EDHEC VOX

#14

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PIONEERING SUSTAINABLE FINANCE

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WORLD FORUM FOR A RESPONSIBLE ECONOMY

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MAY 2023

EDITORIAL

A UNIQUE ASSET FOR FUTURE GENERATIONS

EDHEC has a central role to play in fully developing and harnessing the power that finance can have in the world's sustainable transformation.

Of all the challenges we face in today's world, none is as pervasive as climate change in touching every person on our planet.

Taking on such an extraordinary, existential threat requires new ideas and approaches. In recent years, the concept of sustainable finance and the importance of considering environmental, social, and governance factors in investment decisions has emerged as a powerful force.

EDHEC has a central role to play in fully developing and harnessing the power that finance can have in the world's sustainable transformation. A longstanding focus of research at EDHEC is how management sciences can transform companies and positively respond to the challenges facing the world of tomorrow.

The school's research in asset management over the last twenty years has become an important reference for finance professionals globally. The exceptional success we have achieved with the EDHEC-Risk Institute's Scientific Beta index platform is today enabling EDHEC to invest massively in this climate finance revolution. Starting with the creation of the EDHEC-Risk Climate Impact Institute, endowed with 20 million euros and a dedicated team.

Another initiative, the EDHEC Infrastructure & Private Assets Research Institute, provides indices and analytics to investors in unlisted infrastructure equity and private debt. Recent research from the Institute showed that investors in infrastructure could lose up to 54% of the value of their portfolio by 2050 in the event of runaway climate change.

This edition of EDHEC Vox will describe further how EDHEC's research, courses and programmes are helping companies and policy makers better understand how to drive innovation, invest in promising technologies and incentivise sustainable action by companies and individuals in order to fight climate change.

In continuing as one of the world leaders in pioneering research and education in climate finance, responsible for helping prepare students to meet the challenge of climate change, we can do no less.

EMMANUEL MÉTAIS
Dean,
EDHEC Business School

CONTRIBUTORS

Editorial Board
Noël Amenc, Michael Antioco, Benoît Arnaud, Claire Bergery-Noël, Anne Guillon, Peter O'Kelly, Richard Perrin, Anne Zuccarelli

Publication Director
Emmanuel Métais

Publication Manager
Claire Bergery-Noël

Publication Co-ordinators
Aurore Denys, Hélène Devynck

Strategy, Editor-in-Chief, Art Direction, Production
Agence La Nouvelle

Contributors (text)
Noël Amenc, Frédéric Blanc-Brude, Martin Bonte, Etienne Coltat, Fernanda Diaz Cascallar, Frédéric Ducoulombier, Teodor Dyakov, Camélia Essid, Adrien Frerejacques, Alessandro Gastadello, Gianfranco Gianfrate, Alexanne Heurtier, Emmanuel Jurczenko, Rania Labaki, Hélène Le Blond, Manuelle Malot, Dominic O'Kane, Bruno de Pampelonne, Riccardo Rebonato, Marion Simonin, Neeti Shah

Contributors (journalists)
Stéphanie Livingstone, William Mengebier, Paul Snelgrove, Justin Steed

Contributors (images)
EDHEC Business School, Maria-Ines Gul, Jeannie Phan, KADASARVA, iStock

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EDHEC BUSINESS SCHOOL

24 avenue Gustave Delory,
CS 50411 – 59057 Roubaix
Cedex 1 – France
T: +33 (0)3 20 15 45 00
F: +33 (0)3 20 15 45 01
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EDHEC ranks 7th in the Financial Times Top 10 European BEST BUSINESS SCHOOLS

EDHEC moved up in prestigious international and French rankings, confirming its position amongst the best national and international higher education institutions. This continued rise is proof of EDHEC's ability to train talented individuals capable of creating a better world for future generations.

In this year's rankings by the Financial Times, EDHEC was rated No. 1 in France for its career service and its Alumni network and satisfaction. Worldwide, the school's Master's in Management programme was ranked 11th while its commitment to education on issues relating to ethics, social and environmental issues and climate solutions was ranked third in France. Together, EDHEC's progress in the rankings recognises the academic excellence of its programmes and the effectiveness of the support provided through its Career Centre and Alumni network to enable students to reach their full potential.

Offering a stand-out international experience

The 2023 Le Figaro ranking also named EDHEC the 2nd International BBA in France. This four-year post-baccalaureate programme was already ranked 2nd by Challenges magazine. The programme is particularly appreciated for its international dimension (exchanges abroad, and a multicultural context with more than 160 partner institutions in 41 countries), ongoing interactions with companies, and personalised student support.

Training agile professionals through hybrid programmes

The 2023 Le Point ranking once again placed EDHEC as 4th Grande École and confirmed its 2nd place for its BBA in France. EDHEC ranked 1st Grande École for academic excellence out of the 37 evaluated schools. This is further proof of its teaching quality and the hybridisation of its programmes, such as the MSc in Climate Change & Sustainable Finance in partnership with Mines Paris – PSL, and the GETT (Global Economic Transformation & Technology) programme.

Training leaders for a positive world transformation

EDHEC Executive MBA and EDHEC Global MBA are listed in the world's top 30 and top 50 programmes respectively. For the third year in a row, EDHEC's Global MBA holds 3rd position in the world for the ESG and net-zero teaching criteria, while the FT ranks EDHEC 17th in the world for its new Carbon Footprint criteria. This is a recognition of the school's commitment to society, which aims to train leaders for a positive world transformation, through its "Impact Future Generations" strategic plan.

RANKING IN FIGURES

- **7th best business school in Europe** – The Financial Times 2022
- **2nd best international BBA in France** – Le Figaro & Le Point 2023
- **4th best business school in France** – Le Point 2023
- **EDHEC's Executive MBA in the world's top 30** – The Financial Times 2023
- **2nd best business school in France for finance careers** – eFinancialCareers 2023

Innovation, ENTREPRENEURSHIP, SOLIDARITY, INCLUSION AND CREATIVITY: the Jean Arnault Campus spirit CONTINUES

In 2023, Brigitte Macron, President of the Institut des Vocations pour l'Emploi (LIVE), Bernard Arnault, Chairman and CEO of LVMH, and Bruno de Pampelonne, Chairman of the Board of Directors of EDHEC, gathered at the Jean Arnault Campus in Roubaix for the inauguration of an exhibition by the artist Hicham Berrada.

Artist Hicham Berrada, a new Jean Arnault Campus guest

During the event, the participants were able to discover the works of Hicham Berrada, an international artist in residence at Le Fresnoy, a training and artistic production centre located in Tourcoing, France. Hicham Berrada, who now exhibits all over the world, is inspired in his work by science and poetry. His Jean Arnault campus exhibition, called "Paysages", is one of ten experimental works in which he uses scientific protocols to create "reduced models of living organisms". This new exhibition follows on from a previous partnership with Hideyuki Ishibashi in 2021, whose Atlas exhibition offered an insight into the history of Barbieux Park in Roubaix and its hundred-year-old trees.

Sharing opinions and experiences

The day also allowed Bernard Arnault and Brigitte Macron to talk with entrepreneurs "incubated" on the Campus, such as the Abracadabra founders, a start-up specialising in the collection and upcycling of lingerie, or the Symbiosis teams, which design 3D NFTs of vehicles for the metaverse. Bernard Arnault and Brigitte Macron also met with some thirty persons in LIVE programmes from the 3rd year of the Roubaix Campus. The LIVERS shared their experience and explained how LIVE helped them define a new, motivating professional project. It was a memorable and significant moment for a place rich in practices and experiences!

A unique venue dedicated to innovation and entrepreneurship

The Jean Arnault Campus was inaugurated in July 2021 and is both an incubator and a training institute. It stands on the former headquarters of the construction company founded by Bernard Arnault's grandfather in 1921 and brings together students, entrepreneurs and adults who are building a new professional project.

Equal opportunities WITH EDHEC TALENTS PRÉPAS NEW EDITION

EDHEC created the Talents Prépas programme in 2022 to ensure equitable access to preparatory classes for young people. Due to the great success of this scholarship programme, it has been extended in 2023-24.

A personalised tutoring system for scholarship students

The Talents Prépas programme is designed to help scholarship students prepare for the entrance exams to France's top business schools, particularly the oral admission tests.
It is run by volunteer students from EDHEC between February and July.

Effective preparation and a positive first assessment

Over six months, the first class of 50 students took part in conferences and practical workshops to gain confidence, deliver a public speech and manage stress. Throughout the programme, they benefited from the support of 40 tutors. The programme included an immersion day at the Lille campus and the opportunity to participate in a mock oral in front of a jury, reflecting real-life conditions. The results were particularly positive, as 20% of the participants were eligible for the programme, and 10% were accepted into EDHEC.

What changes for 2023

From now on, support is provided over nine months. With this extended tutoring period, students can work on organisational and methodological issues for the written exams, while preparing for the oral exams. Exchanges with their tutors take place every two weeks and once a month students can access the school's lectures and follow introductions to the main courses via webinars. Finally, the immersion on the Lille campus lasts two days, followed by an individual and then a collective debriefing with the jury.

Key role of volunteer mentors

The tutors are eager to share their knowledge with the scholarship students they support. Their personalised and benevolent supervision guarantees their commitment to inclusiveness. Sharing, transmission, commitment: three words that sum up the school's values.

An EDHEC Entrepreneurs' guide to empowering ENTREPRENEURS for positive change

EDHEC Entrepreneurs unveils the 2023 Start-up's Guide to Responsibility, aimed at empowering entrepreneurs committed to integrating responsibility into the core of their start-up's growth and development.

In 2022, EDHEC Entrepreneurs conducted the "Start-ups and responsible entrepreneurship" survey in collaboration with STATION F encompassing over 200 French start-ups. The survey highlighted a strong desire amongst entrepreneurs to embrace ESG practices. Still, it also sheds light on their challenges in taking actionable steps due to a lack of support. In response, EDHEC Entrepreneurs, in collaboration with over 30 key players in the startup ecosystem, assembled the 2023 Start-up's Guide to Responsibility, an all-encompassing compendium offering over 65 resource sheets, case studies, and expert advice on four fundamental aspects of start-up creation: Structure and Governance, Team, Product and Service, and Customers and Users. The 2023 Start-up's Guide to responsibility will become an essential resource integrated into the support programmes of EDHEC Entrepreneurs' incubators in Paris, Lille and Nice.

A guide aligned with EDHEC's commitment to build a better future

The new guide aligns with the school's desire to rethink the approach to teaching entrepreneurship to foster the emergence of a new kind of entrepreneurship, taking into account the challenges of responsibility right from the start of its business model. Today, this commitment is embodied in the Responsible Entrepreneurship by design (RED) methodology developed by EDHEC's Centre for Responsible Entrepreneurship (CRE). It fosters the emergence of start-ups that are responsible by design, i.e. that intentionally integrate global performance issues (economic, environmental and social) right from the start, and at the heart of their business and operational model to grow on the strongest possible foundations.

Paternity leave: 90% OF FRENCH PEOPLE APPROVE OF ITS REINFORCEMENT

BY HAGER JEMEL, EDHEC ASSOCIATE PROFESSOR, DIRECTOR OF THE DIVERSITY AND INCLUSION CHAIR

What is the current status of paternity leave in France 20 years after its creation and one year after its extension to 11 days? This is the question that the EDHEC Diversity and Inclusion Chair aimed to answer with a survey of more than 780 people.

While parenthood has little influence on men's careers, it leads to a professional slowdown for women and a loss of salary. Paternity leave appears to be a key lever for equality between women and men on family and professional levels. On a professional level, it rebalances leave duration for fathers and mothers and shifts the "maternity risk" for women to a "parenthood risk" for men. On a family level, paternity leave also means that tasks and responsibilities are more equally shared within the couple. Paternity leave is increasing: this is one of the main findings of the survey. According to the results, 94% of fathers who had a child after 1 July 2021 took this leave, compared to only 70% of fathers before. On the other hand, only 6% of fathers changed their working hours or took parental leave following their paternity leave. The survey highlights four main reasons for not taking up paternity leave: lack of knowledge about the scheme; employment and a workload considered too heavy; the potential loss of income associated with this leave; and a traditional perception of the father's role reminiscent of gender stereotypes. Conversely, three main factors influence paternity leave: social norms, in particular the way in which we think our relatives would approve or disapprove of taking this leave; the more or less traditional perception of the father's role; and the perception of gender equality in the company. Furthermore, nearly 90% of respondents said that paternity leave should be stepped up, particularly by making it compulsory to take it, extending its duration or providing better compensation. The survey also suggests possible organisational changes, such as working on corporate culture or anticipating the employee's absence. *"Mandatory, longer and better-compensated paternity leave is the answer expected by women and men today so that parenthood is a happy experience without consequences for the professional and personal aspirations of mothers and fathers."* Hager Jemel, Director of the Diversity and Inclusion Chair at EDHEC.

METHODOLOGY

Survey carried out from 25 April to 31 May 2022 on social networks (LinkedIn, Twitter, etc.) and in partner company networks
784 responses: 249 men and 535 women

FIRST BAROMETER **on connected health:** 2/3 OF FRENCH PEOPLE **feel ill-informed**

BY LOICK MENVIELLE, EDHEC PROFESSOR, DIRECTOR OF EDHEC CHAIR OF MANAGEMENT IN INNOVATIVE HEALTH, AND PROGRAMME DIRECTOR, MSC IN INTERNATIONAL BUSINESS MANAGEMENT

As part of the joint research Chair "Management in Innovative Health" created in May 2022, Bristol Myers Squibb France and EDHEC Business School launched the first barometer on connected health. Conducted by the Ipsos polling institute last January, the study highlighted a need for more information amongst the French.

The joint Chair created this barometer because digital technology is gaining ground in the medical sector, and the pandemic pushed many French people towards remote consultations. Conducted in November 2022, it provides unprecedented data on behavioural changes and the perception of the French towards digital solutions.

The main insights

In addition to the general feeling of lack of information, three ideas emerged:
- Inequity of access to health care despite its digitalisation: those most at risk of developing pathologies are the least likely to use connected health care - the over-55s (69%) and the least educated (65%);
- The private sector is less legitimate: for 67% of French people, public services are the most legitimate for offering digital health services or solutions;
- The human before the algorithm: 91% of French people trust their doctor to make a diagnosis, while only 24% say they trust an algorithm.

The top 3 connected health tools

According to the study results, the most used health tools are:
- The connected blood pressure monitor (57% have already used it, especially those suffering from serious diseases, which are 76%;
- Health applications (52% have already used them and 21% often);
- Remote consultation (45% have already used it, but only 6% do it often) which have been significantly increased to compensate for the lack of attending physicians.

There are still barriers to developing connected health

The barometer revealed several barriers to the broader use of e-health by the French. First, the lack of information: 2/3 of patients say they are ill-informed about its possibilities. Secondly, the complexity of using e-health seems to be an obstacle for most respondents. Another critical obstacle is the mistrust of these new technologies' security, with a risk of data diversion. Lastly: the fear of the eventual reduction of human interaction, with patients trusting a physician's diagnosis rather than that of an algorithm. Renewed every year, the annual barometer will provide the foundation for the Chair's research work.

A hybrid course COMBINING LAW AND FINANCE

EDHEC Business School has joined forces with the Faculty of Law (FLD) at the Catholic University of Lille to introduce a dual degree programme in "International Law & Finance" for post-baccalaureate students. This collaboration is a new illustration of the business school's commitment to train hybrid leaders.

The new programme combines EDHEC's historical expertise in law and finance with FLD's innovative learning methods and student support. It prepares future graduates for the transformation of legal positions thanks to a unique teaching method, based on experienced professors and the experience of the two institutions' Career Centres. This is particularly important as rapid development in technologies and data are changing the legal working environment. This unique programme is developed in partnership with the EDHEC Augmented Law Institute, whose researchers have been building knowledge on transforming law within organisations and society for the past ten years.

A hybridisation of skills

The new double degree leads to several diplomas: a law degree at the end of the third year, an EDHEC International BBA at the end of the fourth year, and a Master 2 in Business Law delivered by the FLD and the MSc LL.M by EDHEC in the fifth year (subject to selection criteria). EDHEC and the FLD are thus confirming their ambition to deploy hybrid courses to train agile students capable of adapting to a constantly changing environment.

Towards a plurality of careers

Students will have the opportunity to acquire advanced knowledge in management science, particularly in finance. They will also gain experience in a company, with a possible opening up to the international market. This programme will allow students to be oriented towards various careers combining law and finance and legal professions that require knowledge in management.

EDHEC and EURECOM partner for a double degree in Internet of Things AND MANAGEMENT

From September 2023, students enrolled in EDHEC's Grande École programme can register for either the Master in Network and Telecommunications, major in Internet of Things, or the Master in Computer Science, major in Data Science at EURECOM. Located in Sophia Antipolis, EURECOM is an engineering school and research centre specialising in digital sciences.

Delivered in English, these two MSc programmes concern rapidly expanding fields, allowing students to acquire skills that are highly sought-after by recruiters. They will also be able to complement skills acquired during their Grande École programme (PGE). *"EDHEC's 2025 strategic plan emphasises the importance of supporting transformation through technology and data. We are proud to launch the partnership with EURECOM offering these much-needed cross-disciplinary skills to our Grande École Programme students"*, says Darya Leshchenko, Head of Double Degrees and Hybridisation of Programmes. This dual degree opportunity is accessible to students in the Business Management and Finance tracks of EDHEC's PGE. It is open to students with a strong foundation in mathematics and proficiency in Python programming.

Upon successful completion of the dual degree programme, students will be awarded the EDHEC Grande École Diploma, along with a Master's in Network and Telecommunications with a specialisation in Internet of Things or a Master's in Computer Science with a specialisation in Data Science from EURECOM.

In 2023, EDHEC and EURECOM reinforced their partnership by launching a joint incubator, TechForward, to support entrepreneurs at the crossroads of technology and business. *"This partnership with one of the leading management schools is a natural evolution for EURECOM. Indeed, since its creation, EURECOM has offered its engineering students a high level of training which, in addition to technology, emphasises the study of the socio-professional and legal environment"*, said Professor David Gesbert, Director of EURECOM.

"It's getting physical": BY EDHECinfra

The latest research note "It's getting physical" published by EDHECinfra and Private Assets Research Institute has not gone unnoticed, with a dedicated webinar and an open letter to EIOPA.

On 27 September 2023 the researchers of EDHECinfra and Private Assets Research Institute organised a webinar based on their latest research note "It's Getting Physical". In this webinar, Frédéric Blanc-Brude discussed the impact of extreme climate events on infrastructure valuations and examined the extent of extreme climate-driven physical risk in infrastructure investments and the potential concentration of such risks in the portfolio of investors in infrastructure.

Sooner than expected physical risks on infrastructure

Published last August, the note reveals that climate change's physical risks will impact infrastructure investments sooner than expected.
Some investors in infrastructure projects could potentially lose over 50% of their portfolio's value due to these risks before 2050 if climate change worsens significantly. This risk is not only because infrastructure projects are exposed to physical climate threats, but also because many portfolios don't adequately consider climate factors when making investments. If no substantial measures are taken, financial losses due to physical risks (which are never zero) will be twice as high as in a low-carbon scenario for all investors.

Calling the EIOPA for urgent action

Noël Amenc, Associate Professor of Finance and EDHEC-Risk Climate Impact Institute Affiliate Member, and Frédéric Blanc-Brude, Director of EDHECinfra wrote an open letter to EIOPA (European Insurance and Occupational Pensions Authority), warning about the risks of climate change for insurance and pension investors. The authors believe that EIOPA's role as an advisory body to the European Commission, the European Parliament, and the Council of the European Union positions it to draw attention to the potentially destabilising impact of climate inaction on pensions, insurance systems, and overall financial stability.

How ESG scores CONFLICT WITH climate investing

The new study published by Scientific Beta highlights conflicts between green and ESG portfolio objectives. It shows that pursuing multiple ESG and climate objectives leads to "green dilution".

A new study published by Scientific Beta called "Green Dilution" explores how the increasing popularity of ESG investing and climate-conscious investing has led to strategies aiming to improve ESG scores and reduce carbon emissions. However, these strategies often overlook the potential conflict between these two goals.

ESG ratings have little to no relation to carbon intensity

The study, co-authored by Noël Amenc, Felix Goltz, and Antoine Naly, found that "green dilution" is a widespread issue. Green dilution means that when investors try to improve their ESG scores alongside reducing carbon emissions, they often end up sacrificing a significant portion of the carbon reduction they could achieve by solely focusing on carbon emissions. On average, 92% of the potential carbon reduction is lost when ESG scores are included as a factor in portfolio weighting, leaving only 8% of the carbon reduction objective intact.

Separating green and ESG objectives

The study provides clear evidence that if you're primarily interested in reducing the carbon footprint of your investment portfolio, trying to improve your ESG scores at the same time can largely negate your carbon reduction efforts. According to the study, it's more effective to focus on carbon emissions reduction separately from ESG goals. Adding too many unrelated criteria can dilute your focus and make it challenging to achieve your main objectives. Commenting on the study, Felix Goltz, co-author and Research Director at Scientific Beta, said *"If you are interested in reducing the carbon intensity of your portfolio, you are going to get that only by focusing on the carbon intensity, otherwise you are very quickly going to be getting green dilution."*

REDEFINING VALUE

What exactly is sustainable finance and what are some of the challenges to making it a reality? An exploration of how the concept works in practice.

WITH TEODOR DYAKOV, EDHEC ASSOCIATE PROFESSOR, EDHEC-RISK CLIMATE IMPACT INSTITUTE AFFILIATE MEMBER

Sustainability in today's business world

A sustainable business seeks to generate value not only for its shareholders, but also for its stakeholders – employees, consumers, suppliers, the environment, local communities, etc. But, how does it do this? Milton Friedman famously defined business social responsibility in 1970 only as increasing profits to generate dividends for shareholders.
To generate these profits over the long term, a company also has to be responsible, for instance, by treating its employees well, or it won't last long in the competitive landscape. Recently, however, we have seen a shift in thinking – a sustainable company is now seen as one that first focuses on generating value to stakeholders, and as a result, profits follow. This means that businesses need to understand where their core expertise and competitive advantage lies, and how to use them to drive innovation and long-term increases in the value of their key stakeholders.

> **"Sustainable finance is difficult. The value of sustainability is intangible and often takes years before it materialises into measurable outcomes. The most important issue is to set the right conditions for companies to create social and environmental value"**

The role of finance in making businesses more sustainable

Sustainable finance is difficult to understand. The value of sustainability is intangible and often takes years before it materialises into measurable outcomes. The most important issue is to set the right conditions for companies to create social and environmental value.
Finance is rich in tools that can help companies innovate and create stakeholder value, if applied correctly. For example, incentivising managers to create social value by linking executive compensation to long-term value creation while restricting compensation for reaching short-term targets.

Three keys for making the transition

First, managers need to understand that there doesn't have to be a trade-off between social and environmental value and profitability. Plenty of companies are both profitable and able to generate value for their stakeholders. Luckily, we already see a shift in thinking in that direction.
Second, it is important that companies adopt an intrinsic rather than monetary motivation for undertaking actions that can improve the welfare of their stakeholders.
Third, companies need guidance as to what actions to prioritise to become more sustainable. They also need to better understand their purpose in this world – who their products or services are for, and why the company can generate more value for its stakeholders than other businesses.

How does EDHEC fit into this transition?

The role of research and education is essential for increasing sustainability in the business world, for example, helping better understand how to drive innovation, how to spend cash most efficiently on social causes or how different stakeholder groups should be prioritised. On the investment front, is it better for socially minded investors to stay away from polluting companies or to invest more in the company and actively try to change its course of action? EDHEC is well-equipped to focus on innovations in research and teaching in these areas, which increases the knowledge that we can pass on to our students. We thus are helping to prepare the next generation of business leaders to make an impact by using finance not only to generate profits, but also to incentivise companies to create social value.

Presentation
TEODOR DYAKOV

Teodor Dyakov teaches sustainable finance to MSc students at EDHEC. His research focuses on global value chains and the asset management industry with applications to carbon networks and pricing, asset valuation, corporate governance, and international finance.

A scientific approach TO FOSTERING POSITIVE ECONOMIC, SOCIAL, AND environmental changes

A CONVERSATION WITH NOËL AMENC, EDHEC ASSOCIATE PROFESSOR OF FINANCE AND EDHEC-RISK CLIMATE IMPACT INSTITUTE AFFILIATE MEMBER

EDHEC Business School has been recognised for over 20 years as a finance expert. The School stands out for its ability to provide finance and industry players with scientific tools and advice to help them integrate crucial climate change and sustainability issues into their decisions. Through several examples of research work, Noël Amenc explains how EDHEC Business School has an impact on the real economy.

1 With increasing sustainable finance issues, what is EDHEC Business School's position?

Noël Amenc: We are an independent, academic institution focusing on a scientific approach and we are driven by a quest for truth. We provide decision-makers not only with research results but also with accurate tools and concrete solutions to better assess the ESG risks of financial investments and understand their links with the real economy.

2 Where does EDHEC's academic research stand today?

N.A.: For the last 15 years, we have pursued a disruptive and ambitious research strategy combining academic excellence with practical relevance for businesses. Our different leading research institutes focus on finance and increasingly on climate change, which illustrates that the School's priority is sustainability issues: EDHEC-Risk Climate Impact Institute (previously EDHEC-Risk Institute); EDHEC Infrastructure & Private Assets Research Institute and EDHEC Scientific Portfolio. Since their creation, our research institutes have produced extensive research and numerous publications allowing investment professionals to better integrate ESG and climate issues into their investment decisions. With the EDHEC Infrastructure & Private Assets Research Institute we have gone even further in the implementation of research results because today we have the largest database in the world on infrastructure exposure to climate risk and the impact of climate risk on infrastructure. Ultimately, the fight against climate change is a question of having the right data and knowing how to use it. We are helping investors in these two areas.

3 Your study *"Doing Good or Feeling Good? Detecting Greenwashing in Climate Investing*"* perfectly illustrates the School's ability to take strong positions: can you tell us more?

"We want to give financial players tools so that they can make no more excuses about addressing sustainability issues. In the long term, we want to develop knowledge and make society progress"

N.A.: In this study, we identify greenwashing risks in portfolio construction representing popular climate strategies*. We assessed the determinants of portfolio construction between market capitalisation, climate criteria, and ESG rating, and our conclusions are indisputable: the vast majority of institutional funds and agents claiming to have a positive impact on climate, show attractive climate measures in their portfolios which are based on implementing flawed strategies that have a very limited impact on the companies that they hold. We observed that even though investors and managers communicate extensively on the use of climate data to construct

** Advanced ESG and Climate Investing, published in August 2021 by Noël Amenc, Felix Goltz and Victor Liu from Research Chair Scientific Beta. The study consisted of recalculating and examining stock market indices that claim to be "climate friendly", based on 2,000 listed companies committed to reducing their gas emissions, as well as a study of 32 different strategies.*

their portfolios, on average this data represents, at most, 12% of the portfolio determinants' stock weights.

We also found that portfolio decarbonisation objectives are often achieved by implementing sector greenwashing, by under-evaluating high-emission sectors, like the energy sector. This is problematic because these sectors are essential for our economy and for the energy transition. The key issue is

"I also believe that the financial industry can positively impact climate change through company commitments towards more climate resolutions"

not how to restrict investment in these industries but to ensure they invest in technology, allowing them to produce the necessary goods and services with minimum GHG emissions.

To draw decision-makers' attention to this problem, we published a press release and organised conferences to inform the financial industry about these greenwashing risks. The media covered it widely and we got "punished" with threats not to support our work anymore from some financial players who were also saying that they were at the cutting edge in the fight against climate change. But ultimately, we made an impact and that is what really counts. I am very proud to have worked on this study because it is our duty as researchers to tell the truth, whatever it takes. As an academy, we are independent and we want to have an impact on the real world. We did just this with the 12% study, and hopefully things will now move in the right direction as we are observing through the close ties that we have with the institutional investor community.

4 Based on the results, how can finance positively influence climate change?

N.A.: We suggest that when climate considerations represent less than 50% of the determinants of the stocks' weight in a portfolio, then this portfolio is at a significant greenwashing risk and should not be permitted to claim to be climate-friendly or aligned with net-zero ambitions.

I also believe that the financial industry can positively impact climate change through company commitments towards more climate resolutions. There should be synergies between portfolio construction and company engagement.

At EDHEC, we believe that we need to activate three levers to empower financiers to take efficient climate action: highlight flawed strategies; provide measurement tools for climate change consequences; develop knowledge on climate alignment technologies and their benefits for company impact and companies' climate risk. We must provide the most robust and transparent information possible to check whether companies' climate alignment promises are based on choices and technological investments that live up to their promises. Finally, we need to provide an academic and scientific vision of ESG and climate risk materiality issues to better integrate ESG and climate issues into investment decision-making processes.

5 What role do political decisions play in the transition to sustainable finance?

N.A.: The carbon tax should have a positive impact by taxing companies that still need to improve their energy efficiency (transition risk). But international debates lead us to question the existence of a sufficiently punitive carbon tax that is really applied, with the risk of the actors neglecting the question of climate transition risk.
The French presidency passed a European tax with a border carbon taxation to which industrialists are opposed. This is because taxation will not concern finished products but the import of high carbon production not only of iron and steel, cement, fertilisers and electricity, but also hydrogen and certain finished products such as screws and bolts, and in the end, it will simply be a matter of manufacturing abroad!

I believe that there is much hypocrisy in the European Union in introducing numerous financial rules to "exclude the dirty energy sector" and at the same time subsidising the consumption of fossil fuels, as has been the case during the war in Ukraine. We are facing many environmental scandals around the world.
In the United States, Mr Biden talks about the Climate Race only to be able to use climate protectionism to subsidise local industrial production!

When many politicians affirm that ecological transition goes hand in hand with growth and an increase in revenues and their proper distribution, they seem to ignore that the fight against climate change is essentially the destruction of a stock of capital and reallocation of this stock. This will have an enormous economic cost. It is a veritable war effort, and the right question is how to distribute this effort, including by reducing consumption, and not by saying that debt or taxes can sort everything out.

6 Which major research projects are you working on that will help the financial sector progress?

N.A.: We work on concrete solutions to help companies and financial players limit their impact on climate change.
The European regulator constantly multiplies the number of ESG criteria that are often incompatible between themselves and can therefore have a dilutive effect. We have published a study that shows that pursuing ESG objectives can be incompatible with the necessary focus on climate impact criteria. At a time when everyone thinks that finance can sort everything out if it becomes more virtuous, this study shows the limitations of "always more" and ESG overkill.

"We work on concrete solutions to help companies and financial players limit their impact on climate change"

We are also working on an essential programme to make an alignment technology taxonomy available to investors free of charge. The idea is to look at all the technologies necessary for the economy to function, not just green activities.

Another pivotal EDHEC axis will be to work on materiality, with the primary idea of leaving the analysis and the means of verifying what we call the financial materiality of ESG to scientists. Research that has shown ESG portfolio performance superiority is simply short-term or a biased study !

We are also interested in accounting regulations for climate issues.
I am convinced that it is important to reflect a company's failure to meet its climate commitments in its accounts, through accounting provisions on climate issues that would immediately impact company results. This subject refers back to the very question of integrating conditional liabilities into the accounts, and not only into risk disclosures.

7 To conclude, what do you think about where sustainable finance is going?

N.A.: We are moving in the right direction, but we could do better! We must remember that the climate transition involves hard decisions, and their consequences will be difficult.
It is not the happy road of green innovation and growth that is often sold to us. The electric car, for example, is a solution for the car industry, but not for the climate. The true ecological solution for transport is the train, not a brand-new electric car, the manufacturing of which will have been an ecological disaster with an enormous carbon cost, and the use of which will increase the need for electricity, which can be very dark when the production capabilities are saturated.
Once again, it is all about the 12% issue: we have to stop looking at things from a micro point of view and redefine what the economy should be.
The fight against climate change is about sobriety and questioning our way of life.

EDHEC, A MAJOR PLAYER IN SUSTAINABLE FINANCE

Facing colossal investment needs to address climate change and ensure sustainable and inclusive development of the planet, governments have voiced high expectations for the financial sector. At the same time, an increasing share of the population expects investment decisions to integrate environmental and social dimensions. Progress has been made, yet there is still a long way to go to building sustainable finance. EDHEC is committed to actively contributing to this transformation, through research and training programmes as well as through direct involvement in the finance industry.

FRÉDÉRIC BLANC-BRUDE, DIRECTOR OF THE EDHEC INFRASTRUCTURE AND PRIVATE ASSETS RESEARCH INSTITUTE, **FRÉDÉRIC DUCOULOMBIER,** DIRECTOR OF THE EDHEC-RISK CLIMATE IMPACT INSTITUTE, **NOËL AMENC,** EDHEC ASSOCIATE PROFESSOR OF FINANCE AND EDHEC-RISK CLIMATE IMPACT INSTITUTE AFFILIATE MEMBER, **DOMINIC O'KANE,** EDHEC PROFESSOR AND EDHEC-RISK CLIMATE IMPACT INSTITUTE RESEARCH DIRECTOR, **EMMANUEL JURCZENKO,** EDHEC DIRECTOR OF GRADUATE FINANCE PROGRAMMES

Scientists are unanimous: climate change is global, rapid, and escalating. And it is unquestionably human activity, primarily through the burning of fossil fuels, which is responsible for global warming. Most countries have now committed to climate change mitigation and adaptation targets, and some regulatory measures have been introduced. However, climate action remains insufficient and global greenhouse gas emissions have scaled new heights. *"There has never been an energy transition in the history of capitalism. In aggregate, the economy has consumed more of all energy sources in absolute terms every year for the past 300 years, even wood or coal. Furthermore, fossil fuel production and consumption continue to be supported by State budgets"*, explains Frédéric Blanc-Brude, Director of the EDHEC Infrastructure and Private Assets Research Institute. *"Investments in green energy are making a positive impact as renewable energy production has made it possible to cover additional energy demand over the past decade. But the scale is not right."*

"Emissions mitigation and climate change adaptation consistent with the ambitions of the Paris Agreement would require major funding", opines Frédéric Ducoulombier, Director, EDHEC-Risk Climate Impact Institute. *"But the flows are not materialising at the needed scale because our governments are neither directing these investments nor providing coherent policy and regulatory signals that may prompt private actors to undertake these investments."* In addition, to play a significant role in reallocating funds and managing sustainability risks, markets and financial institutions must rely on accurate data and tools. But data remains plagued by quality issues and tools required to manage environmental and social risks including the physical risks from climate change and the various risks arising from transitioning to low-carbon and climate-change resilient economies – are still in their infancy. "*The School's applied research institutes have published on these issues and the ventures that they have spawned are helping investors by developing new datasets, analytics and investments strategies"*, says Frédéric Ducoulombier.

INCREASED MOBILISATION AMONGST FINANCIAL ACTORS

While financial actors do not have direct control over the environmental and social performance of corporates, they can channel capital towards sustainable and responsible projects, e.g. by refusing to finance fossil fuels and investing in renewable energy infrastructure. They can try and convince companies to reduce their environmental footprints and improve their social performance through dialogue and the threat of denial of funding and disinvestment. The financial industry has registered the growing appetite of investors for climate-friendly and socially progressive investment strategies... but regulators have become concerned about the risks of marketing and communications inflating the environmental and

**PACTE: Action Plan for Business Growth and Transformation* social credentials of investment products or misrepresenting their potential for transformative change. 2022 saw increasing discussions about greenwashing and the first enforcement actions.

HELPING INVESTORS AND DECISION-MAKERS MAKE THE BEST USE OF FINANCIAL TOOLS

In 2001, the school established EDHEC-Risk Institute with the ambition of furthering academic research in risk and investment management, and highlighting its practical implications and applications to decision-makers. This impact ethos was extended to all school activities in 2005 and has been affirmed by the school's tagline since 2016. EDHEC-Risk Institute which started working on the integration of sustainability issues into investment some 15 years ago, established a research chair on the topic in 2019, incubated research programmes on climate change, and launched a successful online certificate on "Climate Change and Sustainable Investing" in 2021. Reflecting the priority the school assigns to sustainability issues, the Institute became EDHEC-Risk Climate Impact Institute in late 2022. The Institute works on extending the tools used for climate economy modelling and emerging prudential practices with respect to climate risks to make them consistent with asset pricing; it also looks at how finance can support the transition to low greenhouse gas and climate change resilient economies.

Spun out of the Singapore-based operations of EDHEC-Risk Institute in 2016, the EDHEC Infrastructure & Private Assets Research Institute has produced breakthrough research on the valuation of private investments and the assessment of their climate risks and social acceptability. As most infrastructure assets are not listed on the stock exchange, there is a lack of knowledge about these assets and their evolution. The Institute fills this gap with analysis and indices. *"Our indices are built from collecting and cleaning up colossal amounts of data information about each company and applying price modelling to assess their value"*, says Frédéric Blanc-Brude. *"We have gained a good market understanding and can now calculate prices and returns fairly close to reality. We have created highly recognised indices such as the infra300, which now provides many investors in infrastructure with the carbon intensity and risk-adjusted performance of 300 unlisted infrastructure companies. Another major output is data on the physical risk exposure of each infrastructure asset (floods, tornadoes, etc.) to estimate their exposure to climate-induced physical destruction or interruption."*

GROWING NEEDS FOR SCIENTIFIC DATA, ANALYTICS, AND PORTFOLIO CONSTRUCTION TOOLS

EDHEC Business School's impact on financial research and practices is further supported by several initiatives born out of the legacy of EDHEC-Risk

Spotlight ON A PIONEERING STUDY: **"The climate deserves** BETTER THAN 12%"

In September 2021, the EDHEC Scientific Beta Research Chair's study "Doing Good or Feeling Good" showed that traditional climate investment strategies do not live up to their promises. Even though investors and managers communicate extensively on the use of climate data to construct their portfolios, only 12% of fund composition is based on ESG scores. This low percentage clearly means that climate-investing strategies remain essentially guided by purely financial considerations. The study highlights that funds simply under-evaluate sectors like electricity to boost their "green scores". But constructing financial portfolios with no link to the real economy is a particularly pernicious form of greenwashing.

The EDHEC study, the first one to address this subject, caused a stir and numerous reports in the French and international press and protests from many players. But Noël Amenc, associate professor of Finance EDHEC-Risk Climate Impact Institute affiliate member, one of the study's authors was unperturbed: *"EDHEC's philosophy is to tell the truth, whether you like it or not. In the end, we were perceived as an independent institution playing its academic role that went to the end of a logic of scientific truth. We threw a pebble into the pond, with, in the end, I hope, a positive impact."*

The work involved recalculating and examining stock market indices claiming to be "climate friendly", based on 2000 listed companies committed to reducing their emissions, and on the study of 32 different strategies.

Institute that provide investors with data, metrics and portfolio construction tools, and even investment strategies. The work of the EDHEC Infrastructure & Private Assets Institute has led to the establishment of the world's leading provider of index data, benchmarks, and analytics for infrastructure and private assets. *"We produce scientifically valid and robust data on ESG risks to provide investors with an understanding of the environmental and social risks in the medium to long term, and thus concretely commit to sustainable finance to help financial actors make the most informed decisions possible"*, says Frédéric Blanc-Brude. *"This information is difficult to find due to externalities, i.e. risks that are not visible right away and that need to be anticipated because they will occur and impact returns."* Scientific Portfolio, an early-stage technology initiative develops portfolio analysis tools and metrics to help investors integrate financial and non-financial information into portfolio management. Scientific Beta is recognised as a pioneer of multifactor investing and of the reconciliation of socially responsible investment and financial performance – since its acquisition by the Singapore Exchange (SGX) it has accelerated its investments in climate investing as part of the SGX Sustainable Exchange strategy and released a new generation of indices designed to promote real-world climate impact.

The role of MACHINE LEARNING IN SUSTAINABLE FINANCE

Dominic O'Kane, EDHEC Professor and Research Director at EDHEC-Risk Climate Impact Institute.

Machine Learning (ML) algorithms are used to train a computer to solve a problem from past examples. There are many different branches of ML – supervised learning, unsupervised learning, reinforced learning, etc. – and many applications in finance. For example, ML can help banks to assess borrowers' risks more accurately by analysing historical patterns showing the characteristics of borrowers who fail to repay.

In a recent paper, EDHEC-Risk Climate Impact Institute used language models based on deep learning methods to explore the relationship between climate news and the equity prices of so-called "Green" and "Brown" companies. *"We use approaches of increasing complexity, up to specialised language models, to try and extract climate-relevant information from the daily news flow"*, says Dominic O'Kane. *"The indices are based on climate-related news aggregated from high-quality newspapers such as The Financial Times, The NY Times, the Guardian, etc. We measure the impact of news arrival on a range of low and high-carbon intensity top 500 U.S. companies to understand which firms are more exposed to climate risks."* The researchers found that increases in returns of high carbon intensity "Brown" portfolios show a statistically significant negative association with increases in a climate concern index constructed from multiple news sources. To put it simply: the share prices of companies that emit a large amount of CO_2 per unit of revenue tend to fall if there is an increase in climate concern. However they also found that the impact of climate concern news on low-carbon intensity "Green" companies is not statistically significant.

GOING FURTHER

While most actors are positive about the gradual transformation of finance into a more sustainable model, they all admit the need to go much further and faster. *"Over the last forty years, finance has been allowed to super-*

charge a narrowly defined and environmentally destructive version of development. While global indicators have registered unprecedented rises, wealth gaps across countries have remained large and along with environmental stresses are contributing to migration pressures. Combine these with increasing wealth gaps within countries and you have excellent fuel for a rise of illiberal politics. Never has it been more important to approach business and economics with an emphasis on ethics, social responsibility, and concern for human dignity", states Frédéric Ducoulombier. "*Practitioners approach us for guidance on the integration of environmental, social and governance issues into corporate strategy and operations. Our role, as researchers and educators, is to address pressing conceptual challenges and engage in applied research and executive education to help organisations imagine, plan, and implement major economic transitions.*"

"Our students have voiced legitimate eco-anxiety: our role as researchers and educators is to give them access to the best information and hard and soft skill training to face the crises ahead and fully play their roles as change makers"

Frédéric Ducoulombier

Preparing tomorrow's SUSTAINABLE FINANCE LEADERS

EDHEC's role is to give our students access to the best information and skills training to fully play their roles as change makers. Emmanuel Jurczenko, EDHEC Director of Graduate Finance programmes, tells how sustainable finance is integrated into programmes.

What is EDHEC's position on sustainable finance?

Our challenge is to ensure that all finance students have a common skills base to understand climate issues, and to offer more specialised training to best prepare students wishing to pursue a career in sustainable finance. In the Master 1 programme, we provide a mandatory 36-hour course "From Climate Science to Climate Finance" to ensure that students understand climate change challenges and the role of finance in supporting the energy transition. At the MSc Finance level, our strong point is the creation of a 120-hour programme on "Climate Change and Sustainable Finance", in collaboration with the École des Mines, to prepare students for careers in green finance (see Campus Vox article). And from the start of the new academic year, all our finance programmes will integrate a mandatory 18-hour course on sustainable finance. We also offer compulsory or elective courses specific to certain finance programmes.

What kind of careers are conceivable for students with a sustainable finance background ?

It's a recent phenomenon, but we are seeing more and more internships or permanent positions as ESG analysts in asset management, sustainable investment analysts in debt or capital markets, in private debt or equity funds, and in impact investing. We are also seeing sales trader or trader positions in renewable energy, Fintech specialised in sustainable finance, or strategic energy consulting positions in large firms such as McKinsey.

Besides the programmes, what do you offer your finance students?

Pre-Master's students can participate in the climate workshops, while all our Finance students can attend our Speakers series on "The Future of Finance" led by academic and professional sustainable finance experts. They can also join our student associations dedicated to the environment, such as "Green Impact, BBA" on the Nice campus, or the upcoming "Just Sea It" for the protection of the seabed.

Firmly ESTABLISHED AS AN asset management leader

EDHEC graduate Bruno de Pampelonne co-founded Tikehau Investment Management in 2006. The company is now a leading alternative asset management company. Today, as Tikehau IM's Chairman, Bruno de Pampelonne remains bonded to EDHEC, firmly committed to developing his business school and intent on taking it to ever higher levels of excellence.

WITH BRUNO DE PAMPELONNE,
CHAIRMAN OF TIKEHAU IM AND EDHEC CHAIRMAN, BOARD OF GOVERNORS

Bruno de Pampelonne considers that, after graduating from EDHEC in 1981, his career in finance really took off in 1985, when he went to London to work for Goldman Sachs, as a trader. After this first experience in a truly international company, the next big step was when he opened the Paris office of Crédit Suisse First Boston, in 1991. Later, he became head of Merrill Lynch, in France, staying there for 13 years. *"I joined Tikehau Capital, in 2006, at the start of that adventure, to create the Group's asset management company, Tikehau IM, of which I've been the Chairman ever since. Tikehau IM's head office is in Paris, but eight years ago I moved to Singapore, to open*

"Now, we're internationally recognised as a company of quality, devoted to responsible investment"

the Asian branch. So, I go back and forth regularly!"

Today, Tikehau CAPITAL is a leading listed company, with a capital of 3.5 billion euros, some 4 billion in market capitalisation and 42 billion in assets under management. It employs 750 people, in 15 offices, across three continents. *"Lots of our people have been with us from the start or for a long time and now hold positions of responsibility. The first Tikehau IM employee was an EDHEC Alumni. I'm proud of all this and of the fact that we've weathered the crises of recent years. Fifteen years ago, if you mentioned Tikehau IM, people hadn't heard of us and asked us to spell the name! Now, we're internationally recognised as a company of quality, devoted to responsible investment."*

Solidly sustainable

What differentiates Tikehau IM from other asset management companies is, firstly, that it is 57% owned by its founders and by Group employees. Secondly, it has kept its entrepreneurial spirit. Thirdly, its capital of 3.5 billion euros means that it can invest significantly in all the Group's strategies. *"We're very closely aligned with our investors and very active in the private markets and matters related to financing what I call the "real economy". My focus on sustainable finance goes back to initiating Tikehau's signing of the UN's Principles for Responsible Investment, in 2014. Committed to sustainable growth, we then launched impact funds and an energy-transition fund of 1.4 billion euros in partnership with TOTAL Energies. Today, all of our funds in all our strategies have strict ESG criteria. We've also announced we'll invest 5 billion euros in energy-transition and climate issues and have launched a fund dedicated to regenerative agriculture with Unilever and Axa Climate. To achieve sustainable growth, we need much more investment and more public and private collaboration."*

The EDHEC connection

As Chairman of EDHEC'S Board of Directors, Bruno de Pampelonne esteems that the school's entrepreneurial spirit has been a marked influence on him and his company. *"It's also a spirit of adaptation and of modesty, in the positive sense that we're always ready to learn. EDHEC people are flexible and adaptable and have strong social values. You have to have empathy for your teams. You have to have a strategy. In fact, you need many qualities and EDHEC really supports this. My student days at EDHEC have contributed greatly to what I am today."*

Upward and onward

Ever pushing forward, Bruno de Pampelonne reports that Tikehau IM's goal is to reach 65 billion euros under management by 2025! *"We'll become even more international and will continue and grow. For Tikehau, there are many chapters yet to write!"*

Timeline

1978-1981 – Master's Degree in Finance at EDHEC

1983 – analyst for Crédit Lyonnais, Los Angeles

1985 – Executive Director at Goldman Sachs, London

1990 – opens Paris office of Crédit Suisse First Boston

1993 – Country Manager, Merrill Lynch France

2006 – joins Tikehau, to create Tikehau IM, as CEO

2007 – sees Tikehau IM receive AMF sustainable-finance certification

2014 – spearheads Tikehau IM's signature of the UN's PRI

2015 – opens Asian branch of Tikehau and moves to Singapore

2023 – takes Tikehau IM to 39 billion euros of managed assets

Advice TO GRADUATES ON WORKING IN SUSTAINABLE FINANCE

"Be ambitious, clear about your goals and true to your principles and don't hesitate to take risks. Be careful who you work for. Some claim to practise sustainable finance but actually don't. Sustainable finance addresses climate change and our pressing environmental challenges. Given the urgency of our situation, focusing on commendable but small projects will soon frustrate you. Make an impact! This is both my motto and that of EDHEC. In sustainable finance, it's especially true. Don't be marginal. It's about ambition and being impactful in your chosen path."

"There is still so much greenwashing. The next generation must make clean business and finance a reality"

• EDHEC 2019 GRADUATE, INTERNATIONAL BACHELOR OF BUSINESS ADMINISTRATION • **SIEMENS**

INVEST GREEN

- **2019:** EDHEC International Bachelor of Business Administration specialising in Finance
- **2020:** MSc in Climate Change, Management and Finance at Imperial College, London
- **2020:** Joined Equity Investment team at Siemens Financial Services
- **2021:** Execution of my first investment on behalf of Siemens Financial Services

Camélia Essid grew up in the south of France, in one of the areas of the country most at risk from climate change – and where summers are getting ever hotter and drier. From the age of six, she knew she wanted to work for the benefit of the environment. As an Investment Manager at Siemens Financial Services in London, Camélia is involved in projects, companies and platforms across energy transition sectors. *"I combine the financial knowledge, skills and commercial acumen I learned at EDHEC together with technical expertise throughout the entire investment cycle, transforming the energy sector into a greener, more reliable and affordable system."* Camélia's focus on sustainability is in demand as green issues become ever more central to businesses around the world. *"My technical skills and industry expertise are contributing to the decarbonisation of the economy. Many green technologies are already cost competitive, making sustainable investment choices a no-brainer. The challenge now is to make even more emerging innovative technologies bankable and ready to deploy on a larger scale so we can meet future demand in a sustainable way."*

"I combine the financial knowledge, skills and commercial acumen I learned at EDHEC together with technical expertise, transforming the energy sector into a greener system"

- 2013: Bachelor of Business Administration, Finance
- 2019: Founded first start-up in the food industry
- 2020: Conception and R&D phase began at EDHEC Incubator
- 2022: Launch and commercialisation of Qweeko

• EDHEC 2013 GRADUATE, BACHELOR OF BUSINESS ADMINISTRATION

EMPOWERING GREENER MANUFACTURING

For Martin Bonte the idea that products – even expensive electronics – are effectively disposable is not in tune either with the needs of today's environmentally-conscious consumers or new regulations requiring companies to report the environmental impact of their activities. Qweeko uses Life Cycle Analysis methodology to help manufacturers evaluate the total environmental impact of their products from raw material extraction to end of life, recycling and beyond. *"We are part of the EDHEC incubator, and they've been incredibly helpful. And so many alumni in the EDHEC network have helped us with their time, skills, knowledge and insights."* What advice does Martin have for people entering the world of sustainable industry and finance? *"When I started back in 2015 any investment in environmental matters was seen as fringe, while today it's mainstream. But there's still so much greenwashing. The next generation must make clean business and finance a reality. Building a whole new model for business at a societal level is an amazing opportunity, and a daunting challenge. But it has to happen: we have to think differently, and we have to do it all together."*

• EDHEC 2022 GRADUATE, MSC CLIMATE CHANGE & SUSTAINABLE FINANCE • **RE.BOOT**

BUILDING SUSTAINABLE CAREERS

Etienne started re.boot while he was still a Master's student at EDHEC, along with three fellow students from different business schools. *"We didn't know each other, but we shared two main opinions. We were frustrated at the greenwashing from financial institutions claiming to offer sustainable finance. The second was amazement that only a few Master's programmes in finance covered environmental or social issues."* re.boot fills the gap between demand for sustainable finance professionals and the supply by giving people the skills, knowledge and resources they need to start their career. It organises training bootcamps, events and a vibrant community, and shares expertise with schools and universities. *"I had regular exchanges with EDHEC's career centre to present my knowledge of the sector and make our job board available to them."* Soon employers were contacting Etienne and his colleagues to get involved, share job vacancies and talk to students and graduates about job opportunities via re.boot. *"The world is waking up to the fact that we have finite resources, and that sustainability really is the only option for the future. The opportunities are there, but it's up to us – the next generation – to make it happen."*

"The opportunities are there, it's up to us to make it happen"

- August 2021: Started re.boot
- March 2022: First re.boot bootcamp
- May 2022: Graduate from EDHEC Master in Management - Financial Economics x MSc Climate Change & Sustainable Finance (in partnership with Mines Paris)

Tackling GREENWASHING in the classroom AND BEYOND

Gianfranco Gianfrate is a man on a mission. First, he wants to help establish a definition of "greenwashing". Then he wants to eradicate it forever. He thinks it's a fight he can win.

While he was studying for his PhD in Business and Managerial Economics at Milan's Università Bocconi, Gianfranco Gianfrate took an interest in corporate governance – and more specifically the ways in which controlling shareholders abuse their positions in companies to deplete the wealth of stakeholders in order to promote their own interests. *"These stakeholders can be communities, countries and indeed the whole environment. If you emit a lot of carbon dioxide without paying for it, you're stealing from the planet – climate issues like these are a major cause of injustices around the world."*

Incentives could be the key

The focus of Professor Gianfrate's current work is corporate governance. "We know when executives *own shares in their companies, financial performance tends to improve but environmental performance tends to go down. Decision-makers who stand to benefit from improved financial performance will privilege it over sustainability."*

One solution is legislation which links compensation to environmental performance. This quantification of incentives and environmental costs is a recurring theme in Gianfranco's work – and he believes it is key to both defining and preventing greenwashing.

"Greenwashing is something we think we all understand. But we don't really have a definition"

"Greenwashing is something we think we all understand. But we don't really have a definition. Sometimes it's simply pretending a company is greener than it is, but it can also involve hiding numbers or facts, or allowing narratives to disguise activities. Sometimes it can simply be a case of "faking it 'til you make it" – promoting the green agenda while you work out how to make it happen."

Towards a definition of greenwashing

One obstacle to defining greenwashing is that most environmental performance reporting is voluntary and unaudited. Professor Gianfrate expects it may take two decades or more of resistance, lobbying and compromise before a proper system of reporting with sanctions and punishments can be properly implemented.

Interestingly, financial markets seem to see through greenwashing. Companies overstating environmental credentials tend to have lower valuations, as investors pay more attention to fines paid for breaching regulations than claims on a website.

"I think the key to defining greenwashing is comparing what's on the surface with what's happening on the ground. If a company claiming to be green is paying lots of emissions fines, that's greenwashing."

Professor Gianfrate believes the move towards quantifying environmental impact over the next decade will lead to a fundamental change.

"Once those numbers can simply be added to a company's cash flow and reporting, the need for sustainable finance – and greenwashing – disappears. When companies have to pay for all their resources and externalities, everyone can see it. It will be much more difficult for companies to lie."

GIANFRANCO **Gianfrate**

EDHEC PROFESSOR, EDHEC-RISK CLIMATE IMPACT INSTITUTE RESEARCH DIRECTOR

Gianfranco Gianfrate has had a double career, starting as a merger & acquisitions consultant with Deloitte in Italy before switching to working with Hermes – the British Telecom pension fund. Their long-term attitude to risk made them a real pioneer in financial sustainability – which was where his interest in green finance began.

He completed his PhD in Milan and decided he enjoyed the freedom of academia. He became a professor in the US (while being a venture capitalist on the side) before heading back to Europe and working at the Rotterdam School of Management and joining EDHEC in 2018.

How ESG REPORTING IS TRANSFORMING COMPANIES

New financial and extra-financial reporting standards have a strong impact on companies and on the way they initiate change within their business activities. Hélène Le Blond, Executive MBA EDHEC 2022, Director of Sustainability and ESG Performance at Deloitte, talks about these new requirements and their impact on companies.

The EU has been increasing regulations to standardise non-financial information for several years. In France, the DPEF* marked a first structuring step by imposing stricter and more readable non-financial performance declaration obligations on large companies. As of January 2024, the CSRD (Corporate Sustainability Reporting Directive) will further strengthen these obligations by introducing more detailed reporting requirements and expanding the number of companies having to comply. The goal is to establish a common framework to put sustainability reporting on the same quality level as financial information. In this way, company performance will be assessed globally. *"The company must consider its entire value chain"*, says Hélène Le Blond. *"It must take into account its stakeholders' expectations and adopt a forward-looking approach to its performance. The CSRD requires "double materiality" which means that companies have to assess risks and opportunities in terms of their potential or proven financial impact, but also take into account the materiality of the impact in terms of its social and environmental dimensions. And all this data must be presented in the management report and be audited."*

A significant impact on companies

Meeting these new regulatory requirements is far from easy for companies. This is true regardless of the company's maturity on these subjects. Beyond onboarding this complete and demanding framework, companies must be able to operationalise ESG reporting, which raises issues of data production, governance, internal skills, new processes, and IT tools. These new obligations require financial departments to work in tandem with sustainability teams, for the needed skills complementarity. Companies must now think further ahead and challenge their business model in-depth

"This is a major human and financial investment for companies, but they should not miss this turning point and set the course for medium-term ambitions in order to maintain their place in the market and anticipate changes to be made to their business model"

if they are to maintain their ability to operate in a market with their economic partners. According to Hélène Le Blond, models essentially based on massive consumption of new products will not be sustainable over time. For example, to ensure a business' sustainability it is crucial that aspects such as access to natural resources, international imports and transport, and the management of unsold products and waste are examined. *"This is a major human and financial investment for companies"*, says Hélène Le Blond. *"But they should not miss this turning point and set the course for medium-term ambitions in order to maintain*

HÉLÈNE **Le Blond**

EXECUTIVE MBA EDHEC 2022, DIRECTOR OF SUSTAINABILITY AND ESG PERFORMANCE AT DELOITTE

"We are experiencing a revolution with a shift to finance 4.0. Before, finance was past-performance oriented. Today, the sustainability assessment is more complete: it goes beyond the strict financial point of view by focusing on the impacts of the entire value chain's activities on people and the planet, today and tomorrow. These issues are present in all decision-making."

*** DPEF:** *Déclaration de Performance Extra-Financière (Extra-financial performance Statement).*

their place in the market and anticipate changes to be made to their business model. Behind the reporting constraints, there are strong opportunities in terms of business positioning."

A strong need for support and skills development

For Hélène Le Blond, audit firms have a pivotal role to play in helping companies meet their sustainability reporting. *"The texts are extremely complex and even large companies are supported by audit firms because the need to increase their skills is enormous"*, she says. *"On the reporting side, our role is to simplify and educate.*

> **"On the reporting side, our role is to simplify and educate. As auditors, we know what is essential, we are able to measure the necessary effort and provide our clients with feedback on practices thanks to our network of dedicated experts and representatives in all the structuring groups"**

As auditors, we know what is essential, we are able to measure the necessary effort and provide our clients with feedback on practices thanks to our network of dedicated experts and representatives in all the structuring groups. We report on both past performance and the future trajectory that will be followed over time." Hélène Le Blond intervenes on the ESG reporting aspects at Deloitte Sustainability France, with the mission of *"supporting her clients with sustainability issues in order to transform the new extra-financial obligations into vectors of opportunity for global and integrated performance."* She aims to reconcile financial and extra-financial reporting and make the extra-financial tangible. Hélène Le Blond is convinced that once the ESG reporting hurdle is passed, it must be used as a steering and value-creating tool.

The EDHEC 2022 Executive MBA, a tipping point for change

Hélène Le Blond was not born with an ESG streak, as her initial studies and responsibilities as CFO did not make her aware of these issues. *"I hope to be one of the last generations that has not been helped to become aware of environmental and societal issues"*, she says. *"Non-financial reporting is based on a wide range of skills shared with finance, yet I had never explored this dimension in my previous positions. I became aware of the need for training, education and support for change, especially for the finance departments."* And this is what led her to the EDHEC 2022 Executive MBA, which was highly beneficial to her. EDHEC has completely reviewed all its Executive education programmes to give all participants a better insight into the major CSR challenges. *"The course dedicated to monitoring European regulations allowed me to dive deeply into CSRD expectations, yet the subject was not very well covered in France in 2020"*, concludes Hélène Le Blond. *"This allowed me to get ahead of the game and anticipate sustainability reporting expectations for 2024 and 2025."* And this is only the beginning: CSRD will escalate, with a set of sectoral standards and an extension of the scope to non-EU companies with significant activity in Europe.

CSRD SCOPE:

European companies exceeding two of the following three thresholds: revenues of more than €40 million, more than 250 employees, total balance sheet of more than €20 million.

> **"I hope to be one of the last generations that has not been helped to become aware of environmental and societal issues"**

PORTRAIT

Riccardo Rebonato
A FUSION OF SCIENCE **AND FINANCE**

As EDHEC Professor and Scientific Director of the EDHEC-Risk Climate Impact Institute, Riccardo Rebonato is charged with finding innovative but practical ways to tackle the greatest challenge of our age. But then he is no stranger to thinking "outside the box"...

"PHYSICS IS LIKE A JEALOUS LOVER"

Riccardo Rebonato's path to becoming the Scientific Director of EDHEC-Risk Climate Impact Institute may be unconventional, but the insights his unique experience have given him mean he is better equipped than most to research ways society – and the finance sector in particular – can fight the climate crisis.

"I was a nuclear scientist originally, but once I had completed a couple of PhDs and a post-doc I finally realised physics could manage perfectly well without me", says Riccardo.

"I still wanted to apply my quantitative skills, and luckily this is just what finance needed in the 1990s, because complex derivatives were starting to become important. I was just the right person at the right time: I started out as a financial modeller, but ended up as head of trading, risk management and research."

Eventually, Riccardo decided he wanted to get back into academia. But it proved more difficult than he had imagined. *"Physics is like a jealous lover"*, he jokes. *"If you leave, you won't get welcomed back!"* Alongside his professional activities, he wrote books and academic articles in finance, and this allowed him to join EDHEC in 2015.

SEPARATING THE PLAUSIBLE FROM THE PIE IN THE SKY

For Professor Rebonato, his work at the Climate Impact Institute is the culmination of a lifetime gathering the skills, insights and experience he believes are necessary to fight climate change.

His scientific background means he is in a strong position to understand and evaluate proposed technologies, while his economics expertise gives him an understanding of the ethical and financial elements of the challenge. *"It's such a rich, fascinating problem"*, he says. *"It's technical, but it also impacts every single aspect of society – and it's not just intellectual: it's affecting every one of us, every day."*

"TACKLING CLIMATE CHANGE IS A WAR EFFORT"

Tackling climate change is, according to Riccardo Rebonato, a challenge demanding the same level of response as a war effort: a dramatic shift towards investing resources in climate solutions. And, he believes, climate investment, which must be facilitated and channelled by a finance made fit for the needs of the 21st-century, holds the key to making it happen.

"If we are going to beat climate change, the necessary expenditure will be on a par with what we spend on education, healthcare and defence, and we're currently an order of magnitude behind where we need to be."

Though Riccardo has recently been awarded the Quant Researcher of the Year 2022 lifetime award in recognition of his work in financial risk management, and considers the prize a great honour, he is not content to rest on his laurels. With the help of his team, he wants to find the most effective ways to tackle climate change. *"Exactly because the problem is daunting"*, he says, *"we must find the solutions that give us the maximum bang for every buck."*

"WE SHOULD ALWAYS BE HAPPY TO BE SURPRISED."

EDHEC's Climate Impact Institute is educating a new generation of financial professionals who combine enthusiasm and intelligence with intellectual rigour, even in this emotive area. *"It's important that we don't approach a problem like this as advocates. We shouldn't be looking to have our ideas confirmed."*

"Instead we should always be happy to be surprised or proved wrong. Because what matters is that someone, eventually, is right."

WHAT'S NEXT?

Riccardo wants to add to the understanding of the finance and economics of climate change, and how to make the transformation to a truly sustainable economy happen. *"Finance and economics are all about efficiency"*, he says, *"and a challenge of this size can only be managed if we are efficient. We have no time to waste: I want to play my part."*

MSc in Climate Change: HELPING OUR STUDENTS MAKE POSITIVE CHANGES IN FINANCE

2022 marked the second year of the MSc in Climate Change & Sustainable Finance, launched in cooperation with Mines Paris-PSL with support from Crédit Agricole du Nord, Amundi, and CACIB. Let's find out more from those in the best position to discuss it: our students.

When Alexanne Heurtier, Adrien Frerejacques, and Neeti Shah joined the MSc in Climate Change & Sustainable Finance programme, they all came from different backgrounds: Alexanne has a degree in Applied Economics & Financial Engineering (Paris-Dauphine); Adrien joined EDHEC in 2019 after a preparatory engineering course; and Neeti worked in investment for five years after graduating with a Finance & Accounting degree. Yet, they all realised that the programme is one of the very few Master's in Europe to equip them with the skills – both financial and scientific – needed to become change makers and shape a more sustainable economy.

Combining financial expertise with the energy transition's scientific challenges

The main asset of this 120-hour programme is combining EDHEC's financial expertise with a deep understanding of the energy transition's scientific and engineering challenges, thanks to Les Mines Paris-PLS training programmes. In parallel with their courses (50% on the École des Mines campus in Sophia Antipolis and 50% on the EDHEC campus), students validate their training by doing research work in groups of four on subjects proposed and supervised by leading institutional and industrial partners such as CACIB, Crédit du Nord, Banque de France, ADEME (the French ecological transition agency), and the Net Environmental Contribution initiative. Students get to work on concrete business case studies linked to sponsors' potential opportunities or challenges, have direct contact with business representatives, and may get priority access to job offers.

Alexanne Heurtier

MSC IN CLIMATE CHANGE & SUSTAINABLE FINANCE

"The courses at Les Mines allows us to deep-dive into technology and understand how current and future technologies can contribute to developing a low-carbon economy. It is a bonus to be in connection with researchers and experts and to have access to their work and publications. Many of our professors work in banks and companies, which means we can understand companies' expectations and match our profiles to their needs.

I think sustainable finance has a fundamental role to play in the fight against climate change. We must redirect capital in the right direction to develop effective technologies that can push back the boundaries. As with all revolutions, this requires financing: if we can show that finance can fund this type of project and be profitable, we will win! We also need regulations and public policies. Europe is ahead of the game with the arrival of regulations such as taxonomy. We need to combine these public policies with private sector actions and financing, and redirect capital towards virtuous solutions."

Adrien Frerejacques

MSC IN CLIMATE CHANGE & SUSTAINABLE FINANCE

"The courses are very practical. For example, we worked on building modelling software to monitor and reduce energy consumption. We had to choose a building (a supermarket in our case) and use the software to reduce energy consumption and cut GHG by 60%.

There is a real shift towards ESG, but we must be careful about greenwashing: companies have to make concrete actions and keep their promises. Integrating ESG criteria in investment decisions is highly complex. The MSc has given us the tools to develop our critical thinking and take a step back from companies' net-zero policy announcements. Sustainable finance will be at the heart of these issues for decades to come, and it is up to our generation to make things happen and make an impact based on the skills developed through the Master's!"

Neeti Shah

MSC IN CLIMATE CHANGE & SUSTAINABLE FINANCE

"I worked in asset management in India for five years and I realised that the ESG metrics used were poorly developed and that greenwashing was rife. I wanted to create more impact in sustainable finance, and the MSc was one of the few to offer a good mix of technical and financial subjects. I can already see the benefits: I realised that investment strategies, asset valuation and project financing are all relatively different from traditional finance. Combining both the economics of climate change on the financial side and learning about renewable energy technologies at the same time was very interesting. I can use these skills in future jobs.

Asset managers, pensions and funds have a huge portion of assets under management. If they start using environmental metrics in their investment decisions, they have the power to influence the organisations which receive this funding."

SOCIETAL AND ENVIRONMENTAL ISSUES IN YOUNG GRADUATE career goals

The career expectations, aspirations and requirements of business school students and graduates have greatly evolved in recent years, mirroring the global awareness of environmental and societal concerns in our world. EDHEC leads the way in understanding this shift and what today's companies must do to recruit and hold onto the young graduates they so badly need.

BY MANUELLE MALOT, DIRECTOR OF CAREERS AND DIRECTOR OF THE EDHEC NEW GEN TALENT CENTRE

Since around 2010, companies have struggled to recruit enough new-generation business or engineering graduates for their needs. The job market is thus favourable for graduates, who can pick and choose and whose career goals increasingly include a significant environmental and societal dimension. Companies, on the other hand, are focused as never before on polishing their employer brand and their recruitment and integration processes accordingly.

Ten years ago, at the instigation of Manuelle Malot, EDHEC set up the NewGen Talent Centre, to study the changing professional aspirations of young people, tailor its pedagogical approach appropriately and communicate its findings to companies and recruiters.
"The Centre interviews thousands of students and young graduates every year, carrying out quantitative studies of their expectations", says Manuelle Malot. *"We also organise round tables and conferences and publish four or five indepth studies annually and a Barometer of the Challenges of First Jobs, which precisely measures what counts for young people choosing their job and their employer."*

"The Centre interviews thousands of students and young graduates every year, carrying out quantitative studies of their expectations"

The critical role of companies

Young graduates today want to make a positive contribution not only to the company but also to the world, with all its issues. *"They put personal and professional development first but contributing positively to the world comes in a close second"*, says Manuelle Malot. *"Today, they look to companies to respond to the world's challenges, holding them accountable for these challenges and expecting them to respond to them in the positions they offer. Their concerns are, firstly, environmental impact, then the company's societal aspect, including inclusion, diversity and equality of opportunity. Then they require the company's governance ethics to exemplify simplicity, horizontality and model managerial conduct."*

Getting serious about change

Today's new graduates are on the alert for anything that smacks of greenwashing. "Companies themselves are actually making a great effort to adapt to the changing demands of the young", says Manuelle Malot. *"France's 2019 'Action Plan for Business Growth and Transformation' law, PACTE, stipulates that French companies must take into consideration the environmental*

A barometer reading OF PROFESSIONAL ambitions

A quantitative EDHEC classification of young graduates, according to ambition profile:

38%
Engaged:
Focused on world issues, motivated by the general interest, the culture/values of the company, the societal dimension of their role.

35%
Intra/entrepreneur:
Focused on the company project, motivated by challenge, freedom of action and autonomy in missions.

27%
Competitor:
Focused on ambitious career development, motivated by the prospect of a top managerial position, hierarchical responsibility, attractive remuneration.

and social issues inherent in their activity and invites them to include their sense of corporate purpose in their statutes. This law has accelerated companies' adaptation of their business models and their adaptation to the societal concerns of the young generation."

Benefits for both students and employers

Creating and financing the NewGen Talent Centre has been key for EDHEC in furthering its understanding of students and how to train them. Amongst the lessons learned has been the need to reintroduce certain courses and make them compulsory. *"The Centre's research also arms our busy Company Relations team with the power to explain firmly to companies how they must adapt, to attract, retain and engage youngsters, at this point in time"*, Manuelle Malot concludes.

"The Centre's research also arms our busy Company Relations team with the power to explain firmly to companies how they must adapt, to attract, retain and engage youngsters, at this point in time"

3 questions TO FERNANDA DIAZ CASCALLAR

EDHEC DIRECTOR OF CAREERS & EMPLOYER ENGAGEMENT

1 Are CSR jobs just for young grads?

Not necessarily. There are many job offers for senior people to manage CSR departments or initiatives in sustainable development. Every month, I read of EDHEC Alumni being appointed to such senior roles. That said, it's harder to find senior employees trained in CSR, whereas today's graduates are steeped in these issues. EDHEC offers specialised Master's degrees in sustainable development and climate change and runs mandatory courses dealing with these topics and the impact of business on climate and the environment. We also train students in diversity and inclusion.

2 Do young graduates get their voice heard in companies?

Absolutely! Today's companies are under pressure to be cleaner and more sustainable and are genuinely striving to make sustainable development, diversity, inclusion and gender equality part of their conversation with young grads. At EDHEC, we run "CSR days", when companies come and talk to students about their best practices and challenges.

3 Which sectors are graduates favouring?

In practice, since EDHEC's particular strength is finance, many of our students go into financial services, consulting FMCG or luxury goods.
My own feeling, and I think my colleagues share this, is that we'd like to see graduates going into all sectors, including utilities, without discrimination, and changing them from within.

EDHEC students EXPERIENCE **SUSTAINABLE FINANCE**

Alessandro Gastaldello

Problem solving through sustainable finance

For PhD candidate and teaching assistant in EDHEC's Master's programme, Alessandro Gastaldello, the opportunity to develop an application focusing on climate change within EDHEC's graduate finance programme reflects the school's commitment to preparing students to address the most pressing global challenges. ***"The faculty and administration really care about these issues and to contributing tangible responses and solutions to real-world problems."***

Alessandro's research thesis is based on a model he has formulated to answer a key question: what role does uncertainty risk about climate policies play in the decision-making of investors and consumers? A demonstrated effect of policy uncertainty on consumption patterns and ultimately financial markets would provide an argument for greater coherence and certainty in policy-making aimed at reducing greenhouse gas emissions.

Marion Simonin

A recent graduate of EDHEC's Master's programme in Corporate Finance & Banking, Marion Simonin talks about her experience focusing on sustainable finance with Société Générale.

"My responsibilities during my internship in the bank's Export Finance department in Paris centred around offering credit solutions to exporters to support the financing of various assets, including those associated with renewable energy, thereby aiding the progression of the energy transition. This might involve, for instance, financing a fleet of electric buses for public transportation networks in Latin America.

After graduating, I continued my adventure at Société Générale in their Singapore office, joining their Energy+ team to work on projects that support the energy development of emerging or developing countries and help them meet their carbon reduction targets. Having just concluded my time in Singapore, I'm starting a new venture in sustainable finance in the Netherlands and am eager to continue in this field and to tackle the energy industry's most pressing global challenges."

Transferring FAMILY VALUES

As companies of all types grapple with the challenges of embracing a sustainable model, family businesses, with their long-term perspective, may offer a source of experience and inspiration.

WITH RANIA LABAKI,
EDHEC ASSOCIATE PROFESSOR AND FAMILY BUSINESS CHAIR DIRECTOR

Amongst companies seeking to navigate the ever-recurring crises of today's turbulent, fast-changing business world, one organisational model that shows remarkable resilience is the traditional family business.

"The family capitalism model has shown itself to be resilient in overcoming crises over centuries and, most recently, during the Covid-19 crisis", says Rania Labaki, EDHEC Associate Professor and Family Business Chair Director. *"These companies have demonstrated their ability to survive, successfully transferring the business to the next generation while remaining financially sustainable and often outperforming their competitors."*

Family-run firms have also

been pioneers in operating as purpose-driven businesses, well before most of the rest of the post-Covid business world started reconsidering the pre-eminence of traditional corporate measures of financial capitalism and maximising shareholder value. Family business objectives may include non-financial goals and building what is known as "socio-emotional" wealth: the company's reputation, its ties to its community and preserving the DNA that defines the firm and its culture.

"It is well-recognised that most family businesses have a long-term perspective", says Rania Labaki. *"Because they think in terms not of quarters but rather generations, they are more likely to prioritise a commitment to their employees, stakeholder relations and developing strong values."*

Leading by example

So, does the family business offer a model to be emulated by other types of companies facing increased pressure to balance profit-making with broader expectations from multiple stakeholders and society at large to act responsibly? Or, because of their different shareholding structure, are they, by their nature, too unique?

Rania Labaki says that while some aspects of family businesses set them apart, such as the transfer of knowledge and values to the next generation, their sustainable approach is applicable to other types of business. *"At a time when initiatives and calls to (re-) define responsible capitalism are constantly multiplying, the long-term focus of family businesses is proving more than ever an inspiring model for the businesses of the future."*

Yet family businesses face their own specific challenges that they need to anticipate and address. As the business grows over time, the family grows too, introducing new dynamics and perspectives. How the firm's values are considered and interpreted may change over time and differences can emerge. Views may differ on fundamental issues like the firm's obligation to operate in an environmentally responsible manner.

"*As with all companies, family businesses confront the challenges of making the sustainable transition in all aspects of their operations – energy, digital, gender, racial, financial – while also remaining profitable and maintaining positive relations with their stakeholders"*, says Rania. *"And, for family businesses, this journey can be even more complex as emotions emerging in the family are transferred to the business, and vice versa. This can impact both the family and business, with implications for critical financial, governance and succession decisions affecting the company."*

Generational divide

A particular arena for tension may occur at intergenerational interfaces. The younger generation may put a higher priority on environmental concerns, for example. Decisions such as finding the right balance between international and local development and weighing the company's need for digital progress versus the prospect of lost jobs can also be sources of conflict.

"Family and emotional dynamics can play an important role in the decisions, performance and impact of family businesses", says Rania. *"It can affect the transfer process, financial decision-making, the development of entrepreneurial behaviour and the resilience of family businesses, and this is particularly true in times of crisis."*

In the face of these and other challenges, it is important for family businesses to establish governance mechanisms to allow for their resolution. Relationships with key stakeholders, such as bankers, suppliers and customers, which may have been built across multiple generations, must also be carefully managed to not completely change without considering their impacts.

EDHEC's supporting role

Helping family businesses navigate the journey of sustainable economic transformation while preserving their essential DNA is one of the missions of EDHEC's Family Business Chair, which recently marked its ten-year anniversary.

"The Chair seeks to sustain and inspire family businesses and their stakeholders through three areas of focus", says Rania: *"By engaging in research that contributes to the development and transfer of responsible entrepreneurship, by offering dedicated and tailor-made training programmes for the entire ecosystem surrounding family businesses, and by proposing events and other initiatives to share best practices. Through its leadership and research, the Chair also works to inspire public policies at the national and European levels."*

The Chair is part of the school's Centre for Responsible Entrepreneurship which works to train and raise awareness of talents capable of making businesses evolve by contributing positively to society's balance.

Rania says *"our most important contribution is in helping today's students make a positive impact in society through whatever business or organisational model they choose to create or be a part of."*

Advice ON RESOLVING FAMILIAL DIFFERENCES:

1 Leverage the past: Dare to explore, learn and share the family business history. Family narratives can prove to be fascinating tools to bond family members and provide motivation to pursue the ancestors' entrepreneurial journey.

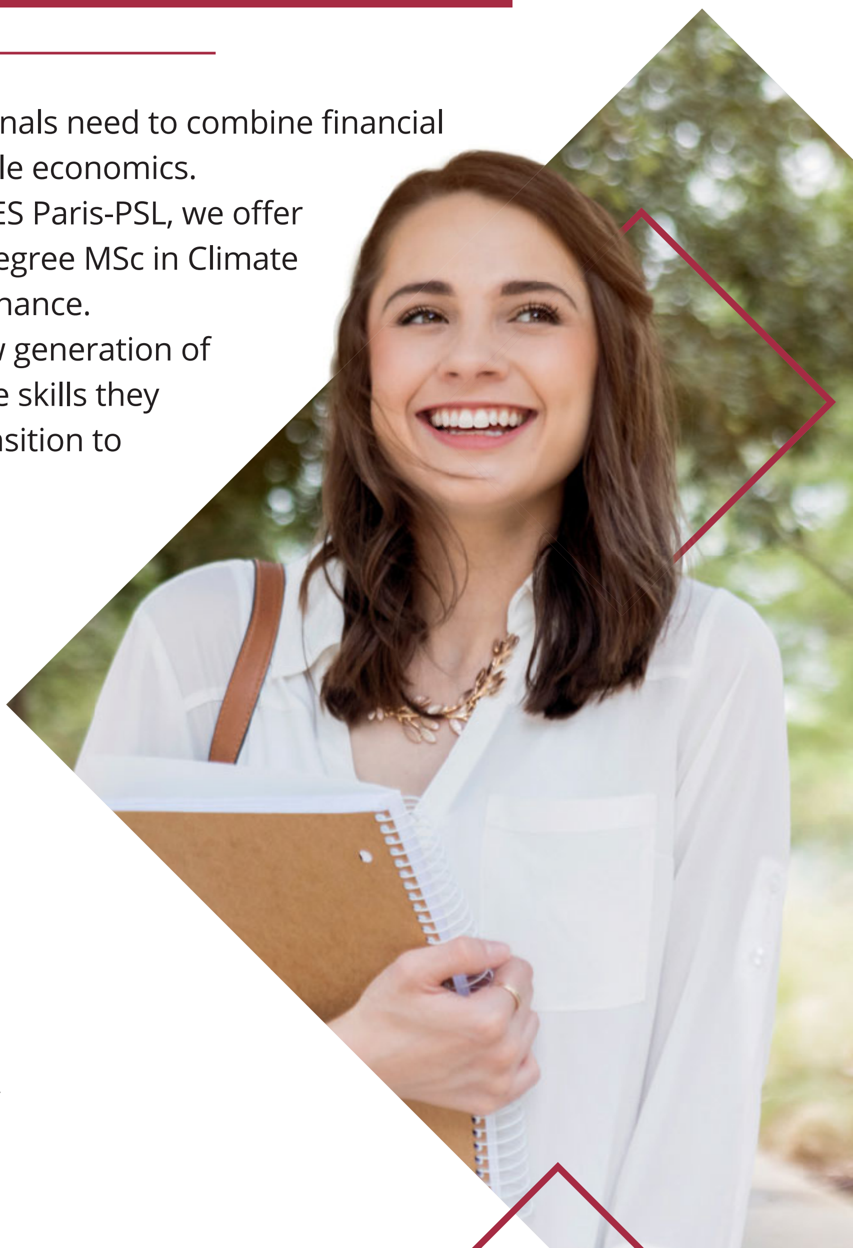
2 Consolidate the present: Develop and continuously revisit family governance structures to provide space and a voice for family members. Ranging from a formalised family council to informal family events, these structures allow members to meet, communicate, and even work together on projects that they value.

3 Reflect on the future: Organise dedicated meetings to create the vision for the future, an often long but worthwhile process. It not only sets the tone for the next generation but also allows the development of an action plan to educate the successors towards ensuring the firm's sustainability.

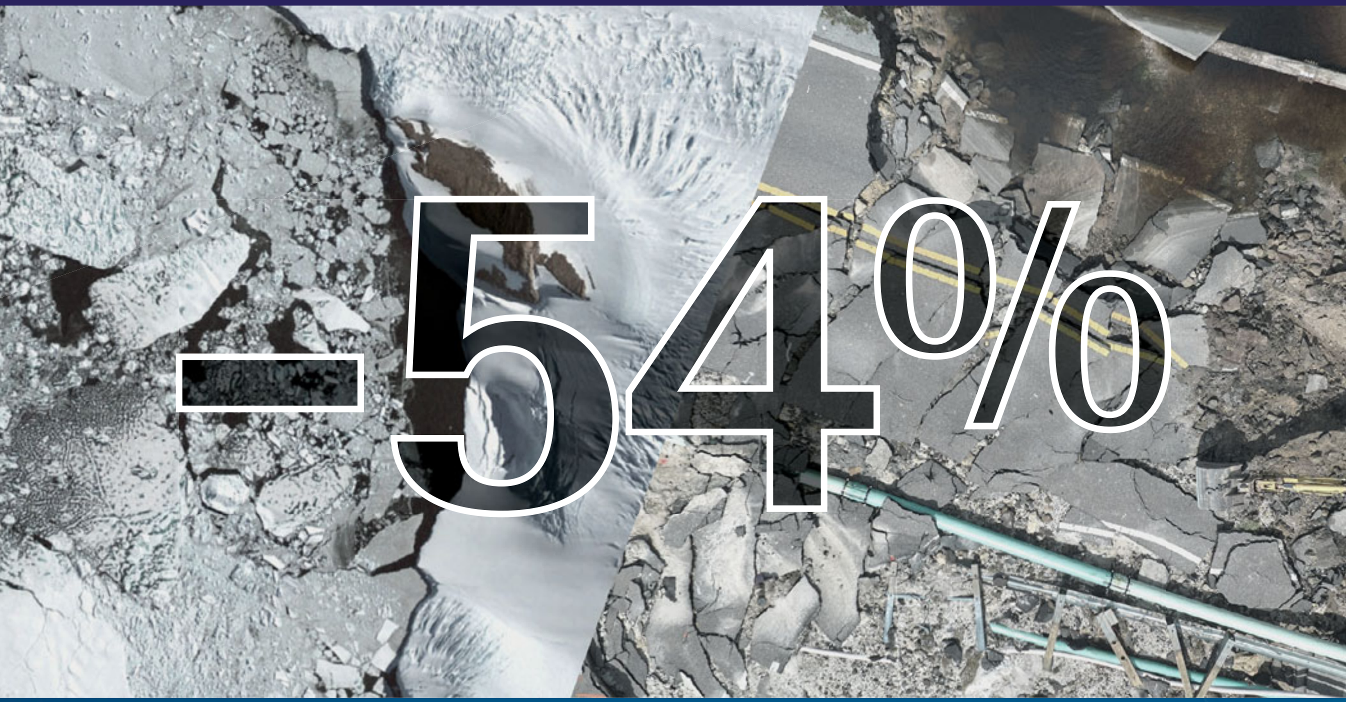
EDHEC
BUSINESS SCHOOL

IF YOU CARE ABOUT CLIMATE CHANGE, YOU CAN START WITH FINANCE.

Today, finance professionals need to combine financial expertise with sustainable economics.
In partnership with MINES Paris-PSL, we offer our students a double degree MSc in Climate Change & Sustainable Finance.
It gives a committed new generation of finance professionals the skills they need to successfully transition to a low carbon economy.



Make an impact



-54% is the extreme loss that an investor could incur on the value of their unlisted infrastructure portfolio due to the realisation of climate risks before 2050.

This estimation is produced using the largest financial and extra-financial database on unlisted infrastructure in the world, created by the EDHEC Infrastructure & Private Assets Research Institute. The level of physical climate risk that investors in infrastructure could incur, even before 2050, shows the importance of implementing more ambitious policies to cope with climate change. The energy transition and the alignment of economies have a cost for private investors, but so does climate change! If, finally, the relevant stakeholders managed to organise a transition towards a decarbonised economy today, this extreme loss would be reduced by half.

For more information, please visit the EDHEC Infrastructure & Private Assets Research Institute website: edhecinfra.com/climate

EDHEC Infra & Private Assets Research Institute