

STRATEGY & SUSTAINABILITY

NEWSLETTER

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WE NEED HOPE!

On 24 October, the third One Planet Summit was held at the French Ministry of the Economy and Finance (Bercy) in Paris. The theme of this year's event, which was set up to mobilise funding for projects fighting climate change, was "blended finance". Blended finance refers to the use of public investment in projects to attract private capital by reducing risk.

"We need hope!" This was the message in the introduction given by Brune Poirson, France's Secretary of State to the Minister for the Ecological and Inclusive Transition. Following a trend that has been taking shape in recent months, attention has shifted to the oceans, agriculture and biodiversity. We are no longer only talking about energy and the climate, since, as Jennifer Morris, President of Conservation International underlined: "the best way of reducing our carbon emissions is nature itself. It represents 30% of the solution, but only receives 2% of the investment". In the conclusion to the summit, Brune Poirson set out a very clear map for all the finance professionals and politicians present: "We need to get some nature-related projects up and running by next year".

Meanwhile, in Chile, Ecuador and Lebanon, anger is mounting. The issue of purchasing power is also the cause of protests in Iraq, Venezuela and Spain, where demonstrators - along with the gilets jaunes in France - are calling for profound change in our societies. The ecological, financial, political and societal transition must be a fair transition that everyone can support, whatever their place in society. We mustn't lose sight of the fact that we live on a planet where, in 2018, the 26 richest billionaires owned as much as the 4 billion poorest people*.

However, there was some good news from the UN Climate Action Summit that took place in New York on 23 September:

- Moscow announced it had signed a decree for Russia to ratify the Paris Climate Agreement
- Following announcements from Austria, Chile, Italy, Japan and East Timor, 66 countries have now joined the Carbon Neutrality Coalition
- A coalition aimed at protecting biodiversity was presented by 19 companies, including a number of agri-food giants
- Amazon has undertaken to target carbon neutrality by 2040

For its part, La Française has continued to engage with its partners over the months. Nature was also a key theme of the conference held by the OID (Green Building Observatory) at the La Française offices, which was introduced by Gérard Degli Esposti. This event featured a talk by the philosopher Catherine Larrère exploring the links between humanity and nature (a brief summary is shown on page 2 of this newsletter).

Still on the subject of nature, the La Française online distribution platform Moniwan is responding to the concerns of some and raising the awareness of others by planting trees for each SCPI subscription. Planting trees is a good way to decarbonise, because little by little, small trees become big forests with long-term decarbonisation potential. It's also a fantastic way to foster biodiversity and support local economies, and these are all steps in the right direction. So let's carry on reducing our carbon footprint where we can and plant trees to offset what we can't reduce!

**We need to
restore hope**
and get some
nature-related
projects started



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*source: Oxfam



THE TRANSITION PATHWAY INITIATIVE

Analysing the alignment of companies with a 2-degree scenario

On 26 November, the La Française Zero Carbon Club received a visit from Nadine Viel Lamare, Director of the Transition Pathway Initiative (TPI)*. This is an initiative that La Française supports and is happy to promote.

After COP 21, institutional investors had a problem to solve: how to analyse portfolios from the perspective of keeping global warming within 2° and identify companies with practices and policies that are in line with the Paris climate accords? With no tools available to them, some of these investors decided to get together and create one, based on the following key principles:

- To provide a free tool that can be used by all investors, including the very smallest
- To be transparent with regard to data, methodology and results
- To use only public data
- To build robust sector methodologies in partnership with a prestigious academic institution: the London School of Economics (LSE)

As a result, the Transition Pathway Initiative was launched at the start of 2017. The methodology it adopted analyses companies on two criteria:

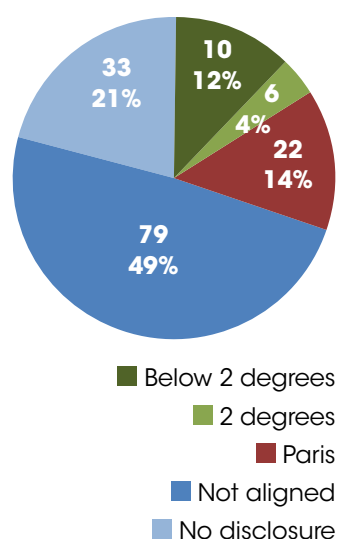
- 1. Management Quality:** the quality of companies' governance, strategy, objectives and structures, assessed using the same 19 questions for all sectors covered
- 2. Carbon Performance:** how companies' carbon performance now and in the future might compare as measured against different targets: the Paris Agreement, the 2-degree scenario and the below 2-degree scenario. If a company has not published targets, then the current trend in CO2 emissions is projected into the future

The overall carbon performance results analysed over 8 sectors and 190 companies, including the world's largest carbon emitters, show the size of the task still to be done...just 16% of the companies analysed are in line with increases in temperature of 2° or less. This figure rises to 30% when the companies aligned with the Paris Agreement are included, which we know will lead us to something approaching a 3-degree world.

The TPI's aims are ambitious, as it looks to cover more sectors (air and sea transport in the coming weeks), extend the number of companies analysed to include small caps and selected non-listed companies, and lastly, assess government policies in order to incorporate an assessment of sovereign debt.

Now that we have properly understood that our world is changing, and that global warming and its societal consequences, in terms of access to food and migration, and therefore, the political consequences, mean that we need to produce and consume differently, we must all be able to manage our reductions using criteria other than just financial ones. There is a real need for new standards that are available to everyone, so that climate and social issues can be included in economic and financial scenarios. In this respect, the TPI provides a vital, high-quality resource, which is also used by "Climate Action 100+".

The TPI tool is available free of charge to everyone from the debutant to the professional investor, and the initiative's [website](#) provides all the information needed to understand how to use it. Why not take a look, and search for a sector or company on the TPI website today!



*Nadine Viel Lamare was previously Head of Responsible Investment for Swedish pension fund AP1, for around 10 years

OID CONFERENCE REPORT

How can the real estate sector adapt to a 2-degree or even a 4-degree world?

The OID (Green Building Observatory) tackled this subject as part of the 11th conference of the **Real Estate & Outlooks cycle, which was held at the La Française headquarters**, in partnership with Plan Bâtiment Durable (a sustainable building organisation) and the Paris City Council.

The conference was introduced by **Laurent Jacquier-Laforge**, Global Head of Sustainable Investing – La Française, and hosted by **Gérard Degli-Esposti**, Director of Real Estate SRI and Chairman of the OID.

The talk was given during the first session by **Catherine Larrère**, the philosopher and emeritus professor at Paris's Sorbonne University, who approached this complex subject from the perspective of environmental ethics, citing an extract from "The Spirit of Laws" by Montesquieu (1689-1755).

This step back in time enables us to reframe the issue of the relationship between humanity and nature. Catherine Larrère invites us to reflect on this relationship. Today, the whole Earth system has been impacted by industrial societies because the creations of humanity outlive them (Henning Mankell). Climate change is the eventual result, not because it was what we sought, but because it was something we hadn't thought about.

The period in which humans have had the biggest influence on nature (the Anthropocene) will have consequences that continue beyond the extinction of humanity (such as radioactive waste, climate change, the erosion of biodiversity, etc.).

Living differently on the earth

Knowing what to do is not enough, we need to know how to do it, and the work of philosophers may help us in this task. For a long time, our approach has been to conquer, dominate and discipline nature through power, exploitation and destruction...but do we have to turn our backs on the past completely? How can we include nature in morality?

Our existence is short (the time of humans, of economies and politics), while nature endures.

An appropriate period is one that corresponds to both the lifespan of humans and of nature; and the right approach is to consider humanity as part of nature, and no longer talk about humanity AND nature.

Talking about nature with respect is not enough because the creations of humanity interlock with nature and outlive them. The question is: what will be our legacy?

The ethics of nature cannot be separated from the ethics of humanity. While the actions of humans have made us vulnerable to nature, we now need to engage in a more moral relationship with nature by developing environmental ethics and ethics of care: living differently on the earth.

This philosophical introduction was followed by a roundtable discussion with the participation of **Jérôme Duvernoy**, (Observatoire National sur les Effets du Réchauffement Climatique), **Jérôme Gatier**, (Plan Bâtiment Durable) and **Stéphanie Chevallier** (Nexity).

A review of the outlook for the climate set out by Jérôme Duvernoy put the increase in temperature in France at +1.5°C since 1900, with, in 2050, 50% of urban forests at a high risk of fire and a water shortage of 3 billion m³. This was followed by the presentation of an innovative urban redevelopment project that takes account of the natural environment and the sharing of examples of good practice.

The second section of the conference focused more on climate modelling and adaptation solutions, looking at past changes in the climate, future trends and ways to apply these to the construction of buildings going forward.

You can find videos of the conference on the [OID's YouTube channel](#).



The question is:
**what will be
our legacy?**



CLIMATE RISK AND THE FINANCIAL SECTOR

Climate risk is a key issue of concern in financial circles, and this is probably just the start; however, it is significant that two recent reports were published at around the same time by influential French organisations. While the Bank of France (BdF) bulletin for September-October was entitled "Climate change: what are the risks for the financial sector?", a Finance for Tomorrow (F4T) report ("Climate risk in finance - concepts, tools and methodologies") also came out in September, with the aim of helping the very many sector participants likely to be concerned about the management of climate risk in finance.

And we shouldn't forget two other reports that were published this summer by the IPCC, on the link between climate change and agriculture, and on the oceans and the cryosphere, plus the various announcements and commitments made between the G7 in Biarritz and Climate Week NYC, and the Green Deal set out by the new President of the EU Commission.

The climate risks have now been clearly identified, and there are three types: physical risk, transition risk and liability risk. The tools for analysing these risks mainly use one of two methods:

- A tool for measuring CO₂ emissions: the carbon footprint
- Tools for assessing the risks: the green/grey components, financial impact indicators, indicators of alignment with a 2-degree scenario and risk exposure ratings

At present, although the understanding of transition risk is improving all the time, liability risk remains a blind spot, while physical risk is rarely perceived as a potential threat.

However, the key element in climate finance lies in the appropriation of metrics and internal analysis. It is essential that climate risk is managed as a traditional financial risk, and that companies have in-house expertise to enable them to decipher and analyse data and refine their methodologies. **Governance bodies should therefore be recognising the importance of climate risk** as part of traditional risk management, and reflecting it in their corporate strategies. It is no longer appropriate for this risk to be discussed or assessed by isolated experts outside the information systems of financial sector players. Climate finance must be at the heart of what we do.

[To read the Bank of France bulletin](#)

[To read the F4T report](#)



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