic Marketing in 2016.

# SOCIETE GENERALE SECURITIES SERVICES

Societe Generale's diversified bank model is based on complementary businesses around the world. The Group's expertise in securities services offers clients core banking services and the security of a global custodian.

SGSS provides a toolbox of solutions and innovative, value-added securities services that allow clients to meet the burden of regulatory change and concentrate on their core business. SG Markets, the Group's online BtoB platform, provides a variety of digital tools to manage, control and steer their operations.


**4,000 EMPLOYEES**



| | |
|---|---|
| **4,257** BN EUR<br>ASSETS UNDER CUSTODY | **580** BN EUR<br>ASSETS UNDER ADMINISTRATION |

Source: SGSS internal report - data as of 31.12.2022

For more information, please visit **https://www.securities-services.societegenerale.com/**



# SGSS, YOUR PARTNER FOR SUSTAINABLE INVESTMENTS

Sustainable and Responsible Investment standards are playing an increasingly significant role for investors.

**SGSS offers a suite of outsourced solutions to fully support your operational needs**, integrating ESG criteria across the entire processing chain and at every operational stage:

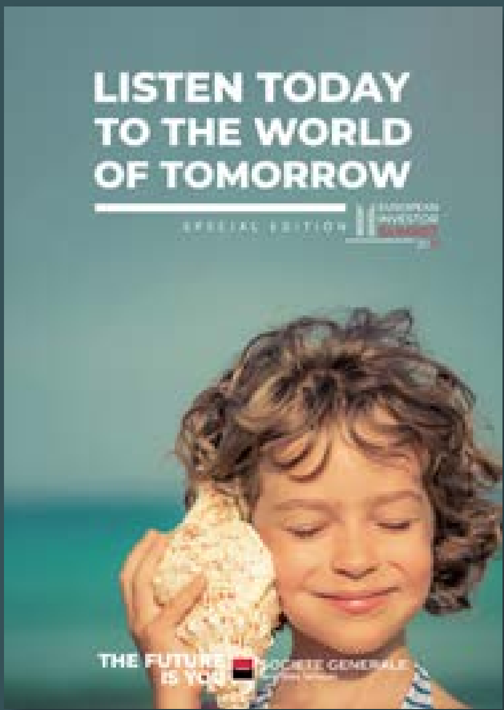
- **Pre-trade control solution** before placing orders on its portfolio management platform, as well as indicators and reports to ensure alignment with the defined ESG strategy.
- Ongoing development of a **data management solution for private market players** to measure the impact of ESG engagement of your investments in this asset class
- **Extensive reporting offering** for managers and investors to meet both client expectations and regulatory requirements for measuring and communicating ESG achievements
- Routing of voting instructions, to **facilitate shareholder voting** in line with defined ESG commitments

In addition, access a wide range of ESG products as well as advice on sustainable investment strategies, thanks to synergies with the other business lines of the Societe Generale Group, which places CSR (Corporate Social Responsibility) at the heart of its commitment.

Visit the ESG page on SGSS website to found more details on our ESG offer, as well as the dedicated brochure :

# SGSS AT THE HEART OF AWARENESS







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**SOCIETE GENERALE**
SOCIETE ANONYME WITH A SHARE CAPITAL OF €1,010,261,206.25 AS OF 1ST FEBRUARY 2023.
THE SHARE CAPITAL IS DIVIDED INTO 8808,208,965 ORDINARY SHARES, EACH WITH AN UNCHANGED NOMINAL VALUE OF 1.25 EURO.
PARIS TRADE REGISTER NO. 552 120 222.
SOCIETE GENERALE, BEING A LISTED COMPANY, IS NOT SUBJECT TO THE OBLIGATION CONCERNING THE BENEFICIAL OWNERS IN ACCORDANCE WITH ARTICLE L 561-46 OF THE FRENCH MONETARY AND FINANCIAL CODE.
APE NO.: 651C
REGISTERED OFFICE: 29 BOULEVARD HAUSSMANN 75009 PARIS
VAT NO: FR 27 552 120 222
NO ADEME (AGENCE DE L'ENVIRONNEMENT ET DE LA MAÎTRISE DE L'ENERGIE) : FR231725_031VZM
INSURANCE INTERMEDIARY DULY REGISTERED WITH ORIAS UNDER N°07 022 493.
LEI NO: O2RNE8IBXP4R0TD8PU41

SOCIETE GENERALE
Securities Services