



**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



CONSEILLER



INVESTIR



MOBILISER

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

REGISTER NOW FOR THE NEXT **ksapa** WEBINAR

Walking the talk: Empowering Value Chains to Effect Climate Action

With insights from our expert panelists

**mazars** LEILA KAMDEM-FOTSO PARTNER - FINANCIAL SERVICES

**RAMIRO FERNANDEZ** POLICY ADVISOR TO THE HIGH-LEVEL CLIMATE ACTION CHAMPIONS

**H&M** KIM HELLSTRÖM STRATEGY LEAD, CSR



Oct 26

Solutions for Resilient Raw Materials Supply



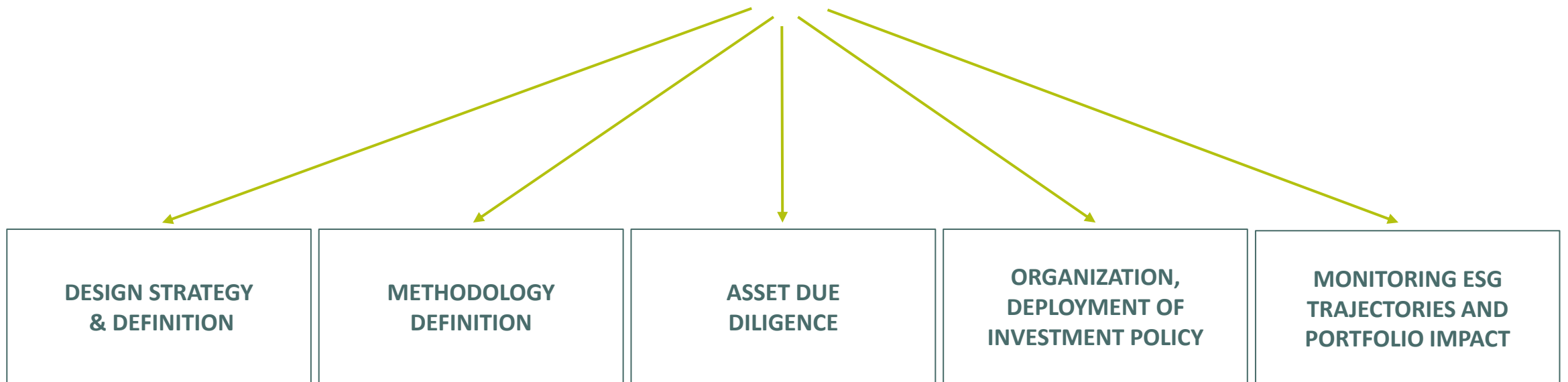
# Ksapa's ESG & Impact Value Proposition

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...)





# Impact Measurement in the Listed Universe





# From ESG Risk Management to Impact

## *From Defense to Offense*

### ESG INVESTMENT: A SPECTACULAR RISE

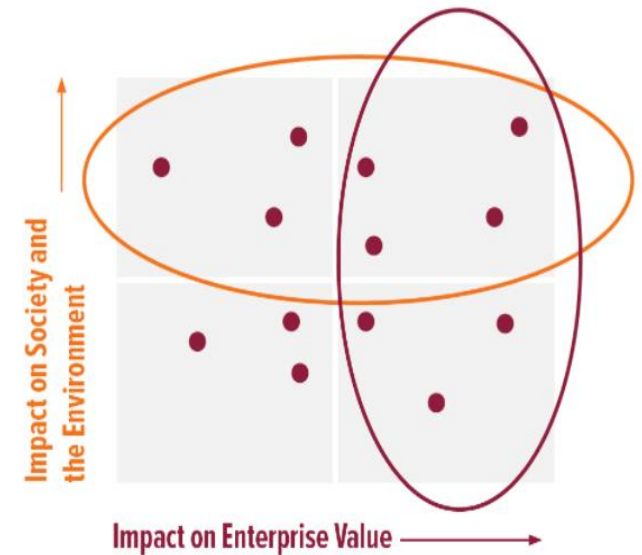
- Sustainable Funds Assets Under Management: +29% in 2020 (+206% for ESG ETFs) (source: Morningstar)
- Acknowledged outperformance:
  - SDG-indexed S&P500 outperformed by 10.4% the conventional over the last 6 years
  - ESG induces risk mitigation: reduced cost of capital (60 base points average)
- Scoring: 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 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, ...

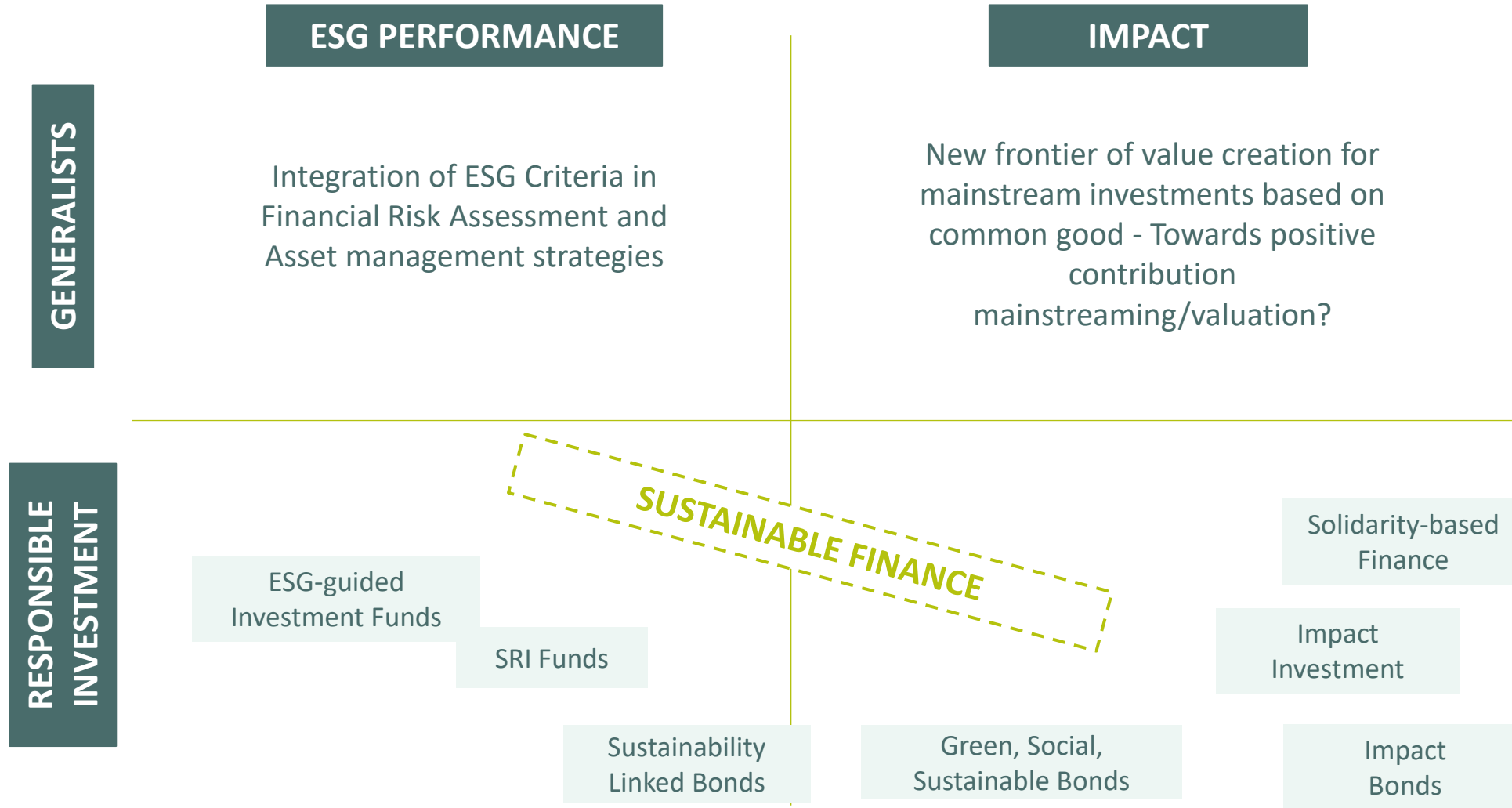
### IMPACT INVESTING IS GAINING MOMENTUM

- 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

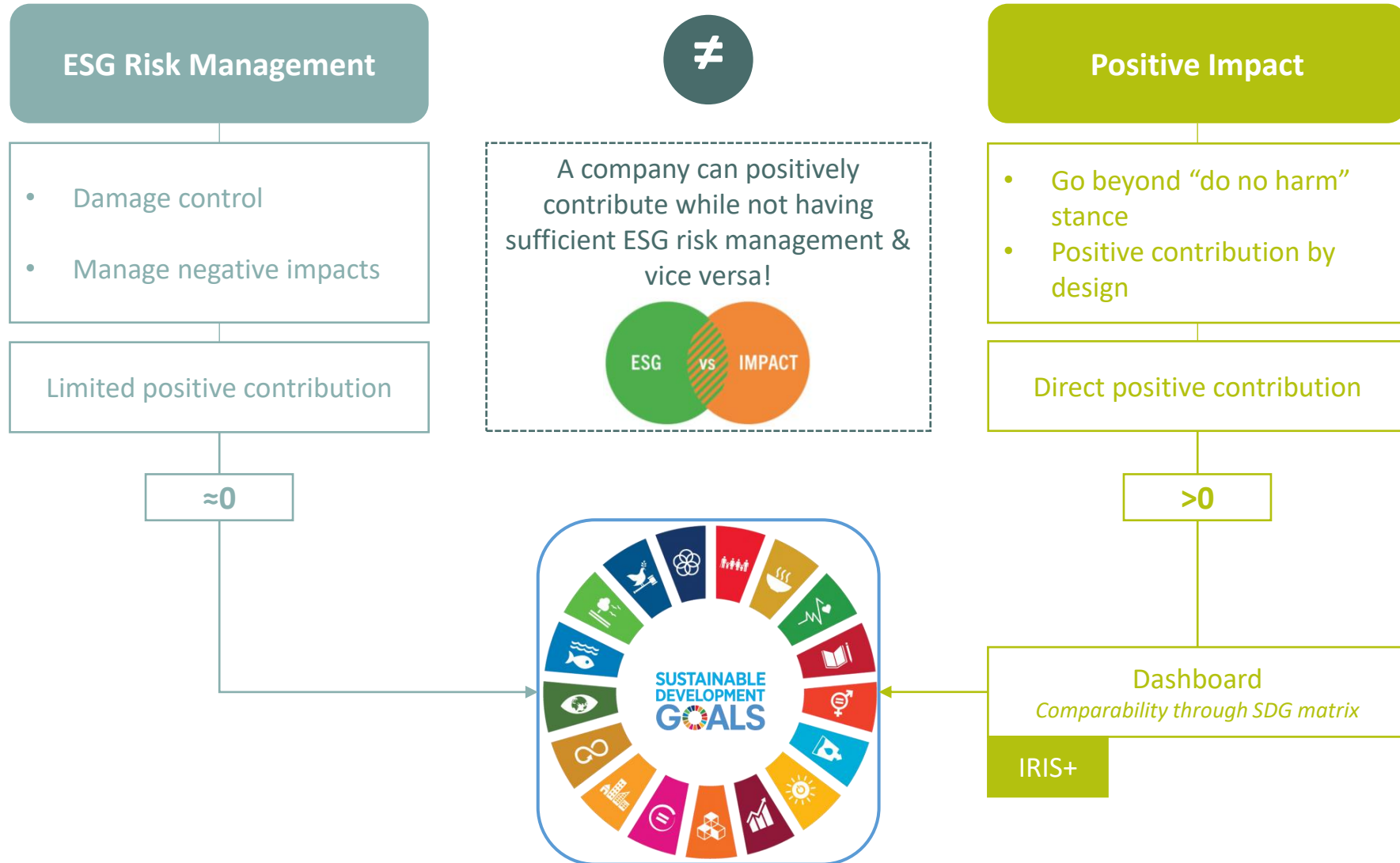






# Contribution to SDGs: ESG vs Impact? ESG AND IMPACT!

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





# 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

## MATERIALITY

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

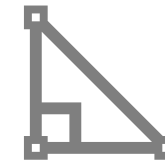


## ADDITIONALITY

Ability to resolve unmet environmental and social needs

## MEASURABILITY

A concrete evaluation of the positive environmental, social and contribution





# What are the main stakes for Impact?



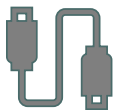

## ACCEPTABILITY

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

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## 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

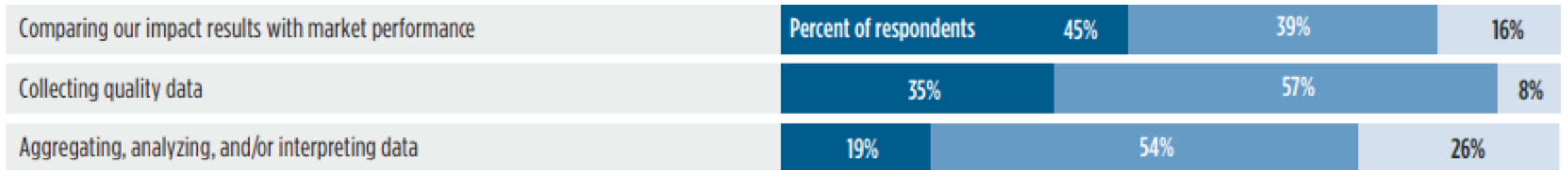
For impact strategies to take over the listed equity universe, impact measurement needs to converge on international standards to build comparability and credibility of impact approaches



# 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



● Significant challenge    ● Moderate challenge    ● Not a challenge





# Impact Measurement Frameworks

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

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

- 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





# Impact Framework Typologies

Methodology

## 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'ÉCHIQUIER**  
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



**Ladislav Smia**  
**Head of Sustainability Research**





**GENERALI**  
INVESTMENTS



**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. »

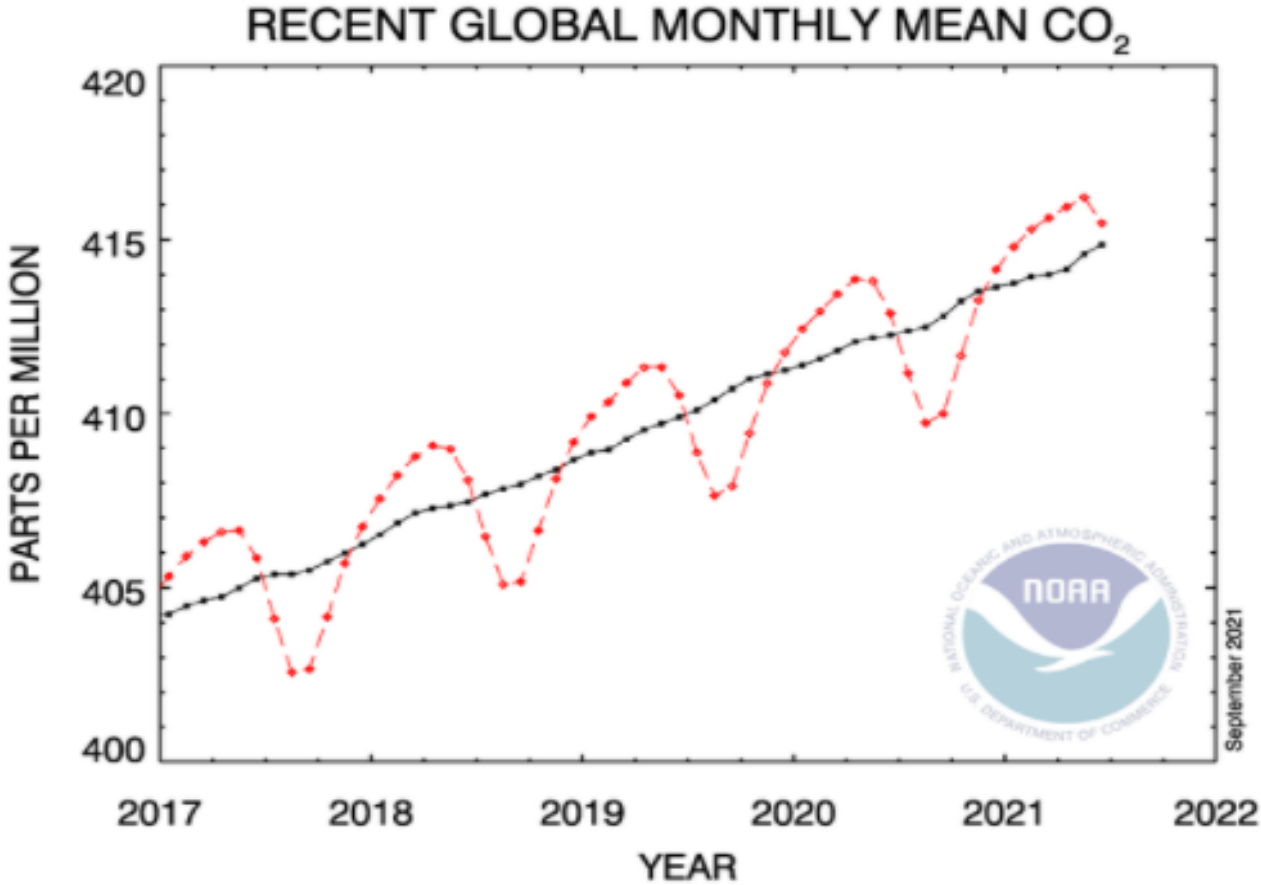
Source: <https://www.igf.finances.gouv.fr/files/live/sites/igf/files/contributed/IGF%20internet/2.RapportsPublics/2021/2020-M-038-03%20Rapport%20label%20ISR.pdf>



## 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



*Recent global monthly means*

<https://gml.noaa.gov/ccgg/trends/global.html>



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# Questions/Answers



# Discussion & Q&A

Facilitation: Raphaël Hara, Directeur Général, Ksapa

## WEBINAIRE ksapa

### Impact positif dans l'univers coté : Au-delà de l'ESG

28 septembre | 11h CEST | Webinaire gratuit

Avec l'intervention de 2 experts :



**Ladislav Smia**  
Head of Sustainability Research



**Francois Humbert**  
Active Ownership Lead Manager

- Quel rôle pour la réglementation 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 ?



## Closing Remarks





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## QUESTIONS & ANSWERS

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