

# GAME- CHANGERS:

Sovereign Wealth Funds as  
Drivers of Sustainable and  
Positive Impact Finance



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# ABOUT SOCIETE GENERALE

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Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 147,000 members of staff in 67 countries and supports on a daily basis 31 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

**French Retail Banking, which encompasses the Societe Generale, Crédit du Nord and Boursorama brands.** Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;

**International Retail Banking, Insurance and Financial Services to Corporates,** with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;

**Global Banking and Investor Solutions,** which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

For more information, you can follow us on twitter [@societegenerale](https://twitter.com/societegenerale) or visit our website [www.societegenerale.com](http://www.societegenerale.com)



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## Sustainable and Positive Impact Finance

In 2015, United Nations member states adopted the [2030 Agenda for Sustainable Development](#), a shared blueprint for peace and prosperity for people and the planet, now and in the future.

This Agenda is underpinned by 17 Sustainable Development Goals (SDGs). The SDGs are divided into a further 169 goals and quantitative targets that provide a framework for investor commitments and reporting.



To help achieve these goals, business as usual is not an option. Finance is at the heart of an essential shift to sustainable development, and as such, Societe Generale and the World Government Summit explore in this report the concepts of [Sustainable](#) and [Positive Impact Finance](#).

[Sustainable finance](#) considers environmental, social and governance (ESG) factors when selecting financing or investment tools and products. [Positive Impact Finance](#) calls for a new financing paradigm, where solutions are assessed based on their holistic impact on society, giving value to positive contributions while identifying and mitigating negative effects.

## Top 20 Sovereign Wealth Funds by Assets Under Management

Country	Name	Assets USD (Billions)	Inception	Origin
Norway	Government Pension Fund – Global	1058.05	1990	Oil
China	China Investment Corporation	941.4	2007	NonCommodity
UAE – Abu Dhabi	Abu Dhabi Investment Authority	683	1976	Oil
Kuwait	Kuwait Investment Authority	592	1953	Oil
China – Hong Kong	Hong Kong Monetary Authority Investment Portfolio	522.6	1993	NonCommodity
Saudi Arabia	SAMA Foreign Holdings	515.6	1952	Oil
China	SAFE Investment Company	441**	1997	NonCommodity
Singapore	Government of Singapore Investment Corporation	390	1981	NonCommodity
Singapore	Temasek Holdings	375**	1974	NonCommodity
Saudi Arabia	Public Investment Fund	360	2008	Oil
Qatar	Qatar Investment Authority	320	2005	Oil & Gas
China	National Social Security Fund	295	2000	NonCommodity
UAE – Dubai	Investment Corporation of Dubai	233.8	2006	NonCommodity
UAE – Abu Dhabi	Mubadala Investment Company	226	2002	Oil
South Korea	Korea Investment Corporation	134.1	2005	NonCommodity
Australia	Australian Future Fund	107.7	2006	NonCommodity
Iran	National Development Fund of Iran	91	2011	Oil & Gas
Russia	National Welfare Fund	77.2	2008	Oil
Libya	Libyan Investment Authority	66	2006	Oil
US – Alaska	Alaska Permanent Fund	65.7	1976	Oil

Source: Sovereign Wealth Fund Institute estimates



## 01 **Sovereign Wealth Funds: Accelerating the Positive Impact Finance Agenda**

By Richad Soundardjee, Chief Executive Officer and Amine Jaoui, Head of Public Sector Coverage, Societe Generale Middle East

Sovereign wealth funds are among the world's top ten asset holders. Given their long-term investment horizons, a natural bias towards public good, and robust risk management capabilities, sovereign wealth funds can be both promoters of, and beneficiaries from, pursuing sustainable investing strategies.



As governments across the planet power through their sustainability agendas, a set of key players have so far been overlooked by policy makers: Sovereign Wealth Funds.

SWFs collectively manage around USD 7.8 trillion of wealth, according to public estimates, and are among the world's top ten asset holders. Very few public sector actors have the resources, know-how, long-term investment views and agility to support and accelerate the sustainability agenda with a similar impact.

Marshalling these resources, nationally and globally, would represent a tipping point for the world's sustainability goals with a real multiplier effect.

## \$7.8 Trillion

Assets managed by sovereign wealth funds

Asset allocation

**44%** - Equities

**30%** - Fixed Income

**Rest** - Alternative asset classes

### Sovereign Wealth Funds

These state-owned funds comprise pools of money derived from a country's reserves or backed by state-owned assets to benefit the local economy and citizens over the long-term. They mainly invest globally across asset classes that range from stocks, bonds, real estate, commodities and physical infrastructure, to alternative investments such as private equity, hedge funds, and venture funds. Some may also invest domestically to spur development in specific sectors of their national economies. SWFs could be categorized as (i) institutions managing the liquid reserves of their home countries (often derived from commodities) and deploying them globally with a long-term view, (ii) holding companies for state-owned assets that may raise debt against those assets, therefore acting as borrowers as well as investors, (iii) hybrids of these two categories. Though most of the funds in operation are in nations rich in natural resources, wealth funds are increasingly being established by other nations as vehicles to stimulate domestic economic growth.

Given their long-term investment horizons, widespread asset allocation (44 percent is allocated to equities, 30 percent to fixed income, and the remainder is deployed in alternative asset classes such as private equity, real estate, gold, and infrastructure!), a natural bias towards public good, and robust risk management capabilities, sovereign wealth funds can be both promoters of, and beneficiaries from, pursuing sustainable investing strategies.

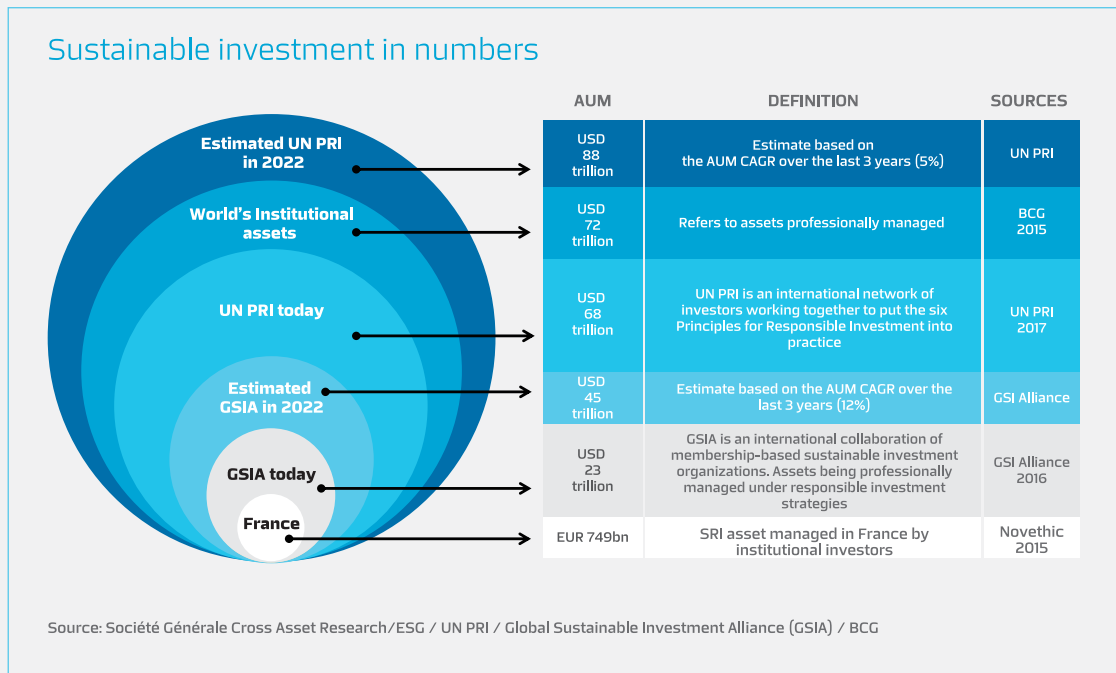
1 <https://www.pwc.lu/en/alternative-investments/docs/pwc-sovereign-wealth-funds.pdf>

Yet, current estimates suggest that SWF's participation in sustainable finance is less than 1 percent of total assets under management. Among reasons for this limited deployment are perceived difficulties around the process of sustainable investment opportunities, environmental information and measurement; concerns that focusing on environmental, social and governance (ESG) criteria could adversely affect financial returns; and a lack of clarity on government investment policy and social demands<sup>2</sup>. However, these perceptions can be overcome by the real progress made by sustainable finance, its track-record and the variety of instruments it provides investors.

- 1 **The impetus is therefore growing for sovereign wealth funds to not only invest and borrow more sustainably (i.e. being virtuous partners of the sustainability agenda), but to become key drivers in bringing systemic change by constructing and supporting new business models and behaviors.** SWFs can also shape a collaborative ecosystem across stakeholder groups and across sectors: so that impact is no longer a by-product of investment decisions but a core element of the decision-making process. Sovereign wealth funds' inherent objective is sustainable long-term value, an aspiration that fits naturally with the goals of socially responsible investing. As governments steer investments towards a more sustainable future and sustainable technologies, SWF assets can be directed to support the national agenda.
- 2 **Sovereign wealth funds are powerful influencers who can set trends by promoting sustainability guidelines and solutions that will reverberate through global markets.** Sizeable enough to command the attention of and trigger responses from players throughout the financial community and supply chain, SWFs have high potential to deliver impact.
- 3 **Sovereign wealth funds have global strategies with high development potential at scale.** Many have existing or planned investments in low and middle-income countries, including an Africa-focus, where there is the most need.
- 4 **Sovereign wealth funds are highly professional and disciplined investors with decades of track-record.** They can bring to the sustainability agenda a financial knowhow that will increase the attractiveness, efficiency and profitability of sustainable solutions globally, so the sustainability agenda stops being just a 'feel good effect', and actually becomes a profitable undertaking.

2 <http://www.greenfiscalpolicy.org/wp-content/uploads/2018/01/Policy-brief-SWF-2018.pdf>

- And finally, increasing pressure from a variety of stakeholders – citizens, investors, governments – to prioritise sustainable investments is pushing the financial community to take sustainability into consideration at every stage of its strategy. Demand for products that will improve the world we live in, increasing proof that environmental, social and governance (ESG) factors can provide predictors of company performance, and regulatory pressure, in particular around environmental issues, effectively demands integration of ESG principles in finance.



Still, the challenge remains: **how can the SWFs put these aspirations into practice and become pioneers of the sustainability agenda?**

The actionable investment and borrowing solutions offered in this report, within the framework of a disruptive impact-economy approach, will help answer that question.

## 02 Sustainable Investment Solutions Part One: ESG Indices and Baskets

By Isabelle Millat, Head of Sustainable Investment Solutions and Yannick Ouaknine, Head of Sustainability Research, Societe Generale Corporate & Investment Banking

Sovereign wealth funds can take advantage of a variety of investment solutions that address environmental, social and governance (ESG) priorities. Financial players such as banks have developed skills and ecosystems that can support SWFs with a bespoke approach adapted to a specific investment strategy or agenda, such as renewable energy, or healthcare.

Sustainable investing – considering environmental, social and governance (ESG) factors in portfolio selection and management – is becoming a major force across global financial markets.

According to the Global Sustainable Investment Alliance (GSIA) biannual report, \$22.89 trillion of assets were being professionally managed under responsible investment strategies in 2016, an increase of 25 percent from 2014. In relative terms, responsible investment stood at 26 percent of all professionally managed assets globally.

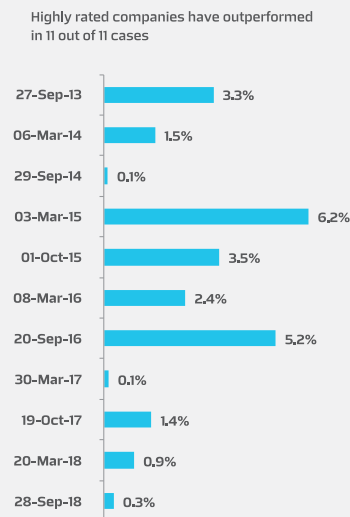
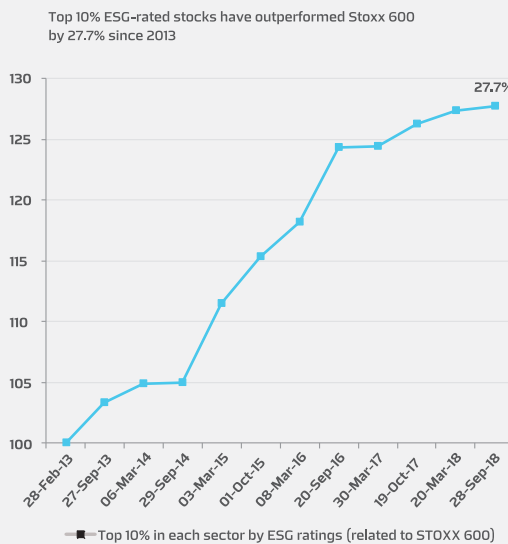
This evolution is driven by facts and data. It is no longer about believing in sustainability or not, as a matter of ethical principle.

There is a growing body of evidence, both academic and industry-based, showing that a company’s ESG behaviour, from corporate governance, business ethics, climate change, and human resources all the way to education and gender parity behaviour can help anticipate future performance.<sup>3</sup>

**Societe Generale established a dedicated sustainability research team in 2006.** Its proprietary ESG rating system involves four steps:

- 1 Identifying material ESG factors and associated weightings, by sector
- 2 Providing key performance indicators for company evaluation
- 3 Calculating quantitative ESG ratings
- 4 Combining Societe Generale’s financial recommendations & ESG ratings to identify top picks

Its top ESG-rated stocks have delivered a five-year record outperformance.



Note: top 10% list represents the highest-rated ESG companies in each sector overlapping the Stoxx 600 names covered in SG’s SRI Beyond Integration publications. The performance is calculated on a total return (USD) basis, rebalancing the equally-weighted portfolio at each publication date. Past performance is not indicative of future results.

<sup>3</sup> See UNEP-FI for research on materiality: <http://www.unepfi.org/publications/investment-publications/the-materiality-of-social-environmental-and-corporate-governance-issues-to-equity-pricing/>

As interest in sustainable investment grows, the solutions offered are expanding to suit a wider spectrum of consumers including sophisticated investors such as Sovereign Wealth Funds (SWFs). SWFs have a range of tools they can use to drive the sustainability agenda. They can be broadly grouped under two approaches: ESG indices or baskets (a “performance” element), and investment solutions that support Sustainable and Positive impact projects (a “funding” element).

[This chapter deals with ESG Indices and Baskets.](#) Because of their flexibility and customisation opportunities, ESG Indices and Baskets allow SWFs to create solutions and shape agendas based on their particular ESG priorities.

## Off-the-shelf ESG Indices

Indices are a basket of selected stocks periodically rebalanced based on the index methodology.

They reflect a particular investment strategy, forming the base of a wide range of investment products – i.e. customized investment solutions such as funds, performance swaps, and other structured products that meet investors’ bespoke financial requirements, typically capital protection or coupon levels.

Sovereign Wealth Funds can have access to existing indices through banks, benefiting from their execution capabilities in trading a product on an index, or licence out an index directly from the index provider (proprietary index of a bank, or a dedicated index provider). Some indices give clients access to a particular sustainable [industry or activity](#): for example the World Water Index is composed of companies in the fields of water utilities, water infrastructure, and water treatment”. Other indices can be [generalist](#), tracking for example Governance (G in ESG) practices across industries, or ESG performance more broadly. Banks can also offer investment solutions based on indices developed by independent providers.

## Customised ESG Indices and Baskets

As major financial players, SWFs can drive their specific ESG agendas and influence the market by building their own indices.

Custom indices, derived from a flagship index or created from scratch, can precisely match their objectives and constraints, such as excluding certain sectors considered unethical, or supporting sustainable activities that are on their strategic roadmap, or advocating for ESG practices they decided to promote.

Customisation offers a wide universe of possibilities: a choice of asset class, different investment targets, multiple index components, various allocation possibilities, and associated solutions. For example, for investors wishing to invest in US “big caps” while fulfilling their ESG policies, high greenhouse gas emitters might be removed from a certain stock universe (e.g. the S&P 500) to create a low carbon index.

For more short-term investment decisions, SWFs can also build static equity thematic baskets. These are less costly and more straightforward to develop than an index, for investors expecting returns in the short-term from a particular industry such as renewables.

Investors can access the performance of an index or basket by a variety of products. A very popular product in the ESG space is the ETF, or exchange-traded fund.

**ETFs can be aligned with several of the 17 UN Sustainable Development Goals:**



**Water:** World Water ETFs, which may track the benchmark Dow Jones index World Water total Return Index.



**New Energy:** New Energy ETFs, which may track the benchmark index World Alternative Energy Total Return Index.



**Climate Action:** Green Bond ETFs, which track green bond indices.



**Gender Equality:** Gender Equality ETFs, which track gender equality indices.

# 03

## **Sustainable Investment Solutions Part Two: Supporting Sustainable and Positive Impact Finance Projects**

By Isabelle Millat, Head of Sustainable Investment Solutions, Societe Generale Corporate & Investment Banking

The sheer size of sovereign wealth funds allows them to participate in very niche sustainable solutions, ranging from sustainable government debt to illiquid impact investments in the form of private debt or private equity.



While indices are a way to compute performance based on underlying “ESG” stocks or bonds, sovereign wealth funds can also support Sustainable and Positive Impact Finance (green or social) projects through a variety of investment solutions.

Such investments allow SWFs to raise awareness and encourage the use and proliferation of sustainable financing by making the market for these products more liquid and therefore more relevant.

## Sustainable Bonds

SWFs can buy sustainable bonds, whose proceeds are dedicated to the financing or refinancing of eligible sustainable projects. (For more about sustainable bonds, see Chapter 5).

Through this instrument, SWFs can get exposure to the credit of a particular issuer whilst also supporting its sustainable projects and encouraging more issuances in this space. These solutions are relevant to SWFs if their strategy is to support the financing of sustainable projects but they don't want to take the risk of the projects themselves.

*"Sustainable and positive impact finance projects allow SWFs to raise awareness and encourage the use and proliferation of sustainable financing by making the market for these products more liquid and therefore more relevant."*

## Customized Sustainable Bonds

For investors seeking more flexibility on coupons, and/or capital protection, SWFs included, these solutions allow clients more customisation than a “vanilla” sustainable bond:

- **Repack of Sustainable Bonds.** For example, a repack of a sovereign green bond issued by the French state: a special purpose vehicle issues the custom notes sold to investors, and invests in the sovereign green bond and a hedging swap with an investment bank (to pay the custom coupon or protection under the notes).
- **Green Bonds with External Issuers.** For example, distribution of a World Bank (IFC) Green Bond with custom rates-based coupon: IFC issues the custom Green Bond sold to investors and enters into a hedging swap with an investment bank (to swap its funding against the custom coupon to be paid under the notes).

In both these examples, investors such as SWFs will benefit from the high-quality credit risk of the issuer (usually governments or supranationals) and can be seen as supporting the issuer's (national or international) sustainable projects.

## Impact Investing

The Global Sustainable Investment Alliance (GSIA) defines impact investing as targeted investments, typically made in private markets, aimed at solving social or environmental problems.

*"Impact investing has room to grow because (i) it has the biggest potential to make positive societal or environmental change (ii) it is the path towards an impact-based economy..."*

Impact investing is currently a small segment of the broader sustainable and responsible investing universe – less than one percent – because of the challenges associated with reporting and measuring impact, which makes it difficult to find bankable, green or social projects that will deliver returns and can be monitored (see Chapter 4 for more on the assessment challenge). As illiquid products, they are less appropriate for smaller investors such as retail or private banks but far more suited to large players such as ultra-high-net-worth individuals and institutional asset owners such as SWFs.

Impact investing can grow because

(i) compared with the previous solutions, it has the biggest potential to make positive societal or environmental change. Impact investing can range from providing private debt for eligible projects, to funding start-ups in the sustainable space and thereby supporting companies that would otherwise potentially not exist. Most SWFs are either based in developing countries or have a significant interest in investing in these growth markets, where sustainable investing is most needed, and have the opportunity to take the lead in supporting a variety of impact-related projects whether these are schools, hospitals, smart cities, or solar plants, and

(ii) it is the path towards an impact-based economy, which we discuss in more detail in Chapter 7.

## Conclusion

Sovereign Wealth Funds, as responsible and sustainable investors whose role is to protect their capital and grow it, can take the lead in accelerating a sustainable and positive impact finance agenda.

The investment ecosystem – as demonstrated in this and the previous chapter – provides a plethora of innovative and customisable solutions across asset classes. SWFs' size opens doors to government and supranational sustainable debt and equally to funding new ventures, niche but important areas for the widespread embrace of sustainable and positive impact finance as few other participants have the capacity to support such illiquid investments.

Moreover, SWFs can wield significant influence on the market by creating a multiplier effect.

Norway's Norges Bank Investment Management, for example, the world's largest sovereign wealth fund, owns on average 1.4 percent of the world's listed stocks, and in 2017 it shook markets when it tabled a plan to divest its petroleum holdings, which would have removed more than \$40 billion from fossil fuel stocks. The country ultimately decided against such a move, but

Crucially, sustainable and positive impact finance is a win-win situation.

Several measures indicated by responsible investment practices can pay back rapidly in terms of savings made (where energy efficiency is improved, for example) or risks avoided (where environmental regulation is anticipated). One of the key benefits of ESG analysis is that it enables investors to understand the risk involved in their investments better. This is just as applicable to debt as to equity – if a company is likely to face major fines for breaches of environmental regulations, for example, its creditworthiness will take a hit.

*"One of the key benefits of ESG analysis is that it enables investors to understand the risk involved in their investments better."*

So, SWFs must increasingly master issues related to sustainability and factor them into their decision-making processes. And if combined the right way with financial and macroeconomic drivers, sustainable and positive impact finance principles can be a catalyst for generating outperformance..

A blue-tinted photograph of two men in suits walking on a rainy street. The man on the left is holding a closed umbrella. They are walking away from the camera, with trees and a fence in the background. A large blue diagonal shape is on the left side of the page.

## 04 The Assessment Challenge: Investor Engagement with Assets They Own

By Etienne Deniau, Head of Strategic Marketing, and Emmanuelle Choukroun, Head of Business Development, Pension Funds and Sovereigns, Societe Generale Securities Services

Sovereign wealth funds' investments and financings cross asset classes, industries and geographies. As they start to follow through on ESG commitments, a major challenge for responsible SWFs is amassing data on environmental, social and governance factors.

Assets managed by sovereign wealth funds (SWFs) encompass a wide diversity of investment configurations.

As they expand, SWFs typically combine direct investments – such as Saudi Arabia’s Public Investment Fund’s USD1 billion investment in electric car maker Lucid Motors – with indirect investments, diversifying between flagship investment management firms and highly specialised ‘boutiques’. These investments usually take place in more than 50 countries, across all sectors and asset classes.

Commitments such as One Planet (see box) show that SWFs are following through on national commitments to incorporate socially responsible investing in their portfolios.

As sustainable and positive impact investors, SWFs need efficient tools to make sure the expectations that they are set can be understood and assessed in a consistent manner, from ownership responsibilities and engagement to an appropriate investment chain that allows the management of exclusions and watch-lists.

### **The One Planet sovereign wealth fund framework**

In July 2018, six funds, which collectively represent more than USD\$3 trillion in assets – Abu Dhabi Investment Authority, Kuwait Investment Authority, the New Zealand Superannuation Fund, Norges Bank Investment Management of Norway, the Public Investment Fund of the Kingdom of Saudi Arabia – committed to only invest in companies that factor climate risks into their strategies.<sup>4</sup>

## The Data Challenge

A major challenge for responsible SWFs is amassing data on environmental, social and governance factors.

Although companies are increasingly reporting on metrics such as carbon emissions, water usage, human rights or tax transparency, these metrics are technically difficult to integrate into a pure quantitative first-line investment analysis because of inconsistent reporting methods as well as their reliability and relevance for investors. As the Norwegian SWF puts it in its 2017 annual report: “Our challenge is to move from words to figures.”

Education is just one example of the difficulty of collecting and quantifying data.(See box)

<sup>4</sup> <https://oneplanetwfs.org/>

Groups such as the [Global Reporting Initiative](#), an independent international standards organization founded in 1997 in the US that helps businesses, governments and other organizations with sustainability reporting, and the [Carbon Disclosure Project](#), a UK-based organization that helps companies and cities to disclose environmental impact, have led efforts to create universal standards for sustainability reporting. But there is still a great deal to be done, both in persuading companies to report and standardizing that reporting.

### The Education Challenge

Education is commonly accepted as a decisive factor in reducing poverty for citizens, achieving higher productivity and gaining a competitive advantage for companies, and as an economic development tool for countries. According to UNESCO, one year of education is estimated to increase wage earnings by 10 percent.

Quality education and up-to-date knowledge is more pressing today than ever, amid the twin challenges of digitisation, which has forced companies to rethink their business models and employees to adapt themselves to new tools, and the automation of many tasks and in many cases entire jobs, leading companies to revise their human resources strategies.

Responsible investors can push companies and organizations to deploy effective training strategies to stay competitive, and for employees to keep learning in order to remain attractive in the marketplace.

Unlike the field of corporate governance, there are no widely accepted methods for recording information to assess education parameters among companies. One way to identify those companies that are most exposed to the education challenge is to assess investments in training. A survey of STOXX 600 companies would reveal:

- 1. Sector split.** The three sectors that spend the most hours in training are Automobiles, Banks, and Commercial & Professional services. The sectors that spend the least amount of time are Containers & Packaging, Health Care Equipment & Services, and Real Estate.
- 2. Wide variation between sectors.** The five sectors that invest the most on training spend 60 percent (€4 billion) of all training spending within the STOXX 600.
- 3. Correlation with employee turnover.** Sectors with the least investment in training also have high employee turnover, and vice versa.
- 4. Sectors in which there is a high number of accidents or fatalities are not currently among those that invest the most in training.**

However, the above observations are based on poor disclosure of training indicators. The strongest disclosure is on employee turnover (53 percent) and training hours (48 percent) while the poorest disclosure is on Health & Safety training (14 percent). The disclosure rate is about 50 percent or less across companies for education metrics other than number of employees.

## Good news: the ecosystem is improving...

Over the past few years, companies have had to raise their game in terms of investor relations, environmental regulation, and even in the social arena (for example, the [UK's 2015 Modern Slavery Act](#), which addresses issues such as forced labour, human trafficking, and unacceptable working conditions in the supply chains of UK businesses).

Investors, on their part – whether institutional investors (insurance companies, pension funds, governmental organisations and international organisations), or asset managers – are now being encouraged to engage directly with companies. The purpose of such legislation is to counteract the criticism of perceived passivity by investors in influencing the companies whose shares or debt they hold despite their exit power.

## The EU is leading the way

The European Union's revised Shareholders' Rights Directive, which comes into effect by 2020, (implementing acts being considered) requires institutional investors to improve shareholder engagement and show how their portfolios conform to their long-term investment strategies. Additional benefits of this regulation include greater transparency from proxy advisors, and, as the law has an extra-territorial feature, will also require mandatory information provision from shareholders of EU companies.

This is not all. In December 2018, European regulator ESMA pushed things even further, issuing a consultation paper for integrating sustainability risks in the UCITS (investment funds regulated by the EU) and AIFM (Alternative Investment Fund Managers) Directives. This initiative should logically require the entire EU investment management industry to act as responsible investors, further facilitating the path of SWFs – who invest in Europe even if they are not based in that jurisdiction – as responsible investors.

## ... and so are the tools supporting responsible investors



Sovereign wealth funds and their asset managers can also turn to their custodians to support the responsible investment process

Global custodians have adapted and developed several tools to support responsible investors, from investment compliance tools, to ESG and carbon footprint reporting, to proxy-voting platforms.

### Custodian

*A financial institution that holds customers' assets for safekeeping so as to minimize the risk of their theft or loss*

## How Custodians Can Support SWFs in their Sustainable Journey

	PORTFOLIO CONSTRUCTION	RISK MONITORING	CLIMATE CHANGE ENGAGEMENT	ACTIVE OWNERSHIP
CLIENT CHALLENGE	 <p>Ensure dynamic exclusion lists are being taken into account</p>	<p>Enrich risk monitoring with portfolio analysis based on various ESG metrics</p>	<p>Understand the carbon footprint impact of investment and prepare for company dialogue</p>	<p>Be informed of each general meeting and get appropriate time for preparing vote engagement initiatives</p>
PROPOSED SUPPORT	 <p>Pre-trade compliance check Ex-post compliance monitoring of consolidated portfolios</p>	<p>Provide an independent view of the ESG absolute and relative performance scores of a portfolio and its key components, including carbon footprint</p>		<p>Access a single proxy-voting platform</p>

Available tools are expected to evolve in two directions.

Firstly, in the field of exercising ownership and voting: from 2020, European global custodians will be able to confirm the receipt of votes by the issuer, as the revised shareholder rights directive comes into force.

And secondly, as corporate social responsibility becomes a full component of bank strategies, co-development initiatives between banks and clients will present several opportunities for banks to support clients along their sustainable financing route.

## 05 Sovereign Wealth Funds as Issuers: Bonds and Loans

By Sandrine Enguehard, Head of Impact Structuring, and Stephane Marciel, Head of Sustainable Bonds, Societe Generale Corporate & Investment Banking

Sovereign Wealth Funds need to finance investments they make in sustainable initiatives, from funding the energy transition to developing smart cities. To do so, they can take advantage of the growing number of financing tools that incorporate sustainable objectives.



Sovereign wealth funds, as well as being investors with a global footprint, can also, in some circumstances, be borrowers.

There are many sovereign wealth funds across the globe that have issued bonds or contracted loans, from Abu Dhabi's Mubadala to Temasek of Singapore, Kazakhstan's various development funds, French agencies that hold the state's share in public companies and also provide financing. Often, these types of SWFs are holding companies of state-owned assets, against which the funds may borrow to attract external financing to stimulate sustainable growth in their domestic economies, through the financing of an energy transition, for example, or developing smart cities.

In this context, these borrowers have the opportunity to include sustainable objectives within their financing tools. There are three key reasons for this approach:

- 1 **Financing is a critical lever to turn the ambitious aspirations of the United Nations Sustainable Development Goals and the Paris Agreement committing to limit global warming into action.** Sovereigns can increase financing sources for positive impact projects in line with national strategies through leveraging, as can their state-owned investment vehicles.
- 2 **Sustainability is high on the global political and regulatory agenda.** The European Commission, for example, is progressing with an ambitious action plan for sustainable finance<sup>5</sup>. As part of the plan, standards are being developed to establish criteria for financing tools to fund sustainable economic activities. These criteria may also impact other jurisdictions.
- 3 **As demand for responsible Investing is increasing from lenders, a growing number of sustainable projects are available that may attract SWFs interest.** These can be financed through tools that factor in sustainability.

<sup>5</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

## Green, Social and Sustainability Bonds

One of the major financing instruments dedicated to the financing of projects and assets having a positive contribution are green (environmental), social, and sustainability (environmental and social) bonds. The principles of these bonds are defined by the International Capital Market Association<sup>6</sup> and are the current best-practice standard in the market.

Sovereign wealth funds can consider green, social and sustainability bonds – whether as issuers or investors (see Chapter 3 for more on bonds as investment solutions) – as a tool at the service of their environmental, social and governance (ESG) strategy.

Green bonds represent the bulk of sustainable bond issuance. However, social and sustainability bonds are gaining momentum, accounting for about 17 percent of total sustainable bond issuances in 2018 compared to less than 10 percent two years earlier. More than half of sustainable bonds are issued by European entities, followed by Asia. Public sector issuers, representing 42 percent of sustainable bonds volume in 2018, take advantage of this instrument to highlight specific environmental and social projects and to put concrete numbers to their responsible commitments.

ICMA's green and social bond principles

### Green Bonds

Bonds financing environmental projects including, but not limited to:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Water and wastewater management
- Eco-efficient products
- Green buildings

### Social Bonds

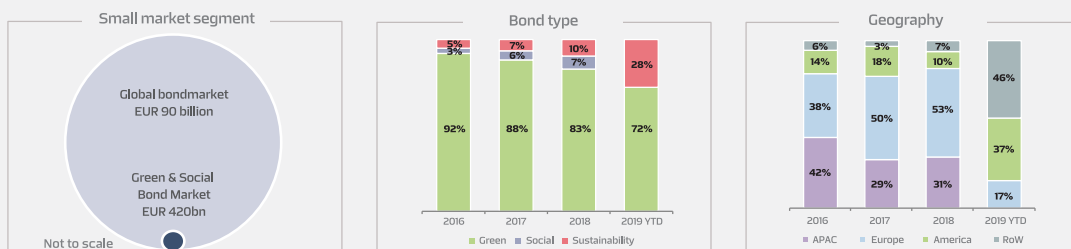
Bonds financing projects, activities and investments whose objective is to achieve positive social outcomes, especially, but not exclusively, to target population(s)

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport)
- Access to essential services (e.g. health, education financial services)
- Affordable housing
- Employment generation
- Food security
- Socioeconomic advancement

### Sustainability Bond guidelines

- Bonds financing both green and social projects

## A growing market covering an array of issuers



<sup>6</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

## Green and Impact Loans

Green loans are similar in description to green bonds. They are defined by the Loan Market Association's Green Loan Principles (GLP), a set of guidelines designed to support environmentally sustainable economic activity. The GLPs were launched in 2018 in a move to standardise environmentally friendly lending and establish a framework for green lending across global markets.

Green Loans are dedicated to financing assets or projects that have a positive impact on the environment.

### Case Study: Masdar Green Loan

Masdar, the United Arab Emirates' government-owned investor in global clean technology and sustainable real estate, signed a green revolving credit facility (RCF) in 2018 with four local and international banks to provide funding for new and ongoing investments in its global clean technology and sustainable real estate projects.

With a number of 'green features', the three-year facility is the first green RCF in the Middle East.

Masdar, a subsidiary of Mubadala Investment Company, is committed to report on an annual basis its performance against a set of key sustainability targets, which include displacement of carbon dioxide emissions (CO<sub>2</sub>e), electricity generation from renewable energy sources (including solar, wind and other recognised clean energy technologies), and levels of 'embodied carbon', which refers to the amount of carbon dioxide emitted during the manufacture, transport and construction of building materials.

## Green and Impact Loans

### Green Loan

- A green loan aligned with the Green Loan Principles (1) refers to a loan where:
- The proceeds are dedicated to the financing of « Green projects »
- The Green projects are selected and evaluated through predefined eligibility criteria
- The Borrower commits to disclose a reporting covering proceeds allocation and expected impacts of the projects financed

### Impact Loan (ESG performance linked Loan)

- A Impact Loan refers to a loan where:
- The proceeds are usually used to finance General Corporate Purpose expenditures
- Borrower commits to green/social objectives along the maturity of the loan
- ESG targets reflecting Client's CSR strategy
- Monitoring Client's achievement of the ESG targets through KPIs
- Main objective for the Corporate
- Banks pool engagement along Corporate CSR strategy
- Communication on Corporate role in implementation of Sustainable Solutions

Impact loans are not dedicated to sustainable project or assets. Instead, the sustainable dimension comes from a link between the financing and the ESG performance or corporate social responsibility (CSR) achievements of the borrower. The pricing mechanism incentivises the borrower to reach its ESG targets, with reduced financing costs as a reward for achieving defined targets, or penalties on the margin in cases where the borrower falls.

The borrower's performance can be measured either by an ESG rating, or other internal Key Performance Indicators to which the borrower has committed. Defined on a case by case basis, banks review these targets and then provide support with an incentivized mechanism.

## Conclusion

As the sustainability agenda becomes a rationale for strategic, long-term growth and is considered more and more in corporate financing strategy, financing solutions are developing accordingly. Sovereign wealth funds have a variety of financing tools at their disposal, to accelerate their sustainable investments and set new standards by promoting these financing structures.

By embedding sustainability targets in a measurable way, in financing instruments, these tools strengthen the strategic commitment of SWFs and concretely promote the sustainability agenda across financial and banking markets.



## 06 Islamic Finance: A New Pool of ESG Investments, and Investors

By Ishaq Dadabhoy, Head of Islamic Products, Societe Generale Corporate  
& Investment Banking

The rapid growth of Islamic Finance since its inception in the 1970s, coupled with its ethical values, has brought the industry into the mix of impact and environmental, social and governance (ESG) investing both as an alternative investment and a viable funding tool. As the range of Islamic products expands in response to demand, including with ESG-specific products, the industry opens a new pool of ESG investments and investors for sovereign wealth funds.

Islamic Finance is a way of conducting financial transactions and banking while respecting Islamic law or Shariah.

Shariah-compliant finance excludes funding and investment activities in industries such as gambling, tobacco and drugs, weaponry, certain foods and beverages (such as alcohol), entertainment (such as adult entertainment), cloning, and conventional finance (specifically related to interest and speculation-based transactions).

There is thus an inherent link between faith-based investing and social, ethical and impact investing.

Sectors	Social, Ethical & Impact Investing	Islamic Finance	Additional Screens	Social, Ethical & Impact Investing	Islamic Finance
Gambling	x	x	Environmental & Climate Impact	Actively adhered	Passively adhered* Environment and climate impact are becoming more and more important to the ethics of Islamic Finance
Tobacco & Drugs	x	x			
Weapon Manufacturing	x	x			
Adult Entertainment	x	x			
Cloning, Animal Testing, Contraception, Abortion etc.	x	x	Debt Ratios	Not adhered	Actively adhered
Conventional Finance	x	x	Human Rights & Conflict Zones	Actively adhered	Passively adhered
Food & Beverage (Alcohol, Pork, Fast Food etc.)	x In particular: fast food	x	Labour Relations	Actively adhered	Passively adhered
			Equality	Actively adhered	Passively adhered
			Governance & Transparency	Actively adhered	Actively adhered

Until now, the industry has mainly passively reflected specific environmental, social and governance (ESG) criteria.

However, this is slowly changing.

In the past decade, the Islamic finance industry has begun widening its scope of social responsibility to include factors such as protecting the environment and products that abide by ESG and impact-economy principles. The impetus for ESG and social impact investing comes from two main factors: 1) growing demand from the industry, whether that be for diversification or to satisfy increasing consciousness of ESG principles and 2) the genesis and DNA of Islamic finance, which is based on ESG and societal preservation.

For conventional investors that have historically disregarded the faith element of investing, including sovereign wealth funds, yet are adopting an ESG mandate, this means a new pool of investments that can help offset ESG obligations.

## ESG Investments

### Sukuks

Sukuks (Islamic bonds), are a major asset class in the nascent Shariah-compliant sustainable finance landscape.

[Sukuks specifically designed to incorporate sustainable finance criteria have been spearheaded by Malaysia](#), which revised its Sukuk guidelines in 2014 by incorporating new requirements for the issuance of SRI (socially responsible investing) Sukuk, establishing that the proceeds can be used to preserve the environment and natural resources, conserve the use of energy, promote the use of renewable energy and reduce greenhouse gas emissions. Malaysia also amended its listing rules for Green Sukuk, offering incentives such as tax breaks and reduced fees.

As a result, Malaysia's sovereign wealth fund, Khazanah Nasional, issued the country's first SRI Sukuk in 2017. Malaysia's Tadau Energy also issued a green Sukuk in the same year, considered to be the world's first such offering.

[Indonesia issued its first green Sukuk in 2018](#), sized at USD\$1.25 billion, which attracted a global investor base.

[There is also a strong push for sustainable investing in the UAE](#), demonstrated by the UAE Green Agenda's Green Finance and Investment Support Scheme that promotes investments in green projects, products and services. Among the financial vehicles being considered is a green Sukuk.

Whilst South East Asian issuers have dominated headlines, [a UK-based institution, the International Finance Facility for Immunisation \(IFFIm\)](#) issued what is regarded the first ever SRI Sukuk in 2014.

Worth USD\$500 million, the Sukuk funds immunisation in the world's poorest countries to help protect millions of children against vaccine-preventable diseases. A second Sukuk was issued in September 2015, raising a further USD\$200 million for the same purpose. The Sukuk was 1.6 times oversubscribed, with investors coming from Middle East (65%), Asia (18%) and Europe (17%), dispelling the notion that SRI Sukuks would struggle to meet investor requirements. IFFIm is now planning a third issue in 2019, the proceeds of which will be channelled towards GAVI, the Vaccine Alliance.

### Equity-related products

Aside from Sukuk, Islamic equity-related products with various ESG criteria are being launched. One example of this trend is the [Islamic equity fund by Saudi-based SEDCO Capital](#). The fund not only complies with Shariah guidelines but also the United Nations' Principles for Responsible Investment, the global standard for ESG factors.

## A new pool of investors

For sovereign wealth funds that secure funding from investors and financiers, Islamic Finance also opens up additional pools of investors.

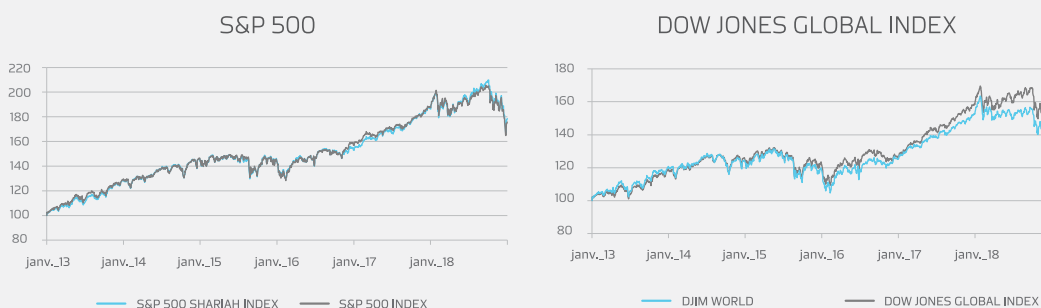
Islamic Finance assets have more than doubled in the past decade, with liquidity coming from both the Muslim world and beyond demonstrating growing demand globally.

## Conclusion

Since its inception in the 1970s, Islamic finance has demonstrated its strong growth and resilience.

Some investors have argued that with a narrower investment universe, picking investments is trickier and may not provide the full range of returns. However, the data prove that investments made according to social and ethical criteria can be either on par or superior in terms of returns and performance.

### 5-Year Performance of Islamic equity linked products compared to conventional counterparts



Several sovereign wealth funds are from Muslim-majority countries where Islamic Finance plays a role in the overall financing ecosystems and may like to include Shariah-compliant components in their overall strategy. Gulf countries, including the UAE and Kuwait, have among the largest sovereign wealth funds and also have deep Islamic finance markets with an ambition to use Islamic finance as a genuine alternative to conventional banking.

That said, Islamic Finance is not limited to just Muslim clientele. The UK, Hong Kong and Luxembourg governments have all issued Sukuk. Similarly, Islamic finance products are a natural selection for faith-based investors given the social, ethical and impact-related nature of the products.

As such, any sovereign wealth fund with an ESG remit can benefit from Islamic Finance offerings in the field of sustainability.

## 07 Journey to an Impact-Based Economy: Sovereign Wealth Funds as Game-Changers

By Marie-Aimee Boury, Managing Director, Positive Impact, Societe Generale Corporate & Investment Banking

For a world-scale sustainable economy to materialize, private and public stakeholders need to **rethink impact** in their long term strategy as well as day-to-day decision making. Sovereign Wealth Funds can be key accelerators of this market disruption.



For a world-scale sustainable economy to materialize, private and public stakeholders need to rethink impact in their long-term strategy as well as day-to-day decision making.

**Transitioning to an impact-based economy, where business and finance use economic, environmental and social impact considerations as a starting point for business models and to generate revenues, calls for market disruption at three stages: business model, financing model, and impact monitoring.**

Business models need to transform from being indifferent towards impact outcomes to impact-based business models, where positive impact outcomes are at the core of all decision-making. Financing models need to change from being repaid based on output to being repaid based on impact outcomes. Impact outcomes, previously not considered or monitored, need to be given financial value and become core reporting factors.

Sovereign Wealth Funds can be key accelerators of this market disruption.

In previous chapters, we have laid out the key strengths of this investor base, including a long-term investment horizon, appetite for risk, and expertise in assessing risk. This “patient capital”, coupled with a strategic vision and influential power on policy makers, is ideally positioned to identify and support the first movers who pioneer new impact-based approaches.

## Positive Impact Finance

Every company, financial institution, public entity, or other stakeholder, is at a different stage in their impact journey. As awareness rises about the necessity to solve global climate and human challenges, a growing number of actors are taking steps to identify and monitor negative impact, primarily to preserve their capital or enterprise from environmental, social and governance (ESG) risks but also – and increasingly so – to identify and measure positive impact in order to assess their investments’ sustainability and growth potential in the context of a transition to a new low carbon and inclusive economy.

The Principles of Positive Impact Finance – finance that serves to deliver a positive contribution to one or more of the three pillars of sustainable development (environmental, social and economic), once any potential negative impacts to any of the pillars have been duly identified and mitigated – provide a framework to guide all stakeholders in the identification and assessment of those extra-financial indicators.<sup>7</sup>

### The Four Principles for Positive Impact Finance

#### 01 DEFINITION

Positive contribution to one or more of the three pillar of sustainable development

Potential negative impacts to any of the three pillars duly identified and addressed

#### 02 FRAMEWORKS

Processes, methodologies and tools needed to identify and monitor positive impact. These will be adapted to different business lines and asset classes.

#### 03 TRANSPARENCY

Transparency required on:

- Activities, projects, programs, and/or entities financed/ invested in & anticipated positive impacts
- Processed to identify, assess and monitor impacts
- Where possible, impacts achieved

#### 04 ASSESSMENT

Assessment of PI products by third parties should differentiate between process and impacts achieved

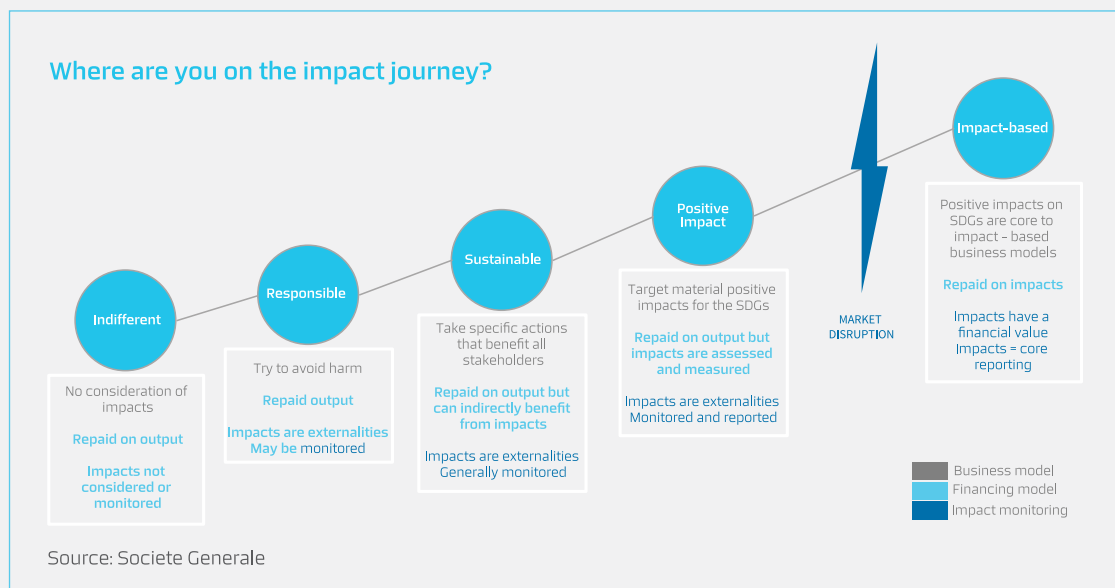
Source: UNEP FI Positive Impact

## From positive impact to impact-based finance

While positive impact finance is a critical step in any company's or investors' impact journey, transitioning to an impact-based model is a disruptive shift that implies a complete change in business model, financing model, and performance monitoring, so that all three are aligned and centred on impact<sup>8</sup>.

Impact-based business models put positive impact outcomes at the core of a company's strategic goals and decision-making, on the grounds that sustainable profits and long term value creation are derived from the ability to deliver positive impact to its constituencies and its environment.

Impact Based Finance aims at funding those emerging business models by maximizing and monetizing impact outcomes.



<sup>8</sup> More details can be found in "Rethinking impacts to finance the SDGs", a report co-authored by Societe Generale and UNEP-FI Positive Impact Initiative <http://www.unepfi.org/positive-impact/rethinking-impact/>

## Examples of impact-based business models

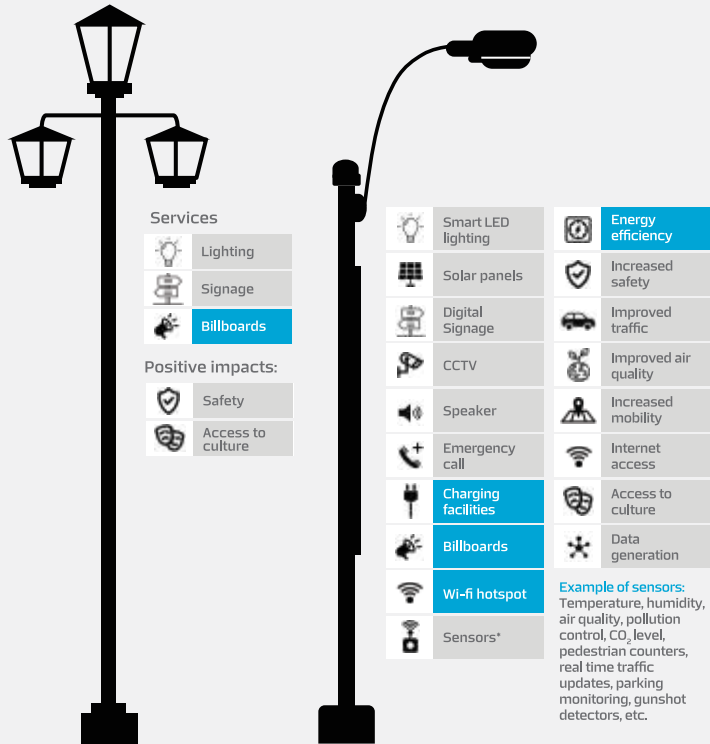
### Public Lighting

Public lighting in itself cannot be self-funded: no-one is paying for light when walking in the street. It therefore depends on municipalities' ability to raise debt, a key hurdle in low- and middle-income countries.

This is where smart lampposts come in. Not only can smart lampposts consume less electricity but they can also generate revenues from WIFI hotspots or charging facilities, to repay part or all of the initial investment, and impact-based finance can monetize these revenues to pay upfront for the lampposts, i.e. the municipality's counterparty risk does not come into play anymore. Smart lampposts can also include sensors that collect data on mobility, air quality and other indicators. This enables the municipality to plan other smart city investments more efficiently, further reducing the costs of other investments and making them more profitable and therefore easier to finance.

■ revenue-generating

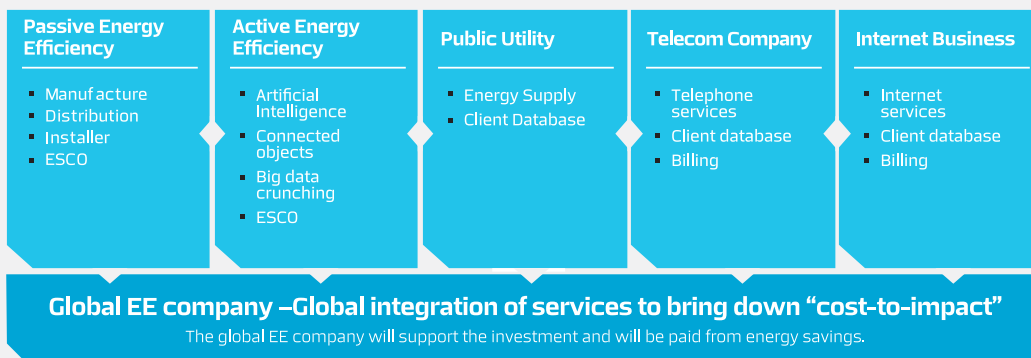
Source: Societe Generale




### Energy efficiency

Traditional business models can foster a vicious circle: product and service providers have no financial interest in the actual energy efficiency achieved in the long-term because it does not drive their respective profitability. Typical strategies to address this problem involve an energy service company (ESCO), or public sector interventions in the form of incentives or deterrents. However ESCOs only solve part of the problem and public sector intervention comes at a cost.

An impact-based business model, with the emergence of a "global service provider", creates a virtuous circle, since its purpose is to maximize positive impact outcomes, minimize costs so as to create sustainable profit in the long-run. End-users benefit from this integrated solution, at a lower cost thanks to economies of scales achieved by the Global Energy Efficiency company. Besides, they do not have to make an upfront investment since such CAPEX can be efficiently financed by monetising future energy savings.



Source: Societe Generale



Other examples exist and all have in common that by maximizing positive impact outcomes, while mitigating negative impact outcomes, companies can not only seize new profitable business opportunities and increase their access to finance, they can increase the enterprise's long term value and contribute to the achievement of the SDGs.

### What makes impact-based finance different?

**First**, as shown in the examples above, impact-based finance looks for ways to achieve multiple impact outcomes, in particular by leveraging the possibilities offered by digitalization and data management, to deliver more results to the people, planet and prosperity for the same dollar invested, i.e. to lower the “cost-to-impact”.

In addition, focusing on impact outcomes and diversifying the solutions to provide such results, shifts the payment risk to a wider group of clients, thus reducing counterparty risk.

This improvement, or “impact enhancement”, of business models is the necessary first step to improve profitability and bankability of investments. It can be achieved by a co-construction process in a collaborative environment with all stakeholders.

**Second**, remaining perceived or actual risks that need to be addressed, especially in least developed countries, may require “credit enhancement” techniques (standardization, aggregation and/or blended finance) and involve investors that may have a different risk perception and/or different objectives.

There as well, innovation can bring more resources: beyond development finance institutions and multilateral development banks, other investors primarily driven by impact outcomes can be mobilized such as foundations, impact investors, sovereign wealth funds, funding from the diaspora, or crowdfunding. Reducing costs to achieve more impact outcomes is one key to unlock more private capital flows and make more efficient use of public money, while offering the optimal risk/return for each targeted investor base.

## Impact-based finance can turn the SDGs into a massive business opportunity


In 2015, the United Nations set themselves the imperative challenge to reach the Sustainable Development Goals by 2030, laying out 17 objectives to eliminate poverty, improve education and health outcomes, create better jobs and tackle our key environmental challenges.

Achieving the SDGs implies investing USD90 trillion in just 15 years, an almost inconceivable amount. Crucially, current business and financing models will not be able to achieve this level of investment, leading to a financing gap estimated at \$2.5 trillion a year, mostly in developing countries where investment needs are the highest, amongst which Africa alone represents 1.3 USD trillion/year.<sup>9</sup>


Yet, as is evident every day, the Fourth Industrial Revolution has brought unprecedented tools to increase efficiency, including through data management and digitalization. New value chains emerge, disrupting traditional industries and sectors, and represent massive growth opportunities and critical enablers to deliver the SDGs. Just take key economic areas such as food and agriculture, energy and materials, healthcare and cities: the deployment of new business models in these areas has the potential to create at least USD12 trillion<sup>10</sup> of new business opportunities by 2030. That's more than 10 percent of today's global GDP. Moreover, these industries have the potential to grow two to three times faster than average GDP over the next 10-15 years<sup>11</sup>.


Impact-based business models, where the delivery of positive impact outcomes is the core driver of business growth, can play a key role in addressing these growing needs in the most efficient manner, and hopefully bridge the financing gap which is primarily a business gap, paving the way to a new impact-based economy.

Digitalization accelerates transition to new value chains 

 **Food & Agriculture**  
Secure a decent living for farmers

 **Energy & Materials**  
Growth of active vs. passive energy efficiency, circular economy

 **Health & Well-being**  
Focus on prevention using IoT, improve learning using digitalization

 **Cities**  
Inclusive and job creating, focused on neighborhood and efficient mobility

Source: Societe Generale

## Conclusion

The transition to an impact-based economy is a major transformation that requires identifying and understanding impact and designing new business models through cooperation amongst private corporations, public sector players, investors and other stakeholders. It can only be achieved in a collaborative ecosystem. With their expertise and strategic position, Sovereign Wealth Funds have a unique opportunity to lead this impact journey and accelerate the emergence of a more inclusive low-carbon economy.

<sup>9</sup> <http://www.unepfi.org/positive-impact/rethinking-impact/>

<sup>10</sup> Source: Better business, better world, Business & sustainable development commission, January 2017

<sup>11</sup> <http://businesscommission.org/our-work/new-consultation-paper-better-finance-better-world>

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# THE FUTURE IS YOURS TO CRAFT

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**Pioneering positive  
impact solutions, we help  
businesses leverage their  
sustainable footprint.**



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## SOCIETE GENERALE: A BANK PIONEERING RESPONSIBLE FINANCE

Societe Generale has been pioneering responsible finance solutions both for its clients and for the international community at large for the past two decades.

A founding member of the United Nations Environment Program's 'Positive Impact Finance Initiative', the bank has spearheaded research and development in a collaborative way with peers, institutional investors and other members of the initiative.

In 2017, the Positive Impact Initiative released a set of principles to guide and accelerate the development of a positive impact finance range of products and services to fund sustainable development. In November 2018 Societe Generale co-authored a report with the UNEP Finance Initiative entitled "Rethinking Impact to Finance the SDGs", proposing disruptive solutions that are necessary to bridge the USD2.5 trillion annual funding gap to achieve these global goals.

### A CONSOLIDATED SUSTAINABLE AND POSITIVE IMPACT FINANCE OFFERING

- Societe Generale is a founding member of the UNEP "Positive Impact Finance Initiative"
- In November 2017 the Group appointed a member of the Management Committee to direct and accelerate the development of a consolidated « Sustainable and Positive Impact Finance » range of products and services
- Its objective is to develop and diversify the range of product and service offerings by introducing more structuring expertise and advice on impact analysis and measurement and by incorporating the UN's 17 Sustainable Development Goals

### FROM FINANCING TO INVESTING, A FULL RANGE OF EXPERTISE AND SOLUTIONS

FINANCING	INVESTING	
<ul style="list-style-type: none"> <li>● Positive Impact Structured Financing</li> <li>● Renewable Project Finance</li> <li>● Impact Loans</li> <li>● Partnerships with Supra</li> </ul>	<ul style="list-style-type: none"> <li>● ESG Research</li> <li>● ESG Advisory</li> <li>● Securitisation</li> <li>● Green and Social Bonds</li> </ul>	<ul style="list-style-type: none"> <li>● ESG Indices and Baskets</li> <li>● ESG Funds and ETFs</li> <li>● Securities Services</li> <li>● ESG Tools</li> <li>● Positive impact Notes</li> <li>● Green Deposits</li> </ul>

- SG pioneered new standards through the issuance of 3 **Positive Impact Bonds** in 2015, 2016 and 2018 for a total of EUR1.5 billion\*
- **Leading renewable energy bank**. SG advised and/or financed EUR8.3 billion of projects in 2017
- Top #3 **Green Bond** arranger in Europe with lead roles in 14 issuances\*\*
- Top 3 **SRI Research** for the past 10 years (Extel)
- SG asset manager, Lyxor, launched the first **Green Bond ETFs** in the world (2017) and built ETFs matching 4 Sustainable Development Goals i.e. Water, Renewable energy, Climate change and Gender equality
- Other ESG investment solutions include **ESG indices** (started in 2006, currently around EUR2 billion AUM) and **Positive Impact Notes** (over EUR250 million issued since early 2018, including for the support of SME financing)

\* 2 issued by SG and 1 by ALD, a wholly-owned subsidiary of SG

\*\* Bloomberg, YTD 11/26/18, all currencies

## SG's commitment to fight climate change

EUR 100bn contribution to the financing of the energy transition between 2016 and 2020

- Contribution of -EUR 15bn to the renewable energy sector - in which the bank is one of the world leaders
- Aims to direct (or co-direct) Green Bond issues for a nominal amount of - EUR 85 bn on the same period

### Strengthening the E&S sector oil and gas policy

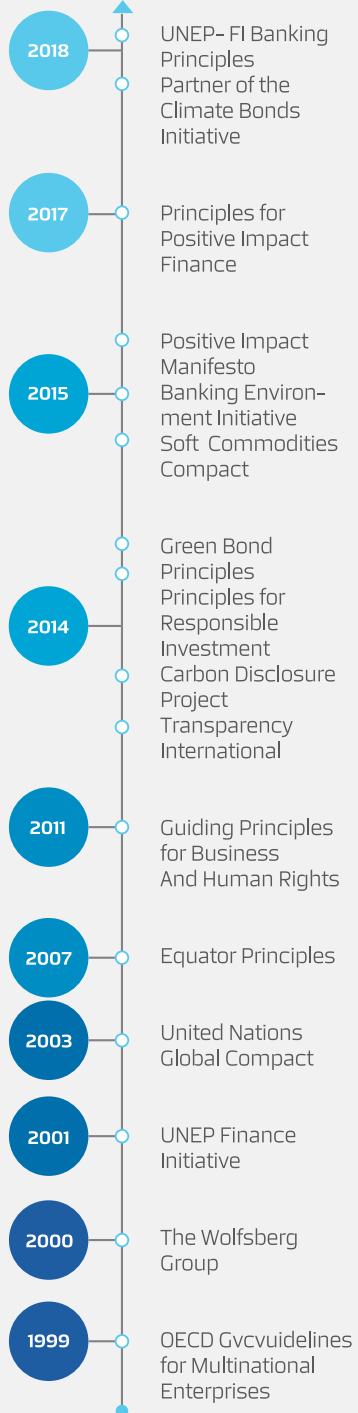


Reinforcing SG's standards regarding respect of the indigenous populations' rights

25% reduction in CO2 emissions per employee by 2020

Driving force in the sustainable and low carbon

### SG Milestones





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