

STRATEGY & SUSTAINABILITY

NEWSLETTER

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presentations made
at **Le Mix on the
BlueRoom**



BACK TO WORK WITH COMMITMENT

While we enjoyed our holidays in the sun, news on the climate was not good this summer. The IPCC, which is generally restrained in its remarks, published two alarming reports – one on the link between climate change and land use and another on the state of our oceans and glaciers.

Weather conditions over the summer were clearly not normal, be it in France – where 87 departments have water restrictions, 41 of which at crisis levels – or around the world, with unprecedented wildfires in the Amazon and Africa and Hurricane Dorian.

The signatories of the COP 21 climate agreement – which in itself did not go far enough – have fulfilled few or none of their commitments and we are hearing more and more bad news. The climate is making the headlines in our daily newspapers, on the radio and on TV news. It also joined the agenda at the G7 summit in Biarritz where the world's leaders brought attention to the Amazon wildfires and the dangers that come from destroying the Earth's lungs, calling on President Bolsonaro to take action and offering their help.

Climate news – bad news – has reached the French National Assembly, where Valérie Masson-Delmotte was at last able to present the IPCC's latest special climate report dating from last October – thanks to Greta Thunberg!

The climate also came up at the annual conference organised by the Medef (French employers' organisation), both intentionally (because it was part of the conference theme: "Our Future(s)") and unintentionally (when students addressed the conference with their Manifesto for an Ecological Awakening).

The Statement of the Purpose of a Corporation issued by the powerful Business Roundtable in the United States, which suggests moving away from the extreme focus on shareholders, shows that bad news can also raise awareness and bring about change in society. We in France in general and at La Française in particular wholeheartedly support this change.

It is with this in mind that we are continuing to organise our activities to make our commitment even more visible and effective, for example with the appointment of Laurent Jacquier-Laforge as Global Head of Sustainable Investing. Laurent will be responsible for embodying and promoting La Française group's commitments to responsible investing in all its areas of expertise, both internally and outside the group. He will draw on Inflection Point by La Française, our group's ESG research centre located in London.

The group is fully aware of the need to raise awareness, because change can only come about with widespread support. So, in early September, taking advantage of the PRI*, which La Française sponsored, we organised a roundtable on impact investing followed live and streamed online. The keynote introduction was given by Eric Salobir and the conference included a speech by Valérie Masson-Delmotte (IPCC). It covered 3 topics: The Grand Paris project – the impact of metropolises; Roadmaps for measuring the transition; Raising awareness to raise the impact. The presentations are now available on our BlueRoom.



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* **Principles for Responsible Investment (PRI)** an initiative by the Secretary General of the United Nations set up by the United Nations Environment Program Finance Initiative (UNEP FI) and the United Nations Global Compact.

WITH IMPACT INVESTING, FIND THE REAL MEANING OF VALUE!

Presentation by Eric Salobir at Le Mix

On 9 September 2019 La Française was delighted to invite Eric Salobir* to introduce the Le Mix roundtable on Impact Investing.

Father Eric Salobir implored the audience to "Follow the money".

Which is probably a good way of addressing ethics and technology. We are not surprised to see these two words side by side in the same sentence today, but this was not the case just 3 or 4 years ago... Successive scandals, GDPR and growing awareness of the problems arising from the use of personal data have led more and more people – and young people in particular – to question innovation, and whether it might not necessarily be a sign of progress. So it is reasonable to wonder whether we can expect to see a tech bubble burst even more spectacularly than the internet bubble.

These concerns are most likely caused by the fact that new digital technology is based on the business model of maximum choice and maximum freedom, but it is also a model with minimal guideposts and minimal trust. We choose, we compare, we switch from one provider to another and the upshot is that there are no longer any ties or loyalty. So we seek to rebuild trust and security with the ubiquitous use of ratings. It has become a reflex to rate our driver or our hotel! Digital is now encroaching on the sovereign sphere of money. But money relies on trust because cash has no intrinsic value. With cryptocurrencies, there is no longer any need for trust, because trust is replaced by algorithms and smart contracts. And ultimately, financial contingency serves as the foundations of a certain form of society.

'Follow the money' means realising that those who have the power to make dreams come true are those who invest in these dreams and bring them to life. Investors are on the front line here.

If there are business ethics, then ethics can also be a business in its own right and some people may be attempted to profit from this, forgetting the ultimate goal. We have sometimes seen this with ecology. The example of electric cars being sold as clean vehicles even though they are charged using electricity produced with coal is a good illustration. Greenwashing can lead to a loss of trust, and we must take care to ensure that this does not happen with technology.

In fact, we need to change our way of thinking. We need to stop thinking 'profits' and instead think 'value'. Value remains a financial metric, but profit is in the income statement, while value is on the balance sheet, and by making this change, we switch from a short-term focus to a long-term vision and start to wonder 'What am I building? What will I leave behind me?'

The right attitude is to create value with Values. Having a clear approach aligned with our values – that's the principle behind impact investing: using financial flows to do more than simply create more financial flows, but to transform society.



* Fr. Eric Salobir is a Roman Catholic priest and a member of the Order of Preachers. He is the founder and president of the [OPTIC network](#) which promotes research and innovation in ethical issues that arise with the development of disruptive technology. Fr. Salobir is also a media and technology consultant for the Holy See and has contributed to the reorganisation of the media for [Vatican.fr](#). He teaches digital communication at the Catholic University of Paris and gives conferences on topics related to technology and ethics.

SUSTAINABLE INVESTMENT CATEGORIES EXPLAINED

La Française has been an active player in sustainable investing (SI) for many years. Today, SI is about to move from a niche to the mainstream. It is therefore important that we do not get lost in translation. Here is a brief overview of key SI categories:

■ SI categories that are concerned with the composition of the investment universe

- **Ethical exclusions** aim at aligning personal belief systems with investments by removing certain corporate activities from the investment universe – also called negative screening. Such activities could be tobacco, gambling, weapons, pornography, nuclear energy, alcohol, GMO or animal testing. The subjective nature of these constraints makes ethical investing – the oldest form of Sustainable Investing – well suited for investment mandates for clients like faith organisations, foundations and family offices.
- **Norms-based exclusions.** In contrast to the subjective nature of ethical exclusions, norms-based exclusions recognise that certain values have become universally accepted by society and are enforced by governments, like the ban of land mines and cluster mines. They have become a default in most asset managers' investment policies and are systematically implemented using specialised ESG datasets or ESG scores in an attempt to eliminate ESG tail risk.

■ SI categories that are concerned with the selection of individual investments

- **ESG integration** broadens the information set available for investment decisions by including non-financial data. Typically, the data is categorised according to environmental, social and corporate governance issues (ESG). This approach can be implemented based on rules (quant) or via discretion (stock picking) or indeed both, as active portfolio managers like La Française increasingly take advantage of alternative data sources and new analytical tools. ESG integration translates material non-financial risk-and-return factors into investment performance. A forward-looking ESG assessment identifies companies with improving ESG profiles (transitioning companies).
- **Active ownership** comprises voting and engagement activities. Engagement on ESG factors has been included in many Stewardship Codes around the world and is part of the effective toolkit employed by active asset managers like La Française and promoted by the PRI*.
- **Sustainability-themed investing.** Thematic investing is not new. Strategies that apply an environmental or social theme to construct a portfolio are considered ESG – or Sustainability – themed investments.
- **Impact investing** is a category historically reserved to private capital and philanthropy. Therefore, capital preservation is not always required in order to deliver the social or environmental impact. The SDGs** have opened a promising debate to widen this scope and to include investments that aim at delivering a competitive financial return. Impact investing goes beyond ESG integration and ESG-themed investment strategies. It requires a measurable net positive impact on the environment or on society as an intentional result of the investment decision. An additional way for public equity and credit to demonstrate impact on investment outcomes is through engagement.

These categories are not mutually exclusive. In fact, many SI products incorporate a number of categories like our Carbon Impact Equity strategy featuring most of the categories outlined above. The investment policy statement is the key indicator to determine the predominant SI category of a given product.

* Principles for Responsible Investment

** SDG: Sustainable Development Goals set by the United Nations in September 2015



Sustainable Investment

one concept with many
different approaches



ECO-WORKING, REINVENTING WORKSPACES

Newtown Square, a subsidiary of La Française group, offers flexible workspaces and co-working spaces for entrepreneurs and intrapreneurs. This new activity was launched this summer and it has a different approach: eco-working.

Eco-working enables anyone to bring a project to life while offloading aspects that are potentially harmful to their plans.

The concept of individual ecology is only meaningful if we can consider the working environment as being 'healthy' for users, like in the saying "healthy body, healthy mind". That's where eco-working comes in.

To make its project a success, Newtown Square has a multi-step plan to build its workspaces on solid, sustainable foundations.

Its first goal is an environmental commitment. Banning the use of plastic and paper in everyday life is a very ambitious challenge. We cannot avoid packaging on a fruit salad bought at the local supermarket for lunch or on a parcel delivered to our workstation, but we can rethink many of our everyday habits. At Newtown Square, this starts first thing in the morning in the shared kitchen area. We choose a cup or mug before making a cup of eco-friendly zero-pesticide tea or coffee. We can avoid printing more than we need to by checking the printing quota assigned to each workstation each month. The plastic badges used to enter the building have been replaced by Filtdesk, a free app developed by a French start-up that users can install on their smartphone.

The second goal covers quality of life and well-being: making the workspace pleasant, welcoming and user-friendly. This objective led the teams in charge of the project to design responsible workspaces by limiting their environmental impact. Nearly all lights use LEDs with light switches – just like at home – so users can switch lights on or off as required. This also makes individuals aware of their energy use. The office furniture is comfortable and attractive, sourced second-hand from the circular economy. All the plants at Newtown Square had a previous life in hotels, restaurants or offices. We have taken them in and look after them each day.

A number of services are also committed to socially responsible initiatives. For example, working with local businesses or choosing partners that have ethical commitments. Maintenance teams are all employed by our partner on permanent contracts and they only use 100% natural products.

These projects and their different "Impacts" represent part of the journey. Newton Square and its members have undertaken to make changes to the working environment to make it healthier.

Other projects are planned, the most symbolic of which is the offsetting of co-working workstations' carbon emissions by planting trees in the Ile-de-France region.

We are continuing to make progress in our journey towards the transition.



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