BUILDING BRIDGES

2021

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Building Bridges Week Event Sections

The second edition of Building Bridges took place in Geneva, Switzerland from Monday, November 29 to Thursday, December 2, 2021, convening at an important time for the global community - just after COP26 and still in the midst of a world-wide pandemic. As Amina Mohammed, Deputy Secretary-General of the United Nations astutely observed, **"we're at a breakdown or breakthrough moment."**

Finance has a key role to play in tackling the challenges we face as a collective society. We must urgently align capital flows to the needs of people and the planet. **"It is not about when, it is about now. It is not about by whom, it is about us. And it is not about cost, it is about an existential necessity,"** stated Patrick Odier, President of Building Bridges.

It will take all actors coming together to "buildi bridges" and collaboratively create the solutions of the future. This is why Building Bridges takes a distinctively multi-stakholder approach, bringing diverse actors from the finance industry, business, the United Nations, international organizations, NGOs, academia, and government together around a common vision of advancing sustainable finance to address the Sustainable Development Goals.

Over the course of 4 days, the community took part in a high-level Summit, 77 crowd-sourced events, a village, and a number of networking events, tackling three key, cross-cutting themes:

- Impact and Transparency
- Supply-Demand Mismatch
- Fintech for SDGs

This report summarizes the key findings of those events and acts as a record of the important dialogue that took place during the 2021 edition of Building Bridges. The community has taken these discussions and moved forward to put them into action.

As Ueli Maurer, Finance Minister of Switzerland said, **"The results of these forward-looking efforts will be felt in Switzerland and elsewhere for generations to come."**

We hope you will join the movement and take action with us..

A Collaborative Initiative

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Sustainable Finance Geneva

Swiss Sustainable Finance

FONDATION GENÈVE PLACE FINANCIÈRE GENEVA FINANCIAL CENTER

Swiss Banking

ASSET MANAGEMENT ASSOCIATION

INTERNATIONAL GENEVA

UNITED NATIONS GENEVA

SDG LAB

UN environment programme finance initiative

FC4S FINANCIAL CENTRES FOR SUSTAINABILITY

wbcsd

NGOs

ASHOKA

DNDi Drugs for Neglected Diseases *initiative*

IISD International Institute for Sustainable Development

PeaceNexus Foundation

WWF

PUBLIC AUTHORITIES

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

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Building Bridges Summit

High-level Dialogue: Building Bridges to Scale Impact

The mobilization of private capital is crucial to achieving the SDGs. The financial sector needs to make a paradigm shift from shareholder to stakeholder value maximization in order to mainstream impact investing. It is the time for action and three major forces are pushing our world forward:

Firstly, there has been a great shift in values. Consumers and investors care about more than simply prices and profits and companies need to adapt.

Secondly, financial markets have seen the emergence of new instruments which change the relationship between risk, return, and impact.

Lastly, the digital revolution enables better monitoring of impact, thus, increasing transparency and allowing accountability.

Notwithstanding these forces at play, the financial sector needs to step up its game. As Guy Ryder insisted, “Social needs cannot wait” and action must be taken soon to ensure that our social and natural systems do not further degrade.

Bolstering transparency is key to not only improving capital allocation effectiveness but also permitting other stakeholders to evaluate the progress made and to create a common ground for engaging with them. We have to consider reducing the information gap and improving the trust deficit that has accrued over the years.

We must proceed with caution in emerging markets. They may not have the same resources to allocate to meeting reporting standards, and, if not handled carefully this could result in the diversion of capital out of emerging markets and toward developed ones, lessening overall impact potential.

Key takeaways - 3 Es:

1. Exercise your shareholder's rights
2. Engage with the management to ensure that sustainable projects are pursued
3. Exclude if the company breaches norms or if your attempt to engage does not lead to concrete results.

How asset owners can drive capital towards the SDGs

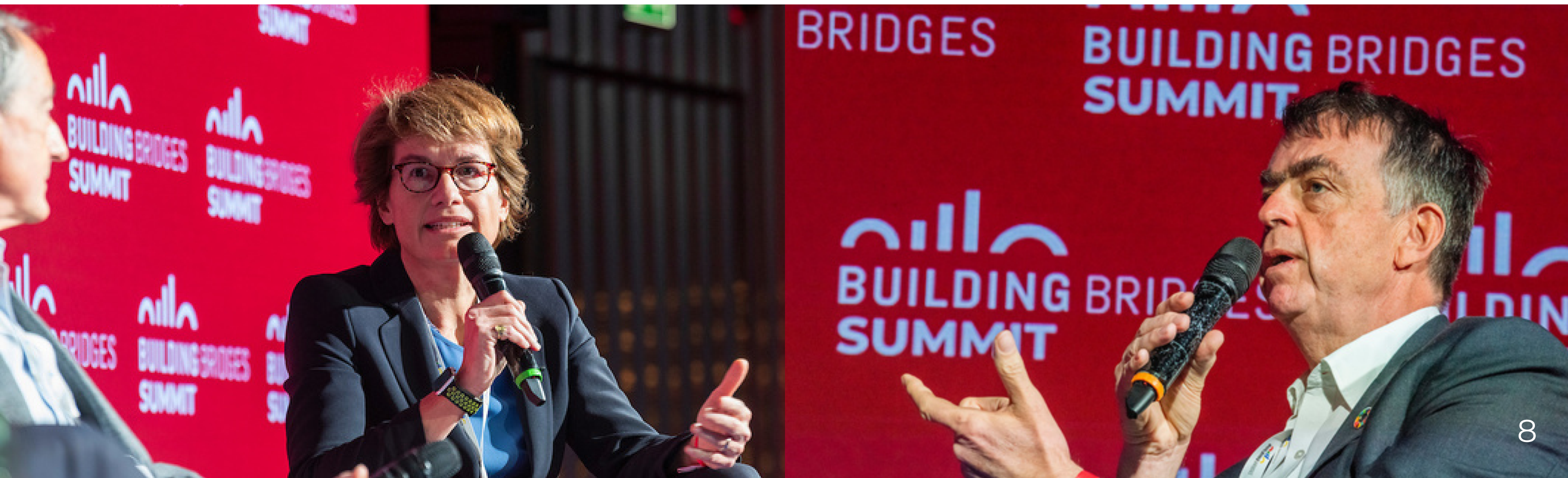
Asset owners are crucial market players given their market weight. Whether it be a pension fund, a family office, or an insurance company, asset owners are finding ways to balance their constraints with the necessity to pursue a more sustainable pack.

Two main challenges asset owners must consider are fiduciary duty and time horizons. Asset owners must strike the delicate balance between integrating ESG criteria within their decision-making while ensuring that they safeguard and maximize their beneficiaries' interests. Numerous asset owners are also restrained by the time-horizon they may consider for their investment. As a result, it limits their possibility to invest in longer-term projects, such as sustainable infrastructure.

However, this does not mean there isn't the desire to ensure a more sustainable approach. Asset owners are considering long investment time scales and sustainable investments should fare well over these time horizons and ensure return on investment well into the future.

As one speaker put it, "Asset owners are like water, their capital flows toward the point of least resistance." Therefore moving asset owner capital will require comprehensive and reliable ESG reporting, and metrics to facilitate the allocation of funds toward impactful investment.

Asset owners must rise to the challenge to proactively promote sustainability. Asset owners can use their size and power to influence firms' management to commit to sustainability, ensuring that the risk associated with climate change and other global risks will be attenuated in the long run. In other words, a premium for engagement now will diminish risk later.

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DON'T BE AFRAID,
CROSS THE BRIDGE


ARE YOU A
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How greater transparency and disclosure can increase impact

Having robust and transparent sustainability reporting is key to enabling sustainable change. It can unleash tremendous incentives for companies to improve their sustainability performance and enable investors to price in risks and find new opportunities.

The financial sector as an enabler of change
The participation financial sector is crucial in enabling change in the real economy. However, it is the real economy where sustainability will be implemented and who holds the responsibility to report. Thus, deepening the collaboration between the financial sector and the real economy as well as with regulators and international institutions is a key factor of success.

From backward to forward-looking
There has been a shift in the approach taken to ESG; previously the objective was to evaluate past and present impacts, whereas now the goal is to integrate impact as a core component of a firm's strategy.

The EU approach
Following the momentum of the European Green New Deal, the European Commission is taking steps to enact the Corporate Sustainability Report Directive (CSRD) by 2024, which aims to enforce a new comprehensive legal framework covering ESG matters. This framework is aimed at all companies that have more than 250 employees, which represent approximatively half of the EU GDP. While the taxonomy only applies to Europe, it will have far-reaching impacts in other markets who work with the EU or EU-based clients.

The great convergence
As sustainability reporting is becoming mainstream, it is essential to ensure comparability and coherence throughout reporting standards. Moreover, along with improving the methods and standards of reporting, it is essential to ensure that they are made available to the widest range of stakeholders.

Digitalization & big data
Digitalization is a prerequisite to the advent of robust sustainable reporting. More and better quality data means that we can better understand and evaluate the challenges ahead. Furthermore, it will also help in creating compatibility between the different sustainable reporting standards, thus, rendering them more transparent and useful across jurisdictions and markets.

Bridging the gap: addressing the impact of the supply and demand mismatch

The lack of capital flow to emerging markets remains a substantial challenge with only 8% of pension funds and only 2% of insurance funds being invested in emerging markets. In order to scale these capital flows, it is crucial to adjust the risk-return logic that still permeates most investment decisions, even in the field of sustainable finance.

Blending finance is not only about de-risking impact investment, it also helps to "blend cultures" between the private and public actors in order to rebuild the trust among the different stakeholders. There are multiple things that can be done to avoid situations where blended finance only transfers risks from private to public hands without crowding in private investment. For instance, better delineating which projects can rely solely on private financing, ones that require a blended finance vehicle, or which ones should be simply subsidized due to societal outcomes.

More often than not, gaps in the investment life cycle of impact investments lead to a drastic reduction in the number of surviving projects at the end of this process. Therefore, better promotion of end-to-end collaboration among different investors, philanthropists, NGOs, and governments is key to improving the performance of impact-oriented projects. It is crucial to bring private investors to the table during the design phase instead of in the last phases of the investment cycle. This would improve the number of bankable projects at the end of the process by ensuring continuity and buy-in amongst the different actors.

Incentives, both on a micro and macro level are still unaligned with sustainable objectives. Embedding impact measurements within the remuneration mechanisms of both executives and also projects or investment vehicles, would foster collaboration and help prioritize impact as a primary objective.

Creating and reinforcing structures that provide investors and entrepreneurs with technical support and simplified frameworks is critical. Moreover, SDG-oriented investments are hindered by a knowledge gap as well as overweighed perceived risk.

FinTech: an accelerator to derive insights and drive capital to SDGs

FinTech is a key source of disruption and market transformation and plays a crucial role in fostering sustainable change. FinTech has a multitude of applications from making forward-looking transparency possible to creating new business models that enable behavioural change through social reward systems. Moreover, tokenization and blockchain-based solutions create a novel landscape of opportunities with the potential for harnessing exponential growth.

In order to leap forward to a more inclusive, sustainable, and low-carbon world, it is crucial to incorporate the various stakeholders in discussions about how to deploy FinTech effectively and fairly. Hence, regulators and the FinTech sector benefit from working together. As an example, SIX not only took the bold initiative to develop a new blockchain-based decentralized stock exchange but also collaborated closely with FINMA to ensure that regulators advance at the same pace as innovation.

FinTech solutions were presented ranging from cutting edge approaches to the ESG evaluation of companies by harnessing the power of AI to the utilization of blockchain technologies to allow the 1.7 billion people to have access to banking services.

- CELO employs blockchain technology to provide a comprehensive online and decentralized payment platform to create access to un-/underbanked populations around the world.
- CLARITY AI enhances ESG assessment by identifying sustainable companies based on a highly detailed nomenclature and a robust metric system.
- REPRISK leverages high-quality external databases and the power of machine learning to provide a clear picture of the impact companies have on the world vs. their subjective self-disclosures.
- IMPAAKT makes use of collective intelligence, neural networks, and consensus methods to tackle both the complexity and divergence challenges inherent to ESG evaluations.
- SEEDSTARS invests in developing markets to empower impact-driven entrepreneurs. By providing them with both capital and technical support, Seedstars directly tackles the most pressing issues associated with gender inequality, climate action, quality education, and economic conditions.



Beyond COP 26: What's next on the climate agenda?

“Disappointed in a good way” (Déçu en bien) is how one of the speakers described his impression of the COP26 outcomes. Even if much bolder commitments were expected and needed, there were visible improvements since the last COP. For the first time, a real sense of urgency seems to have characterized the atmosphere and even though there was a disappointing outcome on coal (phasing down instead of out), collaboration and concrete discussions seem to have taken place. It is important to remember that COPs are multilateral and consensus-based, and therefore outcomes are usually wide enough to work for large groups of countries.

The private sector was strongly represented in Glasgow. They are both part of the problem and the solution. Net-Zero pledges have become the norm for leading companies, however there remains concern that these pledges are empty words. In order to be taken seriously, they must be accompanied by visible actions and measurable impacts. This is where clear and well-defined transition plans come into play.

Although the urgency of climate action is finally recognized at scale, there are three main challenges that will need to be overcome to achieve the Paris Agreement:

- Speed: Committing to Net Zero by 2050 is no longer sufficient. In order to avoid being outpaced by climate change, global emissions should be halved by 2030.
- Scale: Even though many projects are going in the right direction, they are marginal in terms of the sheer size of emissions reductions that are in the coming decades.
- Quality: Climate action needs to be concrete and credible. Time is at the essence and false or half commitments are no longer affordable.

More concretely, this means making a paradigm shift in the decision-making frameworks and tools used by the public and private sector. This not only implies making pledges to achieve Net-Zero but also to fundamentally changing internal operations. More concretely, this may entail modifying lending criteria, developing a comprehensive transition plan, exiting the most polluting industries, and building up new internal capacities aligned with climate objectives.

2 ZERO HUNGER

Feeding the Future

The food sector is very important in fulfilling the SDGs and for addressing climate change and net-zero emissions targets by 2050. The food system is responsible for a third of the world's emissions and about 70% of the world's water consumed. In addition, half of the world’s population is either overweight or malnourished. Creating a sustainable food system benefits human and planetary health.

The future requires changes to the food system, along the entire value chain from production to consumption. These include new consumption habits, changes to food industry incentive structures, new and more efficient production technologies, less food waste, and production geographically closer to consumption.

"The plant-based food market has tripled since 2019."

In their session, Credit Suisse featured companies and initiatives that are at the forefront of transforming the food system. One such example is FAIRR.

FAIRR is an organization that works closely with investors, to produce and analyze data from the world’s largest protein producers and manufacturers to help minimize risks and maximize profits. They have been influential in changing companies’ policies related to antibiotics in the food system, as well as encouraging direct investment into the research of alternative proteins.

Feeding and preserving the planet

How do we build food systems that are sustainable while providing the world population with a healthy and nutritious diet? There is no one-size fits all solution to this problem, but rather a basket of solutions. These solutions include alternative, plant-based protein sources, technological solutions to optimize food chains and a more precise agriculture that uses fewer resources such as water or pesticides. But for these solutions to be widely adopted by farmers, increased funding, both private and public, is needed.

To drive our world to more sustainable food systems we need a greater alignment between actors on three levels :

1) On an **individual** level: this requires the citizens' willingness to make more sustainable choices when it comes to their food choices.

2) On the **investor** level: banks and other investment institutions, who need to deploy more capital into agrifood solutions, including at the company's earlier life stages.

3) At the **state** level: in particular, national and supranational regulators, could further consolidate legal frameworks that consider agriculture's carbon footprint.

Looking towards the coming year, there is a positive trend when it comes to transitioning to more sustainable food systems.

For instance, consumption of organic food in Europe is good news for biodiversity. However, banks and other financial advisors should show strong convictions on what services and products to sell, and to encourage asset owners to be engaged rather than to speculate on this matter.

EDMOND
DE ROTHSCHILD

"When we speak about pathways to 1.5 degrees we have a very clear pathway for the energy sector, we need that pathway for the food & agricultural sector."

"Food Revolution": Is technology going to disrupt the entire food and beverage value chain?

EFG

Linkages

The uniqueness of the food and nutrition challenge lies in the many linkages of the food value chain to multiple SDGs. The use of traditional production techniques, existing distribution supply chain, and consumption patterns all need to be made efficient but in sustainable ways to address both the growing population and environmental needs.

Solutions

Academia and the scientific research community are creating technological innovations to meet environmental sustainability goals. From working on novel technologies that make manufacturing of green products such as alternative protein more efficient to revamping traditional supply chains by leveraging online platforms.

Disclosure

The stakeholders along the food value chain (production, distribution, and consumption) need to be led by a clear sustainability mandate enforced by regulators. Reforms such as non-financial disclosures can generate requisite information for investors to make sustainable investments in green technology and products.

Finance in action: Transforming the food system

Food is at the cornerstone of the SDGs. It is a major topic that needs to be addressed in order to tackle climate change, biodiversity, and human health.

The food equation needs to be tackled at the global scale and thought about in terms of "systems". This was the purpose of the UN Food Systems Summit that took place in September 2021. 148 countries participated and over 100 of them subsequently designed their own "strategic national pathway", laying out how they intend to make their food systems more resilient and sustainable. The Summit resulted in several key takeaways relevant to finance:

1. Countries don't want to be dependent on food imports, for strategic as well as nutritional reasons – lots of countries import processed food, which has a low nutritional value and can be unhealthy. Shorter supply chains could be a piece of the puzzle.
2. Farmers struggle to cope with the transformations brought about by climate change, for example, water salinization and shortages, more frequent droughts or flooding, etc. They need better access to finance to adapt.
3. Many countries are increasingly relying on aquatic sources of food and need assistance to set up processing facilities. This could be achieved through public-private partnerships and blended finance.

What is needed to mend food systems is patient capital, lent on commercial terms. Private financiers should bear in mind that transforming our food systems is also an economic opportunity, valued at $4.3 trillion USD/year by the WBCSD. The alternative protein market is an example of an industry with high-growth potential in the next decade, as global demand for proteins will keep increasing as countries get richer.

Innovative financial vehicles to channel money into the transformation of our food systems already exist (e.g. social-impact or environmental bonds), and they need to be scaled up. In addition, microfinance has shown promising results in helping farmers to adapt to the challenges of climate change. The finance industry should think of farmers as businesspeople, with diverse financing needs and risk profiles. To measure that more accurately, de Pury Pictet Turretini is developing an "impact matrix" to better identify the productivity of farmers and inform their investment decisions.

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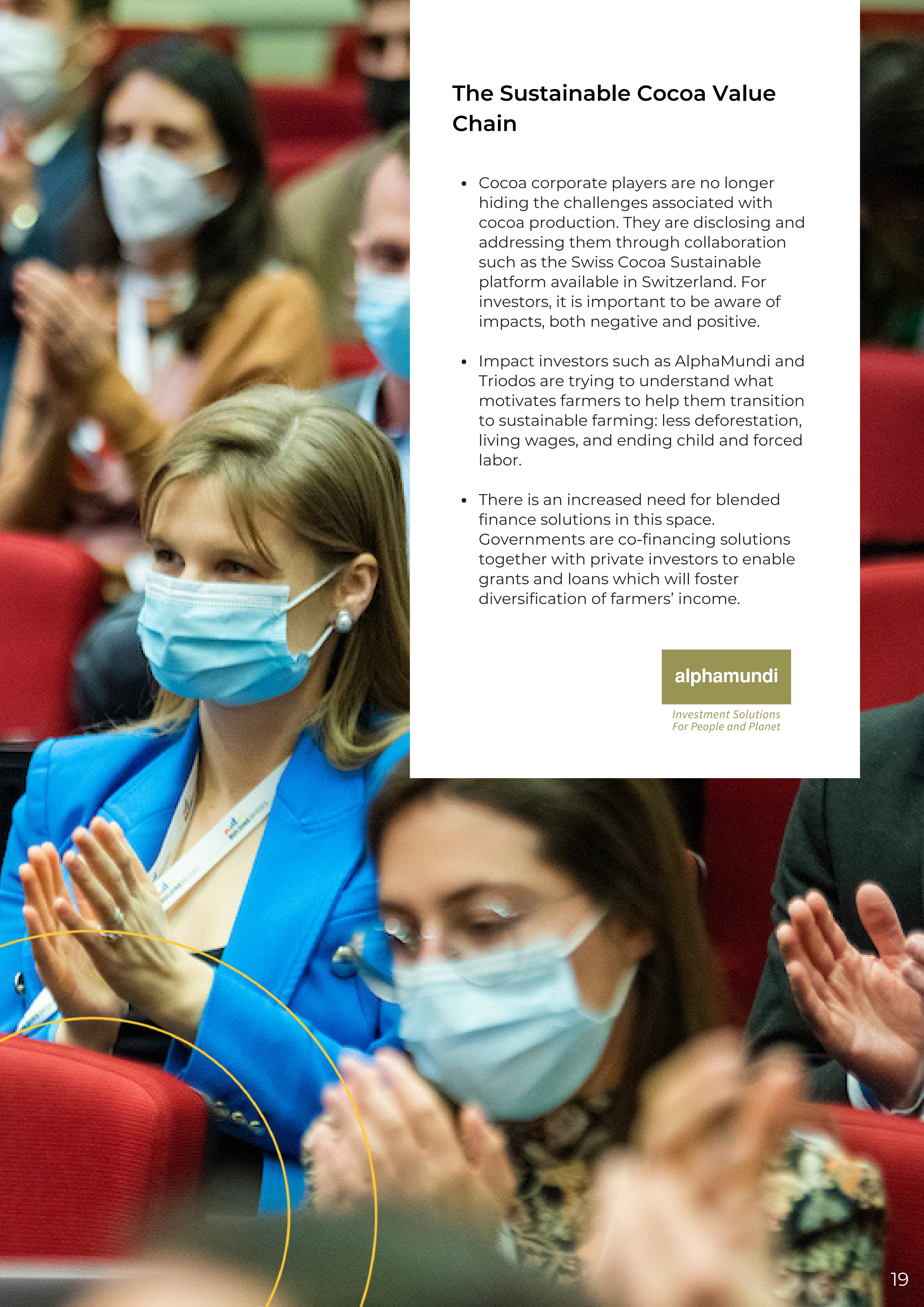
4SD Skills, Systems & Synergies for Sustainable Development

DE PURY PICTET TURRETTINI

Givaudan

Earthworm

CLARMONDIAL



The Sustainable Cocoa Value Chain

- Cocoa corporate players are no longer hiding the challenges associated with cocoa production. They are disclosing and addressing them through collaboration such as the Swiss Cocoa Sustainable platform available in Switzerland. For investors, it is important to be aware of impacts, both negative and positive.
- Impact investors such as AlphaMundi and Triodos are trying to understand what motivates farmers to help them transition to sustainable farming: less deforestation, living wages, and ending child and forced labor.
- There is an increased need for blended finance solutions in this space. Governments are co-financing solutions together with private investors to enable grants and loans which will foster diversification of farmers' income.

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For People and Planet

3 GOOD HEALTH AND WELL-BEING

Attracting Capital to Health: New Models for Old Challenges

The global health finance gap was $214B USD in 2021. How do we fill this huge gap? We need to build new ecosystems with different structures and actors.

Governments have the ability to set market conditions, as well as mobilize labour and capital. NGOs, in some contexts, are direct health care providers. And the private sector has taken on a number of public health matters. We can no longer treat these actors as distinct sectors - collaboration between them is vital.

The Global Fund is one example of an institution that can bridge the gap between governments and the private sector. They work with private sector technology and infrastructure providers to make their products and services available, while simultaneously working with governments to "make markets."

Health Finance COALITION

THE GLOBAL FUND

malaria NO MORE

There is a need for new and flexible capital that can be invested into different domains of the global health sector to improve and facilitate access for low-income populations. There are many barriers to doing so, on the government side there is a lack of capacity and/or the presence of corruption. For investors, there are unrealistic expectations for financial returns. Through coalitions, these actors can come together, deconstruct systems, and build sustainable models to enable investments, that benefit the population.

COVID has shown that we can no longer separate the economy from the health system, as they both heavily influence each other. With the ongoing health crisis, there is motivation and enthusiasm to work on and resolve these issues and implement new, innovative ideas that will drive capital to where it is needed most.

Financing SDG 3 (Health): the case of Hepatitis C elimination

To eliminate Hepatitis C, there is a $23.7Bn funding gap that will require private sector involvement.

As is the case for many diseases, with Hepatitis the need is clear: the technology to detect and treat exists, but it is not readily available, either because it is too expensive to provide or because the pathway to providing it is too complicated. Financing should therefore be directed to simplifying and reducing the price of diagnosis and treatment processes.

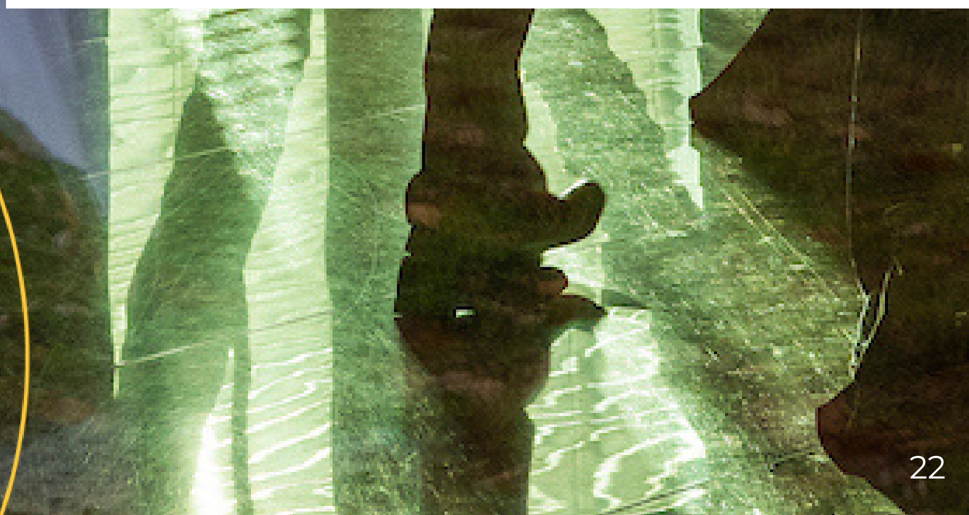
The pressing need for readily available and cheap diagnosis and treatment/prevention during the COVID-19 pandemic has created healthcare systems that are simplified as much as possible. This momentum should therefore not be lost, and therefore funding now is all the more catalytic.

But what models can be used? First and foremost, governments, NGOs, and international organizations should be exploring ways to make an investment case for the private sector. This could be done through blended finance, which encourages co-investment for lower risk and higher social gains. We could also explore new market-based commitments like global solidarity tax (although extremely challenging and theoretical) or voluntary solidarity contributions from market products. There may also be blockchain and cryptocurrency solutions like the WFP Building Blocks did for food or AidCoin by Innovation Norway.

FIND Diagnosis for all

WORLD ECONOMIC FORUM

DNDi Drugs for Neglected Diseases *initiative*



Financing global health innovations: lessons from investors and entrepreneurs

There is an enhanced public understanding and increasing alignment amongst global health stakeholders because of the pandemic.

Technological advances with applicability in low-resource settings have accelerated.

Knowledge capital has increased and is more and more concentrated in global health problems: we used to assign problem-solving to doctors and physicians but this has slowly started to change into a more holistic approach where data scientists, engineers, and technology experts need to support doctors and other health workers.

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However, there remains a disconnect globally between support organizations and innovators. This fragmentation is problematic in scaling global health solutions.

The solutions exist, the following examples were highlighted during the panel:

- Landcent develops low-cost technologies for diseases common to poor populations, for example, preventative malaria medication.
- AFIA Pharma has applied e-commerce solutions to pharmacies to make medications more easily accessible and affordable
- AirCare brings publicly available data together to map air quality. Through an app, it allows people to monitor several air pollution indicators in their area.
- EpHealth provides an end-to-end health platform for prevention and treatment, available even in remote communities.

5 GENDER EQUALITY

Gender Lens Initiative for Switzerland

The Gender Lens Initiative for Switzerland (GLIS) was launched in 2021 to align more Swiss Capital to a gender lens. This session explored not only what is needed to maximize impact when it comes to Gender Lens investing but also how the finance industry can better engage women to maximize their impact as professionals. Gender Lens Investing includes a variety of strategies including investing in companies that are women-led, have gender-balanced teams, work on gender equality projects, or offer products that benefit women and girls.

Gender Lens Investing

About USD 11 billion are invested with a gender lens in public markets. Another USD6 billion is present in venture capital, private equity, and private debt. This is a promising start but more deliberate effort is needed. Investors have the responsibility to guide companies into implementing gender issues in their activities, whether it be helping them to integrate gender issues into their business plan or better engaging women in their workforce. Investors become even more credible in advising these companies when they also apply these gender criterias to their own institutions.

Legislation, standards, and tools for gender equality have emerged due to stakeholders' needs for measurement, standardization, and independent third-party verification on gender issues. More work will need to be done to ensure compliance, adoption, and implementation to reap the benefits of these approaches.

Gender Equality in the Finance Industry

While everyone agrees that gender representation in financial institutions must be balanced there are diverse opinions on how to achieve this. Analysis of gender KPIs and goal measurement is essential at all levels. One panelist noted that while quotas may not be a definitive solution, they may open the first door to ensure diversity at all management levels. Another panelist said the right approach is a pure meritocracy where we recognize the true skills of women and not expect them to speak about their skills in the same ways men will. Another panelist explained the finance industry will need to reform its "Wolf of Wall Street" perception to be attractive to talented women, and that we must change the way we perceive women in the workplace. This will for instance ensure that women don't have to hide their "feminine side" to be good leaders. On the contrary, this will be seen as a true force.

GLIS Gender Lens Initiative for Switzerland

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Twelve Lessons in Gender Lens Investing

Investing in women is indispensable to supporting global recovery efforts post-COVID-19. Not only does it directly contribute to achieving the Sustainable Development Goals (SDGs), it is simply good business. Still, there remains an estimated $300B financing gap for women.

The International Trade Centre (ITC) SheTrades Initiative presented their new report "Twelve Lessons in Gender Lens Investing". While other publications focus on "how-to" apply a gender lens approach to an investment portfolio, this report addresses the remaining gaps that women-led businesses face, by sharing lessons learned from financiers.

Some key lessons from the report include ensuring buy-in at all levels of participating institutions, adopting common language amongst diverse stakeholder groups, using existing initiatives as a starting point, adding non-financial products and services to the offer, exploring digital options to reduce transaction costs, and more.

Within the panel discussion, H.E. Ambassador Alicia Arango shared how Colombia rose from 40th to 22nd position in the 2020 gender equality index by focusing on five strategic lines: leadership, networking, entrepreneurship, information, and finance. She emphasized the power of self-esteem and having more women in decision-making positions and politics.

Female entrepreneurs from Zambia and India also provided perspectives of women entrepreneurs' challenges and best practices in their respective countries. Some best practices include accessing grants using the gender dimension, finding no-collateral loans, having a vision and sticking to it despite the challenges, and having good book-keeping and financial management.

Examples of Gender Lens in Practice

- Bamboo Capital, an Impact Fund represented by Marie Puaux, Head of Impact Management, spoke about the benefits of employing blended finance vehicles and tailored maturities to accommodate different needs. She advocated for more public-private partnerships, considering investors like microfinanciers and peer-to-peer lenders, and the need for non-financial services to be provided by capital providers and other institutions. Marie also highlighted that organizations can do a better job of implementing the feedback received by female clients, as well as offering more inclusive jobs and products.
- Opportunity Bank, a commercial bank represented by Alice Lajwa, explained that her institution implements a gender-lens approach by changing policies and tailoring its products to suit women-led businesses. They use innovative practices to break traditional barriers such as encouraging women to form community groups and partnering with other institutions to offer collateral guarantees for women.
- Phatisa Fund, a private equity fund represented by Gwendolyn Zorn, Head of Impact, recommended having a platform that connects different stakeholders and having cross-cutting women representation across the financial landscape. Gwendolyn also supported a shift in mindset, where the traditional view of men as the decision-maker and controller of resources shifts to one where women are acknowledged as valuable contributors and should benefit accordingly.

6 CLEAN WATER AND SANITATION

Driving capital and collective action to achieve SDG 6

How can investors and philanthropists improve water stewardship?

To support and promote the principles of SDG 6, the human right to safe water and sanitation, and ensure their universal access, there are several levers of action for investors. They can do so by:

- engaging with sovereign issuers and corporate bond issuers
- being active owners of listed equities that have a material impact on the water cycle through best practices
- continuing to pursue the management of water and environmental equity strategies that allocate capital to water and environmental companies.
- investing in private equity/debt ventures or projects which either directly or indirectly affect the water cycle.

In addition, philanthropic foundations have a complementary role to play and should continue funding water projects where profit-making is not possible nor appropriate.

A key outstanding challenge is related to information and transparency discrepancies, disclosure by companies related to water risks is not as in-depth in emerging markets as it is in the developed market.

"It is important that when we start solving one dimension of the problem, we don't forget the other problems that we face today. They are all interconnected, and we need to look at them together."

7 AFFORDABLE AND CLEAN ENERGY

Scaling-up the solutions for the Ecological Transition to Net Zero

The energy sector is a crucial locus of change for the ecological transition to Net-Zero. Many solutions have already been identified, now is the time to scale them up. BNP Paribas' Solar Impulse Venture fund aims at accelerating and scaling up existing solutions by investing in high potential startups committed to the ecological transition. They closely collaborate with the Solar Impulse Foundation, which helps them identify pipeline and evaluate the impact

From miniature batteries to the digitalization of the grid, this session provided concrete examples of companies that have demonstrated their solutions are competitive against incumbent energy technologies.

- BeFC produces miniature batteries that do not depend on lithium and instead use a paper & enzymes-based solution. With more than 15 billion batteries used annually, this technology circumvents immense amounts of waste.

- Avoiding the landfill is sometimes not enough. WAGA ENERGY aims to transform waste into a resource. Methane gas is one of the largest contributors to global emissions and landfills are a key source. WAGABOX captures landfill methane and makes it usable fuel as an alternative to fossil fuel, all the while diminishing dependency on imports by producing locally.

- Depsys approaches the energy transition from the consumption side. The current grid network is getting old and is increasingly exposed to instabilities that jeopardize reliable electrification. With their digital solution – GRIDEYE – they provide a way to reinforce the grid network by helping utilities to better grasp what is happening across the grid in real-time.

- AELER endeavors to disrupt the containers market. More than 80% of goods transit through containers. Thus, even small changes can lead to substantial impacts. The metallic containers of the 20th century are primed for disruption by a lighter, smarter solution. By replacing metal with composite materials, AELER's containers are better insulated, lighter, and use less energy when cooling or moving them. They also utilize IoT and tracking technologies, enabling companies to monitor operations more closely and reduce inefficiencies.

8 DECENT WORK AND ECONOMIC GROWTH

Leveraging the financial sector to achieve Decent Work for all

International Labour Organization

- Securing enough resources to address decent work challenges remains an immense task for reaching SDG 8. The concept of decent work is multifaceted and includes but is not limited to health and safety, diversity and inclusion, training, workers' voice, management of temporary workers, and the abolition of forced and child labour.

- The financial sector has a significant influence on their investees and can use it for good. Within the diverse financial sector ecosystem, it is paramount that each actor plays their part to positively influence decent work in their activities.

- Decent work dimensions and deficits can vary depending on the country and sector and, therefore, impact measurement on this topic can be challenging. Actors in the financial sector use diverse strategies according to their type of investments, or financial product offerings. Engagement with investees to overcome compliance issues and achieve a positive impact on decent work is a common strategy. Technical Assistance, when available, is another element to support investees in closing decent work gaps.

- Collaboration among different stakeholders in the industry, namely asset managers and asset owners, UN organizations, development cooperation agencies, governments, etc., each from their area of expertise can deliver meaningful development impact. UN organizations as the ILO have an important role to play in setting standards, building capacities of the financial sector, conducting research, disseminating knowledge, and working with policymakers on decent work matters to be followed by the financial sector industry.

10 REDUCED INEQUALITIES

"We cannot get where we want to get through solely a do no harm lens."

- Thun Group Speakers

Beyond Green – Integrating Human Rights in the Sustainable Finance Agenda

This session detailed the role of the Thun Group and the financial sector in translating the objectives of the UN Guiding Principles on Business and Human Rights into practice.

The UNGPs are not written to tell businesses how to behave. They must be translated into banking language and processes. For the past 10 years, the Thun Group has sought to translate the UNGPs for the financial sector, help each other understand the UNGPs, and embed the UNGPs in bank processes.

Human rights impacts are difficult to measure. They are largely more qualitative than climate, and transparency issues in self-reporting disclosures add a layer of challenge. In climate, CO_2 can be measured. Assessments of human rights are less straightforward. Even so, the role of human rights in risk management has developed massively over the past few years. Banks are now using tools that help them decide whether to invest based on environmental or human rights reasons.

There has been increased legal attention to human rights issues in finance and, increasing recourse to court systems. As the human rights in the finance landscape develops, we will see a proliferation of hard law or emboldening of existing law, as evidenced by the UK's modern slavery law and related reporting requirements. Banks must build the capacity to address new social sustainability and UNGP questions. This will also require collaboration and the breaking down of silos between financial institutions and with other sectors.

GENEVA CENTER FOR BUSINESS & HUMAN RIGHTS

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- Banks need to keep working on practical steps to integrate UNGPs into practices, both by working with the Thun Group and by adopting OECD guidance.
- When banks integrate the UNGPs into risk management processes, they need to make sure they prioritize risks to rights holders, not the risks to the bank – although the bank and its clients may also be at risk in such cases.
- Human rights and climate action are not at odds, but go hand in hand – it will be interesting and important to follow how these two priority areas play out in finance.

Avoiding a lost generation: How can investors play a role in creating opportunities for the youth

Covid-19 has had a significant impact on young people worldwide. Youth unemployment has shot up and is now 3 times higher than adult unemployment in OECD countries. The picture is even more worrying in the Global South, where the overwhelming majority of young people reside, this has significant implications for migration and political instability.

A particularly vulnerable age group when it comes to unemployment risks are 15-19 year-olds from low-income families freshly out of upper-secondary education (ie high school). A prolonged unemployment spell at that critical age has long-lasting consequences on personal development and future earning capabilities. This, in turn, translates into real costs for the economy as a whole.

It's not all up to the public sector. Corporates have a role to play when it comes to promoting youth employment and prospects. The main challenge here is that youth iare not a "material issue", like gender, LGBTQ+, or racial equity, as of yet. Corporates are happy to signal their enthusiasm towards the youth mostly through PR campaigns but are slow to actually hire younger employees and promote them up the corporate ladder.

Similarly, investors do not systematically take the youth factor into account when pondering an investment decision, even though it is a component of ESG. A promising segment of the market, whose growth could positively and directly impact young people, is the education and skill building industry. More needs to be done to understand and clarify the channels how businesses and investors can support youth, in particularly in developing countries, this includes the development of better metrics on how companies support youth.

The industry should also consider creating "youth funds" ie thematic investment funds that invest across the value chain in companies that either design products/services specifically for the youth or put on premium on hiring/providing a fulfilling work environment for young people.

HORIZON
INSIGHT & STRATEGY

THINKING AHEAD ON SOCIETAL CHANGE

5

Swiss Banking

Transition financing: the role of private sector financing in climate change mitigation

Finance sector has a key role to play in achieving net zero by 2050

In order for Switzerland to achieve net-zero by 2050, 387.2 billion CHF are required, which is approximately 12.9 billion a year or 2% of the GDP. SBA believes that the Swiss financial center can finance 91% of that sum, which means it has a central role to play in a climate-neutral economy in Switzerland.

"The money at our disposal is not the bank's, the bank isn't the one that decides where the money goes, it's the client. Incentives should be in place to help the client make choices that are right for him/her and for the climate."

- Jörg Gasser, CEO of Swiss Bankers Association

Climate action is an opportunity for Switzerland, not a threat

The government sees sustainability as an opportunity for Switzerland to enhance competitiveness in the economy and in financial markets. Switzerland has created a "Swiss label" to achieve the net-zero 2050 goal. The label is not compulsory and is principle-based, its goal is to set a framework that helps the actors. The Government counts on the private sector to take these guidelines and lead the way.

“Moving out of the problem doesn’t solve it, it simply leaves the problem to be solved by someone else.”

The race to net zero: how to decarbonize investment portfolios

What are the methodologies and approaches to decarbonize an existing portfolio? The key question is answered from a fiduciary investor’s perspective.

The session provided an overview of Lombard Odier’s position on its existing portfolios and methodologies currently in place, it also highlights the TCFD standards, the EU Taxonomy, and the COP26 takeaways.

The risks of decarbonizing a portfolio are multifold and require intensive research into companies, their supply chains, and how they operate. By completely moving away from one company and investing in another, investors neither decarbonize the initial investment nor do we efficiently allocate our capital to a new firm.

LO believes the use of stress testing and Implied Temperature Rise scenarios from the TCFD will become a norm in portfolio managers’ criteria to measure risks and costs of their portfolio on the environment, if not by regulation, then by market-risk perspectives.

The use of stewardship is an innovative tool to influence investee companies to factor climate change into their scenarios. The use of Oxford Martin Principles on stewardship is thus helpful.

17 96

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

Tech for climate – Tech for good

What are the main technological and innovation drivers required to mitigate climate change and create a circular economy?

To answer this question, Julius Bär gathered a unique group of individuals to explore the technological approaches they are taking to climate and technology.

- Julius Bär - Shared two initiatives they are undertaking 1) a Sustainability Circle, which is a network bringing together entrepreneurs, clients, and experts to discuss sustainability and circular economy. The bank also announced forming the Next Generation Research division. One current area of research is waste management. The research highlights the need for investing in high-quality waste management infrastructure in waste importing countries such as India, (formerly) China, and Nigeria, where the incentive to throw waste in the ocean or put them in landfills is low.
- International Telecommunications Union (ITU) - There must be more discussion on the need for holistic tools using more computing-driven projects such as machine learning and artificial intelligence. ITU presented the use of big data and artificial intelligence to predict weather patterns through a probabilistic model. They use machine learning to predict cloud movements using satellite data. This predicts where the hotspots for rainfall, drought, flooding, and climate crisis events (namely physical risk) will be under different time intervals.
- Climeworks - Carbon credits alone will not solve the challenge of reaching net-zero targets. We will also need carbon removal technologies that sequester carbon at a faster rate. There is a debate on whether carbon removal technologies actually help reduce carbon or incentivize the increase of emissions overall. Climeworks believes carbon removal technologies should not be viewed as an incentive to keep producing CO2 but should rather be our last resort.

Climate Finance Across Public and Private Markets – Impact Investment Solutions for Climate Action

BlueOrchard
Impact Investment Managers
In partnership with Schroders

Building on the outcomes of COP26, the session highlighted the need for additional commitments for emerging economies, with investments in climate change adaptation and mitigation being equally important in addressing climate challenges in private and public markets in the medium and long term. The session addressed a range of solutions for public and private markets and tools to address climate change impacts, drawing on the experience of the panel's experts in climate insurance, agricultural technology, and sustainable infrastructure.

Key discussion points included how to scale climate finance products and how asset managers can ensure that products are available to a broad investor base. Panelists explained what is required to make this sustainable and the role technology can play. An important aspect of this discussion was the issue of greenwashing and how investors can ensure that the products they are investing in are not greenwashing solutions, and what data is needed to do this. Another important topic was the role of public and private collaboration, as well as technical assistance and capacity building.

- Further standardization of definitions and tools in the area of impact management and independent verification processes is a key element for scaling up investments in climate finance.
- Closing data gaps is critical to building knowledge and evidence in both the investment side and the impact management side so that investors can make informed decisions.
- Contrary to a common misconception, there are a number of investment opportunities in public and private markets in emerging and frontier markets for climate change adaptation and mitigation.

"We have to decrease emissions by 50% in 2025 to get to net zero by 2050."

- Pedro Guazzo, representative of the joint pension fund staff UN

CLIMATE ENDOWMENT

UNJSPF
United Nations Joint Staff Pension Fund

IIGCC
The Institutional Investors Group on Climate Change

When reality and ambition collide – how to convert SDGs and Paris-agreement targets into concrete rules and guidelines in the pre-investment and post-due diligence

Pension funds need to shift to active investment.

Addressing the large SDG funding gap will require looking beyond strategic philanthropy and impact investing in private markets to listed market instruments such as thematic funds that have the potential to address social and environmental goals

Urgent action is needed now

Some pension funds, such as the UN pension fund, have managed to cut emissions in their investment portfolio by a third, by eliminating polluting industries from their portfolio. Eliminating the next 60% of emissions to achieve the net-zero goal will be far harder. The industry needs to be able to fully measure scope 3 emissions, in a wider range of less-polluting industries, across hundreds of countries. Finally, to compensate for unavoidable emissions, it is necessary to invest in large offset programs, with smaller short-term returns.

Forestry projects are the key to reaching net zero

Forestry projects are crucial due to their potential for carbon absorption, resource and job creation, and being low tech and scalable. The challenges that need to be solved, however, are how to aggregate them in larger projects, and how to mitigate risks, especially in developing nations.

The financial sector's leveraging power towards a just transition

- Climate action is urgent. Inaction will produce a dangerous scenario for the world of work. There is a positive relationship between employment impact and the transition to a green economy. We must decarbonize the economy in a way that is as fair and inclusive as possible to everyone concerned
- The unprecedented scale of this transition calls for an efficient combination of different sources of capital to support climate action and a Just Transition to resilient economies. Financial service providers can have a major impact both on the environmental and societal outcomes through the activities that they chose to facilitate.
- It is crucial to make sure that both public and private capital contributes to meeting environmental targets while opening up opportunities for an inclusive and fair transition to a resilient economy.
- There are several areas, where financial sector actors can contribute to both environmental effort as well as to promoting positive socio-economic outcomes of the transition to a low-carbon economy. The ways of support differ depending on the type of the financial institution, its main activities and geographical exposure, the targeted impact areas, and the available toolkits.
- First efforts are being made to address the informational inefficiencies which support capital allocation to projects and activities aligned with the imperatives of a Just Transition. Knowledge-sharing and collaboration between financial sector actors of different types and together with policy-makers, relevant international organizations, NGOs, and academia would help amplify coherent efforts and the expected results.

International Labour Organization

UN environment programme finance initiative

14 LIFE BELOW WATER

BARCLAYS | Private Bank

The Big Blue Opportunity

The time has come to find financial solutions to the issues related to the ocean economy. There is an increasing need for new innovative development around solutions that bring private capital into the blue economy, allocate capital efficiently, and accelerate the process of saving our oceans.

Raising awareness is key

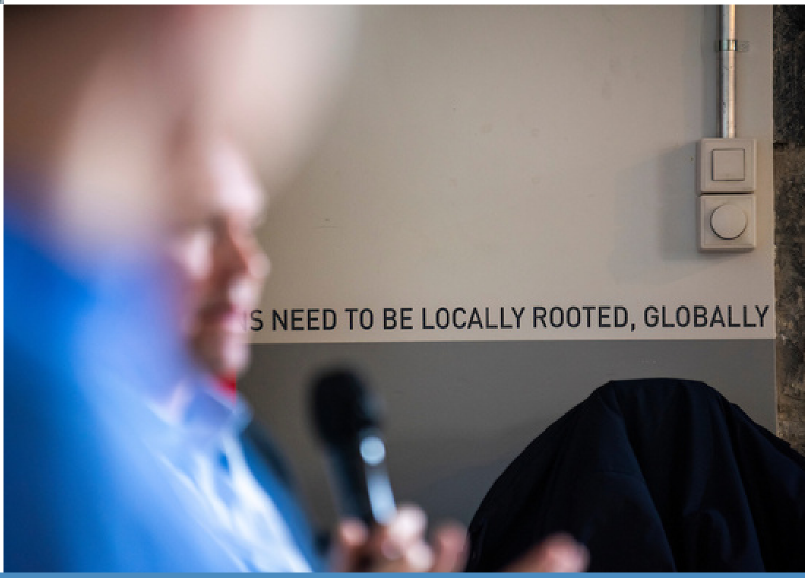
It is of critical importance that we broaden the conversation around oceans to show how essential they are to the human population. To do so, we need to join communities and networks, connect with other market actors involved in the blue economy. Raising awareness on this issue will ultimately encourage and attract new investors to invest sustainably in the blue economy.

"Water is the one thing that the brain, the heart, and the earth have in common"

- Derek Queisser, Founder and Director of Stockalper

We need to demystify ocean protection

Oceans constitute a complex domain that many of us don't fully comprehend. However, one thing most people do know is that the ocean's health is vital for human survival and that more action needs to be taken to protect our oceans. This requires us to educate ourselves on how we can help by using our time, energy, and capital to make a sustainable impact on oceans.



FinTech for Asia's Blue Economy

The BlueImpact digital platform is sponsored by the Asian Development Bank, UNDP, and UNEP. The goal of this tool is to finance SMEs in the blue economy of developing nations with an investor matchmaking process and catalytic finance from the Asian Development Bank.

Why is this platform necessary?

- Digital platforms help develop investment readiness for SMEs
- Impact investment funds need access to direct deals that are screened for impact metrics and bankability
- Catalytic funding is needed to de-risk the investment proposition on emerging market deals for private investors

15 LIFE ON LAND

The biodiversity challenge – Crisis management or investment opportunity?

Union Bancaire Privée

Transparency is key

Impact measurement, although still imperfect, is crucial. It enables the creation of a generally accepted point of reference which, in turn, facilitates the creation of instruments that crystalize the value of natural capital. This allows for the transfer of financial capital into natural capital.

Holistic integration of values

Nature positive projects should not only be evaluated on their CO_2 or financial returns but rather on a larger set of criteria that integrates other relevant values such as nature or social issues. To reach that, a multi-stakeholder approach is required.

Nature-based solutions

Nature-based solutions might be our best chance to minimize climate change. Not only does the environment sequester CO_2, but it also protects human habitats on various levels. Furthermore, combining nature-based solutions with man-made ones will enable us to transform these assets into sources of solutions, rather than problems.

Small is beautiful

When it comes to nature-based solutions that aim to restore biodiversity, the local community is a key factor of success. Without their participation, projects are bound to fail. Hence, when developing an innovative solution, it is important not only to focus on the E but also the S of ESG. "Biodiversity is local!", emphasizes how we should tackle the biodiversity challenge through a bottom-up approach.

Aligning financial flows with Biodiversity (SDG 14 & 15)

A huge convergence between climate finance and nature finance exists. Nature-positive finance is of paramount importance. There is a global expectation for a nature positive framework.

UNEP FI explained ways to align financial portfolios and flows with biodiversity goals. She presented ENCORE, which is a tool and a knowledge base for the financial sector. This tool allows companies to measure for example their impacts on nature.

SwissRe explained how insurance can contribute or contravene the development of biodiversity-friendly investments. Insurance provides risk information and can act as a catalyst. It can use exclusionary (umbrella policy: ex: no companies that violate environmental law) and inclusionary policies to influence financial flows.

WWF Switzerland presented the risks of biodiversity for the financial sector. Indeed, more than 50% of total global GDP is estimated to be moderately or highly dependent on nature. Financial risks related to biodiversity are physical, transitional, litigation, and systemic. They need to be addressed, assessed, and managed, and their impact monitored. Financial institutions, central banks, and financial supervisors have a key role to play in addressing biodiversity loss. They can mitigate risks ex-ante (before they occur). There is an urgent need to act. Central banks and financial supervisors must act now and follow a precautionary approach. WWF has developed two tools in this sense: the first is the WWF Biodiversity Risk Method, a project aimed at understanding the risks and developing a methodology to address them. The second is the Sustainable Financial Regulations and Central Bank Activities ('SUSREG') Tracker, an interactive online tool to assess how financial institutions integrate climate and broader environmental and social considerations in their practices.

Lombard Odier presented the importance of natural capital and the role of investments for its support. Economic risks related to the collapse of nature create investment opportunities. Capital investment has a major role in creating the new ecosystem. Sustainable investment requires a transition from a WILD (wasteful, idle, lopsided, dirty) to a CLIC (circular, light, social and inclusive economy, clean in terms of externalities created) economic monitoring. Sustainable growth must avoid a growing and negative footprint on our environment and society.

- TIME - The real challenge is time. While data development is needed to acquire optimal solutions, there is no reason to wait. We must act as quickly as possible to save biodiversity.
- BALANCE - There is a need to find the optimal balance point between regulation and innovation. There is currently not enough dialogue between different sectors of society to find the optimal balance between the two.
- POLICY - There is a need to examine what is holding back progress in terms of biodiversity conservation and address it at the policy level. Policies must translate civil society demands into incentives.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

5

Creating a market for investing in peace: the next big challenge for the international ecosystem

Fragile states have incredible growth rates but lack investment and this is a market failure. There is a strong demand for economic and financial support for reintegration, and this gap needs to be bridged by businesses and investors. However, investing in these markets entails significant risk and turbulence, which is unattractive to many investors.

There are two key solutions that can help to manage this risk and ensure returns for investors in these growing markets – investment in peacebuilding processes that engage communities to enhance stability, and public-private collaboration for de-risking and attracting capital.

In planning for a peace process and successful peacebuilding, it is necessary to establish links with the private sector.

Sustainable Finance Geneva

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PEACE DIVIDEND INITIATIVE

Interpeace
INTERNATIONAL ORGANIZATION FOR PEACEBUILDING

There is a mismatch between the ever-increasing demand for resources to build peace and the lack of resources from public authorities and the financial sector to invest in peace. We must manage these mismatches by focusing on businesses that can have a local impact and create new market dynamics to move a country from aid to trade. Reducing the costs of borrowing is essential to this process.

Examples of Peace Investment

- **Cadmos Peace Fund** - a collaboration with an NGO, this listed equities solution selects companies that are active in fragile contexts based on their contribution to peace in those regions and financial performance.
- **Peace Dividend Initiative** - an intiative that helps businesses identify their role in peace building, enhances measurability, and provides acceleration funds to peace positive businesses.
- **Mirabaud-Interpeace Collaboration** - a long term collaboration where profits of certain Mirabaud products have gone to Interpeace, which plans to evolve to include innovative finance instruments like Peace Bonds.
- **UN Peacebuilding Fund** - while this is a grant-based instrument, this fund is now using its capital in blended finance instruments.

> "Standardization and simplicity will be the huge drivers of scale."
>
> *- Siddhartha Sinha, UNHCR*

Financial Innovation for Humanitarian Causes

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Investment Solutions For People and Planet

There are business opportunities in fragile contexts

The need for finance in fragile contexts is not for humanitarian assistance per se but rather for building livelihoods, economies, and businesses in fragile settings. Investors need to perceive their investments from the latter perspective.

Targeted interventions are most effective

The most effective way to deliver both humanitarian action and financial returns while managing risk is through directly targeted instruments such as the Humanitarian Impact Bond of the ICRC. The goal needs to focus on a single dimension of intervention and improve the quality of services provided in that dimension but in fragile settings.

Blended finance approaches have huge promise in fragile states

The private sector perceives high political risk and regulatory risk in fragile states; blended finance can address this. Thus, a key solution is partnering with institutions that can de-risk investments. This is a space that more international organizations are moving into, including the UNHCR and ICRC.

Impact Investing

How to embark on an impact investing journey

Impact Investing consists of investments made with the intention of generating measurable, positive social and environmental impact alongside a financial return.

Impact Investing can be made both in developed and developing markets, through all asset classes. The financial return can vary depending on the impact goals, but it's not philanthropy. It has four core characteristics:

1. Intentionality to contribute to positive social and environmental impact
2. Use of evidence (measurement) and impact data
3. Management of impact performance
4. Contributes to the growth of the impact investing industry by knowledge sharing and collaboration.

To embark on this journey, you need a mission. Thus, it all starts by determining the desired impact an investor wishes to achieve. The UN SDGs can be a good start, but the impact priorities can be influenced by a range of different factors such as leadership, beliefs and values, or the regulatory environment.

After defining goals, investors need to explore how to use capital to achieve impact targets by setting an investment strategy, and by narrowing it down to sub-targets. The real challenge lies in measuring what output(s) investments create. Evidence and KPIs (key performance indicators) are crucial to this process.

Since impact measurement and management is crucial yet challenging, investors can find help in IRIS+, which is a framework of impact metrics proposing metrics for a broad range of topics. However, the reality in the industry is that many investors are creating their own metrics.

There are still misconceptions about impact investing, with the idea that financial performance must be sacrificed. Overall, evidence suggests that investors get market returns.

For private investors, impact investing consists of 6 steps:

1. Define values and impact goals?
2. Explore impact investing and connect to the community.
3. Determine any geographic or thematic focus area
4. Decide to be hands-on or involve an advisor.
5. Analyze existing portfolios or investigate new investment

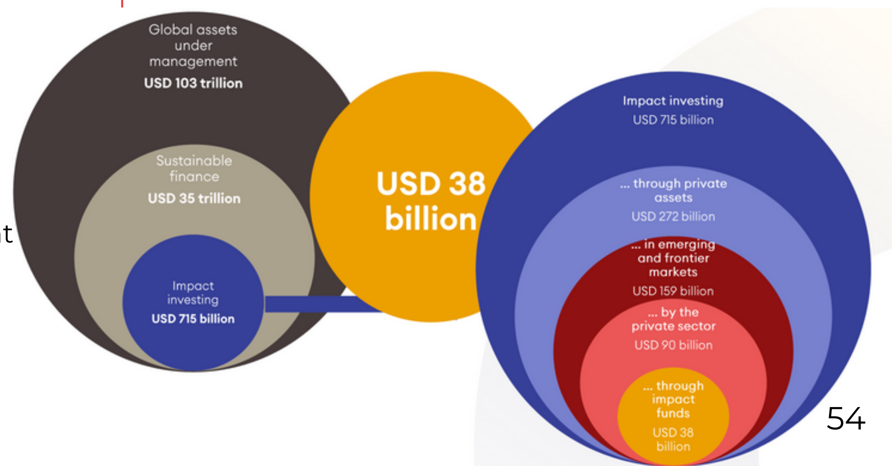
"The market is growing and needs to be transparent as well as progressive."

- Tameo Speakers

Data and Benchmarks on Private Asset Impact Funds

Tameo's recently released Private Asset Impact Fund Report 2021 was presented to show the latest trends and data on impact, with a developing and emerging markets lens. The report is a compilation of 175 impact fund surveys (fixed income: 101; private equity: 40; rest: 34). The main investors in these funds are institutional (55%). The impact analysis is segmented to get a better overview of the reach and development of these funds. Key findings were as follows:

- Market size of nearly USD 40 billion. Tameo identified 506 funds run by 259 fund managers.
- In 2020, growth was flat; forecasts show a double-digit rebound for 2021. Growth in 2020 was low, but still positive in terms of total assets, at 1.5%; but expectations are much higher for 2021 (12.3%), and this across all impact sectors and asset strategies.
- Assets are mostly managed out of Switzerland, with 35% Swiss-based investment managers representing 35% of the assets under management (AUM), followed by the Netherlands (17%) and Germany (15%). In microfinance, the 10 largest investment managers account for 75% of the total assets of surveyed microfinance funds.
- Private debt continues to top all instruments, led by the high number of fixed income funds. Private debt is the most used financial instrument, with USD 19.2 billion outstanding (91% senior debt; 9% subordinated debt). Private equity stands at USD 3.8 billion (85% common equity; 15% preferred equity), with higher exposures outstanding per investee (USD 4.4 million) compared to private debt (USD 2.7 million).



Pipeline Building: Linking Investors and National SDG Themes

It is crucial that mainstream capital be redirected to the Sustainable Development Goals (SDGs), aid will not be enough to achieve the 2030 Agenda. A key challenge for impact investment is a lack of information: investors overestimate the risk of SDG investments, investees lack the lingo and know-how to sell their investment opportunities.

To bridge the SDG financing gap we need leadership by key finance actors who will change attitudes towards impact investment. In addition, impact tracking and regulation are essential to fight SDG washing and inform policy-making and investment strategies.

Governments play a key role in bridging the financing gap and enabling the SDGs by embedding the SDGs throughout their policy-making, raising awareness, and finding appropriate applications for lowering risks through blended finance. Yofi Grant reflected on this, "the average SME person in Ghana doesn't think of the SDGs. So, it's the government's role to educate people and make it happen."

Pipeline builders can serve as intermediaries to close the gap by tackling the lack of information on both sides and categorizing investment opportunities in terms of impact, risk, and return. They can take the development plans and priorities of governments and translate them to investment roadmaps and fill those roadmaps with bankable companies and projects.

SDG LAB

Mobilizing Private Finance for Underserved Sectors

There is a USD $2.5 trillion annual SDG investment gap, and COVID has spurred a 70% increase in SDG funding needs. This makes it imperative to find new and innovative financing models. Moreover, these models need to encourage investors to get involved in challenging contexts. While funds and blended finance options exist to facilitate this, the scarcity of actors involved in these markets creates greater risk.

There is no longer a defensible dichotomy between making money and doing good. Impact investing creates good returns and is good for society.

Impact investors help increase the visibility and attractiveness of investment opportunities. But there are still many mechanisms that need to be developed before scale can be reached. There is a need to strike a balance between economic incentives and regulatory frameworks.

Panelists argued that standards, regulations, and reporting requirements in this space put a greater burden on those doing good, creating new costs. It was suggested that this should be flipped, with regulators checking the net negative harm of investors that are not promoting good.

BLENDED FINANCE

They also asserted that aid to the Global South doesn't create entrepreneurs – and in extremes, can actually destroy markets. Peace and prosperity come from investing in people and businesses. In this sense, investment creates impacts that are more sustainable than venture philanthropy or aid money. However, all of these sources can be complementary when properly applied.

There is a need for philanthropic, public, and private capital to finance smaller solutions that aren't new tech and flashy, and may take a generation to produce results, but have worked for decades – such as agroforestry.

Finally, just as in mainstream finance, portfolio approaches are needed when it comes to impact. The "winners" that impact investors identify and invest in can make a significant, scalable impact, both on the SDGs and financially. In a fund – particularly a blended finance fund – these winners handily offset losses from investments in social enterprises that fail to generate a return.

Examples from the panel

Bamboo Capital launched the SDG500, an impact investing platform that highlights investment opportunities for the SDGs. The platform raises private equity and debt for SMEs in rural African and South American markets, drawing investment to cases where local banks will not lend. SDG500 uses blended finance to aggregate opportunities that otherwise would've been too small for institutional investors.

South Pole's Landscape Resilience Fund (LRF) fills the "missing middle", providing financial support to restore agrarian landscapes. The Fund is supported by Chanel, which hopes to help finance a 1.5-degree world. Beyond the capital it provides, the LRF offers bookkeeping, technical assistance, and risk management support to investees.

Unlocking the SME financing paradox: A $200Bn opportunity to accelerate sustainability with low default rates and good returns

The Challenge

Challenges in financing conditions and unviable financing conditions are holding back MSMEs recovery and sustainable growth along supply chains.

The main reasons why good entrepreneurs don't get cash include:

- Regulations on collateral
- Enterprises cannot assemble documents required
- Enterprises do not understand the financing facilities
- High administrative costs and low returns

Potential Solutions

Coordinated actions could close the gap and improve upstream supply chain environmental impact, social inclusion, and governance. The actions needed in four key areas include:

1. Guarantees offered by development finance institutions, donors, and funds
2. Business development support by service providers
3. Coordination, data, and tools by impartial development entities
4. The provision of loans by traditional banks, financing providers.

Scaling private investments for impact: success factors of public-private collaboration

Swiss Sustainable Finance

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs, Education and Research EAER
State Secretariat for Economic Affairs SECO

Confronted with the COVID pandemic, a return to the SDGs is urgently needed, especially considering the environmental, social, and economic impacts generated by the crisis. Sustainable and inclusive finance are presented as vehicles for the achievement of SDGs in emerging markets, calling not only for lateral but also for multilateral cooperation. Indeed, emerging companies, local expertise, and capacity building for sustainable development, particularly in countries in transition, are of great interest to new private equity management.

Switzerland is a leader in private impact investment (USD 750B) characterized by a diverse, dynamic, and complex financial ecosystem with strong interactions between the public and private sectors. Nevertheless, many institutional investors still feel insecure because of the limited product universe, little or no impact certification, liquidity, and the misconceptions of impact vs. financial returns in the market. It is fundamental to leverage the Swiss experience to increase financing for SDGs and impact finance. This requires sustaining investments, establishing criteria and standards for labeling impact investments, and developing public-private partnerships based on a broad consultation that takes into account the diverse interests of the Swiss financial ecosystem.

All of this requires more innovative models and a long-term vision. Blended finance (using public or philanthropic capital to mobilize private investors) is one tool with potential, as it encourages co-creation between funders and investors, and makes the case for collective impact, transparency, strong governance, and shared vision.

“Business as usual is no longer possible”

Some examples of initiatives that exemplify new models and unique approaches are:

- Bamboo invests in companies that serve unreached or underserved low-to-middle-income populations in developing countries.
- Social Alpha is a fund focused on capital preservation debt instruments offering resilient returns to emerging markets and impact ventures with a positive investment track record.
- CPGE 's impact investing program (IIP) is designed by institutional investors for institutional investors. It is a collective effort that seeks to control/reduce the C02 generated by the portfolios while committing to environmental and social imperatives.
- SDG Impact Finance Initiative (SIFI) is a public sector commitment, that seeks to select the best competing projects at the international level. This initiative aims to mobilize private capital while showing measurable impact in developing countries through the SDGs.

Despite all these promising developments, there are barriers that persist as well. These include the difficulty for institutional capital to take higher risks, a lack of knowledge of the local investment environments, and poor risk perception. Thus, a shared language, education, and co-creation are key. Political will is also a determining factor for public-private partnerships.

Finally, impact investments must always be rooted in the realities of the markets in which they operate. This requires continuous monitoring of local needs and iteration and adjustment to continue achieving both financial returns and impact.

Swiss Impact Investing: Going from 1% to 10% of Swiss Assets by 2030

alphamundi

Investment Solutions For People and Planet

The need for Impact Investing National Advisory Boards: examples from the Global Steering Group (GSG)

The creation of National Advisory Boards (NABs) for impact investments aims to promote the inclusion of impact in all decisions, to change the paradigm to return, risk and impact. It all started with the G7 and Sir Ronald Cohen in 2013. NABs gather all ecosystem players, from the demand side to the supply side, to the intermediaries, to other external stakeholders. These boards educate on impact investment, implement impact recommendations, advise governments on policy to incentivize the scaling up of impact investing, for instance, tax incentives for financial products with impact.

In Britain, the NAB managed to create a wholesale impact fund (Big Society Capital) financed by dormant assets in UK banks. Their role is to promote and facilitate the development of impact investment in the countries in which they operate.

In France, the domestic NAB managed to launch the now famous social impact bonds. The involvement and support of the government have been key, allowing engagement with the regulators and “champions” within different ministries. NABs can facilitate the mainstreaming of impact investing by developing instruments to scale it up. They also provide a knowledge and learning hub for impact investing.

Impact Investing in Switzerland: a long way to go?

There is a clear distinction between ESG and impact investments, and in Switzerland, more has to be done to promote the latter.

As there is a real need to standardize and harmonize impact investing practices, the impetus to create a NAB in Switzerland is strong.

To reach scale, impact investing needs to find a broader and more diverse range of investors. For the SIIA, there is a discrepancy between all the “talk” and what is happening in practice. Switzerland thus needs more leadership advocating for public incentives and regulation. Swiss market players are generally used to self-regulation, but with the developments at the EU level (SFDR, Taxonomy), public regulation will be put on the table for market access and equivalency. Here, a Swiss National Advisory Board could facilitate the adoption of “appropriate” regulation and also avid “market fragmentation.”

Switzerland can leverage the global footprint of the GSG to find inspiration for the creation of a national ecosystem and its own NAB.

Strengthening bridges between impact ventures and investors

Despite surging interest in impact investing, the market remains fragmented. How feasible would it be for digital ecosystems to help to drive capital into the impact investing space? Is technology enough? Technology will play a key role in the sharing of opportunities with investors through better data and insight. However, it isn't a solution on its own. As much as technology allows us to connect, that personal relationship needed to build trust between parties won't disappear. To connect new financial players and early adopters, community engagement is vital. As a private marketplace for institutions, Impact Agora aims to strengthen the bonds between the different financial players to help impactful early-stage companies raise capital - connecting financial institutions offering deal flow with those looking to invest through technology and one-to-one introductions.

Three main ways to bring investors and impact ventures closer:

1) Combatting information asymmetry: Knowing how to create a connection between impact projects, capital and investors is a continuous challenge and requires brokers who can bridge the knowledge and language gaps between the various communities.

2) Building trust: As many financial institutions are new to impact investing, their network of trusted partners is immature. For the sector to thrive, we need to move the needle on matching opportunities with capital, particularly from mainstream financial players.

3) Ensuring high standards: To ensure the quality of deal flow and reduce greenwashing, we cannot think of impact as simply 'doing something good.' It needs to be driven by due diligence, tangible measures, and accurate reporting.

How innovative products can help bridge the gap between demand and supply

The Decade of Action to deliver global goals calls for a dramatic shift in reorienting existing resources towards meeting the Sustainable Development Goals. Achieving these audacious goals requires the creation of innovative instruments that are able to bridge the financing gap. One of the most efficient intermediaries is market access platforms that connect socially oriented development projects with previously untapped sources of capital.

The path of innovation taken by Symbiotics is in their funding structure, investment vehicles in emerging markets, and in helping to channel concrete investments to financial institutions operating in emerging markets.

Symbiotics's unique investment approach enabled them to provide stable financing in times of crises such as COVID-19, reflected by staying in, while foreign capital was pulling out of emerging and frontier markets. This market resilience is integral to the value proposition of innovative and dedicated solutions offered by market access platforms similar to them.

"Catalytic capital is the bridge that helps to unlock other investments."

Mobilizing philanthropic capital in impact investing

iGRAVITY

Roots of Impact

IMPACT-LINKED FINANCE FUND

iGravity, Roots of Impact, the ILFF, and the GIIN gathered with the aim to inspire philanthropic organizations to think about different ways of putting catalytic capital to work for impact.

In recent years, new approaches to deploying philanthropic capital have emerged alongside more traditional philanthropic organizations. Mission-focused entities have moved from traditional grant-giving to more innovative approaches to create impact. Foundations have started to adopt social investing or impact investing as a new way to deploy funds while still putting impact at the core of all interventions. Impact investing enables philanthropic entities to fund innovation or support early-stage impact ventures driving long-term sustainable solutions.

Through its catalytic nature, philanthropic capital is able to unlock other investments and create a ripple effect. Catalytic capital is patient, risk-tolerant, and flexible. It is capable to absorb the first layer of risk while mobilizing more traditional commercial capital to create lasting social or environmental impact. Philanthropic impact investing thereby enables additional private capital to flow into innovative solutions that otherwise would not have happened.

To solve the big social and environmental challenges facing the world today, organizations across different sectors - non-profit, government, philanthropic, and business - need to collaborate. Impact investing is still in the piloting phase and actors can learn from the growing base of evidence. Philanthropic capital not only helps to de-risk but also encourages testing and learning while also strengthening partnerships and creating supportive ecosystems. The USA is clearly leading over Europe and Switzerland in both the amounts of capital already deployed; the adaptation of respective legal frameworks enabling such activities for foundations; as well as the existing platforms for sharing experience.

How to mainstream impact investment:

Many questions started to come up after COP26: How can we drive the private sector to deliver what governments cannot? Should we rethink the mainstream investment strategies? What is the missing lego piece needed to accelerate impact investment?

Greenwashing especially in impact investing is remains a challenge within different mainstream players of the financial sector. While ESG ratings and selection in listed equity assets is a step it is no replacement for driving capital to truly impactful enterprises/projects where the funds are needed. Financing impact remains a core, unresolved problem in our economy.

2021 was a tipping point due to COVID-19, demographic and technological changes. This convergence of issues will reshape the world in the next decade. We have 8 years left (to 2030) to ensure that the planet becomes more sustainable. Technology, New Climate Economy, and Impact Investment are at the core of this shift - harnessing new business models to provide sustainable solutions to the challenges of our time by aligning money with our beliefs.

The sector needs more responsibility and long-term thinking. One example presented was the Liechtenstein Family Principle, which has for 40 yrs been thinking of all its stakeholders in the long-term including a circular economy, as opposed to short-term thinking and bonus-focus.

SWISS IMPACT INVESTMENT ASSOCIATION

CAMOMILE IMPACT COMMUNITY

SDG Finance Geneva Summit

Only 6% of private sector-raised funds by blended finance and impact investments are directed to the least developed countries. The Global North is investing in the Global North. It is time to start believing in investing in the Global South, as this is the only path towards achieving the 2030 Agenda and a sustainable future.

Only by supporting the development of an impact economy and impact ecosystems at the local level will we be able to ensure the impact is embedded as a deliberate driver for both investment and policy decisions. This implies the involvement of national public actors with the demand and supply side of the investments.

UNDP works with partners within the UN and beyond, to support countries' efforts and develop capacities for SDG financing. In this regard, Colombia represents a successful case of the application of UNDP tools in close cooperation with the local government and the finance sector ecosystem, bringing forward a promising example of public-private cooperation for replication in other countries.

"Sustainable business is also good business financially, but we need to build more SDG-aligned pipelines."

UNDP

SDG FINANCE GENEVA SUMMIT 2021

Financing sustainable initiatives and social enterprises: innovative means

UNIVERSITÉ DE GENÈVE
CENTRE EN PHILANTHROPIE

Central to the challenge of meeting the SDG goals by 2030 is meeting the financial needs of social enterprises, entrepreneurs, and NGOs. The traditional ecosystem of funding welfare-maximizing projects has long relied on financing from public institutions. However, sole resilience on government budgets has not only proven to be inefficient and inhibiting innovation but it isn't a sustainable funding source to achieve 2030 targets.

Social Impact Bonds

There are multiple illustrative examples that can be used to explain the structure and challenges for the development of SIBs. For instance, in 2010, the United Kingdom government issued the first-ever SIB, a subset of a pay-for-performance structure of financing. Here, the SIB issuer, the social enterprise/NGO worked with male offenders and pledged to reduce their rates of recidivism. In a traditional funding mechanism, these NGOs would have to reach out to a public institution for funding. However, SIBs allow outcome-oriented development projects to be funded by third-party private investors with an agreement of post-facto payment (with interest) by outcome funders (generally, public institutions). This unique financial instrument shifts the ex-ante financial risk in the delivery of social services to private players, with gains to be made if the project is deemed successful i.e if the initial outcomes of the project are achieved.

However, the panel was prudent in weighing the benefits of access to new funds, higher efficiency, and innovation that comes with using the financial markets against the possible challenges. The structure of SIBs lends itself to the financing projects that have clear & measurable outcomes. For instance, ICRC's Humanitarian Impact Bond, although radical and innovative funding for humanitarian action, faces the difficulty of deriving targets and benchmarks that capture credible outcomes in post-conflict zones.

Tax Incentives

Discussion by the panelists contextualized the need for innovative tax incentives to be put in place in order to make social impact bonds mainstream in investor portfolios. Reforms range from eliminating the Swiss "withholding tax" to tax deductions such as the Dutch Green Funds Scheme. In 1995, the Dutch government introduced this radical tax instrument encouraging private investment to be rerouted to green projects through low-cost loans by offering compensatory tax deductions. These tax incentives are an efficient way to reroute capital while clarifying sustainability definitions and benchmarks to avoid greenwashing. These illustrate that innovation isn't limited to the actions of social entrepreneurs and private actors.

Lastly, one must also consider the role regulation can play in gathering information on asset owner preferences and its incorporation by institutional investors towards a sustainable economy. As the corporate finance literature documents, a convergence in the risk/reward in ESG and non-ESG funds, the EU's dramatic financial policy shift is the writing on the wall that will enforce as part of the fiduciary responsibility a conversation about ESG risks, sustainability definitions, and non-financial disclosures.

Seed investments for a sustainable future: Leveraging Switzerland's unique ecosystem

When it comes to creating impact, there are multiple definitions and dimensions. Different investors will focus on different SDGs, ESG factors, or other impact principles.

The Swiss impact investing ecosystem has the potential to have a positive local impact but also on the global scale given its interconnectedness to the world.

The collaboration between different actors and regions in the Swiss impact investing ecosystem needs to be enhanced. There could also be a role for the government to play in pushing forward impact investing in Switzerland. This shouldn't discourage or stop other actors in the ecosystem to take action alongside the government.

Geneva Angel Investor Network

Transparency, Measurement, and Standardization

How to manage sustainability impacts

IMPACT MANAGEMENT PLATFORM

A new tool is available to help manage sustainability impacts

The Impact Management Platform website supports practitioners in managing their sustainability impacts - including the impacts of their investments - by clarifying the actions of impact management and explaining how standards and guidance can be used together to enable a complete impact management practice.

Coherence and covergence

The platform was developed through a collaboration between leading providers of standards and guidance and links to existing tools, standards, and frameworks. It provides coherence and convergence of standards and guidance related to impact measurement, assessment and reporting.

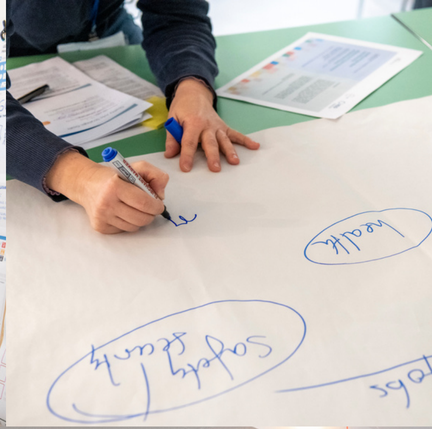
https://impactmanagementplatform.org

Top down - Bottom up

There are 2 approaches that can be applied using this platform:

- Bottom-up: principles-based approach to review business activities by engaging with different stakeholders and prioritizing what is important to them.
- Top-down: using tools based on industry research or research-based on companies with similar size or geography locations.






Data workshops on measuring the social dimension of sustainable finance

The data workshops brought together actors from the finance sector, including asset managers, impact investors, foundations, with actors from the UN, international organizations, and NGOs. The main objective was to facilitate an understanding among the diverse actors on what social sustainability is and how we can go about measuring it.

The discussions of the workshops confirmed that measuring the results of investments with respect to the social dimension is considered challenging by most actors. Existing measurement frameworks and indicators appear to be inadequate and, while applicable in some contexts, they are not universal. Aggregated data on social impact leave individuals and groups behind and many social issues face difficulties in terms of definitions and standardization.

However, it was also pointed out that part of addressing this challenge is recognizing and learning to make use of the data already available to us. As Patricia Richter from the ILO's Social Finance team said, "We don't need to reinvent the wheel. There is a whole catalogue of data available. Let's avoid spending resources on reinventing the wheel." There was also a call to recognize qualitative data as "hard" data and use alternative data sources such as self-reported and voluntary data.

Many common points were raised across the thematic workshop groups. These were:

- The importance of using disaggregated data to leave no-one behind,
- Taking into account local contexts by using contextual data,
- Recognizing the value of qualitative data
- Collaborating with sectors that have already developed systems for collecting and using data for the social dimension

EU Taxonomy and new reporting requirements for companies and financial markets participants

The EU Taxonomy is the first common measurement approach for sustainability in finance. The premise of creating a taxonomy is to ensure that everyone is using the same definitions, and environmental and financial metrics, which, in turn, provides a common framework allowing for "apples for apples" comparison

It has opened the eyes of the world to the reality of operationalizing the transition to a sustainable economic model.

Three building blocks of the EU Taxonomy have been set out by the Commission since 2018:

1. Common dictionary for sustainable financial activity within the EU;
2. A set of disclosure rules, some of which have started to come into force this year
3. Standard benchmarks.

The Strategy for Financing the Transition to a Sustainable Economy is made up of 25 actions requiring 2-5 years of implementation depending on the type of action. The taxonomy remains at the core of facilitating transition finance. The second pillar of this strategy is about facilitating access for SMEs and retail investors access to sustainable financing. The third pillar aims to integrate double materiality into the financial sector to enhance economic and financial resilience to sustainability risks. Lastly, the fourth pillar of the strategy aims to raise global ambition.

There is a need for enhanced global collaboration. Through the international platform for sustainable finance, the EU is collaborating with other jurisdictions, which allows for comparing different taxonomies and approaches. The platform involves 50 experts from different backgrounds to have a vibrant environment for discussions.

The Swiss Approach

The Swiss approach has been heavily focused on transparency. Transparency allows for seeing how far we are from a specific goal (net zero, for example). Thus, it should be extended to the client portfolios and financial products. One may think of it is a "triangle approach":

1. Net-zero pledge
2. Transparency
3. Alignment method

Although Switzerland has taken a slightly different approach from the European Union to achieve the same goal, it was noted that Switzerland recognizes the EU's work.

"Just because social sustainability is hard doesn't mean we shouldn't engage with it: measure it, discuss it, pour resources into it."

Social taxonomies: The next frontier in classifying sustainable economic activities

IISD
International Institute for Sustainable Development

The need for frameworks

Social finance is a growing field. Since 2015, there has been a 20% increase in social bond issuances. IISD stressed the need for the development of social taxonomies as a way to help investors identify social investment opportunities, as well as strengthen the credibility of sustainable investments.

Taxomania

It remains to be seen how the EU and other jurisdictions will define what is socially harmful, versus what is socially good – these are strong stances to take, with the potential for difficult choices and trade-offs. In addition, investors are grappling with social "taxomania", sometimes even within one country (e.g. Malaysia has several frameworks). However, over time, we expect to see consolidation.

Insuffcient reporting

Currently, regulations and statistics often don't account for how well a company reports on social impact. They simply check whether it has been done or not. When in fact, there are various levels of reporting quality with important social sustainability consequences.

"High-quality impact measurement is a necessary condition for investors to fill the multi-trillion dollar gap required for achieving sustainable development. Rigorous impact measurement can contribute in cost-effective ways to testing causal relations within the SDG framework."

- Jean-Louis Arcand, IHEID

The Imperative of Measuring Impact: Optimizing Impact Measurement Approach and Regulation – Challenges and Way Forward

THE GRADUATE INSTITUTE GENEVA

INSTITUT DE HAUTES ÉTUDES INTERNATIONALES ET DU DÉVELOPPEMENT

GRADUATE INSTITUTE OF INTERNATIONAL AND DEVELOPMENT STUDIES

Impact Investing relies on the explicit intention to generate positive environmental or social impact. However, does this potential reinvention of capitalism, also known as the “Impact Revolution”, hold the promise of delivering Sustainable Development Goals? Rigorously measuring the environmental and social impact of public and private sector investments and activities is key to the answer.

When it comes to impact measurement and regulation, Professor Arcand stressed the importance of a legal framework for impact measurement in the area of financial fund management to avoid the risk that economic interests outweigh impact interests in ESG/impact investments. However, increasing regulation in the context of low impact measurement harmonization does not seem to facilitate impact measurement at the asset manager level.

In terms of impact measurement within the equities asset class, Antoine Mach, a managing partner at Covalence, proposed a taxonomy distinguishing ESG standards from sustainable business models as well as a mapping of business sectors and products with SDGs. Covalence's approach to ESG ratings is based on public company corporate disclosures and news sentiment. Moving to private equity, Andrea Monti, Program Director at Hatch CoLab, focused on impact entrepreneurship and the opportunities it offers to impact investors. He highlighted the impact measurement challenges faced by impact startups including access to patient capital. Christian Kingombe, managing partner at 4IP Group), presented the Zambia Impact Investing Market Size Survey with a focus on Venture Capital. This country-level case study found heterogeneous impact measurement approaches and highlighted the role lack of impact measurement harmonization can play.

Impact: Beyond Reporting

DPAM
DEGROOF PETERCAM ASSET MANAGEMENT

SDGs are used as a framework to show the impact of portfolios, however, questions remain about real impact. An SDGs impact report should not show the impact achieved by chance. The earlier impact is integrated into the research process, the better the intentionality can be integrated into the analysis. The use of proprietary scorecards and qualitative analysis is at the basis of DPAM's engagement and can make a difference from the inside of a company. This helps to ensure that impact is not cosmetic, but an approach to change the core business of the company.

Reporting is about verification of the impact and indeed not the opposite. Important issues to consider are:

- Choice of a complete methodology: positive and negative contribution
- Focus on products and services (and not the behavior of the company)
- Information signals
- Work on the Principal Adverse Sustainability Impacts (PASI), including engagement

- Intentionality: The ESG impact should not be the result of serendipity. Seeking impact should be integrated into the entire portfolio construction research process, from upstream in research and investment ideas generation to downstream with engagement
- Impact washing? The whole ESG profile of the issuer should be integrated into the analysis with clear limits of eligibility. The Do Not Substantially Harm (DNSH) principle is also a guardian of this.
- Impact - Action - Engagement: engagement should trigger changes in the in-house workings of the company; to adapt the core business and the business practices.
- Multifaceted: Assessment should be at two levels: behaviour and business practices – for example, controversies, and. products and services

Public Market Strategies - ESG Integration, Engagement

Shedding light on the ESG jungle

AMAS and SSF have published a report with recommendations describing different approaches to sustainable investing and providing clear guidance to asset managers. These recommendations are a response to requests from clients who want to make a difference with their money and avoid greenwashing practices, particularly with regard to the E (environment) of ESG. To date, the integration of ESG factors is often misleading in terms of clients' expectations of the product they are investing in. More transparency and common understanding is required.

The study highlights three objectives for investors:

1. Financial performance objective (improving the risk/return profile generated by investments)
2. Value alignment goal (aligning the investment with the investor's personal values and standards)
3. Positive Change Objective (Contribute to positive change in the economy, society, and environment) & 6 different approaches to sustainability (Exclusion; Best-In-Class; ESG Integration; Thematic Investing; Impact Investing; Stewardship). Each of them is analyzed on 3 levels (Explanation of the degree of contribution to the 3 investor objectives // Specification of disclosure requirements for each approach// Minimum implementation requirements for each strategy).

Note: the approaches can be combined and are not mutually exclusive.

This framework provides a common language on different approaches to sustainability to avoid misunderstandings about sustainable investing. It also allows for better screening, reducing exposure to greenwashing. Greenwashing is a deceptive or misleading practice, inappropriate use of sustainability-related terms (at the entity or product level, due to lack of information or misrepresentation). The current recommendations are not yet binding, but Finma refers to them as an important framework. The AMAS/SSF recommendations are useful to clearly communicate the sustainability approach and strategy, complementing the current regulatory framework. Swiss regulators have asked the industry to self-regulate, so these recommendations are an important first step that could become binding in the medium term. This framework allows for combination, provides guidance and offers flexibility.

How to create and measure impact in liquid portfolios?

Impact is not accessible to all investors

The majority of impact investment assets are non-listed, which makes it difficult for a broad range of investors to access them. Listed equities are available to the largest array of investors.

It is challenging to understand the impact of listed stocks

Three major challenges were identified:

- Data - type, availability, and continuity, verifying its accuracy, and measuring its cost
- Business complexity - listed companies with multiple business lines
- Integrating all externalities and measuring indirect impact

Asteria shared their approach for selecting listed equities, which is based on three types of research: impact, ESG, and financial.

The first screen is liquidity filtering, which narrows 3000 stocks down to 250.

The impact research framework focuses on business activities and has three aspects:

1. Target/intention, for example, decarbonization, reducing pollution, saving water, and saving energy)
2. Impact top-down, which splits the global economy into 400 activities, including positive contributors, and excluding the negative ones
3. Impact bottom-up, which assigns impact scores for exposure to positive, neutral, and negative activities, based on company revenues

The ESG research framework also relies on three pillars:

1. Exclusions - excluding coal, weapons, and tobacco activities, UN Global Compact violators and ESG controversies, and companies blacklisted by the International and Swiss pension funds and recognized sustainability organizations
2. Scoring based on environmental, social, and governance indicators
3. Engagement

Asteria's portfolio construction seeks to maximize impact score, maximize expected return, and minimize ex-ante tracking.

Asteria Investment Managers

REYL innovative banking

“Although sustainability is regarded as a cost, if sustainability is what secures profitability over time - then its not a cost, it's an investment”

Impact through thematic funds: How can we drive change through engagement and advocacy?

Listed Equities for Impact at Scale

Addressing the large SDG funding gap will require looking beyond strategic philanthropy and impact investing in private markets to listed market instruments such as thematic funds that have the potential to address social and environmental goals

Investor vs. Company Impact

To fully understand the impact potential of sustainable investing, it is important to distinguish between investor impact and company impact. This helps to more clearly define the contribution investors make to ESG through the companies they invest in.

Collaborative Engagement is Key

Engagement and advocacy need to be built on existing relationships, dedicated long-term strategies, and championing successes through the development of effective measures that instill investor confidence and allow for more collaborative engagement.

Trendsetters: Advanced Practices of Transformational Investors

Investors around the globe have to face the growing challenges of systemic trends such as climate change, low and negative real long-term interest rates, technological evolution, demographic shifts, geopolitics, and water security. The investment return and risk implications of these trends will remain significant for decades to come, requiring investors to take action and create opportunities to positively differentiate themselves.

Asset owners can enhance their approach to these risks by self-assessing their progress against a vision, governance, and implementation framework developed in cooperation with leading, advanced investors. Knowledge of more advanced asset owners' investment practices should accelerate organizations' transformations, enabling them to advance more quickly. Traits of advanced asset owners include:

- Diversity of thought: Cognitive diversity that draws on varied experiences and specialized expertise to access insightful perspectives
- Accurate self-assessment: An ability and willingness to draw from internal and external stakeholders to understand and address organizational shortcomings
- Commitment to strategic vision: A shared belief that taking action today on factors that affect the portfolio over the long term will result in enhanced risk-adjusted returns
- Commitment to transparency: Clear communication to stakeholders from the board and senior leadership regarding beliefs, vision, and objectives so that stakeholders align and contribute towards goal fulfillment
- Culture of innovation: Development of new expertise, questioning of existing norms, and exploration of emerging investment themes and processes
- Willingness to collaborate: Commitment to share best practices with peers and stakeholders so that the industry evolves more quickly, positively affecting regulations and policies

The features of each trend create opportunities for new investments and approaches. Asset owners typically prefer engagement to divestment. They use investment strategies such as renewable energy infrastructure, inflation-linked bonds, green property, and digital infrastructure to benefit from opportunities and mitigate potential losses associated with the trends. Awareness of demand for solutions linked to these trends provides insight into potential capital flows and can assist asset managers to commit the resources necessary to launch additional relevant strategies. For example, interest in sustainable agriculture and investment via women- and minority-owned firms is on the rise. In addition, asset managers have an opportunity to share with asset owners how their investment products benefit from or mitigate losses associated with the trends.

Vision, governance, and implementation practices enable agility and determine an organization's ability to fulfill its long-term mission. Advanced asset owners' capacity to adapt differentiates them, embedding the reflexive skills that can quickly reposition their organization to confront emerging trends such as pandemics, inequality, and biodiversity.

> “Less than 5% of the assets invested in ESG products go to developing economies.”

Mainstreaming sustainability-themed products: are ESG products transparent enough and understood by investors?

pwc

Understanding clients

Client expectations are diverse. Some are looking for a positive impact on society and the environment. Others are motivated by risk management or looking for an investment aligned with their values. Financial institutions must adapt to these preferences. Developing products tailored to each client's needs is key to making ESG investment credible and enabling its widespread adoption.

Finding a middle ground

For a pension fund, preparing an ESG charter is an emotional matter. “We must place the cursor in the right place, to find a vision shared by all the members of the board acting in the best interest of the ultimate beneficiaries”, says Alexandre Pahud, member of the AVENA foundation board.

Regulations

The market remains largely based on self-declaration and self-regulation. We need to see clear and measurable improvements over the next three years to consider that this framework works, for instance, a higher share of pension fund assets invested under ambitious ESG approaches. If this is not the case, additional regulation in line with EU standards will be required.

FSG REIMAGINING SOCIAL CHANGE

Economics of Impact: The new frontier for Impact Measurement and Management

The need to accelerate the transition to an economy that truly addresses our global social and environmental challenges cannot be overstated. Corporations are making bold commitments: 90% of Fortune 500 companies publish sustainability reports, and at least 30% of the largest 2000 companies in the world have made net zero pledges. Investors' interest in these companies is growing exponentially, with annual cash flow into ESG funds more than doubling from 2019 to 2020 and increasing tenfold since 2018.

However, the reality is that companies do not have clarity on what those pledges mean for business, or have concrete plans on how to meet them. Companies' social and environmental commitments are disconnected from their financial targets. Sustainability is disconnected from business.

"The true cost of change is only going to get larger. So it is better to be deeply invested and deeply understand it."

Despite more than a decade of efforts to focus ESG ratings on materiality, ESG ratings are still disconnected from key business drivers. ESG investors make decisions on an ever-growing number of ESG ratings' and standards, whose noise to signal ratio is too high to have any meaningful impact on the real economy.

There are leaders within purpose-driven companies who are doing the math of the true cost and value of meeting bold societal and environmental goals. In the food sector, leaders are starting to realize that climate change threatens their supply chains and that investing in efficient resource management for climate change mitigation and adaptation is a must. They are also starting to have more traceability of their supply chains, shedding light on persistent human rights violations and living income gaps within agricultural communities, which if not addressed pose a threat to farming inter-generational continuity and labor supply.

However, linking these efforts with the investor world remains a challenge. Corporations need to report on multiple standards that are often irrelevant for those areas where they can drive the most impact. This reporting is cumbersome and in most cases is not helpful to unpack the economics behind companies' efforts. In the pharmaceutical sector, leading companies are starting to re-think key impact metrics, going beyond patient outreach to quality-adjusted years of life. However, investors' attention is still focused on completely different topics, which, while important, are not where the industry can drive the most impact.

Doing the math on the economics of impact allows companies to focus and truly understand when business models create positive synergies or trade-offs between financial and societal outcomes. It can give them the insights to deliver on their societal purpose more profitably, efficiently, and effectively. Economics of impact can help companies do the math on what bold ESG commitments truly mean for their profit and business, and thus establish a genuine engagement with the sustainable finance and impact investing world to achieve real impact.

Entrepreneurship and Innovation

Driving Finance to Scale Entrepreneurial Solutions for the SDGs

The solutions we need exist

There is a state of urgency that has been exacerbated by the COVID crisis, but solutions exist. These solutions are mature and available, Accelerate 2030 aims to showcase these entrepreneurs here in Geneva. Geneva and its diverse ecosystem have a lot to offer to scale up solutions and bridge the financial and trust gap, to realize their ultimate potential.

Collaboration is key

To scale solutions and unlock their potential impact, we need to connect, collaborate and engage the conversation between different stakeholders. A simple conversation is the starting point for building trust in human relationships that can then continue into a business relationship.

Address systemic barriers to redirect capital

The challenge is not the financial resources available, what we need is to redirect financial flows that are currently leading us toward an unsustainable future. Access to finance remains one of the main challenges SMEs face, especially in developing countries. We can help overcome the systemic barriers that prevent capital from flowing to where it should by tackling due diligence and reducing transaction costs for investors.

Collaborative solutions can show economic benefit upfront, reduce or mitigate risks, and measure the impact of solutions to make them more investable.

ACCELERATE2030

InTent

IMPACT HUB Geneva

> **"It is crucial to take small pragmatic steps, focusing on fighting the symptoms of a problem, whilst keeping the dream present to combat the root problem of an issue"**
>
> ***- Nora Wilhelm, collaboratio helvetica.***

Funding transformative changes: what if we had it all wrong?

Switzerland is home to more than 13'000 foundations, so there is huge potential for impact. However, the dominant funding practices are ill-suited to support social entrepreneurs who work on solutions to systemic challenges. Therefore, they often struggle to access the funding they need to carry out their mission.

So, how can this huge potential for impact be used efficiently, enabling social innovators to work on their vision of systemic change? Social innovators need to work with strategic partners who understand their long-term vision. It is crucial that matchmaking and finding the right partner becomes more efficient.

Additionally, introducing more flexibility with funds and moving from seed to core funding could help promote transformative change. Creating systemic change requires trust and patience: "Failing forward and learning along the way is valuable and should be focused on rather than assessing linear outcomes only."

It is necessary to involve public regulators to adapt policies for philanthropy, sparking change towards more long-term funding. Maximilian Martin, Global Head of Philanthropy Lombard Odier stated, "the status quo for foundations should be to invest in long-term projects, and that they must justify themselves if they were not to do so."

Moving forward, the following alternative practices could support funding systemic change:

- Introduce a **possibility assessment** for innovative projects (instead of risk assessment)
- Shift to **participatory funding** to reduce burden of decision-making on foundations and foster collaborations amongst projects
- Allocate a certain percentage of budget to **systems change**
- Create **coalitions** to fund specific topics or projects

Sustainable Finance Hackathon

The Sustainable Finance Hack Closing Ceremony ended a 24h hackathon that took place on the 26th and 27th of November at Campus Biotech.

During the 24h hackathon, 9 teams worked on challenges about Sustainable Finance. They came up with innovative solutions to make the world a better place. The top 3 projects chosen by the participants were announced as:

- "Nowcasting CO2 emission intensity for decarbonized equity portfolios" by RAM Active Investment
- "Women in Wealth Management" by CA Indosuez
- "Blockchain-based Nature Stewardship" by Gainforest

These challenges covered many of the 17 Sustainable Development Goals (SDGs) set by the United Nations including gender equality, climate action and life below water, mixing them with finance topics, such as investments and banking services, and new technologies, such as Blockchain and Machine Learning.

Factory 17: The pioneers of today shaping the world of tomorrow

IMPACT HUB Geneva
ACCELERATE2030
InTent
circular economy TRANSITION

Fintech and Digital Solutions

BigFintech and Sustainability: The Necessary Convergence

We have seen significant benefits from digitization. Digital finance is essential for resilience, ensuring that the financial system works, and for financial inclusion, especially in certain communities that traditional banks have failed to serve. It can also be an important tool in creating a sustainable financial system.

The pandemic has accelerated digitization, and with it, the weight of BigFintech has increased. Lockdowns brought about tremendous changes, with financial inclusion exploding and benefiting millions. It helped to make more advanced financial services available to people at the bottom of the pyramid, especially in Africa and reduced the costs of onboarding new customers. In addition, BigTech enabled access to multiple services during the pandemic and supported SMEs and their supply chains. But as is the case with any major opportunity, there are also significant risks and challenges: growing dominance and monopolies; techno-centricity; unhealthy ownership structures (dominant CEO culture, outvoting shareholders); problems of data privacy in their growing customer bases (lack of knowledge of privacy and use of their data); financial instability as BigTechs become too big to fail; taxation; and environmental impact.

A key challenge of digital industries is to broaden and better integrate the sustainability perspective. For a long time there was no real governance and in many ways technology was writing its own rules. The world needs conditions for the digitization that drive sustainability forward because Big Fintech decisions have global implications. Authorities and the public sector need to work together on governance and have an open dialogue with the private sector and civil society on how to shape a fair governance system. Collaboration is needed to develop smarter policies and deploy better standards for oversight and monitoring. In the future BigFintech, will play an even more pervasive role, thus mitigating the risks and exploiting the opportunities around them are especially important.

Big FinTech Governance Framework

The UNCDF launched 5 guiding principles to guide policy makers and public authorities on building Big FinTech governance frameworks that support sustainability:

1. Ensure financial stability, financial integrity, consumer-investor protection and market integrity
2. Develop reflexive and iterative regulations
3. Foster responsible actors
4. Ensure appropriate and proportional oversight and enforcement
5. Install a commitment toward sustainable development

UN CDF
Unlocking Public and Private Finance for the Poor

UN DP

“The number one challenge of navigating the ESG landscape is having no agreement on ESG score”

- Angela de Wolff, Conser

Sustainable Finance Technology: Workshop on Novel ESG Data Solutions

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Swiss Sustainable Finance

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Technology can be a competitive advantage

Staying competitive in Sustainable Finance means embracing new data and technologies before others. Combining new technologies and data with novel methods from machine learning and finance can provide an edge in asset management.

Too much information is as challenging as too little

It is a challenge navigating the ESG landscape - multiple opinions create complexity and divergence of views, there is an explosion of data, and there is a lack of consistency and agreed standards between data. This is where “ESG Consensus” tools (such as the one presented by Conser) can be helpful by aggregating opinions from ESG experts.

Humans and technology are necessary allies

There are many ways that technology can help businesses to stay ahead of the curve and provide insights about the future, for example, AI aggregation of patents can show what is coming technologically in 2-5 years. However, there is overall agreement that human judgment is still needed alongside machine learning in asset management.

Digital Strategies for Connecting Impact Ecosystems & Innovative Financial Services

How can organizations implement digital strategies for connecting impact ecosystems with financial services to overcome barriers preventing sustainable deal flow and investments? From building communities of entrepreneurs & investors, creating marketplaces for compliant, efficient, transparent distribution of investment opportunities, to closing transactions using innovative structuring solutions, three examples were shared to show unique approaches to tackling the supply-demand mismatch challenge in sustainable investing.

Leveraging Network Effects

Beyond Animal is a digital platform for plant-based, alternative protein that connects qualified investors with fundraising entrepreneurs, providing secure due diligence and transaction management. They create a broad ecosystem of like-minded stakeholders by incorporating a digital community platform that serves to build a pipeline of ethical deals and investors.

Creating Engaging Digital Ecosystems

Impact Agora is a private marketplace for institutions that aims to strengthen the bonds between the different financial players to help impactful early-stage companies raise capital by offering deal flow through technology and one-to-one introductions. While technology plays a key role through better data, the provision of insights, and connections beyond traditional networks, it isn't a solution on its own. The need for personal relationships, for building trust between parties, and for connecting new players and early adopters remains vital.

Bridging the old and the new

Blue Wave Innovation Capital leverages more traditional wealth management regulatory and operational expertise in order to develop innovative, full-service structuring and advisory solutions which serve to accelerate capital flow to companies driving the sustainability transition.

Big Ideas

Geneva Summit on Sustainable Finance

Exit vs Voice

Divesting or engaging? It is one of these dilemmas that most sustainable investors must grapple with at one point or another. Dumping the share of an unsustainable company may seem the right thing to do, however, if there are irresponsible investors out there that are willing and able to expand their holding of that company's stock, then the effect of boycotting may significantly dwindle.

Or is it better for an investor to keep their stock and voice their opinion? Research presented showed that this strategy is usually only effective if investors undergoing engagement reach a critical mass. It also showed that engagement strategies are most effective when there is a diverse array of investors participating vs. one or two large shareholders.

Impact Investing can foster entrepreneurship in disadvantaged urban areas

A case study in France showed that although public authorities have been undertaking many measures to foster entrepreneurship in disadvantaged urban areas, these measures have been unsatisfactory in terms of effectiveness. There is an opportunity for impact investing to step in.

According to the study, ventures in disfavoured urban areas tend to better perform socially and financially in comparison to their peers in non-disfavoured ones. Their findings are that these enterprises have 1.3% higher ROA growth on average, which holds even when one controls for risk. Furthermore, their employment growth also ranges between 6.5% up to 9.2% higher than their peers. However, ventures conducted in banlieues are not more likely to improve gender equality. Hence, additional mechanisms should be implemented to enhance SDG impact; for example, putting a loan condition related to gender KPIs. The core insights from the paper are that disadvantaged urban areas in France have substantial unrealized economic and impact potential that can be tapped into by lessening credit constraints.

ESG Innovation Disconnect: Evidence from Green Patenting

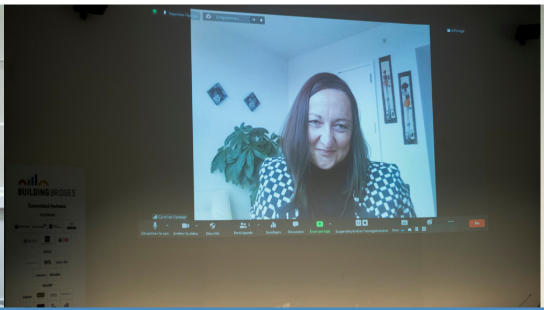
As of 2019, sustainable investing represents more than 20% of the $46 trillion in the U.S. assets under management and is an asset class growing at a two-digit per year. Broadly speaking, the implementation of ESG can be undertaken in two different manners 1) by excluding certain industries or corporations that are deemed not congruent with ESG standards or ethical and moral norms; or 2) by embracing firms with positive impacts and ESG benefits.

However, in the energy sector, systematic exclusion of fossil fuel-reliant companies leads to a paradox. On one hand, ESG-focused funds are divesting from these companies on the basis that they are the largest CO2 emitters. On the other hand, these energy firms are disproportionally investing in green technologies to move away from carbon-heavy production as they are the ones that have the most to lose, hence, the greatest incentives to innovate. Innovation put into developing new solutions is not sufficiently well incorporated within ESG ratings. A solution to move out of this pitfall is to not only look at how companies operate but also to evaluate in which space they do so. It is important to remember that in order to reach net zero globally, all sectors are needed in this endeavor. Therefore, simply excluding firms operating in less ESG attractive sectors won't suffice to achieve the decarbonization of the global economy.

Is climate change an opportunity or a threat to the insurance industry?

Christian Mumenthaler, CEO of Swiss Re, asserted that climate risks are not carried by insurers but rather by society at large. For insurers, the major source of risks comes from the misestimation of the costs linked with these events on an annual basis. However, the worsening of the climate trends might force insurance players to exit certain products which would result in the uninsurability of their associated risks for society. Although this might occur in the future, the world is still not at that point in time.

These considerations are dwarfed by the personal and collective motives that are driving climate action. It will require massive structural and systemic transformation, as only approximately a third of the carbon emissions cuts needed to reach net-zero by 2050 can be achieved with the current technologies and with positive returns. The insurance industry is needed to continue to insure against risks in order to support society in this transition toward net-zero.



Stakeholders governance and transparency for a triple impact economy

Business as usual is no longer acceptable. Purpose-driven organizations are no longer confined to a non-profit model and society at large is expecting a change in the way companies do business and how financial actors allocate their capital.

Transitioning from stakeholder to shareholder capitalism entails moving away from short-term profit maximization to a long-term value co-creation within the triple bottom line. This will require raising awareness of board members, as well as fostering skills of the next generation of leaders such as critical thinking, cultural awareness, data analysis, and empathy.

Furthermore, taking a systemic approach is indispensable to tackle the complexity and the interconnectivity of the interactions between human, social and natural capitals. Assessing the dynamic materiality of those different factors can help companies to improve the resilience of their stakeholders' context to build a lasting relationship with them.

In parallel, simplifying KPIs and providing wide access to ESG data to a variety of investors and other stakeholders will help to enhance trust between the different parties and facilitate impact evaluation by analysts. Open-source databases and open collaboration with stakeholders are key to overcoming the trust deficit. Transparency and open communication fosters trust.

Investors play a central role in ushering in this stakeholder approach as they can use their rights and voice their opinion to nudge the company in the right direction. A firm’s management tends to be constrained both by a shorter time horizon as well as by the need to perform. In contrast, a companies’ board is more likely to be able to integrate sustainability as a core part of its mission due to its position in the definition of corporate strategy. They possess more leeway than top managers and they have the ability to take larger personal risks and attempt to innovate in the organization’s approach to its stakeholders.

Finance for Impact

The Spirit of Geneva

Geneva has a responsibility to reform finance, rewrite the laws of profit, and reposition finance to be in service of a mutual form of prosperity. It has a unique opportunity to forge dynamic partnerships with its strong academia, financial organizations, and international organizations– bringing together research, application, and agenda-setting.

An evolution

Finance must evolve from acting as a facilitator of investments and growth to being a proactive lever to solve societal and environmental issues. This can mean, for example, rethinking the traditional risk/return frontier and embedding impact into a third dimension or using equitable sharing - investing in people and companies and sharing in growth to align incentives closer together.

Fit-for-purpose regulation

While the financial industry is already heavily regulated, updating regulations to reflect today's new realities is essential to meet the needs of society and the planet. A key part of this is finding better ways to measure and manage impact because providing an additional impact on the value chain is a prerequisite for qualifying impact investing solutions. This will entail improvements in data collection, selection, and measurement techniques.

Economics of Mutuality

The application of the Economics of Mutuality to the private equity and investment world is one path forward. Ecosystem approaches are an opportunity for private equity investment through integrating ecosystem logic (i.e. carrying out purpose and research-led work) before operationally deploying capital. It can not only drive purpose but also give visibility to new ways of driving financial returns.

Can sustainable finance break the tragedy of horizons?

Observatoire de la Finance

Sustainable finance is a combination of acknowledged responsibility for the world's future and traditional financial techniques. Because of its dependence on traditional financial techniques sustainable finance is at risk of being caught in what is called the Tragedy of Horizons. This notion refers to the looming mismatch between the short-term horizon of classical investment reporting and commitments to the long-term horizon of climatic challenges.

In order to prevent being trapped in the Tragedy of Horizons, sustainable finance needs to rapidly overcome some of its congenital weaknesses. First, sustainable finance needs a clear definition of investment criteria, without which it cannot pretend to make a real-world difference. Second, sustainable finance claims both performance and good for the planet are simultaneously achievable. However, what happens if this is not feasible – what comes first performance or planet? The neutrality of finance must be addressed to transform the system. Third, sustainable finance needs to develop a technical toolbox of its own geared to the long-term externalities. These efforts should materialize in adapting valuation techniques – namely low discount rates, diversification criteria, churning limits. Fourth, the incentive and commissioning structure has to be transparent at all levels.

The goal of breaking the tragedy of horizons requires some fundamental reforms. First, a shift away from the neoclassical paradigm in economics (efficiency, price signals, shareholder value maximization) is required. Second, the toolbox for sustainable finance (discounting rate, accountability or risk assessment modeling, financial performance, indicators, benchmarking, passive management portfolios, financial data regulation) should be redesigned and aligned with the long-term objective of sustainability.

Governments and financial authorities have a key role to play in setting the rules and accelerating the processes required to address the tragedy of horizons. They can use both signaling and regulations to mitigate climate change, for instance through the implementation of fiscal, investment, and financial policies and/or through the adoption of green taxonomies.

"If we want to break the Tragedy of Horizons, we need to make it very clear which instruments have the ability to have impact on the world and which ones do not."

"Taxation is like winter: whether you like it or not, it will come."

Swiss Retail Banking Sector – Is the Sustainability Transformation on Track?

Mortgage and housing lending is a major action area for greening retail banking. It will require cooperation and transparency.

In this regard, one can get more clients by raising awareness, holistic ratings, easy online tools, and new products with incentives such as regulatory development and subsidies.

It is important to keep in mind that there is no one-size-fits-all solution.

Data access is essential to establish comparability which enables customers to choose truly green products. There are already some banks that now purchase raw data. However, SMEs are usually exempted from data sharing and reporting which makes their products difficult to assess.

The role of regulation is complex: it's needed to dismantle greenwashing, but cannot function on its own. Banks need to develop pilots to explore collaborative networks and take our world forward with the help of various actors.

MIRABAUD

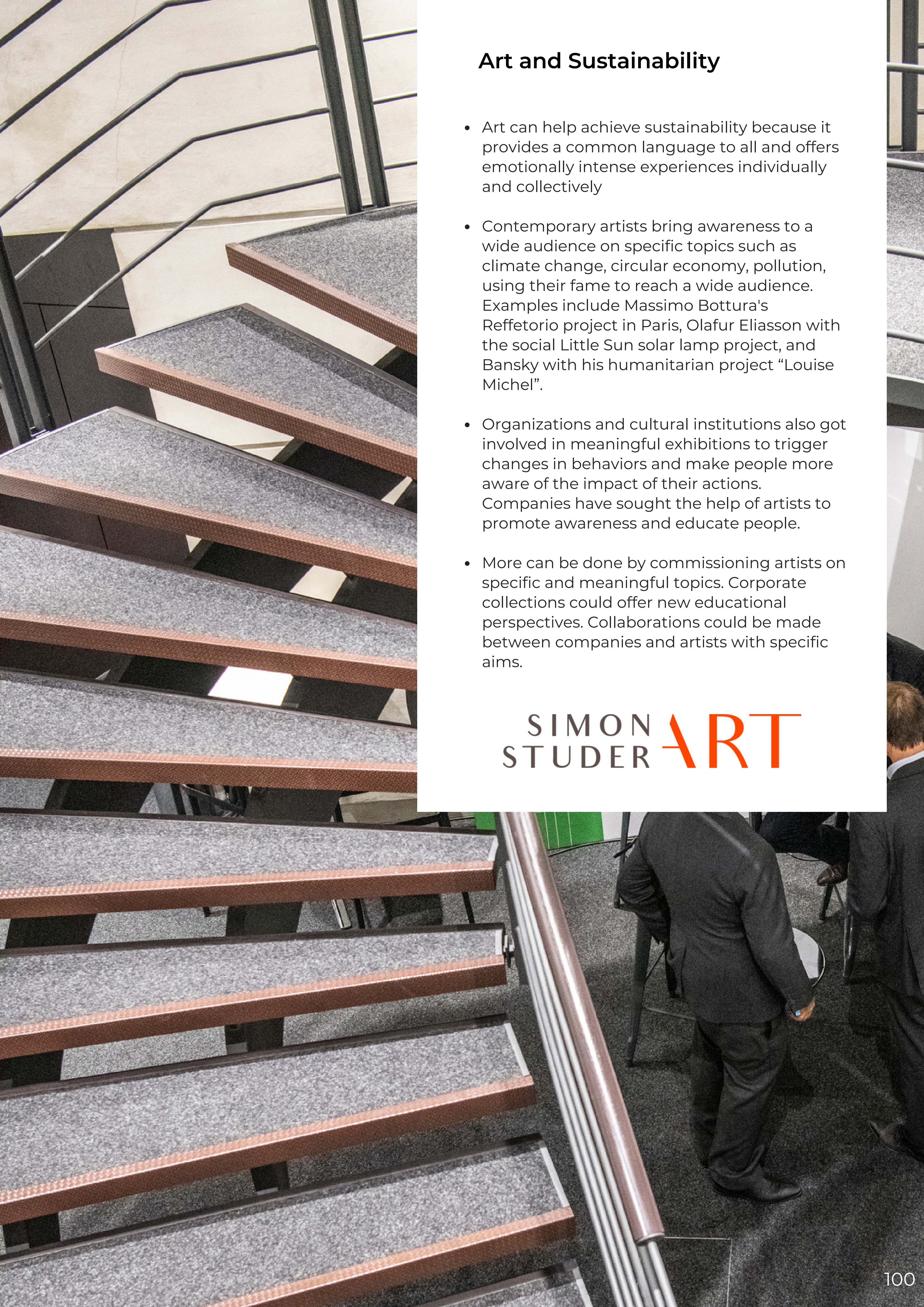
Private Equity: a driver of positive change

The consumption patterns of younger generations are more conscious because they have been experiencing climate change, economic crises, and overall instability first-demand.

Developing financial solutions that will speak to these clients is crucial to the future of the business. Private equity into entrepreneurs is one way to tackle this. There is a need to build a bridge between short-term profits and long-term gains. Some key points that arose in the discussion were:

- The path to sustainability is step-by-step progress with ever-changing information.
- While entrepreneurs focus on what their investors want, it is also crucial for them to understand that accessing funds often comes down to having the same culture as the investors.
- There is a funding gap between female and male entrepreneurs. Female entrepreneurs get significantly less funding compared to only male teams and this is not sustainable in the long run.

"Sustainable investment needs to speak to a client who is Gen Z"



Art and Sustainability

- Art can help achieve sustainability because it provides a common language to all and offers emotionally intense experiences individually and collectively
- Contemporary artists bring awareness to a wide audience on specific topics such as climate change, circular economy, pollution, using their fame to reach a wide audience. Examples include Massimo Bottura's Reffetorio project in Paris, Olafur Eliasson with the social Little Sun solar lamp project, and Bansky with his humanitarian project “Louise Michel”.
- Organizations and cultural institutions also got involved in meaningful exhibitions to trigger changes in behaviors and make people more aware of the impact of their actions. Companies have sought the help of artists to promote awareness and educate people.
- More can be done by commissioning artists on specific and meaningful topics. Corporate collections could offer new educational perspectives. Collaborations could be made between companies and artists with specific aims.

SIMON STUDER ART

Closing Dinner

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