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*Chairman of AFG*

## Assises Européennes de la Gestion *European Congress of Asset Management*

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CCI Paris - Ile de France, Paris

### Sustainable and responsible asset management in a challenging world

## EDITO

Following the success of its first Congress in 2016, the French Asset Management Association (AFG) held its second European Congress of Asset Management on 11 October 2017 on “Sustainable and responsible asset management in a challenging world”.

The French asset management sector is the largest in continental Europe with 3,800 billion Euros under management. Of its 630 asset management companies, most are dynamic entrepreneurial firms, while 4 French groups rank among the global top 20. More than 500 billion Euros are managed for international clients.

We have decided this year to dedicate our Congress to responsible investment, as we believe that this is the future of our industry and that Europe has the opportunity to show the rest of the world the way in this area.

Responsible investment worldwide already represents 250 billion Euros of assets under management and is the fastest-growing segment. Several pension funds and even certain asset managers have declared that their portfolios are or will be, in the next 3 years, ESG compliant.

French institutional investors and asset managers are in many ways at the forefront of this development.

Article 173 of the French Energy Transition Law 2015 has required many French institutions to report on the way they take ESG factors into account and on the carbon footprint of their portfolios. Most French asset managers are signatories to the United Nations Principles for Responsible Investment. Article 173 and the agreement following COP 21 have led a number of them to develop innovative investment processes taking climatic impact into account. An SRI label has been developed by the French government to promote ESG funds to our clients. More than 120 funds have already received this label in 2017.

ESG and responsible investment are key issues for the Paris financial centre. 2 significant conferences will be held in Paris in December 2017 and AFG strongly supports them:

- on 6 and 7 December, the International Corporate Governance Network (ICGN) will hold its annual European conference in Paris,
- on 11 December, the third Climate

Finance Day will be held in Paris, arranged by Paris-Europlace and Finance for Tomorrow, of which AFG is an active member. It will take place just before the Climate Summit organised by the French government to celebrate the second anniversary of the Paris agreement.

Europe has the opportunity to lead the way by fostering, through appropriate regulations and incentives, a single market for responsible investment which will be unique in the world. This would have many benefits for financial stability. It would also attract young generations of savers to equity and long-term investments and, lastly, it would have a very beneficial impact on the behaviour of corporations which would need to prove to their shareholders, their staff and their partners that they act in favour of the planet and develop sustainable growth strategies.

The asset management industry will be at the core of these developments, proving how useful it is not only for investors and savers but for society as a whole.



## THE NEW FRONTIERS OF RESPONSIBLE MANAGEMENT: INVESTING FOR IMPACT

Jean-Louis Laurens, French Asset Management Ambassador for AFG, hosted this round table, joined by Noël Amenc, Professor of Finance, Associate Dean for Business Development of the EDHEC Business School and CEO of ERI Scientific Beta, Janwillem Bouma, Chair of PensionsEurope, Philippe Desfossés, CEO of ERAFP, Christian Thimann, Chairman of the EU High-level Expert Group on Sustainable Finance and Shelley Yang, Senior Managing Director of Haitong Bank.

Socially responsible investment is developing very rapidly. Jean-Louis Laurens commented that the concept was currently maturing, giving rise to new notions such as impact investing. There is evidence of strong demand, on the part of both institutional and individual investors, particularly millennials. But what do we know about their expectations in terms of global return on investment?

Christian Thimann explained the three facets of sustainable finance - economic, social and environmental. He suggested that sustainable finance should be viewed in terms of evolution, rather than as a revolution, and confirmed the need for a taxonomy enabling the products to be defined: green obligations, fiduciary obligations, etc. The Expert Group has carried out the task of producing a questionnaire with a view to establishing common definitions.

Janwillem Bouma commended the work carried out by the Expert Group, confirming that pension funds now incorporate ESG criteria in their investments. "In the Netherlands, a taxonomy for investments has been set up. Different

approaches exist in different countries, depending on the size of the markets and the role of the social partners. These national differences must be taken into consideration".

"Managers are endeavouring to improve the composition of the portfolios entrusted to them by incorporating investments which are more responsible" observed Philippe Desfossés. But the aim of a pension fund is to invest with a view to paying benefits to individuals in the long-term. Pension funds therefore need to strike a balance between offering high short-term returns and providing a sustainable investment.

Shelley Yang said that in China, individual investors predominantly belonged to the millennial generation. These new generations, focusing on a virtual economy and taking great interest in responsible finance, will influence how we invest.

Noël Amenc said that from an academic standpoint, it was too early yet to form a view on the place which responsible investment should hold in the management field, as the available data was still too limited. Investors are seeking a short-term return on investment but at the same time want ESG criteria to be taken into consideration. In the long term, it is necessary to consider economic logic, beyond the single criterion of return.

There is consensus on the need to obtain more information from issuers, so that reference indicators can be established and a long-term approach constructed, enabling joint action to be taken bringing together all stakeholders, issuers, managers and regulators.

## Jean Tirole, *Nobel Prize for Economics and Chairman of Toulouse School of Economics*

What is socially responsible asset management? Does it place the parties in a win-win situation, in which investors who have become socially responsible are found to be more profitable, or does it mean that they have to forego a portion of their expected profits in order to improve their conduct?

Socially responsible investment involves adopting a sustainable view of the business. Yet in various sectors, there is evidence that management takes a short-term view, meaning that it is impossible to maximise what is known in economics as "intertemporal profit". Often, the conduct adopted jeopardises the well-being of stakeholders - pollution, job losses, etc. We must encourage the notion of sustainable economy. This approach is not incompatible with maximising profits, quite on the contrary. A correlation can be observed between a business adopting sustainable conduct and maximising its long-term profits. The socially responsible asset manager must therefore have a voice within the governance bodies and highlight those decisions based too closely on short-term considerations.

Socially responsible investment faces a number of challenges. Will the effort we are willing to make be sufficient? To what extent is the investor willing to relinquish





**Christophe Cuvillier,**  
*Chairman of the Management Board  
and Chief Executive Officer  
of Unibail-Rodamco*



part of the expected return? So far there is no clear answer to these questions, as insufficient research has been undertaken to date on socially responsible investment. There is, however, an interesting correlation between the profits of the business and the incorporation of ESG criteria.

There is no doubt that socially responsible investment needs to be developed, and will ultimately have a significant impact on the conduct of companies, encouraging them to increase their investment in socially responsible solutions.

Information is a crucial factor in this development. Investors, as well as employees, clients and consumers, need to be properly informed about action taken by the business. Rating agencies can help with this. But they face challenges in terms of aggregation of data in particular, in view of the conflicting conduct of certain businesses.

Socially responsible investment is still in its infancy. The difficulties identified here are unlikely to hinder the robust development which looks set to take place as we go forward.

Unibail-Rodamco is Europe's leading listed commercial property company, present in 11 European Union countries with a portfolio of assets valued €42.5bn as of 30 June 2017. The portfolio includes shopping centres, office buildings and large convention and exhibition centres. It is listed on the Paris and Amsterdam stock exchanges, and its shareholders are primarily composed of international investment funds and pension funds.

The company is a pioneer in the field of Corporate Social Responsibility (CSR) and has been implementing a proactive environmental and social justice strategy for 10 years, meeting the highest international governance standards. It features in all the major SRI indices and has obtained the Green Star label under the Global Real Estate Sustainability Benchmark, an independent international body specialising in the assessment of sustainable performance of property portfolios.

In 2016, further to the Paris climate agreement, the Group launched an extensive programme entitled "Better Places 2030", one of the aims of which is to reduce our carbon footprint by 50%. This new project now extended to scope 3 - incorporating the activity of stakeholders - with a view to encompassing the daily conduct of all partners, including our service providers.

The financial community is kept advised of progress via quarterly financial updates and roadshows, and through the company's own commitment, founded on indicators measured over the long term. One of the commitments made consists of ensuring the Group's ISO financial performance is achieved. By holding specific roadshows on SRI, we are able to gain a better understanding of investors' expectations and can meet their requirements and aspirations.



**Didier Kling,** *President of the Paris Ile-de-France Regional Chamber  
of Commerce and Industry*

Didier Kling introduced this event by praising the substantial contribution made by the asset management industry to the development of the financial centre and of the Region. By enhancing the fluidity of the financial system, it fosters business development.

He also emphasised that the Chamber is also itself a player in this development, as shown by the part it played in setting up the EuroPPs, alongside Banque de France.

The representatives of the Chamber and your industry are confronting one common challenge: Brexit. The region of Paris Ile-de-France has all the attributes required to attract parties wishing to set up a base in France, given both its capacity to receive them - in terms of offices and housing - and the quality of our education system, in which the Chamber plays a key role.

The work undertaken by asset managers to encourage responsible investment helps to enhance its appeal.



## BUILDING A EUROPEAN RESPONSIBLE ASSET MANAGEMENT SINGLE MARKET

Inès de Dinechin, Member of AFG's Strategic Committee, coordinated this discussion, joined by Verena Ross, Executive Director of ESMA, Nicolas Calcoen, Vice-President of EFAMA, Robert Ophèle, Chairman of AMF and Fausto Parente, Executive Director of EIOPA.

Verena Ross confirmed that ESMA paid close attention to the sustainability of the financial markets. Its recent contribution in this field has enabled the definition of ESG commitments made by stakeholders within the framework of PRIIPs. Also measures regarding social impact and the financing of such measures have been determined while implementing EuSEF funds and clarification has been provided on non-financial reporting.

Robert Ophèle commented these actions and confirmed that AMF had also



undertaken initiatives in this area. In 2010 AMF focused on listed companies, then in 2015 on UCIs. At the end of 2017 it is due to publish a new report analysing regulatory changes implemented since then. This report will show the progress made to date and the further steps required to progress. The benchmark will, in particular, be covered by new regulations in 2018 and greater emphasis should also be placed on investor education.

Nicolas Calcoen confirmed there was strong investor demand for responsible investing. Since 2010, speaking to both

legislators and consumers, EFAMA has been working to clarify ESG terminology with a view to convergence.

Fausto Parente stated that EIOPA is very interested in these issues because they concern long-term investments. The forthcoming discussions, to which he wishes to contribute, must consider the necessity of an alignment in capital terms. Various asset classes are involved, and the recommendations need to be tailored to each type of investment. The availability of precise terminology will help investors become more involved in ESG issues.



### Benjamin Griveaux, *Minister of State, attached to the Minister of Economy and Finance*

In terms of financing innovation, it seems important to develop an equity offer for young innovative businesses requiring finance by way of equity capital. For this to be achieved, the mobilisation of the savings of French people constitutes a major factor.

I am pleased that French FinTechs hold a favourable position on the international stage, which reflects the talent of our entrepreneurs as well as the early and

proactive commitment on the part of the State. The government is seeking to create legal security whilst allowing innovation to prosper. It is crucial that the leadership of our FinTechs is consolidated if we are to enhance the appeal of the Paris financial centre.

Since the financial crisis, the expectations of savers and investors have increased. Financial products need to become more meaningful, whilst retaining profitability. There is a clear desire to move forward in terms of taking on board environmental, social

and governance factors. The creation of the "Socially Responsible Investment" label has given extraordinary impetus to this aspiration. I commend this initiative, which offers France an opportunity to distinguish itself once again at a European level.

Asset management is a flagship French finance industry. You are a crucial link in our economic policy and in the financing of our production infrastructure. I reiterate my hope that your outstanding qualities will secure you a place on the European and international markets.

Speeches and debates can be found in their entirety on our website :  
[www.afg.asso.fr/evenement/assises-2017](http://www.afg.asso.fr/evenement/assises-2017)



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