



ESG at SFPIM

May 23, 2023

From here.
For all of us.
About tomorrow.



What we have already done:

- Strategy 2025 to include challenging sectors for the future (Impact, transport & Mobility, Energy & Utilities) and sustainability as enabler
- CSR charter for SFPIM and SFPIM Relaunch/Real Estate/International including investment restrictions & precautions and a progress agenda
- Creation of SFPIM Relaunch with specific sectors and comply with « do not significant harm » policy

1. The project



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A three step approach aimed to map the current regulatory and reporting landscape, define KPIs and establish the reporting process ...

Module 1 Analysis of regulations and reporting

1 Regulatory impact assessment

- Overview of application regulation and the impact of SFPIM, and its larger and smaller portfolio companies
- Overview of requirements and timeline

2 Existing standards overview

- Myriad of proposed standards to answer reporting obligations mostly based on international frameworks and principles (e.g., SDGs, UN Global Compact)

3 Investor ESG-reporting benchmark

- Highly varying levels of ESG-reporting maturity due to recent introduction of regulatory frameworks and standards
- Learnings from best-in-class funds to be leveraged

Module 2 Definition of ambition and enabling KPIs

1 Identification and mapping of most relevant non-financial KPIs

- Assessment of necessity to SFPIM (e.g., exemplarity role, regulatory obligations) versus effort of implementation

2 Joint prioritization of KPIs and target setting

- Ensuring KPIs are aligned with SFPIM's ambition, strategy, timeline, resources and obligations
- Target setting and cascading to portfolio

3 Pilot and lessons learnt (MVP definition)

- Collection of set of KPIs for a selection of representative portfolio companies
- Assessment of data availability, data quality, resource intensity to re-evaluate KPI selection
- Definition and build-up of a Minimum Viable Product for roll-out

Short term solution

Module 3 Reporting process and dynamic alignment

1 Reporting process definition

2 Ensuring dynamic alignment with regulations and strategy

- Process definition requires several key questions to be answered
- 5-step process



3 Tools selection

- Off-the-shelf versus in-house development
- Companies/tools can be leveraged to ease the ESG-reporting process
- Scope includes definition of functional requirements and high-level assessment of possible providers

Long term solution

... and this is only the **beginning of a progressive path**

2. What relevant legislation is out there today?



Legal framework

- EU taxonomy
 - CSRD (Corporate Sustainability Reporting Directive)
 - SFDR (Sustainable Finance Disclosure Regulation)
- SFPIM does not need to comply... but this is not an answer




3. Smart segmentation strategy



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We defined our proprietary set of principles leading to a logically structured and segmented reporting approach

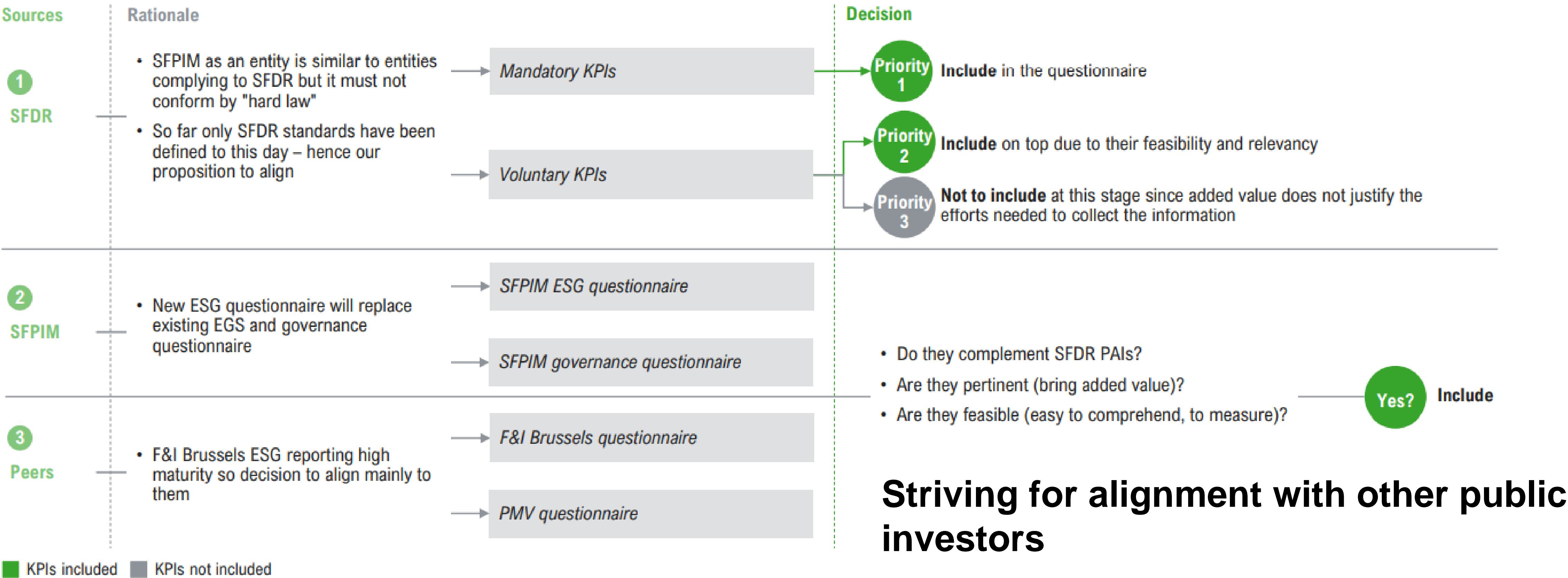
Reporting principles

 Description	 Selection of options to be considered	 Rationale
1 Alignment of ESG criteria across all types of companies in portfolio (Large direct/indirect, SMEs direct/indirect)	A - Identical set of criteria for group 1 and group 2 B - Larger set of criteria for group 1 and more limited for group 2	<ul style="list-style-type: none"> Companies and funds can easily be allocated to category 1 or 2, as small funds invest in early stage/growth and large in developed/listed Segmentation allows to request the same intensity of reporting to SMEs regardless of whether they are indirect or direct participations
2 Alignment of ESG KPI across all types of entities (SFPIM investment company, Relaunch, Delegated assignments, Federal Holding)	A - Identical set of criteria across all entities B - Identical set of criteria for all entities but separate ESG report for delegated assignments C - Larger set of criteria for "Relaunch" and more limited for "Delegated Assignments"	<ul style="list-style-type: none"> For reporting simplicity, reported KPIs will be aligned to all entities Delegated assignments, given their nature will have a separate ESG report Ecological transition funds will be included in the reporting
3 Alignment of ESG criteria across all types of sectors (i.e., strategic pillars)	A - Identical set of criteria for all strategic pillars B - Larger set of criteria for high and more limited for low impact sectors	<ul style="list-style-type: none"> For reporting simplicity, reported KPIs will be aligned to all strategic pillars Differentiation can be made in the future in terms of ambitions (i.e., scoring) more so that on the KPIs assessed
4 Alignment of SFPIM entity¹⁾ reports with own compliance requirements	A - In line by soft law with set of criteria mandated by SFDR B - In line with no compliance requirement of non-listed SMEs C - In line with most exhaustive set of indicators	<ul style="list-style-type: none"> SFPIM "<u>maison mère</u>" will follow the most ambitious and exhaustive list of indicators to lead by example

 Preferred option

Three KPI sources were leveraged to select the KPIs, namely the SFDR PAIs, SFPIM existing questionnaires and peers ESG questionnaires. A dedicated impact KPI list to be added soon.

KPIs identification methodology



Striving for alignment with other public investors

3. Indicators



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Environmental indicators

Selected environmental indicators for pilot and prioritization

Category	Topic	Group 1	Group 2	Fund as entity
Emissions	GHG emissions (scope 1, scope 2, scope 3, total)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Emissions	GHG intensity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Emissions	Carbon emission reduction initiatives (solar panels, heat pumps, renewable energy, green roofs, insulation, fleet...)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Emissions	Active in the fossil fuel sector	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Energy consumption	Ownership of office buildings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Energy consumption	Breakdown of energy consumption by type of non-renewable sources of energy (Fuel, electricity, steam, cooling, heat, total)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Energy consumption	Share of renewable energy consumption	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Energy consumption	Energy consumption intensity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Energy consumption	Exposure to fossil fuels through real estate assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Energy consumption	Exposure to energy-inefficient real estate assets	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Biodiversity & Ecosystems	Activities negatively affecting biodiversity sensitive areas (policies)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Biodiversity & Ecosystems	Active in land degradation, desertification, soil sealing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Water, waste, material & circularity	Active in chemicals production	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Water, waste, material & circularity	Water management policies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Marine resource usage policy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Water usage and recycling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Waste generated and recycling	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Water pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Soil pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Water, waste, material & circularity	Air pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental transition	Environmental initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental transition	Climate-related transition risks	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Social indicators

Selected social indicators for pilot and prioritization

Category	Topic	Group 1	Group 2	Fund as entity
Own workforce	Average unadjusted gender pay gap	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Own workforce	Gender split all employees	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Gender split senior management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Diversity and Inclusion strategy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Human Capital Management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Training	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Work-life balance initiatives	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Own workforce	Annual total compensation ratio	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Safety, Health & Quality	Number of days lost for injuries, accidents, fatalities, illness	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety, Health & Quality	Workplace prevention policy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety, Health & Quality	Discrimination policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Workers in the Value Chain	Supplier code of conduct	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Workers in the Value Chain	Transparency	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Communities	Community engagement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Governance indicators

Selected governance indicators for pilot and prioritization

Category	Topic	Group 1	Group 2	Fund as entity
Internal policies	Various corporate governance policies	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Board gender diversity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Board composition (competence, expertise, gender diversity)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Board independence	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Board committees (audit, risk, remuneration, nomination, investment committee)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Regular assesment of governance structure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Committee	Internal control procedures and compliance mechanisms	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Interaction with countries on the EU sanction map	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	ESG report	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	External audit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Regulatory supervision	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	GDPR	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Business continuity plan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Grievance/ complaints handling mechanism related to employee matters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Grievance/ complaints handling mechanism related to employee matters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control, risks and compliance	Due diligence on Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control, risks and compliance	Active in controversial weapons	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Reporting tool

- From Jan 2024 – yearly data collection
- Data collection prior to investment decision



Next steps

Implementation of the tool and information to portfolio companies
(ongoing)

First data collection for year 2023 (first semester 2024)

Defining ambitions per sector and per company
(2024)

Yearly data collection – Assessment of progress and refinement of ambitions (2024-2025-2026-...)



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