

SPECIAL EDITION 2019

RESPONSIBLE INVESTMENT MAGAZINE



FIRST GROWTH CRISIS?



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INTRODUCTION

In recent years, as a result of the substantial interest shown by investors, **Sustainable and Responsible Investment (SRI) has become a key issue within the asset management industry**, whether institutional or individual. While it has gradually become seen as mainstream in asset managers' strategies, it remains a challenge for them to meet their clients' expectations of incorporating such aspects in investments while simultaneously delivering performance.

Nevertheless, **buy-side industry's commitment is widely expected not only by investors but more broadly by public opinion and public authorities**, including intergovernmental organisations such as the UN, as it has been unanimously agreed that its role in the transition to more Planet-respectful economic models and in limiting global warming is pivotal.

Pressure is therefore growing to see concrete action on broader SRI policies, commercial offerings and specific reporting measuring impacts on Environmental, Social, and Governance (ESG) objectives. Particularly as, despite a considerable increase in assets under management, **ESG investment amounts still do not represent the majority of overall assets, and their rate of growth is seen as falling short** of expectations and the environmental stakes¹.

For instance, some restricted impact fund ranges and offerings designed for retail clients are being questioned. A lack of transparency in investment criteria, insufficient research, limited marketing efforts or rather unconvincing SRI vehicles are sometimes highlighted. But **is it fair to suspect the Industry of greenwashing or being shy regarding its commitment to SRI?**

We put these questions and others to a broad panel of professionals from the entire spectrum of actors within our industry. Behind their views are elements to help us **assess whether the growth crisis that some have detected in the SRI market is real or imagined.**

(1) 2018 Global Sustainable Investment Review, p.6

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THE MANY ANGLES OF RESPONSIBLE INVESTMENT



SRI, DATA AND BIAS FUND MANAGERS' BERMUDA TRIANGLE

Over the last decade, awareness surrounding ESG issues has been growing, with investors increasingly urged to incorporate non-financial information into their analyses and investment solutions. To feed this evolution, investors first need to understand what is at stake and gather an expanding range of companies' data on a diversity of fields and coverage. **However, the most striking challenges investors face is gaining access to data quality and relevance as well as managing the limits of these ESG data and the possible consequence on SRI strategy implementation.**

50 SHADES OF DATA

ESG data include any indicators that shed light on the sustainability context of an asset, facility or company. Nowadays, four main types of ESG data can be defined: **"Mandatory ESG disclosures"**, such as financial filings, proxy statements or mandatory ESG extra-financial information, **"Voluntary ESG disclosure"** coming from sustainability reports, corporate websites, ESG disclosure surveys (i.e. CDP) or voluntary initiatives (TCFD, etc.). Furthermore, **"Public and alternative sources"** provided by various public sources such as the media, NGOs, governments and academics, and finally **"Computed**

ESG information". Computed data can derive on the one hand from ESG rating providers that use their proprietary methods to process and standardise existing data into a suite of metrics, scores, ratings and rankings. On the other hand, computed data come from more specialised providers that are covering specific issues (i.e. climate risk, social impact, etc.) Lately, we've also seen fintechs entering the game. As the number of company disclosures, filings and external sources have increased over time, an exponential mass of data continues to emerge, posing some undeniable questions for investors on how to fathom all this information, its materiality and how they can tackle ESG data limitations.



50 SHADES OF BIAS

These data could have a multitude of biases that could, if not correctly acknowledged and handled, put investors at risk and could lead to wrong investment decisions. Without being exhaustive, **"bias in raw data"** could be the first one. Indeed, ESG reporting is still voluntary, so neither metrics nor accounting methods provided are consistent, which can limit comparability across companies and sectors. This implies, among other things, a lot of missing data without clear reasoning (is a company not disclosing?), which can lead to a distortion in investors' analyses. **"Sectorial bias"** is another one, due to the fact that company-specific risks and differences in business models, are not always properly accounted for in composite ratings. Due to significant differences in business models and risk exposure, companies in the same sector are mostly assessed according to the same model.

Moreover, ESG data can carry a **"geographical bias"**, as regulatory reporting requirements and commercial standards on ESG disclosure vary considerably, causing important discrepancies between regions. European companies have, on average, better scores than US or Japanese ones, making global sectorial comparison and integration harder. Companies having stricter regulations on disclosure will be more in line with ESG rating inquiries.

Furthermore, a **"market cap bias"** can occur, as higher market capitalisation tends to have significantly higher ESG ratings. Indeed, larger companies are providing more resources to answer third party questionnaires and develop a more nuanced and positive view of their activities. Therefore, a correlation between a company's ability to produce ESG content and the quality of its ESG ratings could probably be established! **"Cultural bias"** also plays a major role.

FROM BACKWARD LOOKING TO FORWARD LOOKING

An SRI fund manager must be a conviction manager, and not a sheep manager who only looks in the rearview mirror.

Nowadays, ESG scores mainly have a backward-looking view, since rating providers' reporting includes a time lag and is only updated on a yearly basis, which is not responsive in comparison to the financial timeframe. At best, ESG data can look at the present picture with the adding value of an ongoing investor engagement and controversy analysis.

Nevertheless, beyond this timescale issue, today's challenge in order to build responsible long-term strategies is to select the best ESG data that maximise financial performance and add a set of alternative data that makes it possible to anticipate the capture of a company's weak signals to allow better reactivity.

Even though big data technologies will need to help deal with the exponential volume of ESG data, human beings remain key in ESG analysis, for instance in engagement activities with companies that enable support for the adoption of best practices but also by fostering new profiles and competencies in data science, capable of understanding these data, these methodologies, and translate them into innovative SRI strategies.

"HOWEVER, THE MOST STRIKING CHALLENGES INVESTORS FACE IS GAINING ACCESS TO DATA QUALITY AND RELEVANCE AS WELL AS MANAGING THE LIMITS OF THESE ESG DATA AND THE POSSIBLE CONSEQUENCE ON SRI STRATEGY IMPLEMENTATION."

On the Climate metrics side; same issue, same consequence. Regarding companies' carbon footprint, various metrics can be used, typically scope 1, 2, 3¹. Scope 1 and 2, which are the main data provided by companies, give a narrow vision of a company's life cycle footprint. A concrete example is Car manufacturers, which have smaller Scope 1 and 2 (energy use by factories and production of cars) compared to their Scope 3, as the impact of this sector is multiplied during clients' use (millions of cars used every day). If a portfolio manager uses only information through scope 1 and 2, it will avoid a large portion of the carbon footprint calculation, creating a non-efficient portfolio in terms of low carbon optimisation, which will potentially be the opposite objective to the one their clients have been promised.

(1) GHG Protocol, <https://ghgprotocol.org>



FLORENT DEIXONNE

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Florent has headed the Sustainable and Responsible Investments team at Lyxor since 2014. Prior to that, he spent 6 years as Head of Risk in charge of New Products' risk

analysis & validation for LYXOR worldwide, 5 years as Senior Structured Products Fund Manager at the portfolio insurance desk and was Quantitative Analyst for 2 years at AXA Investment Managers. He graduated from the Ecole Spéciale de Mécanique et d'Electricité (2003) and from HEC in International Finance (2004).



IS “BEST-EFFORT” THE NEXT FRONTIER OF ESG ANALYSIS?

Over recent years, we’ve experienced mounting pressure over ESG integration from stakeholders; and whereas the reasons behind this might vary (i.e. fiduciary duty, regulation, alignment of values...), most of them acknowledge that financial performance/alpha generation should remain part of the equation. That was the beginning of the race to quantify this new source of value-creation. Now that it has been demonstrated that ESG integration brings positive alpha, the next goal is to optimise this signal...

From theory... When our SRI research team began its ESG integration analysis in 2012, we found little enthusiasm among investors (i.e. what ‘financial’ added value could there be other than ethical, marketing or philosophical positioning?). Back then the idea was to provide investors with warning flags on companies that rated poorly on ESG performance, and to reassure them about investing in companies that rated well. Our theory was that companies with strong ESG policies and good structures in place are less likely to produce unwelcome surprises. Such companies should inspire greater investor confidence and so be preferred over the long run.

... to practice. Traditionally, investors have used Environmental, Social and Governance ratings in a “defensive” way to mitigate portfolio risk, but the ESG

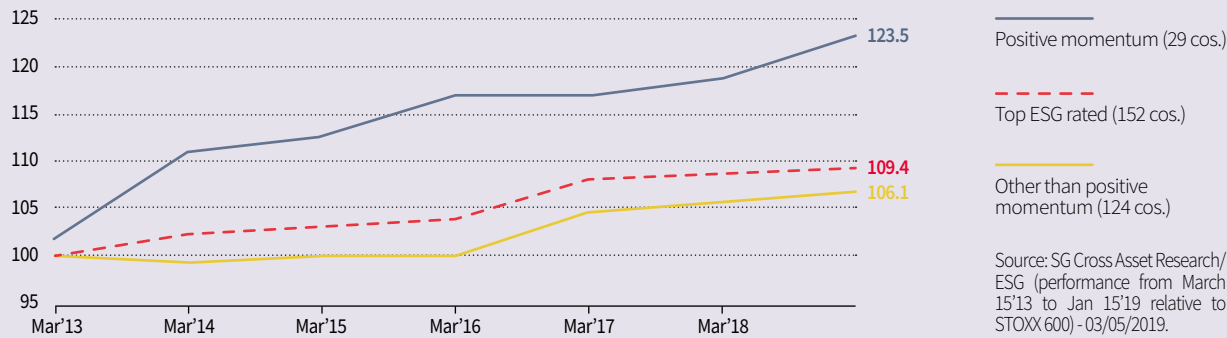
model portfolio we have been running over the past five years has consistently outperformed the Stoxx600 index. So clearly ESG may not just be used for defensive purposes but also for positive alpha generation. In this article we go one step further to see whether companies that are improving their ESG ratings could further outperform.

Does it work? Yes, as shown below, the top 30% ESG rated companies would have outperformed the STOXX600 over our reference period by more than 9%. However, if investors had bought the positive-ESG-momentum companies, i.e. those that **improved on the ESG rating by more than 10% YOY, they would have outperformed the STOXX600 by 23.5%.**



Stocks with improved esg ratings (positive momentum) outperformed the top 30% esg stocks

Annual cumulative performance (rebased at 1.00)



How did we do it? To rate stocks, based on our “SRI: Beyond Integration” methodology and publications, we use a mix of qualitative, quantitative and engagement-based approaches. We firstly identify material ESG themes for each sector and assign weights to the key indicators based on their materiality, we then run our Quant tool which will give us an ESG score that can then be combined with our analysts’ financial recommendations. This Quant score will then be supplemented by more qualitative input. In this post, we focus only on the quantitative aspect—scoring each company on environmental, social and governance indicators to calculate their overall ESG rating.

In detail, for each sector we focus on 15-20 material indicators based on relevant themes. We try to avoid a generalist approach that might take all universally available

indicators into consideration given the need to understand their relevance within the sector. Nowadays, there are hundreds of indicators available across ESG rating/data providers to analyse the ESG rating of companies. However, we find it better to focus on a small number of relevant indicators for each sector to avoid losing sight of what really counts from a financial perspective.

Sector example: by way of illustration, we have here broken down the ESG rating evaluation of the Aerospace & Defense sector. In this sector, we qualitatively select and analyse the 17 most material indicators based on four relevant ESG themes and weight each indicator between 1-3 based on its degree of materiality. We rate each KPI from 0 to 100 and, based on the weights assigned to each indicator, we then assign each company an overall ESG rating between 0-100.

ESG rating evaluation: Aerospace and defence

CORPORATE GOVERNANCE	BUSINESS ETHICS	CLIMATE CHANGE	HUMAN RESSOURCES MANAGEMENT
Board Remuneration Disclosure (1)	Bribery & Corruption Policy (1)	GHG Reduction Programmes (3)	LTIR Trend (2)
Board Independence (2)	Bribery & Corruption Programmes (3)	Renewable Energy Programmes (1)	Employee Incidents (3)
Separation of Board Chair & CEO Roles (1)	Whistleblower Programmes (2)	Renewable Energyuse (2)	Scope of Social Supplier Standards (2)
ESG Governance (2)	Business Ethics Incidents (3)	Clean Technology Revenues (3)	Customer Incidents (3)
	“Controversial” Weapons (3)		

Source: SG Cross Asset Research/ESG, Sustanalytics, Companies, Media - 03/05/2019. Note: numbers in brackets are weights of the KPIs in ESG rating

“Best-in-class” or “Best effort”: In detail... We found that the positive momentum stocks within the top 30% of the ESG-rating universe generated a cumulative outperformance of +23.5% vs. STOXX600 between Mar. 2013 and Jan. 2019. This is much higher than the performance of the top ESG-rated 30% of stocks from each sector (+9.4% vs. STOXX600), or those that do not meet the positive momentum criterion (+6.1% vs. STOXX600).

■ **Turnover:** the turnover of the top 30% of stocks is 33% on average for the 2013-18 period. Also, the turnover of stocks with improving ESG ratings within the top 30% would be close to 100% as this list is made up of companies that are improving their ESG rating on an annual basis. For this reason, a company that appears on the list one year due to a 10% positive change in its ESG rating has a lower chance of appearing again the following year with a consecutive change of +10%.

■ **Sector and country breakdown:** a deep dive into each sector or country is quite difficult, as the number of companies that have positive ESG rating momentum is low.

■ **Market cap:** there were no conclusive results when we analysed the positive momentum companies based on market cap.



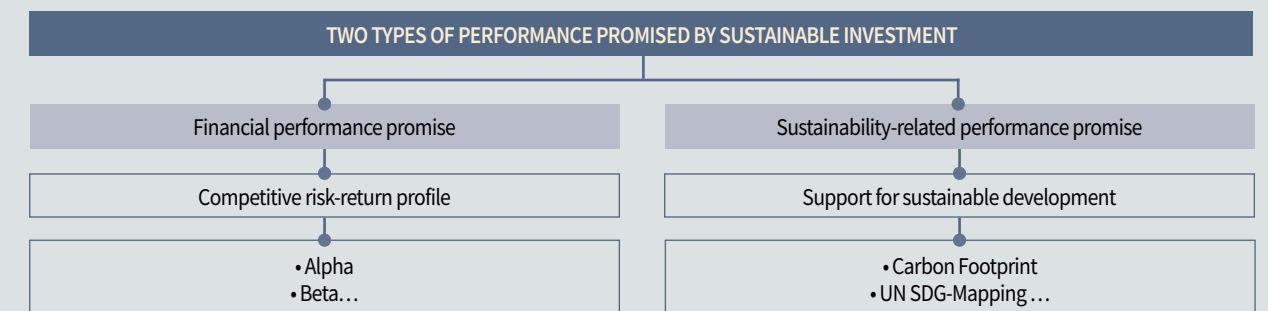
YANNICK OUAKNINE

Head of Sustainability Research – SGCIB

Yannick joined SGCIB in March 2007. He has a deep understanding of investor needs in Sustainability research, having worked for more than 16 years in the field, with global coverage and responsibility (including exercising voting rights). Prior to working at SGCIB, Yannick was Product Manager / RFP Analyst at BNP Paribas Asset Management (2000-2002) and Senior ESG analyst at BNP Paribas Investment Partners (2003-2007) in France. He graduated from the École Supérieure de Gestion de Paris (ESG) and from INSEAD.

TWO TYPES OF PERFORMANCE PROMISED BY SUSTAINABLE INVESTMENTS

Whereas the success or failure of conventional investments is generally measured on the basis of financial performance indicators such as Alpha, Beta and Sharpe ratio, sustainable investments promise two types of performance: not only do they aim to generate a competitive return that is as good as that of their conventional counterparts, but they also aim to contribute to meeting important climate and sustainability goals.



FINANCIAL PERFORMANCE

The issue of competitive returns has been the subject of heated debate for some time now. On one side of the debate were portfolio theorists keen to point out that the use of exclusion and positive criteria reduces the investment universe, detracts from diversification potential and therefore inevitably results in a poorer risk-return ratio. However, proponents of the use of sustainability criteria firmly believe that the additional criteria applied to the sustainability quality of issuers help them to better understand their risks and opportunities and take them into account in their investment decisions. In their opinion, this information offsets the disadvantage resulting from a reduced investment universe. They also point out that the “improvement in quality through exclusion” concept is not wholly unknown in the capital market, for example it is used to define quality limits such as the “BBB” for bond investments.

A large number of empirical studies¹ and many years of practical experience show that, as things stand, sustainable investment not only precludes a systematic disadvantage for risk and return, but even allows for risk-adjusted additional income. Joachim Wuermeling, Board member of the Deutsche Bundesbank and thus cleared of any suspicion associated with protecting this form of investment from a marketing perspective, states: “Studies show that sustainable investments can deliver particularly strong risk-adjusted returns. This type of investment is therefore not only based on an ethical-moral imperative, but also serves one’s own economic interests.”² However, whether these benefits materialise depends not least on the specific competence of the asset managers.

SUSTAINABILITY-RELATED PERFORMANCE

Although this substantially clarifies the question of financial performance, the question of the sustainability-related benefits of sustainable investment has only recently been addressed. Given the importance of these effects for sustainability-oriented investors, it is striking that they have taken so long to request in earnest on the provision of appropriate evidence regarding those benefits. This is changing now, not least because the regulator, for example of institutions for occupational retirement provision (IORP), is calling for relevant appropriate evidence³.

In particular, special attention is currently being paid to the carbon footprint of portfolios. The carbon footprint gives investors an idea of the environmental impact of their portfolios. The CO₂ emissions emitted by companies listed in a portfolio are recorded and then allocated to the portfolio based on each company’s share of emissions. By way of a benchmark comparison, it then shows what the portfolio’s environmental impact is. As part of its Action Plan

on Financing Sustainable Growth, the EU Commission has announced that it will develop specific benchmark indices that are specifically suited to such a comparison⁴. One of the indices will show whether a portfolio is compatible with the stated objective of the Paris Agreement of limiting an increase in global temperature to a maximum of 2 degrees.

By using the UN Sustainable Development Goals (SDGs) as a basis, initial investors are extending their sustainability-related impact analysis beyond climate change to 16 additional sustainability goals⁵. They are interested in knowing the contribution made by the companies whose stocks and bonds they add to their portfolios to achieving these global sustainability goals. With this in mind, they analyse the product and service portfolio of companies and measure the share in turnover generated by products and services that contribute to the achievement of the UN SDGs. The higher this share across all companies in a portfolio, the greater the sustainability-related impact.

The carbon footprint and SDG mapping are, in any event, initial attempts aimed at partially satisfying the legitimate interest of sustainability-oriented investors in obtaining information on the second type of performance promised by sustainable investments. However, these instruments have not yet been fully developed and cannot yet be used globally. For instance, SDG mapping can, strictly speaking, only be used in companies and, as regards the carbon footprint, the analysis works best in all-equity portfolios. Further improvements and new approaches to measuring the impact can be expected over the coming years.

(1) <https://www.ussif.org/performance> (2) Zentralbanken müssen grüner werden, die Zeit, 12/06/2017, <https://www.zeit.de/2017/51/nachhaltigkeit-investitionen-zentralbanken-klimaabkommen> (3) <https://www.pensionseurope.eu/iorp-ii-directive> (4) Commission action plan on financing sustainable growth - 03/08/2018 - https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en (5) <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



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EMPOWERING INVESTORS WITH AN OPEN-SOURCE ENVIRONMENTAL METRIC

EMPOWERING INVESTORS WITH AN OPEN-SOURCE ENVIRONMENTAL METRIC SUPPORTING FINANCIAL PERFORMANCE

A PRESSING CONTEXT

Over the last decade, the growing number of public commitments within the financial sphere to monitor and reduce the environmental impacts of their investments, and the development of environmentally-themed disclosure and investment products, have demonstrated the **financial sphere's willingness to embrace its role in the ongoing environmental transition**. Cumulating pieces of soft and hard law are striving for ESG disclosure and environmental risk integration,

such as French Article 173¹, the Paris Agreement resulting from COP21, the TCFD recommendations² or the European Commission's Action Plan on Sustainable Finance. Meanwhile, retail investors aspire to more environment-friendly products, green labels are entering the financial industry and NGOs are pointing out more environmental scandals and greenwashing attempts. As a result, **the need to professionally qualify investments as green and brown has never been so acute**.

(1) Article 173 of the Energy Transition for Green Growth law that came into effect in 2015. (2) Taskforce for Climate-related Financial Disclosure from the Financial Stability Board on request of the G20, 2017 final report.



In this context, the **NEC Initiative**, where **NEC stands for Net Environmental Contribution**, aims to provide a powerful, robust and comprehensive metric to investors to guide their investment decisions and measure their impacts. The metric has been designed to be used by any type of financial player at product, company, portfolio and index levels. In early 2019, the **cofounders of the Initiative**, – **Quantis**, a leading environmentally sustainable solutions provider, **I Care&Consult**, an entrepreneurial consultancy dedicated to the environmental transition,

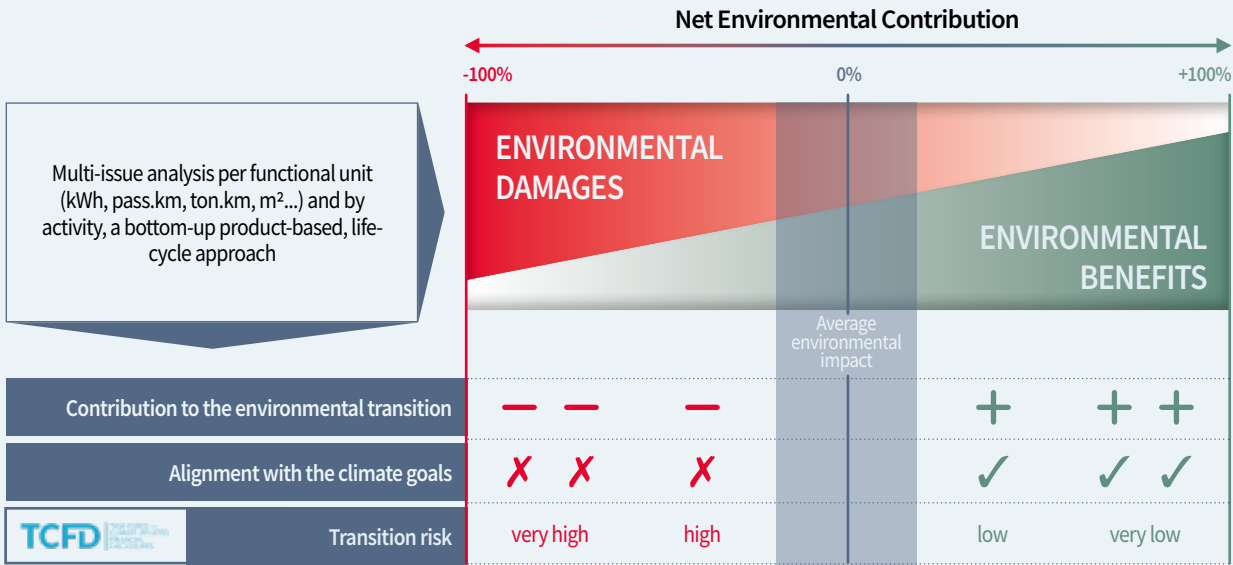


and **Sycomore AM**, a leading SRI asset manager – signed a collaborative agreement. Sycomore AM was the NEC IP-holder and is now committed to bringing the full brand and intellectual property to the Initiative. I Care&Consult gathered the first experts who worked on the methodology as early as 2015. Quantis joined the development team in 2016, bringing its extensive experience of collaborative R&D work and precompetitive platforms: Quantis has been mandated to manage the Initiative. **Novethic** has already agreed to join, and **much other interest** has been expressed³.

A 4-YEAR R&D BACKGROUND

The indicators available to investors are generally not fully transparent or, like portfolio carbon footprinting, show limited value for decision making. In this deceptive context, **the NEC was initiated to provide an aggregated view of issuers’ alignment (“net contribution”) with the environmental transition, encompassing their entire value chains, and going “beyond carbon”** within Sycomore Eco Solutions, a listed equity fund launched in 2015. In 2017, the NEC was tested and deployed over Sycomore AM’s €7 bn of AuM and its benchmark indexes. In 2019, it covers more than 1,300 equity and fixed income securities, is used by several clients of I Care&Consult and by Sycomore AM in monthly reporting and in Article 173 regulatory disclosures⁴.

The NEC metric aims to assess the extent to which issuers are aligned, or misaligned, with the ongoing environmental transition. Based on physical units, it considers various environmental issues such as climate change, water, air quality, biodiversity and waste generation. The NEC adopts a “lifecycle” approach by looking at these impacts across value chains. The outcome is a single figure per issuer, based on its different underlying activities, **which ranges from -100% to +100% and can be applied to all industries and funding types**, as illustrated below.



Source: Sycomore Asset Management - Responsible Way #7 - https://www.sycomore-am.com/emailing/images/invitation/L_ISR_WAY_by_Sycomore%20AM_EN.pdf

AN OPEN MODEL

Considering the environmental emergencies, the choice of going open source was based on three beliefs:

- a market standard can only emerge through transparency and comparability,
- cooperative work allows a quicker and broader impact,
- an open structure enhances robustness and impartiality.

The NEC Initiative’s missions are hence to **provide a robust and transparent methodology and metric, raise awareness and disseminate environmental knowledge within financial markets, as well as promote collaboration between stakeholders** involved in responsible investment. **It is open to all stakeholders operating in the financial sector** (asset owners, asset managers, investors, lenders, financial service providers, etc.) or interacting with the financial sector (issuers, academics, NGO, professional organisations, consultancies, institutions, etc.).

The Initiative will broadcast, challenge, expand and periodically update the methodology, as well as ensure its applicability and its comparability with other emerging standards such as the UN SDGs (Sustainable Development Goals), the tentative 2°C alignment methods or green taxonomies. To support this collective effort, **the main funding comes from membership fees** – Partners and Members – giving access to the right to publicly use the NEC. It will be completed by Sponsors, providing grants or non-financial contributions. Finally, the general public and all members will benefit from the Initiative website. Therefore, four types of stakeholders encompass the targeted NEC community:

- Partners steer the Initiative and bring the greatest financial support. As expert users, they gain and provide expertise and benefit from all training sessions and from full access to the whole toolset;
- Members are basic NEC users for a moderate fee. They have access to training kits and communication guidelines to comply with;
- Sponsors bring complementary funding, R&D work or dissemination help;
- The general public gains free access to the NEC methodology, data sources and tutorials.

NEC AND FINANCIAL PERFORMANCE

A key question remains: what does the NEC tell us about financial performance? Recently, a study⁵ tried to answer this question through the analysis of the STOXX 600 over the 2013-2018 period⁶. It showed that:

- **Similar patterns between the NEC and stock performance emerge over a 3 and 5-year period** (not over 1-year), the strategy with the best NEC (+25%) achieving the highest return and risk-adjusted return;
- **The NEC selection effect is not significantly biased** either by market capitalisation or by sector allocation;
- **The NEC metric gives results completely different from existing environmental ratings.**

Even if this study needs to be completed, the transition risk measured by the NEC metric appears to impact stock return, and these first results strengthen our belief that the NEC is worth being further improved and rolled out.

(3) The NEC Initiative contact is Vanessa Pasquet, vanessa.pasquet@quantis-intl.com. Full access to the due diligence package is granted directly after signing a Confidential Disclosure Agreement. (4) Our Magazine - Sycomore Asset Management - 05 November 2018 - <https://en.sycomore-am.com/Our-Magazine/2018/11/583-Net-Environmental-Contribution-Sycomore-AM-and-partners-open-source-new-multi-issue-environmental-metric-for-finance-industry>. (5) “Is the transition risk material? Testing the Net Environmental Contribution metric on a universe of listed European equities” submitted and presented by Sycomore AM and BNP Paribas Securities Services to the 12th International Financial Risk Forum, organised by the Institut Louis Bachelier in Paris on March the 18-19th, 2019. (6) NEC version β calculated by Sycomore AM, I Care&Consult and Quantis, mainly with 2016 data, the proxy STOXX 600’s NEC being -2%.

JEAN GUILLAUME PELADAN
Head of Environmental Strategy – Sycomore AM

Jean-Guillaume spent 16 years working at the Boston Consulting Group and at Suez before joining the French Environment and Energy Management Agency in 2010, as Director of Investments for the Future. In 2015, he joined Sycomore AM as Head of the Environmental Strategy and launched Sycomore Eco Solutions. A graduate of Ecole Polytechnique and Ecole des Mines ParisTech, an environmental expert, lecturer and writer, Jean-Guillaume has been involved in several NGOs, such as the French Sustainable Investment Forum.

EUROPEAN CLASSIFICATION OF GREEN ACTIVITIES A STRATEGY TO GET OUT OF AN ABSURD SITUATION



WHAT IS THE PURPOSE OF THE CLASSIFICATION OF GREEN ACTIVITIES?

The European Union has set three climate policy targets for 2030¹:

- reduce greenhouse gas emissions by 40% compared with their 1990 levels;
- achieve 32% of renewables in the energy mix;
- reduce energy consumption by 32%.

Reaching these three targets will require an annual investment of € 200 billion by the private sector in Europe. As well as increasing awareness, investment requires the mobilisation of energy, so these investment flows must be channeled, by drafting a common understanding of the necessary investment spending, via a classification of green activities. **This classification – on which all investors had an opportunity to express themselves until 15 February – could act as a basis for defining green fund certifications, but also as a standard in green obligations or a program for financing the energy transition by central banks.**

HOW HAS THIS CLASSIFICATION BEEN DEVISED?

To define the priorities, **a Technical Expert Group² began by defining green investments relative to the sectors that emit the most CO₂:** Electricity, gas and air conditioning (32%), Industry (23%), Agriculture (15%), Transport (14%) and Water supply and treatment (5%). **For each of the various subsectors of these sectors, it defined maximum emission or energy consumption levels required to be eligible for green taxonomy.** Solar energy, wind energy, intercity rail transport and reforestation (in compliance with FSC or PEFC standards) have already been systematically included in the taxonomy.

It should also be noted that the investments financed must **not have a negative impact on the following 6 environmental issues:** climate change mitigation, adaptation to climate change, sustainable use of water and maritime resources, transition to a circular economy, control and avoidance of pollution and protection of ecosystems.

WHAT QUESTIONS DOES THIS CLASSIFICATION RAISE?

As Natixis' Green Finance department shows³, this classification is problematic because:

- **it is static** (it doesn't take into account the necessary technological progress and colossal efforts required for the transition);
- **it is binary** (a company is either green or not), instead of seeing how a company can become green;
- **numerous usual green financing sectors are not currently covered** (what is the energy performance that defines a green building?).

WHAT SOLUTION COULD PROVIDE A RESPONSE TO THESE ISSUES?

The problem with this classification is that it assumes that the green economy already exists and just needs to be developed. Whilst this rigid approach may reassure consumers, **it does not enable the transition and 'greening' of the economy strategies to be financed, which could lead to absurd results.** Currently, this classification encourages the financing of hydrogen-powered vehicles but does not make it possible to finance the infrastructures required to transport hydrogen. Similarly, it encourages investors to finance the electrification of the rail network despite some of this electricity coming from coal.

(1) European Commission website. 2018. https://ec.europa.eu/clima/policies/strategies/2030_en (2) European Commission website. 2018. https://ec.europa.eu/info/publications/sustainable-finance-technical-expert-group_en (3) Natixis Green and Sustainable Hub. September 2018. https://gsh.cib.natixis.com/api_website_feature/files/download/6063/Solving-Sustainable-Development-Goals-Rubik-Cube-Report-Natixis-2018.pdf



**GRÉGORY SCHNEIDER
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asset management firm since 2008. A member of the SFAF French financial analysts' association, he also lectures at Léonard de Vinci University.



RESOURCES TO INVEST RESPONSIBLY





THE MAIN DRIVERS OF SUCCESSFUL ESG INTEGRATION ACROSS SINGULAR ASSET CLASSES

Several French large Asset managers recently committed to systematic ESG integration across all assets, a series of declarations likely to widely onboard financial markets within a whole new way of approaching investment decisions. But while ESG has become a common factor around large listed companies and sovereign bonds, these 100% objectives are about to face some significant challenges in more complex asset classes such as small and mid-size capitalisations or private debt.



SMALL IS BAD

Asset managers complain about the strong correlation between ESG performance and company size. This bias can be observed across the majority of research providers. Stock-pickers who target a wide range of capitalisations are struggling because ESG integration means losing the opportunity of investing in smaller companies.

OR IS IT?

On average, SMEs seem perhaps less prepared for emerging ESG issues. Their management systems on the environment or health and safety are often less sophisticated. Their ability to monitor and report complex KPIs is limited. As a matter of fact, SMEs do not have the resources to publish hundreds of pages of hefty Corporate Social Responsibility (CSR) literature every year, even when they are listed.

Meanwhile, the actual risks associated with the company's CSR behavior could also be significantly lower compared with a multinational corporation. For instance, each regulatory framework behind environmental or social issues only applies at a given size threshold. In France, the obligation of running an energy audit starts at 250 employees, a carbon assessment starts at 500 employees¹. Regarding social factors in the supply chain, the due diligence law only applies for companies with over 5,000 employees². Beyond legal exposure, the actual scrutiny by external stakeholders, such as regulators or NGOs, is massively lower for an SME, while the media headlines are massively dominated by the usual multinational giants.

QUESTIONING THE QUESTIONS

Because exposure to ESG issues is specific, because risks are specific, because the company's ability to act or report is specific, **the assessment methodology should be carefully suited to SMEs**. For example, asking a SME whether a diversity officer is in place while half of them don't even have someone dedicated to human resources yet will appear disconnected from their actual capacities.

After more than 10 years of research dedicated to specific asset classes, Ethifinance estimates that a typical reasonable framework for a listed SMID of around 5,000 employees involves around 150 criteria, while the corresponding framework for a non-listed SME involves around 50 criteria. While Ethifinance analysts are hungry for more information, they are extremely careful not to discourage the company in answering. Each year, during the methodology review, **the addition of new criteria is questioned considering companies' ability to actually aggregate the information**. Given the sensitivity of the success factors of the ESG assessment exercise, all these changes are discussed with a committee of specialists, including SME CEOs and trade associations.

CHERISH COMPANY DIALOGUE

Once the methodological framework is right, the backbone of a successful ESG assessment is the availability of high-quality information on the companies under review. As

there is little or no information publicly available on SMEs, the ESG analyst will need to create the conditions for intensive dialogue with the company being assessed.

■ Collect public information before you start

Complaining about a lack of disclosure and not spending time valuing the information that the company makes publicly available is likely to create intense frustration. It will undermine the analyst's chances of gathering any additional information through the dialogue process. Analysts should review public documents and any internal ESG documents previously shared by the company, seeking to complete the questionnaire as much as possible and **minimising the time and effort demanded from the company**.

■ Be available to help the company answer

The contact point within the SME is hardly ever a CSR specialist. Depending on the organisation, he or she might be part of human resources, communications, a CFO, a quality officer or any person actually promoting CSR initiatives within the company. The direct consequence is that this contact point is unlikely to master a wide variety of CSR topics. For instance, the human resources officer will be totally at ease when we gather information on accident frequency rates, but might need support regarding CO₂ emission parameters. **The availability of ESG analysts to assist the company during the process, to explain how to feed the framework but also to clarify what investor expectations are, represents a strong driver in the gathering of high-quality data.**

■ Deliver operating results to the company under assessment

At the end of the day, the SME will want to know what the practical implications of its reporting efforts are. If the company benefits for free from its results, benchmark elements, the possibility to communicate internally and externally on its performance, the incentive to participate actively will be higher. **Delivering these results to the company under assessment for free will massively increase the quality of data for the investor**. A challenge that can be met, but it requires very tight conditions for a successful ESG integration process on an SME portfolio.

(1) French Energy Code. Act 2013-61. 2013 July 16. (2) French Parliament law. 2017 February 21.



PIERRE-YVES LE STRADIC

Executive Director – Ethifinance

Pierre-Yves has been working in ESG analysis for 10 years. He spent several years working for Vigoeiris, one of the leading ESG rating agencies, as Head of innovation, promoting the development of emerging

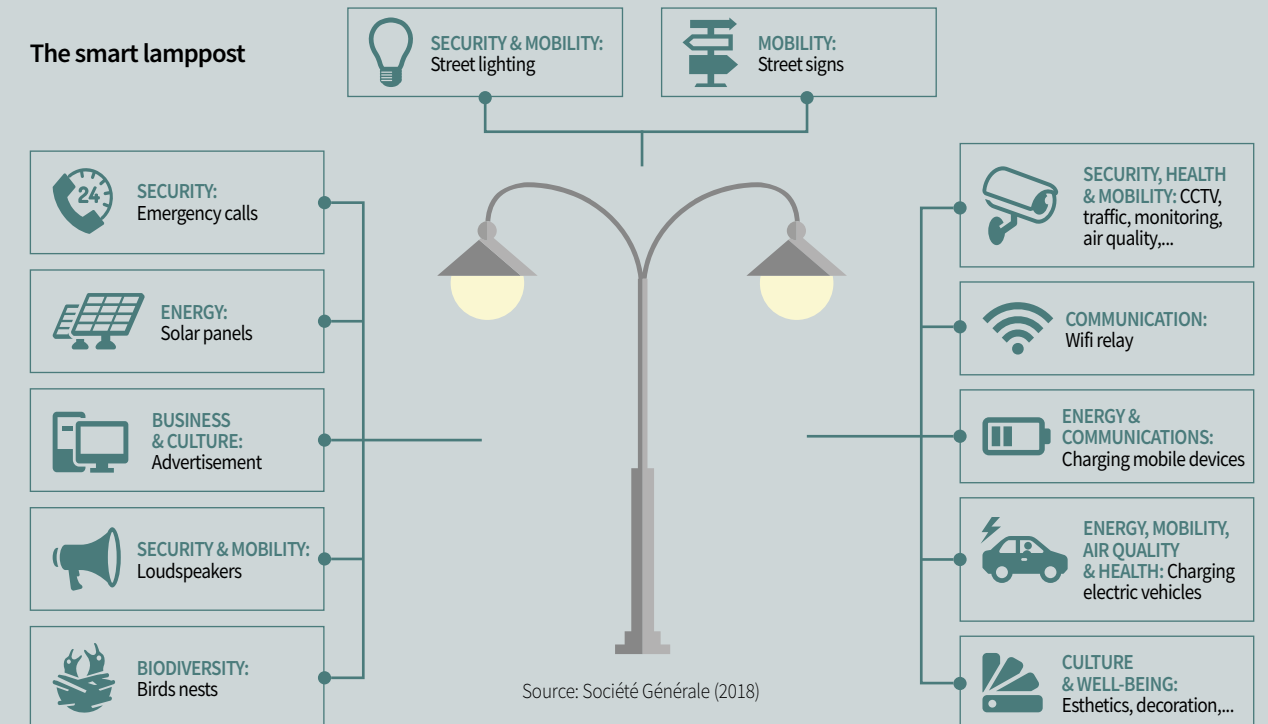
ESG research and SRI products. He currently leads the Ethifinance research team providing responsible investment advisory services and ESG research to asset managers and asset owners. He is also the Director of Gaia Rating, the leading European ESG rating agency on Mid Cap & Small Cap stocks.

THE SMART LAMPPOST A TOOL FOR RETHINKING TOWN AND COUNTRY PLANNING

Digitalisation is disrupting our daily lives. This is also true for the street lighting market as it paves the way for new use cases by turning the lamppost into a smart asset. The smart lamppost goes beyond its traditional function of providing light and turns into a platform for additional services having a positive impact on the people in its vicinity. The services of a smart lamppost may include public wi-fi, environmental monitoring, public safety, photovoltaic power, digital signage, geo-fencing, intelligent transport, electric-vehicles charging...



The smart lamppost



The smart lamppost becomes a tool of development in both cities and rural areas, a means to address two of the populations' major pain points- access to electricity and access to connectivity. Electricity improves safety for people and (small) businesses which in turn translates into higher economic activity, more jobs, and ultimately the strengthening of the social fabric. Connectivity allows people to access banking services advancing financial inclusion, new healthcare, and new education notably in rural areas.

EMERGING MARKETS ARE THE RIGHT PLACE TO IMPLEMENT LEAPFROG SOLUTIONS

A smart lamppost implies a two-dimensional leapfrog in emerging and developing countries:

- a technological leapfrog: thanks to solar panels and batteries, the smart lamppost can provide energy in remote areas circumventing the need to extend the national grid which, in most cases, would be extremely costly;
- a business model leapfrog: the revenue stream from additional services can (partially) finance the smart lamppost, thus alleviating the burden on public sector budgets.

WHERE DO INVESTORS FIT ON THIS DISRUPTIVE PATH?

The fourth industrial revolution is expected to generate trillions in economic value, but also requires large investments. A recent paper from the UNEP FI stated

that the remaining financial gap to meet the SDGs is estimated at around US\$2.5 trillion per year until 2030, with Africa representing nearly half of it¹. According to a PwC study quoted by the WEF, artificial intelligence could generate an additional US\$15.7 trillion in economic value by 2030². The EU estimates its digital market could contribute €415 billion per year to its economy³.

New types of assets are emerging with distinct characteristics:

- **they are impact-driven.** In the case of the smart lamppost, a single solution can achieve multiple impacts;
- **they allow for counterparty risk enhancement.** In the case of the smart lamppost, risk is shifted from solely public counterparty towards private entities;
- **they allow for asset and geographical diversification.** Investors can extend their portfolios to include new types of smart infrastructure assets in geographies perceived as risky;
- **they embed some liquidity risk as of today.** In the case of the smart lamppost, the market potential is huge but today, volume of assets remains too small and might lead to insufficient liquidity for investors.

(1) UNEP FI. 2018. Rethinking Impact to finance the SDGs. (2) WEF.2019. Globalization 4.0 Shaping a New Global Architecture in the Age of the Fourth Industrial Revolution, <https://www.pwc.com/gx/en/issues/analytics/assets/pwc-ai-analysis-sizing-the-prize-report.pdf>. (3) WEF.2019. Globalization 4.0 Shaping a New Global Architecture in the Age of the Fourth Industrial Revolution, https://ec.europa.eu/commission/priorities/digital-single-market_en.

Impact is becoming a major driver of investment decisions. With impact-based business models the delivery of positive impacts is no longer a nice-to-have, but a condition of success: the smart lamppost builder cannot afford to deliver a sub-standard product or associated functionalities that fail to materialise.

In summary, where traditional or current models are caught in a vicious circle or positive impacts are simply not part of the equation, new impact-based business models help break free and create investment opportunities. While these models do not come without their own share of concerns and required checks and balances, they hint at hitherto untapped opportunities to promote private sector solutions and financing to reach the SDGs.

GASCA, A CONCRETE EXAMPLE OF AN IMPACT-BASED PROGRAM

Societe Generale, together with five other partners recently launched the Global Alliance for Smart Cities in Africa⁴ - a multi-skilled alliance founded by top African companies and global players sharing a common vision around the importance to build sustainable innovative solutions. The founding members of the alliance are:

- **R20 – Regions of Climate Action:** a not-for-profit international organisation founded by Arnold Schwarzenegger that works to support sub-national governments around the world to develop and secure financing for green infrastructure projects;
- **The Leonardo DiCaprio Foundation:** advisor and supporter to collaborative partnerships, the Foundation supports projects around the world that build climate resiliency;
- **Africa Development Solutions Group (ADS):** a pan-African group, including manufacturing assembling operations in Africa and Solektra International, a leading company in solar energy solutions (PV, LED) investing in economic growth and employment in Africa;
- **JCDecaux:** the number one outdoor advertising company worldwide partnering with 4,031 cities in more than 80 countries, invented a model providing cities with street furniture and public services (such as bus shelters, city information panels, automatic public toilets, recycle bins) at no cost, financed by qualitative advertising spaces;
- **Signify (formerly Philips Lighting):** world n°1 lighting company with the purpose to unlock the extraordinary potential of light for brighter lives and a better world;

■ **Societe Generale:** Societe Generale pledged to play a driving role, along with private and public sector players, in sustainable development in Africa, notably by leveraging on the Bank’s know-how in energy and infrastructure financing as well as its unique expertise in impact-based finance.

GASCA contemplates a first implementation of the lamppost programme in Rwanda. Home to Smart Africa Alliance and the acclaimed Transform Africa Summit, Rwanda is a critical player in advancing digital technologies over the continent and is at the forefront for village development through its “Green Village Programme”.

Are investors ready to explore impact-based assets?

(4) Societe Generale website. 2019. <https://www.societegenerale.com/en/NEWSROOM-Creation-of-a-Global-Alliance-for-Smart-Cities-in-Africa-to-provide-access-to-clean-energy-and-connectivity>.



DEIA MARKOVA
Impact-Based Finance Senior Advisor – SGCIB

Deia is an investment banking professional with more than 18 years of international experience. Throughout her various positions, she has developed an in-depth understanding of global debt financing and capital markets. She is currently a senior advisor in the Impact-Based Finance team of SGCIB, whose mission is to identify and implement new financing solutions for the SDGs, using impact-based business models and digitalisation to reduce the cost-to-impact while creating long term value for all stakeholders. Deia graduated from University of Paris II and from CEDS Paris.



SONIA ESSOBMADJE
Impact-Based Finance Senior Advisor – SGCIB

Sonia is a specialist of research and development on new impact-driven financing solutions addressing both investors’ and originators’ needs. She is also involved in the Positive Impact Finance Initiative of UNEP-FI (United Nations Environment Programme – Finance Initiative). She is the co-founder of the NGO “Coalition Digitale” which aims to promote inclusive and sustainable development in Africa via ICT. She graduated from ESLSCA Business School and from University Paris XIII. Sonia is also CFA charterholder.



DYNAMIC SOLUTIONS FOR SUSTAINABLE “PASSIVE” INVESTING

One of the biggest investment trends over the past decade has been the shift from active to passive investing, with investors being attracted by lower fees and simplicity: in Europe, **passive investing represented 16% of total funds managed in 2017**, up from 12% in 2010¹. Another popular trend among investors is sustainable and responsible investing: **globally, sustainable investing assets stood at \$30.7 trillion at the start of 2018**, a 34% increase in two years². And in 2018, the European Commission launched a ground-breaking Action Plan for Financing Sustainable Growth, with the aim of creating new tools to mainstream sustainable investing.

The real question is whether these two investment processes can be combined. Staying away from a binary debate, **can passive strategies supplement active ones to further grow sustainable investing?** The pragmatic answer to this rather rhetorical question is that “passive” investing, usually tracking a market-weighted index, can be redefined as a “systematic dynamic” investment process, embedding Environmental, Social and corporate Governance (ESG) considerations. And **the easiest and most efficient implementation of such a process is the creation and adoption of an index integrating ESG selection filters.**

(1) Lyxor ETF research insights, November 2018. (2) 2018 Global Sustainable Alliance Report.



A RANGE OF SOLUTIONS TO INCORPORATE ESG IN INDEXING

Just like in other ESG investing solutions, the integration of ESG criteria when creating an index can be made as an exclusion approach, a positive selection of best-in-class or best-in-universe companies, or along a specific ESG thematic, each of these methodologies serving different purposes and investor priorities.

Selecting top ESG performers in the entire eligible scope is called a **Best-in-Universe** strategy, whereas a **Best-in-Class** strategy selects ESG leaders sub-scope by sub-scope, a sub-scope typically being a sector of activity. The Best-in-Class implementation has the appeal of maintaining a sector diversification in line with that of the investment universe; investors also implement it to foster best ESG practices in all sectors.

Thematic indices can be created along multiple Environmental, Social, or Governance themes. There has been, for instance, great traction since 2015 towards indices that are geared to one or several of the 17 United Nations Sustainable Development Goals (**UN SDG**), like Clean Water and Sanitation, Responsible Consumption and Production, Affordable and Clean Energy or Gender Equality.

ESG criteria used in indices tend to focus more and more on improvement trends and forward-looking outlooks, rather than simply static current ESG performances. Also, indices always aim to combine financial performance and ESG performance: with that view, additional criteria can be taken into consideration in the creation of the index, such as volatility, liquidity or risk. Lastly, whilst most indices are capitalisation-weighted or equal-weighted, ESG scores can sometimes also be used to “tilt”, in other words increase or decrease components’ weights.

The flexibility of dynamic systematic indices makes it possible to combine several of the above approaches.

A RANGE OF DELIVERY FORMATS

Once an index is built, its performance can be easily delivered through various means. Historically, a very popular way has been **to build investment funds** that track an ESG index by buying its components and minimising the tracking error. Fund managers can then exercise corporate engagement and investment stewardship.

The performance of an ESG index can also be delivered in **a more synthetic manner**, through an option, a swap and, more recently, futures.

Finally, tailor-made investment solutions that deliver the performance of an ESG index combined with custom financial requirements, typically a degree of

capital protection, have gained significant popularity over the past few years, contributing the growth of the retail share in the sustainable investment market, which stands at roughly 25%, per the 2018 Global Sustainable Alliance Report review.

A RANGE OF BENEFITS

A solution that uses an index is built to ease investors’ constraints, making sure that their various requirements are met. The benefits are tangible:

- **Transparency:** the index rules are defined from the outset and applied throughout the life of the index; these include the definition of a robust governance to adapt to the various events that can affect the life of an index.
- **Time-to-Market:** the elapsed time between the definition of the strategy and the delivery of the custom ESG index-linked investment solutions can be short, for instance a few weeks.
- **Open architecture:** investors can designate their preferred ESG data providers.
- **Size flexibility:** the competitive cost of creating and running an index makes it suitable for smaller investments.
- **Regulation:** indices are governed by the European Benchmark Regulation in the EU, and the International Organisation Of Securities Commissions (IOSCO) principles from financial benchmarks globally.

The breadth of approaches, delivery formats and benefits offered by indices incorporating ESG criteria clearly make them a sound solution to deliver sustainable investment in a systematic and dynamic manner: a new perspective to “passive” sustainable investing.



ISABELLE MILLAT

Head of Sustainable Investment Solutions – SGCIB

Isabelle has been Head of Sustainable Investment Solutions since February 2017. She joined Societe Generale in 2006 and has held various positions within markets activities, notably as

COO for the Cross Asset Structured Products activity in New-York. Since 2014, she has been a Financial Product Engineer in charge of developing cross asset investment strategies and index structuring for the Societe Generale Index franchise (SGI). Isabelle started her career in 2001 at Capgemini Consulting. Isabelle Millat is a graduate of ESSEC Business School.

THE EUROPEAN UNION AND SUSTAINABLE FINANCE

AN AMBITIOUS PLAN INTO ACTION

Back in 2015 the European Union signed the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change: sustainability thus became a top priority in the EU economic and financial policy agenda. This means supporting the transition towards circular, eco-friendly and inclusive economic growth based on low-carbon, renewables and energy efficiency solutions. In order to ensure that its 2030 climate targets are achieved, the EU Commission has estimated an annual investment gap of €180 billion¹. This is beyond the capacity of the public sector alone: capital markets are thus expected to play a crucial role. In the last three years, the EU institutions have been strongly committed to building a policy and regulatory framework enabling the financial system to channel investments towards a green transition.

(1) European Commission website. 2018. http://europa.eu/rapid/press-release_IP-18-5868_en.htm



After receiving advice from a High-level Expert Group, in March 2018 the EU Commission adopted an **Action Plan** outlining and scheduling ten proposals aimed at:

- re-orienting investments towards sustainable projects;
- upgrading the management of material ESG-related risks;
- improving transparency and encouraging a long-term approach in business and financial activities.

In May 2018 **three regulation proposals** were formulated with regard to²:

- a **“taxonomy”** on environmentally sustainable economic activities as a standardised and unified classification system for sustainable and responsible investments (SRI);
- **disclosure requirements for institutional investors** on how environmental, social and governance (ESG) criteria are factored into investment policies and risk-management procedures;
- new **benchmark** categories to test investors’ portfolios against **low-carbon and positive carbon impact** baskets.

It is worth noting that the EU Commission chose the regulation: since it is automatically enforceable as law in all member States simultaneously, it is the most binding act in the EU legal system. This is clear evidence of the importance and urgency the EU institutions acknowledge regarding the mainstreaming of sustainable approaches in financial markets. Furthermore, the EU Commission launched a public consultation on **integrating ESG considerations into financial advice** in order to amend MiFID II and the Insurance Distribution Directive (IDD). Soon after publishing the proposals, in June the EU Commission established a **Technical Expert Group on Sustainable Finance (TEG)** charged with producing recommendations on four topics:

- taxonomy;
- non-binding guidelines on climate-related disclosures for public interest companies;
- low-carbon and positive carbon impact benchmarks;
- EU Green Bond Standard.

The TEG, which is supposed to complete its activities by June 2019, has produced three reports on taxonomy, disclosures and Green Bond Standard. The document on benchmarks is being finalised and the taxonomy is expected to be completed.

TAXONOMY

In December 2018, the TEG published the first results of its work on **climate change mitigation activities**³: the document lists macro-sectors which are carbon-intensive and/or can contribute to decrease emissions in other fields; for each sector, the TEG specifies single economic activities with technical criteria and evaluations on the absence of negative impacts on other EU environmental targets. The TEG is now expected to publish a “second round” of mitigation activities and a list of **adaptation activities**. Last March, the EU Parliament approved its position on the Commission’s proposal: after a long and complex debate, it agreed on qualifying as negative-impact activities all power generation activities that use fossil fuels or produce non-renewable waste and all the sectors impeding a transition towards a low-carbon system. The possibility of extending the **taxonomy to social issues and human rights was not adopted**; the debate is still ongoing among financial operators on the fitness for use of such a classification.

CLIMATE-RELATED DISCLOSURES

Issued in January and subject to public consultation, the report includes recommendations on **updating the non-binding guidelines of the Non-Financial Reporting Directive (NFRD)**. The work of the TEG was aimed at linking the 11 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board with the elements the NFRD requires to be disclosed. The report recognises three types of disclosures:

- general (the company should disclose);
- supplementary (the company should consider disclosing);
- disclosures companies may consider disclosing.

The EU Commission is expected to publish its updated guidelines in June 2019.

EU GREEN BOND STANDARD (GBS)

By introducing a common and standardised framework, the GBS’ purpose is to address the barriers to market development and increase investments in green projects. Besides policy recommendations, TEG has also proposed a GBS draft model, which is coherent with the taxonomy and with common international certification schemes, as the Green Bond Principles. According to the scheme:

- revenues must be allocated to green projects;
- issuers should explain how the green bond is aligned to the GBS;
- a yearly reporting on the allocations volumes and criteria must be provided by the issuer;
- an External Reviewer must be designated.

Furthermore, the EU Commission sought ESMA and EIOPA’s advice on integrating ESG factors and risks into MiFID II, UCITS and Solvency II Directives. Another significant milestone in this phase of the reform process is the **political agreement between the EU Parliament and the Council on transparency requirements** regarding the integration of ESG risks and opportunities within institutional investors’ policies. There is still room for further discussions about whether to include ESG within the concept of fiduciary duty. Substantial progress has been made, but much work still needs to be done. May’s elections may bring about substantial changes in the EU institutions’ structure. What is essential is not to lose all that has been achieved: sustainability and climate considerations go beyond political positions.

(2) European Commission website. 2018. https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en (3) European Commission website. 2019. https://ec.europa.eu/info/publications/190110-sustainable-finance-teg-report-climate-related-disclosures_en



FRANCESCO BICCIATO

Secretary General - Forum per la Finanza Sostenibile

Francesco is a member of the Eurosif board and has worked as a program manager for the UN and other international organisations. Since the 1990s, he has been a promoter of ethical finance and has managed microcredit and social and environmental finance organisations such as FEBEA (European Federation of Ethical and Alternative Banks). He graduated from the University of Padua.

WOULD SUSTAINABLE AND RESPONSIBLE INVESTMENT REGULATIONS BE AN ENABLER OR A DRAG?

The European Commission (Commission) objective is to increase the current growth in sustainable finance. Sustainable finance is the provision of finance to investments that take into account specific environmental, social and governance (ESG) considerations.



SRI REGULATIONS, WHERE ARE WE NOW?

In 2018, the Commission published three legislative proposals aimed at the following measures:

- create an EU sustainable finance taxonomy;
- make disclosures relating to sustainable investments and sustainability risks clearer;
- establish low-carbon benchmarks.

Regulation is necessary, and is more welcome now than ever.

On the one hand, it will force asset managers to make a stronger shift towards other investments looking at ESG factors and force them to comply with a new regulatory investment policy. On the other hand, the regulation will offer new business opportunities and solutions for investors who increasingly give due consideration to 'green' investments. However, regulation proposals so far do not solve the biggest, critical and most important challenge: the **lack of data to deal efficiently with ESG factors**. In other words, how to ensure or guarantee that a company or an investment is 100% ESG. For instance, regarding investment made in emerging countries without a clear database, asset managers and asset servicers will have to perform on-site visits, expanding the scope of their due-diligence process. On the opposite side, for investments carried out in regulated, recognised and open-ended financial markets, data need to incorporate reliable ESG criteria that are easily comparable.

Ideally, Europe should set up its own European rating agency dedicated to sustainable and social investments. This would enable a comparison of the behavior of a company amongst its peers within the same financial sector. The mindset of people/investors and companies will continue to evolve. A change of attitude and/or in the way of investing is therefore expected. Education and the increasing campaigns sensitising us to environmental impacts are also the key drivers. However so-called 'green' investment can still be expensive today. "I want green electricity as long as it is cheaper."

GOING BEYOND REGULATIONS

Another tricky consideration is that E (environment) can be sometimes in opposition to S (Social). "Am I E responsible if I carry on driving a big 4X4 car and/or carry on smoking and throwing cigarette butts on the ground?" Regulation is not enough, even though it is necessary to move Europe out of the traditional lines of investment and code of conduct. **Without a fair explanation on how to deal with accurate data and appropriate indices, it will be difficult to manage ESG asset portfolios efficiently.** The process of managing ESG factors and ensuring that investments are ESG compliant will remain subject to broad interpretation with deep, cumbersome and manual analyses. Today this means a 'new' cost that is unpredictable and largely variable without truly knowing if, at the end of the day, a company is meeting ESG requirements.

It is also important to agree on a definition of ESG. The existing ESG scope that consists of taking into consideration environmental, social and governance factors is saturated with terminologies and different types of strategies.

Once we have a clear and precise definition of ESG and its methods, we will be able to focus on the objective of those investments. What do we intend to achieve? Our European institutions have launched a number of consultation papers (CP) aimed at institutionalising ESG within each EC's regulation in the short term. All CPs on sustainable finance should give some raw material to the Commission's action plan in the area of securities trading, investment funds and credit rating agencies. The first two CPs seek technical advice on how to integrate sustainability factors and risks within AIFM & UCITS directives and MiFID II. The third CP focuses more on guidelines to be adopted by credit rating agencies on the quality and consistency of information linked to ESG factors. Each of those consultations contains between 30 and 40 pages of questions. Received answers will be communicated, analysed and discussed in order to enhance the Commission's action plan.

Most of us agree on the necessity of investing by strongly and seriously taking those ESG factors into account. However, being pragmatic, **it will take time to achieve the EC's objective regarding sustainable finance.** There is still lobbying coming from companies, investors and countries to slow down or block the current process because they are afraid of losing business and it is costly. Climate action is one of those examples. Last but not least, as we usually say, **sometimes there could be an opposition or an incompatibility between the "E" factor and "S" factor.** Whilst the shutting down of an activity may be excellent in terms of improving the environment, it could be perceived as bad for the social factor in terms of job losses.

We ultimately need to find a way of balancing the two and ensuring that the "E" factor creates economic growth and new jobs in Europe without jeopardising the social ecosystem.



JEAN-PIERRE GOMEZ

Head of Regulatory & Public Affairs – SGSS Luxembourg

Jean-Pierre has 25 years of experience in the investment funds industry. Prior to joining SGSS in 2009, he held several senior positions in collective investment, custody and fund administration, worked

as consultant for 3 years and served as director for several fund management companies and funds. He is a regular speaker at international seminars and conferences and was involved in MiFIDII workshops organised by Markus FERBER at the European Parliament in 2015 and 2016.



MEETING EXPECTATIONS



THE INVESTORS' ENGAGEMENT REVOLUTION AN ONGOING BUT UNFINISHED TRANSFORMATION



INVESTORS' ENGAGEMENT IS ON THE RISE

The beginning of this 2019 proxy season has illustrated the **increased engagement of shareholders to make companies, executives and boards accountable for their actions**. Bayer's shareholders rebuked management following what appeared to be a negative assessment of the ESG risks associated with the Monsanto merger. The shareholders at UBS and ING followed a similar path by refusing to absolve the board or the management on the basis of a lax approach to tax evasion or money laundering.

This trend is the continuation of other successful engagement campaigns in previous years, like the «Aiming for A» initiative that pushed oil companies on both sides of the Atlantic ocean to disclose how they were planning to take into account climate change and implement a 2 degree scenario, the Climate Action 100+ coalition that obtained strengthened climate commitments from numerous companies or the now recurring «shareholders springs» trying to tame the excesses of executive remunerations.

A CHANGE OF PARADIGM IN GOVERNANCE BETWEEN INVESTORS AND COMPANIES

This kind of responsibility for investors is a relatively new trend in ESG. Historically, governance or ESG regulations were mainly centered on creating or reinforcing rules and good practices for companies. But the aftermath of the financial crisis of 2007-2010 has experienced a change in paradigm forcing investors to also face their responsibilities and stop playing «absentee landlords». The UK Stewardship code of 2010, then followed by many others around the world, has launched a new responsibility framework for investors that are, from now on, in charge of contributing to the good governance of investee companies and also, more broadly, to the sustainable functioning of financial markets.

The revised shareholder rights directive of 2017 (SRD2), by requiring institutional investors and asset managers to implement engagement policies and report on them in order to «improve the financial and non-financial performance of companies, including as regards environmental, social and governance factors», **is potentially a real game-changer**.

THE RISKS OF GREENWASHING, FREE-RIDING AND BOILERPLATE REPORTING

ESG investing is blooming, as illustrated by the latest report by the Global Sustainable Investment Alliance that announces **sustainable investing assets of \$30.7 trillion at the start of 2018, a 34% increase in two years**. But such success also **raises concerns about the true ESG substance of those assets**. Some investments of those funds in companies or sectors that do not look very sustainable have resulted in public criticism and accusations of greenwashing. In some cases, the situation could be explained by a false understanding of ESG investing and its various approaches (integration, exclusion, best in class, engagement ...), but other cases were **just showing a very light understanding and/or implementation of sustainability**. To avoid such greenwashing, the European Commission, as part of its Action Plan on Financing Sustainable Growth, is proposing a taxonomy of activities that can be considered as sustainable. Some investors have also been accused of

not «walking the talk» when their proxy-voting record was showing limited support for ESG shareholders resolutions despite public support for those issues.

But, unfortunately, a substantial part of the investor community cannot even be accused of greenwashing, either because they do not report anything slightly relevant in the ESG area beyond platitudes, or simply because they let the other investors do the work as they know they will also benefit from the improvements in investee companies and a better functioning of the markets at large.

CHANGING THE INVESTMENT AND CORPORATE CULTURES TAKES TIME

But those risks do not justify dismissing the transformation that is happening. A common criticism of ESG integration and engagement was that those activities were operated outside of the investment core businesses without a global and consistent approach. But it was probably a necessary step, similar to what companies experienced when CSR departments were part of communication departments and not integrated into the real business and strategy. **A strong tone at the top is needed to spread ESG culture and values to institutional investors and asset managers**. Larry Fink at Blackrock, Hiro Mizuno at GPIF and Yves Perrier at Amundi are some of the leading voices that enable that transformation within large organisations. Just as integrated reporting has been necessary for companies in order to holistically present their financial and extra-financial performances, investors also have to show how their investments can accommodate financial returns with ESG impacts. Article 173 of the French Energy Transition law, and its likely transposition at the European level, combined with the reporting requirements on the engagement of SRD2, are creating a **framework from which the effectiveness of ESG commitments and investors' actions will become assessable for their clients and for the public**.

We are experiencing a deep transformation on how investors, companies, financial markets and society at large are interacting. **For the most optimistic of us, we are maybe seeing the foundations of responsible and sustainable capitalism**. Even if the process is slow, bumpy and very often frustrating for those who examine or contribute to it, we cannot become discouraged as, if that revolution fails, another one, more violent, could replace it.



CÉDRIC LAVÉRIE

Head of French Research - Institutional Shareholder Services

Cédric manages a team producing research and voting recommendations on French companies for clients globally, engaging with management and directors and monitoring corporate

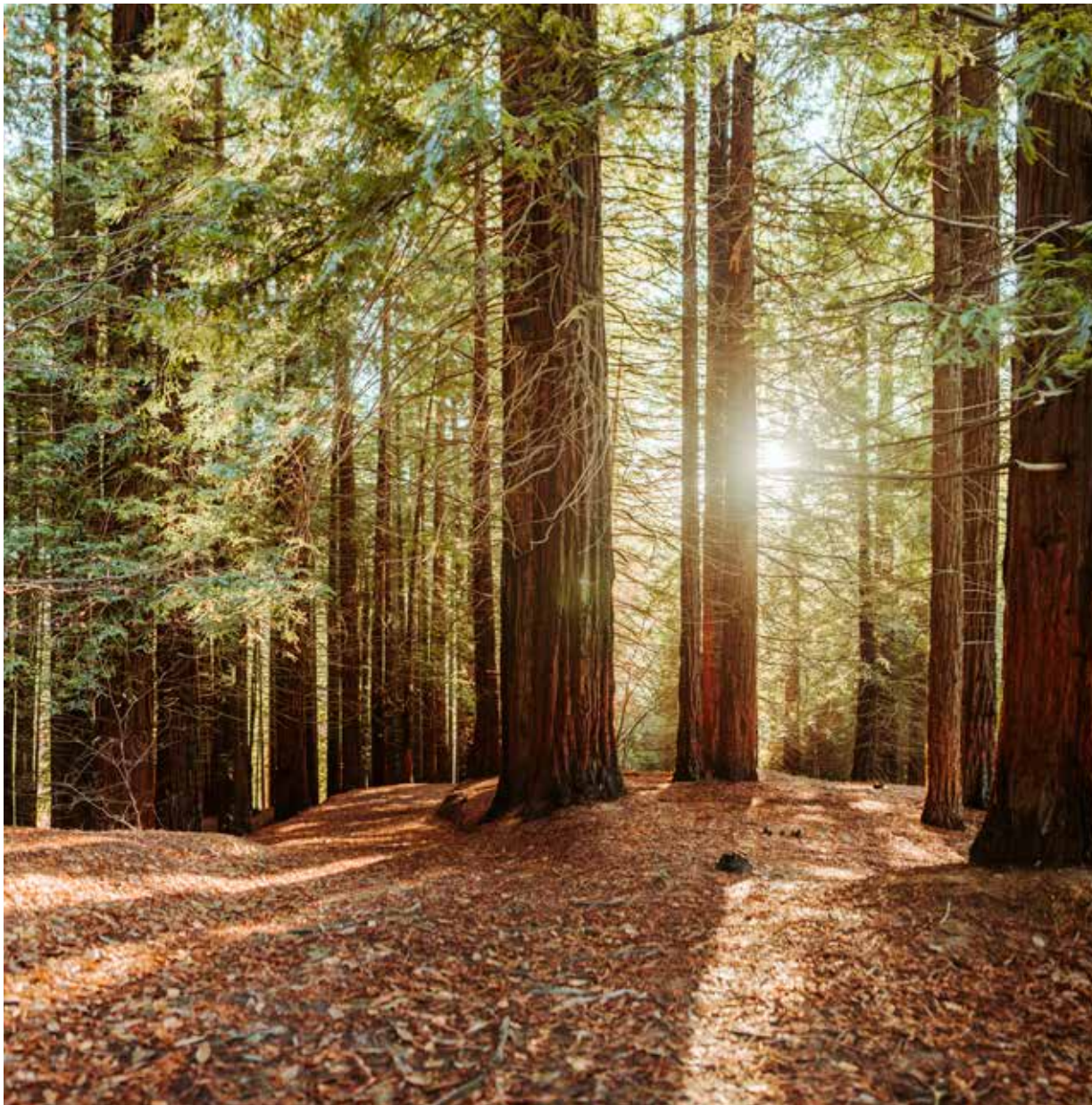
governance developments. Prior to this role, he was Head of Corporate Governance at Amundi and worked as a governance analyst at CAAM and AXA IM. He graduated from Paris II University, International Economic Law from Paris X University and Politics from New York University.



SRI AND PRIVATE CLIENTELE

THE CURRENT PICTURE

Sustainable and Responsible Investment strives to reconcile economic performance and positive impact. On paper, this objective unites and attracts many investors. The reason for this is simple: in recent years, communication regarding the vital issues that are protecting Fauna and Flora or the groundswell movement in favor of protecting the climate are regularly in the media spotlight, with younger generations getting majorly involved in these issues that affect them personally.



Having said that, what's the situation regarding the transposition of these struggles into private clients' investment policies?

Whilst Sustainable and Responsible Investment, or SRI, is popular amongst the general public, this is currently not reflected in their financial allocations, contrary to institutional investors. There are currently many reasons for this.

Firstly, end clients are too eager to criticise financial market players for appropriating causes that favor them alone. Many note the excessively "marketing" nature of these fund management companies' approaches, the sole aim being to attract new clients. **Greenwashing attempts are still present in people's collective subconscious.** And indeed it is not rare, when one studies these 'certified' funds in greater detail, to observe that they are very often simply the reworking of positions that already exist amongst other in-house funds, that the fund management company has just packaged them in a single new specific fund. To summarise, they're simply rehashing old products in a new box; only the marketing packaging has changed.

Furthermore, the **lack of readability and transparency of the funds** offered do not incite these same clients to subscribe to them. The same is true of financial intermediaries. Fund management firms are frequently criticised by financial advisors, through their use of these certifications, of just riding a single media trend wave and only offering this type of placement because a rival fund manager has implemented it in their management strategy.

Moreover, these funds' positions are not exactly made fully transparent by asset managers and 100% SRI doesn't seem to exist in the eyes of the public. **Indeed, the very definition of SRI certification opens the way for the referencing of companies whose DNA is at the opposite extreme of what clients expect in this respect.** This SRI certification is therefore itself a hindrance to its own development. Each fund management company can interpret it in its own way and thus focus on criteria aiming to define a label that can vary from one firm to the next. The Best in Class approach is a perfect example of this. Funds choose issuers who have the best ESG practices and exclude the lowest-rated issuers, even within the same sector. Companies operating in the coal, fossil energy, arms or tobacco sectors can thus be listed just because their ESG rating is better than that of their peers. And what about issues such as ecology for these companies? The client is rarely made aware of such matters.

SO WHAT ARE THE TOOLS TO ACCOMPANY THE DEVELOPMENT OF SRI AMONG A PRIVATE CLIENTELE?

With the development of these issues, **new web portals have appeared whose main objective is to advocate "new finance"**, and thus reconcile profitability and ethics. The client henceforth has the possibility of accessing a regularly-updated list of these 'certified' funds, of which there are currently a growing number.

Financial intermediaries remain the perfect go-betweens to drive the development of this practice. To do this, total transparency rules need to be established and certification practices erected in order to define a single process enabling a fund to be qualified as SRI or not. By doing this, the financial intermediary will be more capable of accompanying the client with an underlying that they understand and are able to justify in their global allocation.

While this may seem simple at first sight, its application is more difficult. **It is important to clarify that the financial savings of most French private clients is locked into life insurance contracts.** In this respect, it is particularly complicated for a private client or financial intermediary to target an "SRI" allocation given the referencing problems on the insurer's side. The latter's buylist is often too limiting and restrictive for advice through these SRI funds to be fully expressed. **The development of SRI will therefore only truly be possible once the insurer can also firmly believe that the SRI range is a genuine expectation of the private client** rather than the financial market.

In contrast, it would then be more difficult for this same advisor to put in place and combine certified and non-certified investment funds within a same portfolio.



GUILLAUME LUCCHINI
CEO and founding partner –
Scala Patrimoine

With a master's degree in Taxation and Intellectual Property Law and having gained substantial professional experience with various consultancy firms, Guillaume founded

Scala Patrimoine in 2014. Built on the model of law offices with a fee-based billing system, Scala Patrimoine is an independent wealth strategy firm that specialises in accompanying company bosses, executive management and short careers. Guillaume is also a Member of the Institut des Avocats Conseils Fiscaux (IACF).

CAN WE BELIEVE THAT 80% OF AUM ARE MORE OR LESS DRIVEN BY RI STRATEGIES?

How sincere and effective are the efforts to implement a responsible investment (RI) attitude? Is it only greenwashing of old unchanged habits? As we claim at AG2R LA MONDIALE, to have approximately 100% of AuM under a Responsible Investment umbrella, I will first address the question in our own case, before moving on to the subject of the industry in general.



All depends on the degree of expectation: does a responsible investment policy consist in introducing non-financial criteria into asset management (i.e. an obligation of means)? Or does it aim to produce highly virtuous portfolios from an ESG (Environmental, Social and Governance) standpoint (i.e. obligation of results)?

AG2R LA MONDIALE has approximately 100 billion euros of AuM¹:

- of which we claim almost 100% falls within the framework of our RI policy;
- of which €10 bn is invested in long established in-house Sustainable and Responsible Investment (SRI) funds that comply with a high ESG rating.

The difference between RI and SRI is just one letter, S, but this does not mean that RI has forgotten to be “social”: rather it indicates that **RI is not supposed to be as Selective as SRI** funds are. If it were still possible, it would be nice to rebrand the acronym SRI as “Selective Responsible Investment” (obligations of results), which would usefully pair with RI (obligation of means) to cover the full spectrum of possible policies.

Our RI policy is thus primarily an obligation of means.

We established, ahead of the implementation of the French law on the Energy Transition, an in-house policy to use extra-financial considerations in our investment process and to contribute to the general goals of sustainable development. Our woes were renewed in March 2018, when the company signed the PRI, as an asset owner, engaging all our AuM, not merely the assets within our Asset Management company. This obligation of means, often referred to as “integration of ESG”, may be difficult to quantify or to illustrate by tangible evidence, but it is a genuine day-to-day practice, starting with the traditional “morning meeting”, where the ESG analysts will intervene, alongside with other analysts and fund managers – all the fund managers, not just the SRI specialists. All managers have access to the company’s proprietary ESG database. Issuers of bonds and equity are given a notation, based on a broad range of ESG criteria. The credit analysts also incorporate these ESG grades in their own assessment, as does the country risk analysis. Integration of ESG goes two steps beyond the mere information process. It also includes a set of sector exclusions (most controversial weapons, tobacco and coal) and an active voting policy in AGMs – similar to the one deployed for our SRI funds.

Turning to these SRI funds, they were historically our first RI step in the early 2000s. They are managed with a classic best in class approach, where issuers are first selected on the basis of their ESG grades: they must be at, or above, the median sector note. Then comes the financial selection. This gives a high degree of selectivity, since approximately 50% of the investment

universe is excluded. This also ensures that the funds do not exclude one or another ESG aspect – especially important at a time when Environmental issues are tending to take a prominent position: let’s not forget the Social or Governance challenges. **The selectivity can be seen as tangible proof of engagement, action taken as an investor.** It is suitable to external auditing and to labelling – and we have welcomed the creation of a Public SRI Label in France. It can significantly help reduce suspicions that ESG may only be greenwashing. It will force asset managers to be more transparent and consistent in their processes. However, selectivity means exclusion: how much of the global economy is it suitable or politically acceptable to exclude from fund access: energy? transport? mining? banking? The best in class approach partially addresses this issue by maintaining a position for all sectors (bar some very limited exclusions: tobacco, coal...). Still, the best in class approach excludes half of the company. Therefore, by definition it cannot be extended to 100% of the investment universe. So SRI funds can spearhead the RI investment approach, be the prime sting to stimulate ESG laggards. But it is difficult to see them conquering 100% of AuM.

Hopefully the distinction established here between RI and SRI may tend to become more blurred in the future. 1/ the criteria for good results of an **RI policy may progressively be calculated in absolute terms**, rather than in relative terms, as it is today in best in class methods. For that, we need progress toward more standardised and measurable ESG characteristics of companies and states. 2/ **ESG malpractice may tend to be progressively outlawed** so that the investment universe becomes more and more compatible with sustainable development – and the real world with it.

(1) AG2R La Mondiale website. 2018 Financial report. <https://www.ag2rlamondiale.fr/investors/financial-results>



PHILIPPE BROSSARD

Chief Economist and Head of Responsible Investment - AG2R LA MONDIALE

Philippe started his career with the French Treasury, as a delegate for monetary policy and then for the supervision of publicly-owned companies in the Energy Sector. He has also managed international teams of economists and financial analysts at Credit Lyonnais, ABN AMRO, Fortis and Euler Hermes. Philippe graduated from Ecole Normale Supérieure and is a professor in social and economic sciences.

CONCLUSION

RESPONSIBLE INVESTMENT, A MARKET THAT IS BECOMING MORE MATURE EACH YEAR!

The articles presented in this magazine illustrate how seriously professionals are taking the issue of sustainable and responsible investment, both by the breadth of initiatives and by the diversity of expected objectives. We can therefore justifiably ask why all these good intentions and this hard work are failing to hit the mark with public opinion and investors. Is insufficient communication about the rapid development of SRI offers a satisfying answer to this question? Or is it simply an excuse to avoid confronting a more complex problem in its analysis and search for solutions?

ALL THE SIGNS OF A GROWTH CRISIS

Without calling into question the sincerity of the sustainable investment policies adopted by asset managers or underestimating the results obtained, the fact is that today there are various signs that there is a certain growth crisis in the sustainable and responsible investment sector:

- the **existence of a large number of concepts** (green investment, ethical investment, norm-based exclusions, global compact, responsible investment principles, sustainable investment, socially responsible investment, sustainable development goals, etc.) is creating some confusion, sometimes even within informed communities;
- the use of **various types of selection processes** (Best-in-Universe, Best-in-Class, leaders, Thematic, Carbon focus) adds ambiguity;
- **developped methodologies**, whether proprietary or open source, **do not clearly specify their field of application** or their granularity (is it a local impact, a more global impact, from design to recycling? as the Financial Times indicated in November 2017, a Tesla vehicle produces more CO₂ than a mid-range car for a typical user in the American Midwest over its total life cycle);
- and thus, a **lack of shared methodology** and acknowledged measuring instruments. Indeed, under these conditions, how can we assess the true nature of the most convincing efforts undertaken when there are limited benchmarking possibilities? How can we show the progress made when the instruments do not provide an indisputable measurement of models' speed of transformation? And therefore how can we expect retail clients, who do not have the means of critical analysis that institutional clients do, to form an opinion from all these sales pitches?

■ **A proliferation of labels** that cover various shades of green, many of them based on self-certification...

■ **outrageous communication** regarding certain products that claim to be "green" when it's often just **greenwashing**.

Investors' expectations regarding performance are very disparate, thus leading to a growing sense of confusion. Some investors, for example, look for higher yields in technologies or emerging fields that have a perceived higher risk, such as a project for a factory that captures ambient CO₂. Other investors are happy with lower yields via the financing of more mature technologies, such as a ground-based wind farm project. Investors too frequently compare these yields to those obtained via traditional investments over a similar timeframe. The Norges Bank example is emblematic in this respect: at the end of 2018 the Norwegian government, the bank's majority shareholder, decided to review its green asset investment policy because ethical management, which consists in excluding certain sectors and groups from a portfolio, was weighing on performance⁽¹⁾.

(1) Since 2014, the stock market portfolios of companies that incorporate environment aspects provided an average annual yield of 6.2%, compared with 10.6% for stock market portfolios in general. (internet link).

This is not an exhaustive list; there are many more examples we could mention that justify these difficulties, often legitimate, fueling this sense of **growth crisis**.

SOLUTIONS TO MOVE FORWARD

In view of these observations, which may appear severe, **numerous initiatives have been launched** to address these often unavoidable difficulties regarding these vast issues that are environmental and societal transformations as well as the fight against global warming.

Strategies for incorporating ESG criteria require clear methodologies that are more sophisticated than the "exclusion" method widely used when SRI was first launched. **Some asset managers have therefore defined their own methodology** and are able to justify and explain their investment choices.

Methodologies need to be based on **reliable and verifiable data across the broadest possible scopes**. Data suppliers have understood that they can play a key role in this new data market. A consolidation trend is emerging within this specialised market with, for example, the acquisition of Oekom by ISS or that of Vigeo by Moody's... and it is clear that American data suppliers have built up substantial market share.

Public initiatives and market authorities are taking part in this process, pursuing the incentivising and normative efforts they have already put into making responsible investment more appealing and measurable. At European level, the conclusions of the TEG/HLEG groups notably aimed

at defining Taxonomy are eagerly awaited. However, the **most sophisticated analysts are asking for flexibility**, notably on the environmental side where all the effects and causes are not sufficiently known.

It is everyone's responsibility to find the appropriate solutions to move forward with the implementation of an efficient SRI model. In any case it is certain that one of the key factors for success will involve **the right balance between private initiatives and those implemented by regulators and lawmakers**.

So, all in all, this is an immense objective that may appear unachievable to our impatient contemporaries. It also represents an amazing project for generations seeking challenges. And it is the necessary condition to restore mutual trust between investors and asset managers. Is this the real answer to this crisis?



LAURENT VIELLARD

Head of Client Strategic Marketing - SGSS

After various experiences at Altus Finance, KPMG and ABN AMRO, Laurent joined SGSS in 2006 where he held the position of Head of Custody and Trustee Services for France and then Head of Client Services for SGSS. Laurent

graduated from École Supérieure de Gestion and HEC Paris (EMBA).



ETIENNE DENIAU

SRI Evangelist - SGSS

Etienne began his career in 1990 at Fimat, the future brokerage arm of Societe Generale Securities Services. Etienne graduated from Ecole Polytechnique and Mines Paris Tech.

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 with 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 mission. The SGSS client portal provides a variety of online tools to manage, control and pilot their operations.

FOCUS ON OUR OFFER



Sustainable and Responsible Investment standards are playing an increasingly significant role for investors. Take advantage of our solutions and monitor the effectiveness of your long-term SRI strategy. **SGSS offers a comprehensive solution covering the three key ESG criteria.**

SGSS can help you manage your SRI policy in an entirely independent way:

- **extensive ESG Reporting** with a broad range of indicators (sectors, ESG rating, CO₂ emission, ESG Commitment, etc.), a user-friendly interface and the capacity to create virtual portfolio analysis;
- **a bespoke service covering 36 markets** via our Broadridge platform dedicated to Proxy voting and connected to 16 voting recommendation agencies;
- **recognised SRI experts available to support you** in the search for the best solution.

In addition, **Societe Generale Group is strongly committed to Corporate Social Responsibility (CSR)** with a proactive climate policy in the renewable energy sector and a purchase policy including a systematic CSR assessment of suppliers.

Societe Generale was the **first French bank to join the Climate Bonds Initiative (CBI)**, a network of financial institutions promoting sustainable and low carbon investments.

In 2018, Societe Generale was ranked **Best French Bank for CSR** by RobecoSAM.

“For Societe Generale, being a responsible company lies at the very heart of our business lines’ mission and reflects the essence of the relationship bank of reference that we want to be. Sensitive to the different stakeholders within our ecosystem, we strive to ensure the generation of a long-term positive impact on the environment surrounding us.”

Frederic Oudéa
Chief Executive Officer

27 LOCATIONS

4000 EMPLOYEES

4083 BN EUR
ASSETS UNDER CUSTODY

629 BN EUR
ASSETS UNDER ADMINISTRATION

SGSS internal report. Data as of 03.31.19

Our ambition is to be the reference partner in our main markets, recognised for our service quality and competitiveness, agile solutions and international network coverage.

We build long-lasting, collaborative relationships with our clients to help them go further in their development. In today’s constantly evolving and complex world, we strive to provide our clients with increasingly efficient and reliable securities services on a daily basis to ensure they get ahead.



CERTIFICATIONS

- **ISO 9001**
Annual certification ISO 9001 version 2000 in France for Employee Savings Plans
- **ISAE 3402 Type II**
ISAE 3402 Type II, annual certification for the following services:
 - Trustee, Custody and Fund Administration services in France, Italy and Luxembourg
 - Transfer Agency services in Ireland, Italy, Germany and Luxembourg
- Master-KAG services (middle office and fund administration) in Germany
- ISAE 3402 and SSAE16 Type I certification for its agency securities lending services (September 2014)
- **ISAE 3402**
SGSS holds a ISAE 3402 Certification for Custody Services in the following countries:
 - Czech Republic - Russia - Ireland - Poland - Romania - Tunisia



AWARDS

- ★ **Leaders in Custody 2018 MENA Awards**
Global Custodian
- ★ **Transfer Agent of the year**
Clearing broker of the year
Global Investor Awards 2018
- ★ **Best local custodian in Ivory Coast, Romania, Russia, Morocco and Tunisia**
World’s Best Sub-Custodian Banks 2018
- ★ **Custodian of the year in Italy**
Custody Risk Global Awards 2018
- ★ **Transfert Agent of the Year 2017**
Custody Risk Global Awards 2017
- ★ **European Transfert Agent of the Year 2017**
Funds Europe Awards 2017
- ★ **SGSS Russia delivers the best value for the customers according**
to Global Custodian 2017 survey
- ★ **Client clearing Broker of the year**
Global Investor Awards 2017
- ★ **Winner in France, Luxembourg, Romania, Russia, Morocco and Tunisia**
The World’s Best Securities Services Providers 2017 – Global Finance

As of December 31st 2018

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SGSS AT THE HEART OF AWARENESS



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