WEBINAR
Impact Measurement in the Listed Universe
28 SEPTEMBER 2021
About Ksapa

• Ksapa’s 3 Core Services
• Ksapa’s Team and Network
• Ksapa’s Inbuilt Commitment to Advocacy

Raphaël Hara
Managing Director
Introducing Ksapa

Ksapa is an impact business

Our mission is to catalyze an economy-wide shift towards economically, socially and environmentally-sound operating and investment models.

Our services range from Sustainability Advisory to Innovative Solutions & Impact Investment Services

Sustainability, finance and investment, IT, agronomy, development and field expertise all aggregated at core team level

Thanks to a network of partnering organizations and 150+ experts worldwide, we offer close contextual and operational support for effective impact on the ground
Ksapa’s Inbuilt Commitment to Advocacy

REPORTS & BRIEFING PAPERS

ILLUSTRATIVE LIST OF POSTS ON SUSTAINABLE FINANCE

REGULAR WEBINARS
Ksapa’s ESG & Impact Value Proposition

A DOUBLE DNA OF SUSTAINABILITY & FINANCE WITH MULTI-SECTORAL EXPERTISE

... Across the entire investment value chain...

... For ESG policies as well as impact strategies...

... And various investment activities (private equity, listed universe, real-estate...)

DESIGN STRATEGY & DEFINITION

METHODOLOGY DEFINITION

ASSET DUE DILIGENCE

ORGANIZATION, DEPLOYMENT OF INVESTMENT POLICY

MONITORING ESG TRAJECTORIES AND PORTFOLIO IMPACT
Impact Measurement in the Listed Universe
From ESG Risk Management to Impact
From Defense to Offense

ESG INVESTMENT: A SPECTACULAR RISE
- Sustainable Funds Assets Under Management: +29% in 2020 (+206% for ESG ETFs) (source: Morningstar)
- Acknowledged outperformance:
  - SDG-indexed S&P500 outperformed by 10.4% the conventional over the last 6 years
  - ESG induces risk mitigation: reduced cost of capital (60 base points average)
- Scoring: considering ESG factors to minimize negative impacts on enterprise value
- “Classical” ESG only covers issues that have an impact on enterprise value! (inward impacts)

ESG ON THE MOVE ... AND UNDER FIRE
- Regulation evolution (EU in particular) will shed light on on double materiality. But a company’s activities’ influences on & expositions to the environment & society can also have financial consequences over time! (dynamic materiality)
- Lots of critics lately on the ESG approaches: green / social washing, lack of quality data, insufficient progresses, ...

IMPACT INVESTING IS GAINING MOMENTUM
- Impact as a new approach capturing “outward impacts” of a company
- Go beyond companies’ “do no harm” stance and positively contribute to the SDGs
- “The best defense is a good offense” ... and positive impact tends to be an increasingly key lever to foster innovation $715B of AUM in 2020, compared to $77B in 2016
- Expected to reach $12,000B of AUM worldwide by 2030 (GIIN)
- 1/3 of EU private equity players consider developing an impact fund or already have
ESG & Impact Two Complementary Approaches

ESG PERFORMANCE
Integration of ESG Criteria in Financial Risk Assessment and Asset management strategies

IMPACT
New frontier of value creation for mainstream investments based on common good - Towards positive contribution mainstreaming/valuation?

SUSTAINABLE FINANCE
- ESG-guided Investment Funds
- SRI Funds
- Sustainability Linked Bonds
- Green, Social, Sustainable Bonds

RESPONSIBLE INVESTMENT
- Solidarity-based Finance
- Impact Investment
- Impact Bonds
Contribution to SDGs: ESG vs Impact? ESG AND IMPACT!

SDG Financing Gap is tremendous: pre-COVID-19 figures between USD 2.5 & 4 trillion per year

**ESG Risk Management**
- Damage control
- Manage negative impacts

Limited positive contribution

≈0

**Positive Impact**
- Go beyond “do no harm” stance
- Positive contribution by design

Direct positive contribution

>0

**Dashboard**
Comparability through SDG matrix

IRIS+
How Is Impact Characterized?

The following conditions help distinguish Impact from other concepts such as ESG excellence for instance.

**INTENTIONALITY**
Upfront objective of having a specific positive social or environment outcome

**ADDITIONALITY**
Ability to resolve unmet environmental and social needs

**MATERIALITY**
The positive outcome is of material significance to the beneficiaries and company.

**MEASURABILITY**
A concrete evaluation of the positive environmental, social and contribution
What are the main stakes for Impact?

**ACCEPTABILITY**
Positive contribution will become essential to companies' legitimacy and contribution to SDGs agenda 2030 is a major source of economic value creation also driving an increase of acceptability.

**SCALABILITY**
Impact-oriented strategies are on track to grow rapidly in private equity. However, to significantly scale-up impact strategies, it is critical that impact take over the listed companies’ and institutional investment universe.

**COMPARABILITY**
For impact strategies to take over the listed equity universe, impact measurement needs to converge on international standards to build comparability and credibility of impact approaches.
The Challenge: Measuring and Comparing Impact

ILLUSTRATION OF CHALLENGES FACED BY IMPACT MEASUREMENT

• 50% of respondents of 2020 GIIN study set impact targets based on global agendas (SDGs...)
• However, “comparing impact results with market performance” remains the most severe challenge
• Stressing the need for impact benchmarks and common matrixes for comparability
• Another severe challenge: proving impact by collecting quality data
Impact Measurement Frameworks

- The GIIN study highlights the Sustainable Development Goals as the main framework used, gaining traction among investors.

<table>
<thead>
<tr>
<th>Tool or framework</th>
<th>2017</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Sustainable Development Goals (SDGs)</td>
<td>43%</td>
<td>80%</td>
</tr>
<tr>
<td>IRIS Catalog of Metrics</td>
<td>65%</td>
<td>65%</td>
</tr>
<tr>
<td>United Nations Principles for Responsible Investment (UNPRI)</td>
<td>29%</td>
<td>46%</td>
</tr>
<tr>
<td>B Analytics / GIIRS</td>
<td>39%</td>
<td>42%</td>
</tr>
</tbody>
</table>

- **IRIS+** (the GIIN): impact measurement system with integrated KPIs portfolio, aligned with the SDGs and other standards, striving for greater standardization and comparability in the industry.

- **Impact-Weighted Accounts Initiative** (IWAI, HBS): accounting statements reflecting a company’s financial, social, and environmental performance.
  IWAs bring value created for non-equity stakeholders into decision-making.

**Product Impact Framework Dimensions**

- **Reach**
  - Dimensions of Customer Usage
    - Quantity
    - Duration
  - Env Use
  - End of Life
    - Pollutants & efficiency
    - Recyclability
Impact Framework Typologies

**Generalist**

- Broad investment universe – no exclusion of industries on principle
- Global contribution of an asset to the SDGs is measured

**Thematic**

- Focus on economic activities & companies offering sustainable solutions in direct relation with a specific transition theme

**Examples**

**FINANCIERE DE L’ECHIQUIER**

- Echiquier Positive Impact = €90M

**WHEB**

- FP Sustainability Fund = $260M

**UBS**

- Global Impact Equity Fund

**BLACKROCK**

- Global Impact Fund = $60M

**BNP PARIBAS**

- Blue Economy ETF
  - SDG 14 = Renewable marine energies, aquaculture, sustainable fisheries...

**MIROVA**

- Women Leaders Equity Fund = €176M
  - SDG 5 = Gender diversity & women empowerment
Regulatory Evolutions Boosting Impact Investing

EU GREEN TAXONOMY
- Classification system to assess the sustainability of economic activities across a range of industries
- Harmonization of definitions for green qualification of assets & activities
- Clear framework to shift investments towards a low-carbon economy
- Prevent green-washing

- An inspiring methodology?
  - Environmental action
  - Do no Harm Principle + Respect of Social guidelines

COMMON TAXONOMY WORLDWIDE
- Convergence is underway through International Platform on Sustainable Finance

SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)
- Sustainability disclosure obligations for financial markets participants
- Information on how investments underlying financial products support Taxonomy-aligned activities
- Expected to boost impact investing within listed assets
Ladislas Smia
Head of Sustainability Research
Francois Humbert
Active Ownership Lead Manager
Recent trends on impact

L'Illusion de la Finance Verte, Alain Grandjean & Julien Lefournier – mai 2021

« On compte bien des milliards verdis en entrée (de manière hétérogène et critiquable), mais on ne compte rien à la sortie. » (page 235)

« Les encours ISR explosent (près de 23 000 milliards d’euros en Europe à fin 2019), mais le monde ne change pas. Cherchez l’erreur. » (page 172)

Tariq Fancy - BlackRock’s former head of sustainable investing – Avril 2021

“The major problem that I have is that even if they’re marketed correctly, they actually have no demonstrable impact.”

Source: https://www.greenbiz.com/article/blackrocks-former-head-sustainable-investing-says-esg-and-sustainability-investing-are

Rapport de l’inspection des finances sur le label ISR – Décembre 2020

« [L]e label ISR s’expose à une perte inéluctable de crédibilité et de pertinence. En effet, le label ISR fait à l’épargnant une promesse confuse. Il affiche une ambition d’impact social et environnemental mais ses exigences ne sauraient garantir un fléchage effectif des financements vers des activités relevant d’un modèle économique durable. […]
À l’inverse, l’innovation, les attentes des épargnants et, dès lors, le besoin d’un label se déplacent sur le terrain de la matérialité extra financière. »

GIAM Partnership Engagement Methodology

The goal is to **generate an impact/change** at the issuer level **to mitigate ESG risk and create value**. We want to **maximize the "Return of Engagement Activities"** through the ten steps listed below:

1. Priorisation based on ESG risk, financial exposure, etc…
2. Task force creation (internal)
3. In-depth understanding of the issuer’s specific ESG risk in focus
4. Formalization of expectations on 1-3 specific topics
5. Gather with other investors around the strategy (when relevant)
6. Partnership approach around solutions: from “what” to “how”
7. Organization of trainings / conferences with experts (when relevant)
8. Definition of milestones with the company
9. Public communication of the issuer related to the specific topics
10. Recognition of the added value of the Engagement
Real world indicators

https://gml.noaa.gov/ccgg/trends/global.html
Disclaimer

ONLY FOR THE BENEFIT OF THE WEBINAR OF SEPTEMBER 28, 2021 ORGANISED BY KSAPA

This document is based on information and opinions which Generali Insurance Asset Management S.p.A. Società di gestione del risparmio considers as reliable. However, no representation or warranty, expressed or implied, is made that such information or opinions are accurate or complete. Opinions expressed in this document represent only the judgment of Generali Insurance Asset Management S.p.A. Società di gestione del risparmio and may be subject to any change without notification. It shall not be considered as an explicit or implicit recommendation of investment strategy or as investment advice. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice.

No part of this document may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Generali Insurance Asset Management S.p.A. Società di gestione del risparmio shall in no event be liable for any damages or losses resulting from or caused by an improper use of the information contained in this press release or by defects or omissions in its contents.

Generali Insurance Asset Management S.p.A. Società di gestione del risparmio may have taken or, and may in the future take, investment decisions for the portfolios it manages which are contrary to the views expressed herein provided. Generali Insurance Asset Management S.p.A. Società di gestione del risparmio relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. It is recommended to look over the regulation, available on our website www.generali-investments.com. Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiche. Generali Investments is a commercial brand of Generali Investments Partners S.p.A. Società di gestione del risparmio, Generali Insurance Asset Management S.p.A. Società di gestione.
Questions/Answers
Discussion & Q&A

Facilitation: Raphaël Hara, Directeur Général, Ksapa

- Quel rôle pour la règlementation dans l’émergence d’une classe d’actifs à impact dans l’univers coté ?

- Quelles perspectives marché ? Comment répondre aux intentions d’investissement à impact positif des investisseurs ? Institutionnels ? Particuliers ?

- Impact bonds : une démocratisation envisageable à terme ?
Stay Appraised of Ksapa’s Latest Insights
– Upcoming Ksapa webinars –

Find out more directly from our [website](http://ksapa.org) at ksapa.org