Can the finance industry contribute to a better society?

White Paper

SPEAKER'S CONTRIBUTION

ORGANISER'S CONTRIBUTION

PARTNER'S CONTRIBUTION

SGG Crossroads White Paper
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Introduction

SGG Crossroads is an annual event which brings together key decision makers from the global financial industry to stimulate new ideas on relevant subjects.

The first edition of SGG Crossroads was held on 26 June 2018 in Luxembourg on the theme "Can the finance industry contribute to a better society?".

We had the privilege of welcoming a number of prestigious speakers to share their views and insights at this conference including Sir Bob Geldof and Gina Miller. We hope that you will enjoy reading this White Paper which highlights the key takeaways from this memorable event, which provide real food for thought for the future of our industry.

SERGE KRANCENBLUM
CEO, SGG Group

SPEAKER'S CONTRIBUTION

"Tripod of Africa"

Over the last 45 years Bob's life has evolved from being a positively disruptive schoolchild to, possibly, the greatest beneficial influence of the last two centuries for the people of the African continent and, a successful businessman in his own right. Bob is well-known for his music, both as a solo artist and the founder of The Boomtown Rats. Yet, his international reputation is that of the political activist that has fought tirelessly, for more than thirty years, for the cause of the African people. Bob speaks of his 'tripod' of influence for Africa – Charity, Justice and Investment - and which has organically evolved since 1984.

Sir Bob Geldof

Member of the Africa Progress Panel, which advocates for equitable and sustainable development in Africa, and adviser to ONE CAMPAIGN.

The first leg of the tripod: "Charity"

In 1984 Bob became aware of the Ethiopian famine whereby 32 million people were facing starvation and dying whilst in Europe we had food excess. We had "butter mountains", "wine lakes" and more. Farmers were receiving aid to grow produce and farm animals but the surplus was so great they were then being paid to dispose of the over supplies whilst, just south of Europe, the richest continent in the world, 32 million people were dying of hunger. Bob wanted to help and did what he believed was the best he could do personally and wrote a song to raise funds – '"Do They Know It's Christmas". It became an international phenomenon and raised millions of dollars for the cause. This led to the creation of The Band Aid Trust, of which Bob is still chairman, and from which Bob went on to launch the biggest music concerts in the world in London and Philadelphia – Band Aid. The overall fundraising work overcame the starvation in Ethiopia.

MORE INFORMATION

- www.sggcrossroads.com/8miles
- www.8miles.com
- www.duke.lu/8miles

> "Within one month 5 million African children went to school for the first time."
>
> **SIR BOB GELDOF**, MUSICIAN, POLITICAL ACTIVIST AND ENTREPRENEUR

The second leg: "Justice"

Bob set out to find the cause of the starvation in Ethiopia which was more than just lack of seasonal food. Together with Kofi Annan, Tony Blair, Bono, Trevor Manuel and others he created the 'Commission for Africa'. The results of the findings were that poverty was the underlying reason for many of the failures in Africa. However, much of this had been created by the world entering into one-sided trade deals, fighting the cold war in Africa, providing less aid than to anywhere else and more. Bob decided to bring justice to Africa by pressurizing the G8 to make changes. In 2005 Bob created the nine Live 8 concerts around the world at the time of the UK hosted G8 to show support for change. Band Aid and Live Aid were about raising money. This was about getting signatures. More than 1,800,000,000 people joined the movement and which motivated the G8 politicians at Gleneagles to agree to drop USD 42 billions of unfair debt, revise trade agreements and increase aid. Within one month 5 million African children went to school for the first time and within a year malaria based deaths dropped by 18 million.

The third leg: "Commercial Investment"

Following Charity and Justice there was a need for investment in Africa. Bob comments "the economic figures are staggering: Since 2001, the average economic growth across the continent is 6% per annum. The population want health, education, growth, an iPad... It is the fastest growing middle class in the world. One evening I saw a bicycle arrive in a village. I thought that it was someone sharpening knifes with a grindstone on the back of the bike. It turned out to be a pedal powered generator that was connected to a satellite uplink. People came out from huts with their mobile phones and laptops to send and receive emails from all over the world!". In rural Africa are as connected as we are in Europe. In 2011 Bob started the 8 Miles private equity fund for Africa. 8 miles being the distance between Europe and Africa at the nearest points. A first close at USD 200,000,000 was achieved in 2014 and today the fund has investments in farming, paint factories, vineyards, and more and has created tens of thousands of direct and indirect jobs.

Main Takeaways

- **1 person spending 1 dollar is charity. A million people spending 1 dollar becomes political and the needle starts to tremble. With a further push, this brings about change.**
- **If you don't have inclusive growth, it tears the fabric of society and negatively affects trust. It fuels anger and hate.**
- **Famine is an economic problem. Politicians are the agents of change. You need to engage those agents to bring about change.**

SPEAKER'S CONTRIBUTION

A voice for society

Founder of SCM Direct, Gina Miller came to prominence with a successful legal challenge to the UK government's desire to enact Brexit without parliamentary approval. She is now campaigning for a "people's vote" on the final Brexit outcome. As well, this financial services entrepreneur is passionate about explaining how her industry can benefit society.

Business woman and transparency activist working in the fields of democracy, investment management and the charity sector. She is also the founder of SCM Direct, an award winning, innovative online wealth manager offering actively managed investment.

Gina Miller
SCM Direct

How can the finance industry contribute to a better society?

The financial services industry has a very important, strong position at the heart of our societies. There are the important services it provides such as retirement pensions, insurance, and savings products. This work then adds to general prosperity by encouraging wider economic activity. While one must not forget this, the industry must also understand its wider duty to society. Businesses must be fully able to shoulder the risks they take on and, above all, they must remember they are dealing with other people's money. We must be tough on firms that mis-sell products and over-charge. We must make it easier for wealthy people to be philanthropic in ways that maximize positive outcomes.

> "Ensuring financial stability underpins democracy, its institutions, and the wider environment and infrastructure that supports our open societies."
>
> **GINA MILLER**, FOUNDER, SCM DIRECT

MORE INFORMATION

www.sggcrossroad.com/ginamiller
www.scmdirect.com

How are democracy and the finance sector intertwined?

Healthy democracy and healthy economies go hand in hand. If income growth is slow and job opportunities limited this can spur dissatisfaction with the political system with potentially unpleasant consequences. Providing investment funding and contributing to GDP for wider society is vital, particularly as businesses seek to tap into the new technology which will create tomorrow's growth. This in turn will generate tax receipts, but with success and capitalism comes responsibility to give back to the communities that afford your success, as well as to keeping an eye on the environmental economy and the wider infrastructure that supports our open societies.

What is your view on Brexit?

It has been two years since the referendum and frankly it's a mess, with little progress having been made. The UK government is sitting on a powder keg facing a deadline of around seven months. We could have spent this time negotiating membership of the European Economic Area or a new third pillar option but they have been too busy negotiating amongst themselves, inside Parliament. In my view they have been negligent as the human cost of Brexit is quickening. Because I think they still have no plan, that they have backed themselves into a cul-de-sac, the government should allow the British people to validate or not, the deal they bring back towards the end of this year. The people started this journey with the referendum, and they must have a say in how it ends. The politicians have failed so far, but there is still time to limit the damage if they stop infighting. Otherwise it will be a plague on all our houses – leavers, remainers, the UK and the EU. We could give a little and end up with the Associate Agreement outlined by the EU in March. I don't think people voted for this kind of limbo Brexit or Brextremist stance being taken by the Government. We the people must have the final decision on whether proposed new arrangements are satisfactory.

Main Takeaways

- **Divided capitalism has not created societies in which people thrive.**
- **Our duty is to deliver a virtuous circle of value creation, customer confidence and self-fulfilment.**
- **Think about proximity, think about your skills, think about what you do well. Charity is not just about giving money, it's about helping society. See how you can use your skills for the common good.**

SPEAKER'S CONTRIBUTION

Merging profit and philanthropy

Nev Hyman, founder & General Partner of NevHouse, says that his business has sustainability ingrained in its business model. NevHouse is a philanthrocapitalist operation which uses recycled plastic and other eco-friendly materials to create low-cost homes, schools and medical clinics.

Nev Hyman
NevHouse

Award-winning entrepreneur who is the Founder of NevHouse sustainable social enterprise which uses recycled plastic and other eco-friendly materials to create low cost homes, schools and medical clinics.

MORE INFORMATION

www.sggcrossroads.com/nevhyman
www.nevhouse.com

How do you involve finance in your sustainable projects?

Like any project, sustainable projects need financing. However, the project in itself must be viable, not just sustainable. With the knowledge we have in today's world, we are increasingly conscious of the impact of our decisions on ourselves, those around us, future generations and the planet itself. We can no longer plead ignorance. Financing any project has and will always be a risk-taking endeavour. In essence, the project must be able to demonstrate its viability and highlight its sustainability at the same time. In fact, I would go one step further and say that all projects should have sustainability as an inherent part of their DNA, including corporate governance and risk management. The focus on the sustainable side may be distracting the financial world from the quality of the project itself. The project must be presented as a structured, carefully considered business opportunity and its sustainable side should be taken for granted and conveyed as such to investors.

Where do you draw the line between philanthropy and financial investments?

Profit is the only difference. Philanthropy and financial investment should be managed in the same way. Donated money should be respected and treated with as much care and attention to detail as financial investments. Indeed, philanthrocapitalism can be summed up as doing well by doing good: making a profit whilst helping to make the world a better place. Putting it another way, understanding philanthrocapitalism involves looking at the word's two roots: philanthropy means acts of humanity which help other people and/or the environment, while capitalism denotes adding value and returning a profit. Both of these goals are important to philanthrocapitalists, who deliver solutions which improve the world we live in while distributing a large portion of their profits to achieve the same end - helping to make our world a better place for all living species.

How can the industry contribute to a better society?

The financial industry has to stop looking at sustainable/impact projects as second-class, less lucrative investments. Compelling examples of successful projects have to be brought to the fore, talked about and explained. All investments should be able to show the sustainable/impact aspect alongside their ratings; this would then allow the financial industry to demonstrate how they contribute too, by quantifying their investments with sustainable and impact rating metrics.

Main Takeaways

- **It's profitable not to look away – feeling good about doing good. Nev EarthFund is a philanthrocapitalist fund, founded and managed by a group of philanthrocapitalists who believe in "Doing well by doing Good" for everyone in the value chain, in particular, the shareholders.**
- **Housing humanity is our motto and, cleaning the environment of its waste - our driving force. It takes 3 tonnes of plastic to create one NevHouse. One factory produces 10,000 houses per year, and recycles an average of 30,000 tonnes of plastic waste a year, with a turnover average of $20 million.**
- **Our components, low maintenance materials, cover up to 9 codes of plastic which, encapsulated in a "all waste types" management approach, supports, not only the plastic elements but also local organic materials, such as bamboo, coconut fibers, etc., as per the local country's environmental grid.**

> "Philanthrocapitalism can be summed up as doing well by doing good."
>
> **NEV HYMAN**, FOUNDER & GENERAL PARTNER, NEVHOUSE

SPEAKER'S CONTRIBUTION

The continued growth of impact finance

Patrick Scheurle
BlueOrchard

Patrick Scheurle, CEO of BlueOrchard, says Impact Investing is now undeniably a mainstream and diverse investment strategy as well as a useful tool with which to tackle global economic, social and environmental challenges. Interview.

Chief Executive Officer of BlueOrchard, a leading global impact investment manager. Patrick is a published writer in the fields of finance and impact investing and the co-author of the bestseller "Small Money – Big Impact" published by NZZ Libro Verlag.

What is the current situation of impact finance in 2018?
In 2018, nobody can deny that Impact Investing – investing with the intention to generate measurable social and environmental benefits alongside financial returns – has become a mainstream investment strategy. The industry has been growing tremendously and the trend will most probably intensify as even leading investment managers have followed this lead, resulting in more investor types, more ways to invest and more fields in which to invest.

> "Prevalent changes in investment behaviour also illustrate the potential of Impact Investing over the coming years."
>
> **PATRICK SCHEURLE,** CEO, BLUEORCHARD

How can the financial industry contribute to a better society?
Finance has both a great ability and a great responsibility to help to improve our society and people's lives. The financial industry can be a force for good in society if it contributes to sustainable, climate-smart development by empowering people and channelling investments where they are most needed. By creating access to financial means and thereby opening up possibilities for people, helping them to gain control of their lives and to build a better environment, the financial industry can become the cornerstone of prosperity and stability in society.

How do you see impact finance developing in the next five years?
Impact Investing will take on even greater importance as global social and environmental challenges caused by inequality, poverty, climate change, conflicts, migration and rapid technological progress will continue to require solutions. Impact Investing has the power to address these challenges by mobilising the necessary capital to close the investment gap in these fields. Prevalent changes in investment behaviour also illustrate the potential of Impact Investing over the coming years: according to studies, millennials overwhelmingly believe that their investments should have a sustainable and positive social and/or environmental impact.

Main Takeaways

- **The finance industry can contribute to a better society and be a powerful tool for empowering people and addressing global societal and environmental challenges.**
- **The promise of Impact Investing is to make a social and/or environmental impact alongside financial returns. Social and environmental impact and financial returns go hand in hand.**
- **More and more people believe that their investments need to produce a positive impact that eventually could contribute to changing the world or making it a better place.**

MORE INFORMATION

www.sggcrossroads.com/patrickscheurle
www.blueorchard.com

SPEAKER'S CONTRIBUTION

Myriam Vander Elst
Epic

Shifting philanthropy

Myriam Vander Elst, Vice President and Head of Europe at Epic, says that societal changes shape philanthropy. The arrival of millennials in the workforce and the rise of new models for both social organisations and donors are reshaping the world of philanthropy. Interview.

Vice President and head of Europe at Epic. Myriam Vander Elst is a social-good advocate and an expert in impact-oriented philanthropic strategies. Working closely with Epic's Founder and CEO, Alexandre Mars.

How have you seen philanthropy evolve in the past decade?

Philanthropy is evolving because society is evolving, particularly in terms of the profound influence of the millennial generation. These 18-35 year olds have a value-based set of expectations when it comes to their prospective employers and are looking for purpose and social impact, rather than just a career. Recent figures show that 20% of Stanford's graduates would like to work in the social sector. Ten years ago, this figure was just 1%. Recruiting and retaining these talents is one of the keys to growing a successful business and these younger workers' increased expectations force corporations to rethink their social impact and bring philanthropy into the workplace. Even financial firms like private equity funds are affected. To ignore social purpose today is to be out of the game tomorrow. At Epic, we provide innovative, painless, systematic and optional solutions for founders, entrepreneurs, corporate leaders and investors, enabling them to share their success and to remain relevant in today's world by strategically embracing this cultural shift.

MORE INFORMATION

www.sggcrossroads.com/myriamvanderelst
www.epic.foundation

> "Financial stakeholders want to show that finance is able to share and cares about its social impact."
>
> **MYRIAM VANDER ELST,** VICE PRESIDENT AND HEAD OF EUROPE, EPIC

How is philanthropy being disrupted by players like Epic?

As a serial entrepreneur, our founder and CEO Alexandre Mars carried out his own market research for several years before founding Epic. He then identified the main reasons why people don't give and why they don't give more: a lack of trust in social organisations, a lack of understanding of their impact and a lack of time to find out more. To address these issues, Epic has come up with a very strict selection and monitoring process to build a portfolio of high-impact social organisations around the world. Epic also provides donors with the opportunity to experience their philanthropy. We have a web app so donors can stay connected and engaged with the social organisations they support; they can also view a collection of VR films on every portfolio organisation which transport donors to the field in an instant. Epic also offers giving solutions to individuals and corporations so that they can donate more by leveraging innovative and efficient systems such as payroll giving for employers and employees, transactional giving for businesses and Sharing Pledges for entrepreneurs, corporate leaders and investors. Most importantly of all, Epic partners with social organisations and donors on a strict pro bono basis so that 100% of donations go to our portfolio organisations.

Main Takeaways

- **Epic amplifies your potential to make a difference through giving.**
- **In a world of solutions, we provide impact solutions. Epic finds, funds and scales high-impact social organisations and enables all donors to give better and smarter.**
- **Our organisation provides giving solutions that embrace donors' economic model: we scout, create and promote giving solutions that help companies place social good at the heart of their economic model.**

How do you see financial stakeholders working to build a better society?

Financial stakeholders are increasingly interested in this issue. They want to show that finance is able to share and cares about its social impact. That's why Epic has launched its Sharing Pledge, a commitment to support the carefully selected social organisations of the Epic Portfolio by donating money in a way which embraces the donor's economic model. For instance, entrepreneurs can pledge to give a fraction of the profits from the future sale of their start-up while private equity firms can donate a percentage of their carry or management fees. As an example, 17Capital, a leading global private equity specialist, signed up to the Epic Sharing Pledge in 2017 by donating a percentage of their carried interest from a €1.2 billion fund. 23 of the 25 members have agreed to sign the Sharing Pledge.

Relationships, drivers of a better society

Itzik Amiel says that an interest in others is the driving force behind long-lasting and mutually beneficial relationships which, in turn, create a better society. Founder and CEO of THE SWITCH®, Amiel is a global leading authority on networking, personal branding & relationship capital.

Itzik Amiel is a global leading authority on Networking, Personal Branding & Relationship Capital, an international speaker, bestselling author and Attorney-at-law. He is the founder and CEO of THE SWITCH®.

Itzik Amiel

THE SWITCH®

What is the first golden rule in establishing long-lasting business relationships?

Long-lasting business relationships don't just happen and develop without dedicated, consistent work. Selectivity, consistency and engagement are essential for building your relationship capital, i.e. finding great people and developing relationships with them. But in today's modern life, people tend to focus on becoming more interesting. People try to get attention by impressing others with their personae and their stories. But the first golden rule in establishing long-lasting relationships is: "be interested, not interesting". Being likeable means leaving other people with lasting impressions, being genuinely interested in them and paying authentic attention. In his masterful manual on people skills, How to Win Friends & Influence People, Dale Carnegie writes that "you can make more friends in two months by becoming interested in other people than you can in two years by trying to get other people interested in you."

> "So our actions and relationship capital are part of a much larger chain reaction which encourages society as a whole to become better!"
>
> **ITZIK AMIEL**, FOUNDER AND CEO, THE SWITCH®

MORE INFORMATION

www.sggcrossroads.com/itzikamiel
www.itzikamiel.com
www.hub.theswit.ch

Do you see such relationships as a driving force which can create a better society?

As humans, we are an intrinsically social species. This means that our happiness and success largely depend on the relationships we build with others. The secret to creating a better society is knowing how to maximise positive relationships and minimise negative relationships at all times. The more we get along with other people in society, the better we are at collaborating and working together. Human relationships thrive when individuals can combine their skills and talents, successfully creating something greater than the sum of their parts. That's what makes businesses and our society flourish. The relationships which we all build have an impact on more than just ourselves and our immediate social circle. When you create a positive connection with someone else, that person is more motivated to make positive connections with other people. So our actions and relationship capital are part of a much larger chain reaction which encourages society as a whole to become better!

How can the financial industry contribute to a better society?

I believe that every company and organisation should recognise the power of developing trust with other people. This can only be done through long-term relationships and by treating our customers, business partners, suppliers, associates and the local community with respect and integrity. We can deliver social value from this reliable, affordable power which can then help to support economic and social development. Relationships, particularly long-term relationships which are built on a realistic understanding of both sides' true strengths, are more likely to be successful and sustainable and to contribute significantly to a better, stronger society.

Main Takeaways

- **If you want to create a better society, think about your customers. They will be the first to support your efforts and will become your best ambassadors.**
- **When it comes to communication, the most important thing is hearing what's not being said.**
- **Make it easy for people in your organisation to take action and they will join you in your efforts to create a better society.**

SPEAKER'S CONTRIBUTION

The compliance factor

Roger Hartmann, member of the Supervisory Board of Sqope, says that the financial industry should further invest in compliance regarding regulations which tackle money-laundering, corruption and the financing of terrorism. This echoes the increased interest of financial stakeholders in responsible and ethical investments. Interview.

Roger Hartmann
Sqope

Member of the supervisory board of Sqope SA, the leading AML reputation firm. As Chairman of the Private Banking Group at ICMA, Roger has been at the forefront of the fight for tax compliance.

> "Globally, socially responsible and ethical investments grew by 25% over the last two years."
>
> **ROGER HARTMANN**, MEMBER OF THE SUPERVISORY BOARD, SQOPE

How can the financial industry contribute to a better society?
The reputation of the financial industry has been shattered over the past decade due to a number of scandals which have caused genuine economic havoc. These cases are examples of the financial industry failing in its fiduciary role as the gatekeeper of society. In the wake of various corporate scandals, regulators and lawmakers have been enacting a growing number of local and global regulations with which the financial industry must comply. But the onus is on the financial industry to ensure compliance with both local and international laws which should be part of their day-to-day activities. Investment in strong compliance programmes is key for the financial industry to navigate the different regulatory frameworks and to restore confidence in the sector.

MORE INFORMATION

www.sggcrossroads.com
www.sqope.lu

Main Takeaways

- **Begeisterung: the key to our dreams, a blend of enthusiasm and passion.**
- **Compliance: essential if things are to be done right. Reputation is the cornerstone of ethics.**
- **Our future in finance: be compliant, prioritise digitisation and sustainability.**

You work for Sqope, a leading provider of advanced due diligence reports. How are companies like Sqope helping the financial industry in its duty as the gatekeeper of society?
The financial industry needs the help of external service providers like Sqope which helps industry stakeholders to make informed decisions when on-boarding new clients and investors in a way which is fully compliant with the rules and regulations governing the financial industry. Sqope supports banks, external asset managers, investment funds and administrators to comply with ethical principles and regulations and to prevent money-laundering, corruption and the financing of terrorism. Our clients know that they can afford neither the risk to their reputation nor the possibility of significant fines; they therefore invest heavily to make sure that they are compliant. It takes 20 years to build a robust reputation and just a couple of minutes to destroy it. The financial industry needs solutions to deal with the on-boarding of clients and investors and financial stakeholders also need enhanced reputation checks when investing in a target.

In your view, what are the forthcoming trends in the financial industry?
There is a growing number of investors opting for responsible and ethical investment strategies. Globally, socially responsible and ethical investments grew by 25% over the last two years, reaching $23 trillion and this trend is likely to intensify as millennials are joining the investor community. Incorporating responsible and ethical strategies within investment portfolios involves having a strong compliance framework in place to prevent money-laundering and to help financial professionals to assess the risks of investing in certain risk zones or high-risk industries. However, the cost of compliance can be a real deterrent for the financial sector. The solution lies in making use of technology. This is where RegTech can play an important role: RegTech will be the future of compliance technology and is expected to be different from conventional applications. It will assist companies in complying with regulations whilst also providing smart data for regulators.

SPEAKER'S CONTRIBUTION

De-risking investments

Roelfien Kuijpers, Head of Responsible Investments and Strategic Relationships at DWS, says that blended finance is an effective way for asset managers to respond to clients' increasing interest in sustainable investments.

How can the financial industry foster a better society?

The global economy is faced with a number of major and wide-ranging social issues, including the loss of biodiversity, smoking, obesity, illiteracy and food waste, which when combined are estimated to burden world output growth by a fifth[1]. According to the United Nations, achieving the UN Sustainable Development Goals (SDGs) may require investments of up to $7 trillion every year from 2015 to 2030, of which up to $6 trillion is reliant on the private sector[2]. The financial industry therefore has a critical role to play in addressing these major environmental and social challenges. For institutional investors, this includes adapting their investment strategy, asset allocation and active ownership activities to promote the SDGs. Blended finance is also becoming an important mechanism to mobilise private sector investments which support the SDGs.

Roelfien Kuijpers

DWS

Head of Responsible Investments and Strategic Relationships, member of the DWS Executive Committee. Roelfien is also a member of the Board of Directors of the Deutsche Bank Americas Foundation and chairs its Investment Committee.

> "Efforts are therefore underway to de-risk investments through blended finance in multiple sectors."
>
> **ROELFIEN KUIJPERS**, HEAD OF RESPONSIBLE INVESTMENTS AND STRATEGIC RELATIONSHIPS, DWS

MORE INFORMATION

www.sggcrossroads.com/roelfienkuijpers
www.dws.com

How can responsible investments contribute to that process?

As asset managers, our job is to enable our clients to invest responsibly, helping to create a more sustainable future. When it comes to climate risk, our objectives are threefold: firstly, driving capital into investments which support a net zero-carbon emission future; secondly, reducing the risk within investment portfolios when it comes to extreme weather events and a transition to a low-carbon economy and thirdly, ensuring that we are helping to build a more resilient society. A large proportion of the financial gap in terms of the SDGs relates to sustainable infrastructure projects in the developing world. Efforts are therefore underway to de-risk investments through blended finance in multiple sectors including healthcare, sustainable land use and education to increase private investor capital.

Main Takeaways

- **Our goal is to enable our clients to invest responsibly, contributing to a more sustainable society and future.**
- **400 million jobs could be created by achieving the UN's SDGs.**
- **Over the past 20 years, our microfinance fund has invested $400 million in 150 microfinance institutions and alternative investment vehicles.**

How do you see the responsible investment sector evolving in the next five years?

We expect consideration of environmental, social and governance (ESG) factors to become an integral part of the investment process for all financial stakeholders. While we've already seen the widespread exclusion of certain sectors, including coal and tobacco, we expect institutional investors to complement their "do no harm" strategies with "doing good". This will mean investment decision-making will become increasingly thematic and impact-focused – an area of ESG investments which is still in its infancy but which is one of the fastest-growing strategies in terms of AUM. We expect the SDGs to become an increasingly useful framework for investors, with more sophisticated techniques being developed to measure the environmental and social outcomes of portfolio investments. We see continued strong growth in green bonds with blue social impact and green mortgage bonds will play a more important role in asset allocation too.

1. Business and Sustainable Development Commission (January 2017). Better Business, Better World
2. UNCTAD World Investment Report 2014 (June 2014). Investing in the SDGs: An Action Plan

See disclaimer on page 33

The financial sector's role in building a better world

A new generation of investors and financial industry professionals is helping to change the sector's focus, moving away from pure profit towards initiatives which contribute to the creation of a better world, says SGG Group CEO Serge Krancenblum.

Serge Krancenblum

SGG Group

CEO of the SGG Group and Chairman of the Investment Facilitation Forum, promoting the investment hubs facilitating investments in emerging countries.

How can the financial industry contribute to a better society?

There is a new generation of investors and finance professionals which wants to do more than just maximise profits: these people also want to have a positive impact on society. The lines between philanthropy and business are blurring. In the 90s, the trend was more focused on pure philanthropy but now we're seeing that impact investment is no longer a niche investment opportunity. Today, this is a growing trend within investors' portfolios. Impact investing is just one of the ways forward. This new breed of investors wants any investment to be made in a fully compliant way with high-standard business ethics.

> "The lines between philanthropy and business are blurring."
>
> **SERGE KRANCENBLUM**, CEO, SGG GROUP

How is SGG contributing to a fairer society?

SGG is a leading global investor services provider. We facilitate foreign direct investments which contribute to the economy and tax revenues of numerous emerging countries.

We also act as a gatekeeper to ensure that investments comply with all regulations, such as laws to prevent money-laundering. At SGG, our objective is to create a sustainable firm for this generation and the next. It's true that our main objective is to make a profit but we hope that we can contribute to a better world through the different charity programmes we support in a number of countries.

When you created SGG Crossroads, what kind of impact did you envisage having on people's mindsets?

I wanted to show the financial industry's positive contributions to society in general and I also wanted to inspire financial professionals with our guest speakers' outstanding initiatives.

Main Takeaways

- **The lines between philanthropy and business are blurring.**
- **The new breed of investors wants any investment to be made in a fully compliant way with high-standard business ethics.**
- **SGG acts as a gatekeeper to ensure that investments comply with all regulations, such as laws to prevent money-laundering.**

MORE INFORMATION

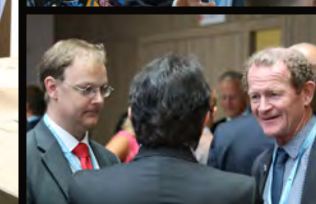
www.sggcrossroads.com/sergekrancenblum
www.sgggroup.com

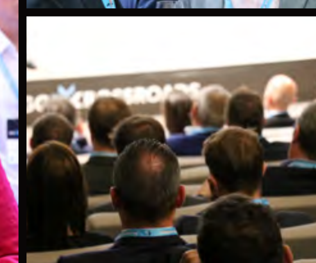
Picture report







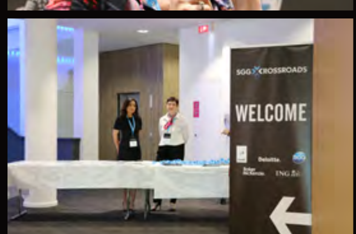












PARTNER'S CONTRIBUTION

Jean-François Findling
Baker McKenzie

Committed to sustainability

Interview with Jean-François Findling, Partner at Baker McKenzie.

Jean-François Findling is a Founder of Baker McKenzie and has an extensive experience in M&A and private equity. He is the founder of the Firm's Luxembourg office.

How can the finance industry contribute to a better society?

The finance industry is uniquely placed to impact society positively and encourage change, as access to financial services is a critical element of inclusive growth. By enabling individuals and SMEs to effectively manage fluctuating cash flows, accumulate assets and make productive investments, financial services are placed at the core of sustainable development. The implementation of non-discriminatory laws and policies, tackling of corruption, money-laundering, bribery and organised crime and the prevention of the funding of terrorism can drive the financial sector in a more sustainable direction. The investment sector does indeed have significant influence over large companies and can actively advance sustainability efforts by sending signals to the industry, in the pricing of new capital for companies and in the ongoing valuation of quoted companies, as well as directly through the use of its rights as shareholders and owners. While the commercial banking sector has considerably less influence over larger companies, it can be influential through their lending policies and by guiding Small and Medium Enterprises and consumer behaviour, through their financial products and by providing access to financial services to underserved sections of society.

> "Access to financial services is a critical element of inclusive growth."
>
> **JEAN-FRANÇOIS FINDLING**, PARTNER, BAKER MCKENZIE

Which challenges and opportunities do you identify in this context?

Aligning sustainability at the core of the financial sector could provide the opportunity for shared value between companies and society through the development of products, services and technologies which are sustainable, socially responsible and serve low-income customers. Securing supply chains by delivering existing financial services and products in an ethical, inclusive and sustainable manner should also be viewed as a priority. Of course, by creating bridges between governments, civil society and the rest of the private sector, in order to foster a collaborative approach to industry-wide standards, a great deal can be achieved moving forward. Some of the challenges the industry is facing are the lack of buy-in from clients, and sometimes senior management, for sustainable investment or innovation, due to risk aversion and the difficulty of communicating materiality, as well as the lack of clear industry-wide engagement policies and reporting or monitoring systems.

Main Takeaways

- **Securing supply chains by delivering existing financial services and products in an ethical, inclusive and sustainable manner should also be viewed as a priority.**
- **The implementation of non-discriminatory laws and policies, tackling of corruption, money-laundering, organised crime and the prevention of the funding of terrorism can drive the financial sector in a more sustainable direction.**
- **Companies can make a difference by increasing the products available in sustainable, socially responsible investments which generate financial return.**

How can other companies contribute to this effort?

Other companies can contribute to this effort by trying to promote the Principles of Responsible Investment, which are UN-backed general guidelines for incorporating environmental, social and governance (ESG) factors into investment decisions, to mitigate risk and generate sustainable, long-term returns. They can also make a difference by increasing the products available in sustainable, socially responsible investments which generate financial return, as well as a measurable social or environmental impact, while trying to develop new, innovative financial products that address societal needs. Today, collaborating with the World Bank, Financial Stability Board and other stakeholders to reduce illicit financial flows, corruption, money-laundering and bribery, developing systems and processes to tackle human trafficking, and the funding of terrorism should be a top priority for companies aiming at having a positive impact on society. In addition, Financial institutions, in particular, can adopt the Equator Principles (EPs), which constitute a risk management framework, allowing them to determine, assess and manage environmental and social risk in projects and provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. For the moment, ninety-two financial institutions in thirty-seven countries have adopted the Equator Principles.

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PARTNER'S CONTRIBUTION

Driver of a better society

Des Fullam, Global Head of Product at Carne describes how the global asset management industry can contribute to the implementation the UN Sustainable Development Goals (SDG), the added value of the finance industry in reaching SDG targets and the increase in popularity of impact investing through a decrease in barriers.

Des Fullam, is Global Head of Product at Carne. He is an expert on investment funds (UCITS & hedge funds), trustee, stock exchange listing rules, European securities law.

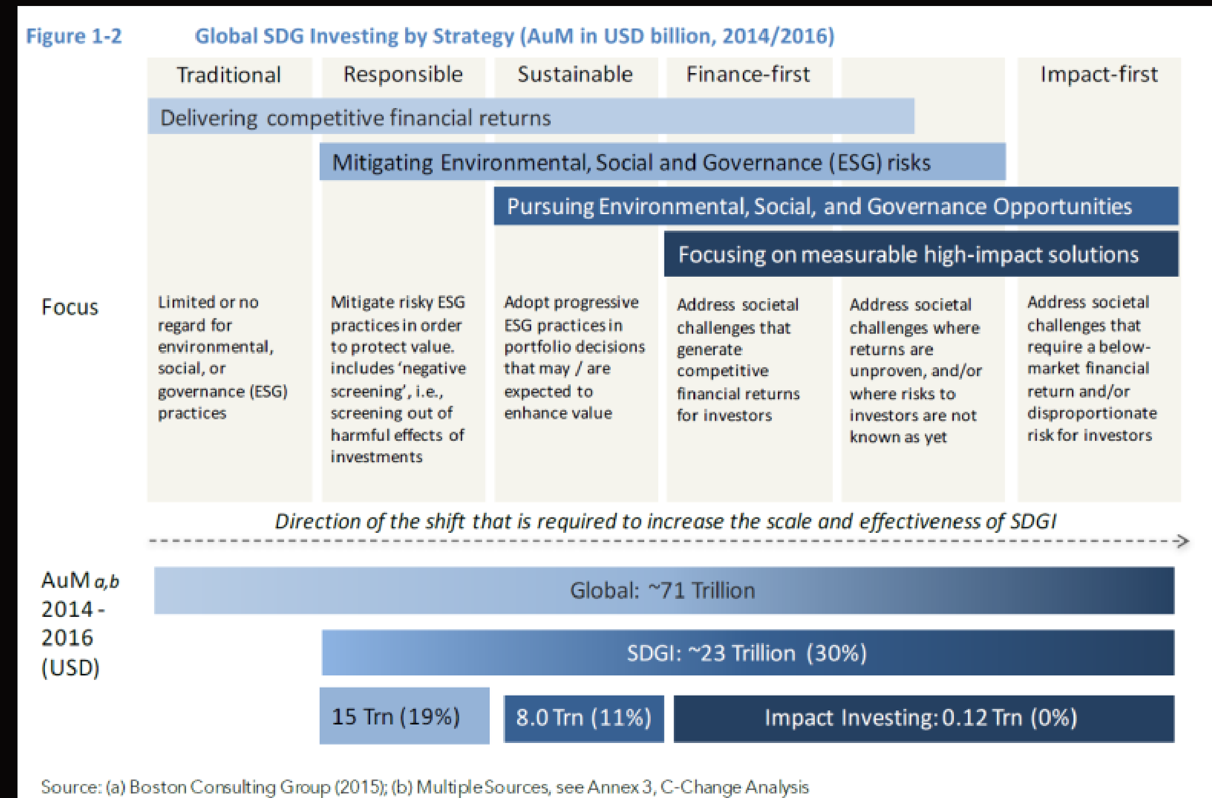
Des Fullam
Carne

A Crossroads has been reached

"The world cannot go on growing as it has been. While global imbalances like uneven growth, wealth inequality, and environmental degradation have generally raised living standards, unsustainable growth now puts future living standards at risk, and can imperil the welfare of the generations to come." Not the words of a populist politician but the introduction to UBS's White Paper on Mobilising Private Wealth for Public Good. Since the UN published its 17 Sustainable Development Goals ("SDG") in 2015 these have provided an additional focus for those wishing to put SDG investing at the heart of their investment decision making. We can see from the graph below that approximately 30% of the global $71 Trn in assets under management is invested in what might be characterised as SDG investing but the vast majority of this $23.1Trn is invested in less impactful responsible and sustainable investments with only $112bn invested in "impact" investing. While this represents significant progress more is required.

Mind the gap

The Business and Sustainable Commission estimates that the annual funding gap to reach the UN SDG goals by 2030 is $2.4Trn per annum, when one considers that the public aid funding provided by developed governments to developing countries is $140bn this is quite a gap. While not all goals lend themselves easily to support from the financial sector it is clear that there is an opportunity for finance to be a significant part of the solution. In a time of low interest rates opportunities to finance infrastructure projects would clearly address one of the big societal challenges while delivering competitive long term returns for investors[1].



Money is a great servant but a poor master - Beyond finance first investing

While one can make a very solid investment case for infrastructure investing, should long term investors not also be interested in impact first investing? If one accepts that continued inequality puts all of our futures at risk is it not in our collective long-term interest to invest a portion of our long-term investments in high impact solutions which address societal challenges but which may deliver a below market financial return? We want to retire in financial comfort but we also want to enjoy the fruits of our investments in a stable and sustainable world.

> "Perhaps the question is not "Can the financial industry contribute to a better society?" but "Why wouldn't the financial industry contribute to a better society?"
>
> **DES FULLAM,** GLOBAL HEAD OF PRODUCT, CARNE

MORE INFORMATION

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1. The UN has estimated that the annual infrastructure gap is $1-1.5Trn

Progress is at hand

A number of industry-led initiatives have focused on impact investing and the UK has led the impact investing market through initiatives like the creation of Big Society Capital from dormant bank accounts. More recently a group of 18 leading investment managers signed a letter asking the signatories to commit to goals aimed at expanding the impact investing market and making it more accessible for investors. Leading activist investors such as Sir Chris Hohn have called for mandatory requirements for banks to compel corporate borrowers to disclose the risks they face from climate change. Barriers to impact investing are coming down. A common lexicon and agreed metrics are emerging. Most investment managers now agree that sustainable investment does not conflict with their fiduciary duties to shareholders. The European Union is also looking at ESG investing and has recently published a proposal for the investment management industry as part of its Action Plan for Financing Sustainable Growth.

Conclusion

There is an imperative on the financial sector to provide solutions otherwise its customers living standards, and one assumes those of financial sector employees, will be put at risk. To quote Larry Fink, CEO of BlackRock, "To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society." Perhaps the question is not "Can the financial industry contribute to a better society?" but "Why wouldn't the financial industry contribute to a better society?".

Main Takeaways

- While not all UN SDG goals lend themselves easily to support from the financial sector, there is an opportunity for finance to be a significant part of the solution.
- Most investment managers now agree that sustainable investment does not conflict with their fiduciary duties to shareholders.
- We want to enjoy the fruits of our investments in a stable and sustainable world.

Empowering people to stay a step ahead

The world around us is constantly changing. From customers to business partners, shareholders, employees, non-governmental organisations (NGOs), regulators, governments and society at large – different stakeholders have different expectations of us. As an organisation, we can contribute to a better society in two ways: by managing our own environmental and social footprints and by making the right choices in how, where and with whom we do business.

Gaëtan De Weerdt
ING

Gaëtan De Weerdt is a Conducting Officer of ING Solutions Investment Management (ISIM). In this role, Gaëtan develops and distributes investment solutions to clients throughout Europe.

Our own operations

Some stakeholders in the financial industry have taken initiatives to contribute to a more sustainable world through corporate policies and practical measures. At ING in Luxembourg and globally as a company, we focus our sustainable efforts on reducing our carbon footprint and contributing to a self-reliant society. We aim to have a workforce which reflects the diversity of our customer base and we foster an inclusive culture. It is important that employees feel comfortable being themselves, irrespective of who they are, what they believe or where they come from. Last but certainly not least, we promote equal opportunities and have policies in place to ensure that discrimination is not tolerated. All of this puts ING at the head of the pack in the annual Dow Jones Sustainability Index for banks.

> “ISIM: actions speak louder than words!”
>
> **GAËTAN DE WEERDT**, CONDUCTING OFFICER ISIM, ING

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Main Takeaways

- **ING aims to have a workforce that reflects the diversity of our customer base and foster an inclusive culture.**
- **All our actions taken together place ING at the head of the race in the yearly Dow Jones Sustainability Index for banks.**
- **ING Solutions Investment Management has received United Nations Principles for Responsible Investments Label.**

Sustainable business

Being sustainable is not just about reducing our environmental footprint. As a bank, we believe that our role is to facilitate and finance society's shift to sustainability or, in other words, to contribute to progress – environmental, economic and social – by identifying sustainable clients and deals. We have reduced financing for carbon-intensive sectors, we promote loans to enhance sustainable investments in housing and we are increasing financing to promote social progress. Furthermore, we promote a digital (paperless) way of working through our platforms as much as possible and we empower people to make better financial decisions and take control of their finances, thereby contributing to society's transition towards sustainability.

ISIM: actions speak louder than words

With more than 34 million customers in over 40 countries, the ways in which we channel the flow of money entrusted to us have a significant influence on communities and the environment. With this influence comes responsibility. Through our management company ING Solutions Investment Management (ISIM), we design innovative and state-of-the-art investment solutions for our clients. ISIM has received the United Nations PRI-label[1]; its ambition is to make all its financial instruments sustainable whenever possible, without this affecting any quality commitment of these instruments. We use strict guidelines to evaluate our service providers to make sure that they share and support our vision and can work alongside us as partners with a global approach. We are convinced that this actively contributes to the financial industry's work to achieve a more sustainable world. The complexity of developing sustainable investment products across several countries, with each country enacting its own rules and standards, creates unwanted barriers to success. It is up to experts in the field, such as ISIM, to address these challenges and pursue sustainable business opportunities. As the saying goes, actions speak louder than words. We will soon launch a new sustainable fund range which will empower our clients to stay a step ahead, enabling them and us to contribute to a better society.

1. United Nations Principles for Responsible Investments

5 reasons to develop inclusive business

Inclusive business involves vulnerable people as consumers, as well as suppliers and producers at different stages in the value chain of producing products (services). The activity of inclusive business aimed at creating sustainable sources of earnings and jobs for the people in the commercial viable ways.

10,000
companies in 161 countries
Signed the UN Global Compact to align strategies and operations. The objective is to advance societal goals in support of achieving the UN's Sustainable Development Goals by 2030.
Source: ING

Over USD
228
billion in impact investing assets.
Source: BlueOrchard

280%
growth in impact investing assets since 2014.
Source: BlueOrchard

MARKET COMPETITIVENESS
Innovations, improved human capacity and stronger values chains enable companies to boost their productivity and competitive advantages.

CONTRIBUTION TO IMPROVING PEOPLE'S LIVES
By involving low-income population in value chains, entrepreneurs create opportunities to generate income and employment.

ENTERING NEW MARKETS
Currently 14% of the Uzbekistan's population are low-income groups. These groups are potential target audience of inclusive businesses.

CREATING INNOVATIONS
The need to solve social problems requires entrepreneurs to find and implement innovative solutions to business.

INCOME GENERATION
Inclusive business enables to generate income and address some of the most urgent social issues. Importantly, inclusive business is not a charity.

Source: UNDP

Inclusive Business Generate Opportunities

UN Sustainable Development Goals

Millenials

89%
of millennials want to consume brands that support social issues.
Source: Cone Communication Social Impact Study

63%
of millennials want their employer to contribute to social or ethical causes.
Source: Lifecourse research on the workforce

42%
of people's perception of a firm is driven by its social responsibility.
Source: Reputation institute

The Human Factor

Human Factor Essential for sustainability.
42%
of people credentialed investment advisors were the most trusted source of financial info and advice.

Human interaction is most highly coveted.
31%
of people said it was most important to interact with a real person when getting investment advice.

The power of trust in the financial services sector.
41%
of people used products/ services of trusted financial services companies in the last year. 31% recommended them to others.

Nearly
7 in 10
people say that building trust is the first job for CEOs, ahead of high-quality products and services.

Source: THE SWITCH ®

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