INTEGRATION & INCLUSION

THE S-ANGLE OF ESG

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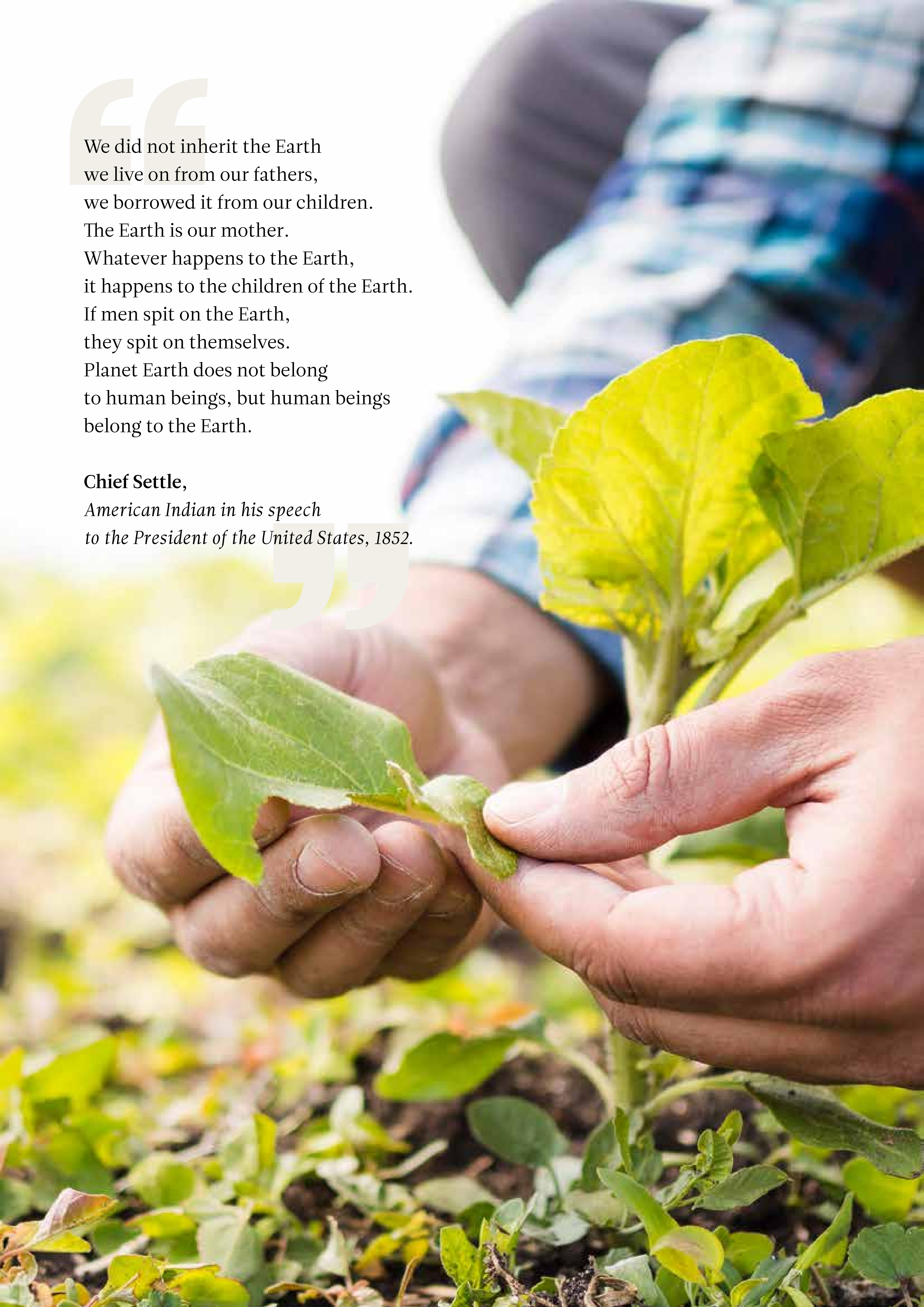
We did not inherit the Earth
we live on from our fathers,
we borrowed it from our children.
The Earth is our mother.
Whatever happens to the Earth,
it happens to the children of the Earth.
If men spit on the Earth,
they spit on themselves.
Planet Earth does not belong
to human beings, but human beings
belong to the Earth.

Chief Settle,
American Indian in his speech
to the President of the United States, 1852.



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INTRODUCTION

A diverse mix of voices leads to better discussions, decisions, and outcomes for everyone – Sundar Pichai

Sustainable finance has for a long time been a trending topic in business communities globally. The hype around any concepts related to sustainability - especially when connected to finance - has proven to be directly proportional to the implementation of EU Directives that promise to revolutionise the way certain businesses will function for years to come.

In this context, over the last 3 years - thanks to our workshops and business intelligence activities -, we have had the chance to enjoy a privileged perspective over the attitude, the interests and the best practices of various stakeholders in the sustainable finance arena.

The main theme that perhaps best of all summarises the progression of "sustainability" as interpreted by most of our stakeholders has been, and is, **ESG**, since it incorporates the full spectrum of the three dimensions of **Environment** (E), **Social** (S) and **Governance** (G) - pillars of the so-called Green Transition[1].

Within the financial community, E and G are the angles that have predominantly gained momentum in experts' panels and institutional discussions to date.

Especially in the Eurozone, this is also due to the EU Commission's regulatory pressure which has had a large impact from an investment / portfolio management standpoint and from a compliance perspective.

However, we believe that S might be the critical point to achieving real sustainable development - not only in general terms but also more particularly in our present factual circumstances.

Historically in fact, we are on the verge of a sort of **new beginning**: a post-covid era, where any development must deliver real commitment to sustainability, social equality and a stronger integration of generations, as distinctive elements of progression and growth.

Such objectives are connected to the greater emphasis on technology that our post-pandemic future imposes. The forthcoming **4th Industrial Revolution**[2] requires a swift acceleration on the inclusion front (e.g. for minorities and gender equality) within business in both more and less developed countries.

On the gender equality front, this holds true even more if we take into consideration the study published by UNESCO in 2021[3], which states that women will lose 5 jobs for every 1 job gained through Industry 4.0, whereas men will lose only 3.

Especially in less developed countries, this means that the different degree of integration of women in the business community or a lack of access to technology could harm women almost twice as much as men.

On the other hand, even the most developed countries continue to suffer gender inequality on various levels and in myriad contexts, and most of the time it is hard to establish indicators to measure such gender gaps.

This matter remains under the radar of various institutions and think-tanks. For instance, it was not until 2018 that Equal Measures 2030[4] , an independent civil society and private sector-led partnership, created an index - the **SDG Gender Index**[5] - to respond to the need for tools to support data-driven analysis and to hold governments accountable for gender equality in the context of the Sustainable Development Goals[6] (SDGs).

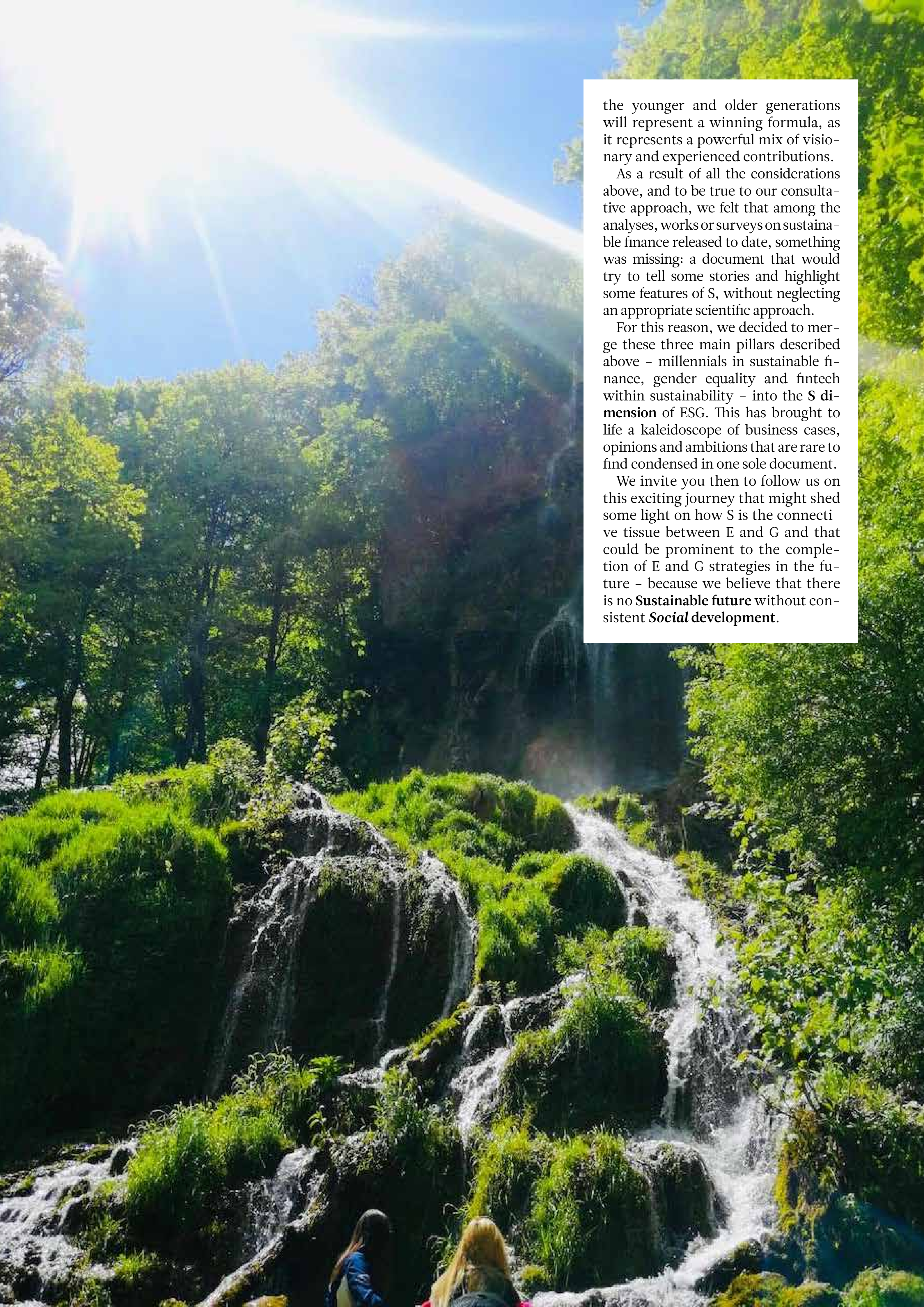
By surveying various stakeholders, we have the impression that even the more sophisticated business communities still suffer from poor diversity within those groups or teams tasked with the most significant business decisions.

Such an issue should be addressed relatively quickly, also in view of an interesting study produced in 2017 by Cloverpop[7] - an app for decision-driven work - that showed how the quality of **decision-making** increases strongly (from 66 to 87%) when the team involved boasts a high level of inclusion and gender equality.

By carrying on our sort of ***sustainable journey*** through 2020 and 2021, we have also realised how much younger generations (**millennials** for instance) embody sustainable values and SDGs in a different and perhaps more proactive fashion than older generations. By deepening our analysis, we discovered that a detailed screening of the millennials' approach to sustainable finance could enable us to foresee what the future might hold for us all when it comes to sustainability in more practical terms.

Hence, the millennials' perspective and their integration in the business community are vital to sustainable progression. We also believe that interaction between

[1] https://www.ebrd.com/what-we-do/get.html
[2] https://www.weforum.org/agenda/2016/01/what-is-the-fourth-industrial-revolution/
[3] UNESCO Science Report - The race against time for smarter development
[4] https://www.equalmeasures2030.org/products/sdg-gender-index/
[5] https://eige.europa.eu/publications/gender-equality-index-2020-report
[6] https://sdgs.un.org/goals
[7] https://www.cloverpop.com/blog/infographic-diversity-inclusion-better-decision-making-at-work



the younger and older generations will represent a winning formula, as it represents a powerful mix of visionary and experienced contributions.

As a result of all the considerations above, and to be true to our consultative approach, we felt that among the analyses, works or surveys on sustainable finance released to date, something was missing: a document that would try to tell some stories and highlight some features of S, without neglecting an appropriate scientific approach.

For this reason, we decided to merge these three main pillars described above – millennials in sustainable finance, gender equality and fintech within sustainability – into the **S dimension** of ESG. This has brought to life a kaleidoscope of business cases, opinions and ambitions that are rare to find condensed in one sole document.

We invite you then to follow us on this exciting journey that might shed some light on how S is the connective tissue between E and G and that could be prominent to the completion of E and G strategies in the future – because we believe that there is no **Sustainable future** without consistent ***Social* development**.

1 SURVEY & ANALYSIS

Background and objectives

The definition of **sustainability** refers to the viability of our common future and involves aspects of social justice, public health and wellbeing, and ecological stability. This concept has become a major concern especially for young generations. With Gretha Thunberg, a Swedish environmental activist committed to the fight against global warming, millennials (born between 1981 and 1995) and Generation Z (born between 1996 and 2012) stand as spokesperson for a sustainable and desirable future. The consideration of sustainability challenges involves many business sectors, including finance. In recent years, sustainable finance has grown exponentially. The notion of sustainable finance is often used to designate socially responsible investment (SRI). The concept used here covers a notion of finance as non-predatory, supporting the real economy and long-term projects. This new vision of finance is a key element for achieving the United-Nations Sustainable Development Goals. Through these, the United Nations[1] defined 17 environmental, social and economic priorities for 2030. Within this time horizon, the younger generation will become the predominant working force in society. According to Fast Company survey[2], they will actively make efforts, such as accept a smaller salary to work for a company that's environmentally responsible, to build a sustainable future and will definitely play a significant role in achieving the SDGs. By considering the attractiveness of sustainability related topics for young generations and the importance of sustainable finance in regard to SDG achievement, a measure of the extent of millennials' and generation z's involvement regarding the subject seems relevant. Through this survey, it is intended to provide information and analysis on the impact of future generation within the sustainable finance industry. This latter tries to identify the key elements representing this generation as well as potential future behaviors with regard to the role of millennials in the community, whether as practitioners or as economic agents.

SURVEY METHOD

Regarding the **research methodology**, it has been decided to focus the questionnaire on students and young professionals between 18 and 35 years old. However, the questionnaire was open also to people who did not fall into one of these two categories. More than 160 responses have been obtained with over 91% of respondents falling into the 18-35 age category. The remaining 8.6% of responses are excluded from the analysis that will be presented below.

The aim of the survey was to assess the perception of millennials when it comes to sustainable finance The questionnaire was administrated to students from several universities, schools identified beforehand. The professional social network, LinkedIn, was used to enlarge the audience and have a sample of responses as larger as possible within a given timeframe. The goal was to have a sample of international respondents from both Europe and other continents. The final sample includes people with different levels of education , different views on sustainable finance and from different sectors of activities.

This survey will provide information on the global point of view of millennials and their sensitivity to sustainable finance, to highlight the behavioural characteristics of millennials as investors and/or as practitioners. Indeed, we sought to analyse the degree of investment and interest of millennials around the topics of sustainable finance, but we especially sought to understand their vision on this topic. In order to do so, the survey was oriented on the Sustainable Development Goals, the notions of wealth, traditional/venture philanthropy, impact investing, sustainable & responsible investing, stakeholders, etc. The following section is devoted to the results.

[1] https://sdgs.un.org/fr/goals
[2] https://www.fastcompany.com/90306556/most-millennials-would-take-a-pay-cut-to-work-at-a-sustainable-company

KEY FINDINGS

The survey was organized into four parts:

1. Respondent profile: age, gender, location, level and sector of education and level of interest in sustainable finance.

2. Overall viewpoint and sensitivity: Respondent's personal level of impact on sustainable finance issues in the professional world, in their investments and the order of importance of the SDGs.

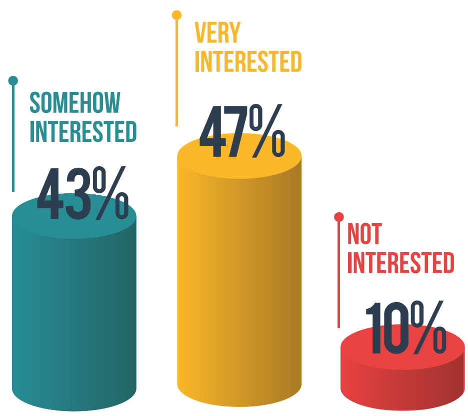
3. Millennial's as an investor: Defining what millennials want from their investments in terms of return, environmental and social impact and availability.

4. Millennial's as a practitioner: Focuses on respondents' views on traditional and venture philanthropy, impact investing, sustainable and responsible investing. But also, on areas of improvement to foster the development of the sustainable finance industry.

Respondent profile

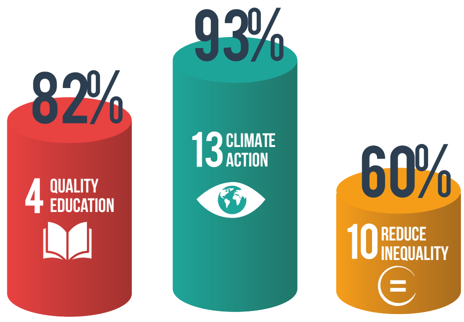
As for the profile of the respondents, a large majority is between 21 and 24 years old (65%) followed by the 25/29 age group (22%) with almost 40% women and 60% men. About 86% of the sample is located in Europe. The remaining 14% are divided between Africa, Asia and America. In terms of education, nearly 83% of respondents have studied business, finance and/or management. For the remaining 17%, we find profiles of engineers, lawyers, etc. With a distribution of 80% master's degree, 18% bachelor's degree. To conclude this section, the graph below shows the attractiveness of the respondents regarding sustainable finance.

HOW INTERESTED ARE YOU IN SUSTAINABLE FINANCE?



- 90% of respondents are at least somehow interested in sustainable finance and more than 43% state to be very interested.
- That reveals a clear attractiveness for the topic on the sample, whether for practitioner and/or investors.

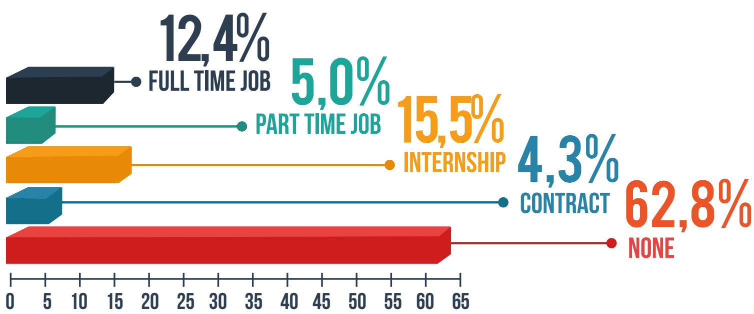
TOP 3 IN SDG INTEREST



OVERALL VIEWPOINT AND SENSITIVITY

In respect of this second part, the three most important Sustainable Development Goals for the respondents have been highlighted. It turns out that the interest is mainly focused on "SDG 13 - Climate Action"; "SDG 4 - Quality Education" and "SDG 10 - Reduced inequality". However, other SDGs were highlighted such as SDG 1, 2, 3 and 12 with 57, 58, 59 and 56 votes. These correspond to "No Poverty, Zero Hunger, Good Health and Well-being, responsible consumption and production". The results highlight convergence of individual interests towards global interests. Respondents seem to privilege sustainable investment opportunities that focus on making a positive impact on social and environmental issues pertaining to the planet rather that their own city or country.

WHAT CURRENT OR PREVIOUS PROFESSIONAL EXPERIENCES DO YOU HAVE RELATED TO SUSTAINABLE FINANCE?



In a second step, a segmentation on the respondents according to their experience in the world of sustainable finance was made (see chart above). As presented above, a large majority of respondents do not have experience in this sector, which is why a distinction between sustainable finance professionals and non-professionals in this sector was made in the following analysis.

It would be good to summarise hereafter the responses presented by the three charts above. Respondents with professional experience in sustainable finance are more optimistic than those with no experience about the ability of ESG-positive investments to achieve financial returns. Regardless of level of professional experience, respondents appear more confident that they can make an impact on climate change mitigation than on reducing inequality and poverty. In general, respondents believe that their future or current work can have a positive impact on the environment or society.

MILLENNIAL'S AS AN INVESTOR

In this third part, it is intended to analyse the attitudes of the millennial generation toward money, saving and investment. It has been considered the following assumption: over the next decades the investment capacity of this generation will increase dramatically due to both the entry on the employment market and the accession to heritage.

The question of how future investments will be made and what are the key factors that will define these choices needs to be raised. In order to understand drivers behind millennials' investments, a testing of the **level of confidence** in current banking/financial system has been performed.

It has been realized that despite of their interest in sustainable finance, more than **68% of respondents haven't experienced an investment through a sustainable investment product**. This point reveals the existing opportunities in terms of attracting savings towards "sustainable" investment products instead of traditional investment products.

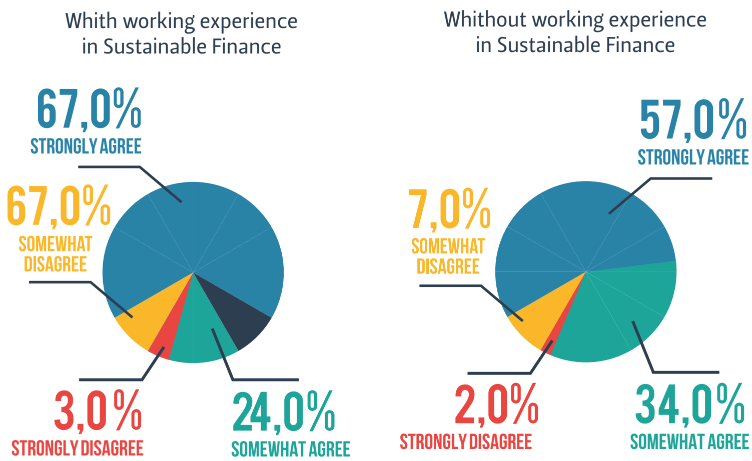
By looking at the main points of attention when making an investment decision, more the **90% of respondents expect to generate the maximum possible environmental/social** impact through their investments while **80% expect to generate the maximum possible return** through their investments. The 10% gap in favour of generating maximum social or environmental impact demonstrates that some respondents are willing to sacrifice maximizing financial return to some extent. Thus, it has been observed that there's no clear opposition between social/environmental and financial return but a premium for generating positive impacts through investments. In addition, the analysis has revealed a strong **shift in how people define wealth**. This has an impact on their investment decisions.

The most chosen definition for wealth has been "providing heritage for next generations". This point can have several interpretations. Regardless the semantics, it would be good to point out that more that ¾ of respondents prefer to opt for a non-financially related designation when it comes to wealth.".

90%

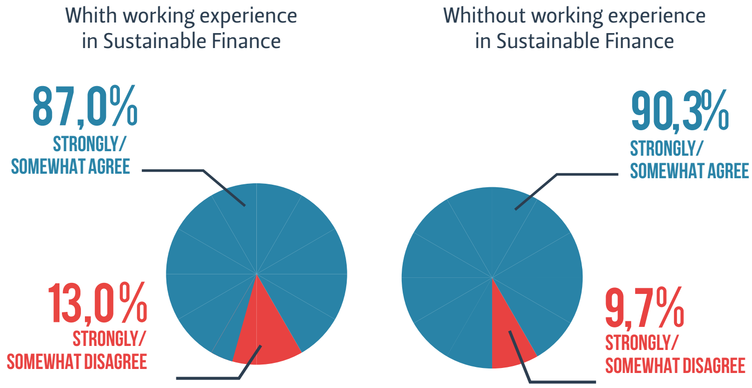
of respondents expect to generate the maximum possible environmental/social impact through their investments.

IT IS POSSIBLE TO MAKE INVESTMENTS IN COMPANIES OR FUNDS WHICH AIM TO ACHIEVE FINANCIAL MARKET-RATE RETURNS WHILE PURSUING POSITIVE SOCIAL AND/OR ENVIRONMENTAL IMPACT?



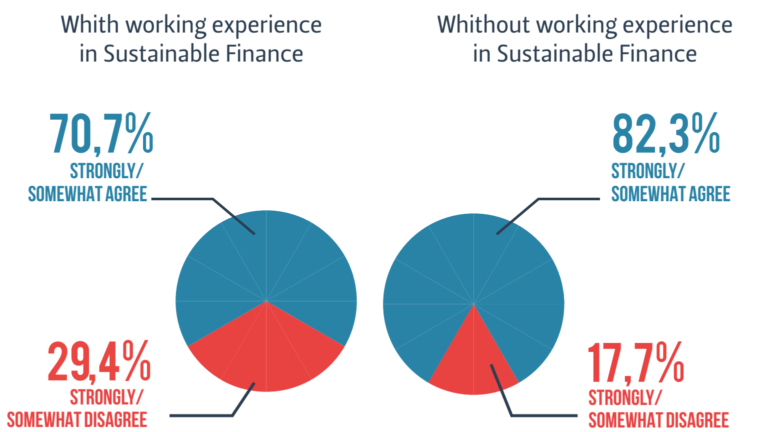
Respondents with professional experience in Sustainable Finance are more optimistic than those without any experience regarding the ability of investments with positive ESG impact to achieve financial returns.

IT IS POSSIBLE WITHIN MY CURRENT/FUTURE POSITION TO INFLUENCE CLIMATE CHANGE MITIGATION/ADAPTATION?



Regardless of the level of professional experience, respondents seem more convinced that they can have an impact on climate change mitigation than on reducing inequalities and poverty (see next slide for details).

IT IS POSSIBLE WITHIN MY CURRENT/FUTURE POSITION TO ENSURE ECONOMIC GROWTH THAR REDUCES INEQUALITY AND POVERTY?



In general, respondents believe that their future or current work can have a **positive impact** either on the environment or society.

MILLENNIAL'S AS A PRACTITIONER

Through this section, it is intended to provide insights on how millennials foresee their future implications within the sustainable finance industry. The reading grid that has been considered gives two dimensions of analyse. At first, a comparative analysis of the components of sustainable finance has been conducted. In addition, this screening was coupled with an assessment of the impact of professional experience on perceptions. The comparison includes the following fields: Impact Investing, Sustainable & Responsible Investing and Traditional/Venture Philanthropy.

With regards to the unexperienced respondents, all of them deem impact investing as the most useful tool to fit sustainable financing needs if compared to sustainable/responsible investing or philanthropy.

According to professionally experienced respondents, impact investing is a much more useful process to meet the financing needs of sustainable & responsible investing.

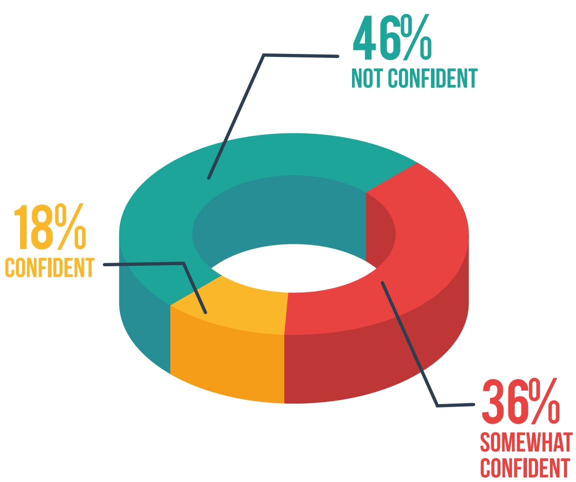
Finally, the survey has shown millennials identify Impact Investing as the most significant strategy to a pragmatic "Just Transition"[4], meaning a mutation to a sustainable economic model embedding social and environmental considerations at its core. Most importantly, they would support Impact Projects[5], either through professional talent attraction or via direct investments.

The second dimension of the analyse put emphasis on the actors involved in sustainable finance. The idea was to identify the millennials' view on the most impacted stakeholders aiming to be involved within the industry. In order to spot different trends, particular attention was given to the level of confidence.

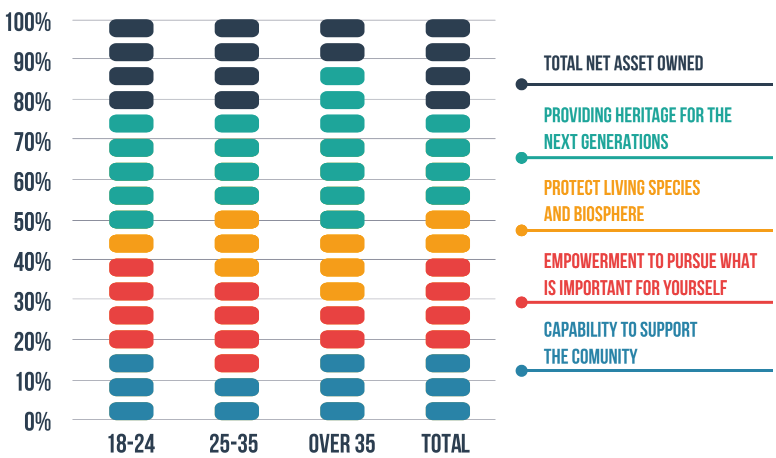
A majority of those who are confident in the financial system believe that the financial sector will have the greatest impact on sustainable development. Those less confident in the financial system have a more balanced view, valuing more the public sector and non-financial private sector.

Millennials view and perspective on this last point can differ following several items such as professional experience or confidence in the financial system. However, Impact Investing within the sustainable financial area is positioned as the real game changer.

HOW CONFIDENT ARE YOU IN THE CURRENT BANKING/FINANCIAL SYSTEM?



HOW DO YOU DEFINE WEALTH?



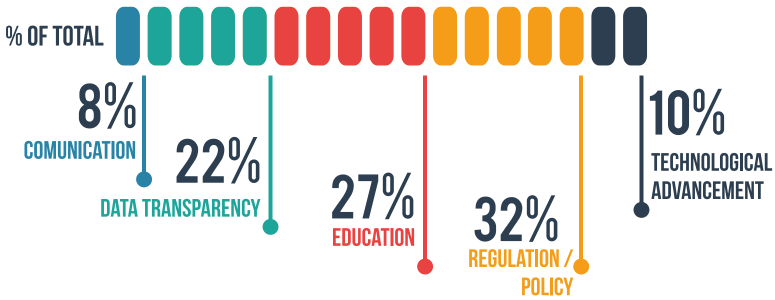
[4] https://ec.europa.eu/regional_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism
[5] https://thegiin.org/case-studies/

CONCLUSION

A first important finding from this study is that notwithstanding the heterogenous sample of respondents in terms of background, professional experience, sensitivity and confidence in the current financial system, the perception of the market and the willingness to be part of the change do not differ significantly. Millennials in sustainable finance are aware about their position of both future/current investors and future/current practitioners. Looking at the investors' corner, an aim for meaningfulness in their investment decisions is clear . At the same time, young generations consider Impact Investing as the most useful area to develop in regard to the sustainable financing needs. This last point reveals the major challenge and future trend related to sustainability. By attracting both talents and investments, impact investing should become mainstream shortly, after the hype of ESG investing.

Finally, the survey on Millennials in Sustainable Finance – inquiring +160 young professionals and master's level students – provides additional hints on the direction Sustainability in Business is going to take in the near future...We shall see in the very near future how this commitment will materialize. It would be interesting to conduct a similar study in a time frame that would allow conclusions to be drawn about effective change in financial matters.

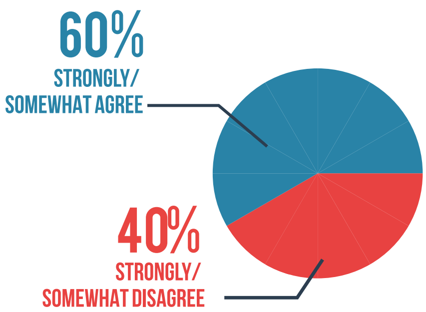
WHAT ARE THE KEY FIELDS TO BE IMPROVED IN ORDER TO ENHANCE THE SUSTAINABLE FINANCE INDUSTRY'S DEVELOPMENT?



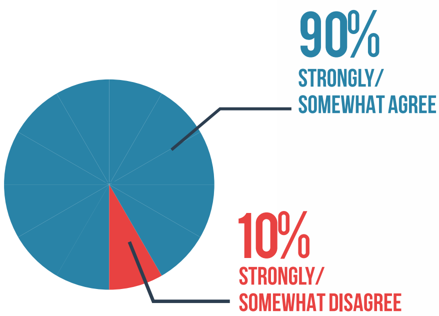
• Even though 46% of respondants are not confident in the financial system, regulation and policy are the highest-ranked methods to develop the sustainable finance industry.
• Both regulation and policy are developed from actors in the financial system (e.g. Central Banks, government legislation, standardization). The financial system ir required to institute change; however, at the moment, there is a lack of confidence in the system to do so.

REGARDLESS OF THE LEVEL OF PROFESSIONAL EXPERIENCE, ALL RESPONDENTS DEEM IMPACT INVESTING AS THE MOST USEFUL TOOL TO FIT SUSTAINABLE INVESTMENT FINANCING NEEDS IF COMPARED TO SUSTAINABLE/RESPONSIBLE INVESTING AND PHILANTHROPY.

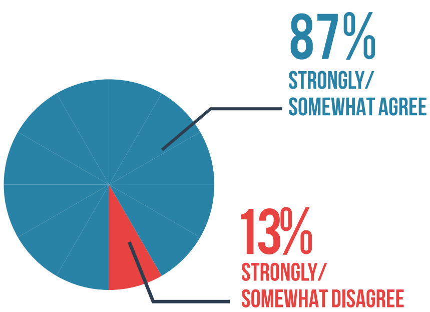
Venture/Traditional Philantropy



Impact Investing



Sustainable & responsible investing



2 THE MILLENNIAL AS AN INVESTOR

Using your savings in a sustainable manner!

For the new generation, finance can have a positive impact on Earth. For many people, if most of the money is being held and used by the financial sectors for speculation, it can be used to change the world with conscious investments. This generation believes that a redirection of money flow can help achieve a more sustainable society. If this objective seems idealistic, each citizen can easily contribute to the green transition using their savings. In our recent survey, we identified that Millennials want their investments to have a positive social/environmental impact (53.4% of respondents). However, only a quarter of them had ever made an investment through a sustainable product. Why does this gap exist?

THE GAP & LACK OF TRANSPARENCY OF SAVINGS

In the jungle of sustainable investments, it is easy to be lost for Millennials who have no technical knowledge in this field. The *Livret A*[6] is the favorite savings account among French consumers with over 55 million savings accounts opened[1]. Others such as the *Livret* of social and sustainable development (LDDS) have recently emerged but with some limitations e.g. lack of transparency, lack of regulation, and poor communication that may discourage young investors.

It is difficult to know exactly how this money is reinvested other than by its name. In practice, LDDS savings are used to finance small and medium-sized enterprises (SMEs) in the form of loans or by contributing to the renovations of social housing.

However, this type of savings reflects the current labelling issues and ESG discrepancies (such as greenwashing) in the financial sector; your banker will not be able to answer this simple question: where are my savings going?

Millennials want to take back control of their money. The financial sector is recognizing that *sustainability in finance goes mainstream* as wrote Larry Fink's, CEO of BlackRock in his annual letter[7]. These past few years, different actors developed solutions e.g. thematic funds, ESG screening to fit with this new reality. However, due to the lack of recognition of these initiatives, they remain little known to the public.

SUSTAINABILITY–CENTRIC OPTIONS FOR MILLENNIALS

The Fintech sector has witnessed the birth of new options for Millennials to employ their own savings. Thanks to the diversity of new projects, everyone can meet their expectations. For example, in 2019 the Ministry of Finance launched the Plan Epargne Action Jeune (PEAJ) with the purpose of making young investors more comfortable and familiar with financial markets. The plan is structured so that after 5 years, the gains will not be taxed (whereas there is a rate of 30% for a classic PEA). A person under the age of 25 can invest in sustainable investments by opting for shares with Greenfi or SRI labels, CAC 40 ESG[8] or even mission-oriented[9] companies such as Danone based on some Sustainable development goals[10].

If Millennials want to see the impact of their investment, they can directly take part of crowdfunding to help entrepreneur launching their business. This option is not very diversified but is very concrete and will be appreciated by people who want to feel involved in the success of a social or environmental project. Some platforms like We Do Good[11] offer you such opportunity while providing you a return on your investment at the same time.

[6] The Livret A is a French saving account with annual returns (0.5%) that are not taxed. Part of the funds are transferred and re-invested by the Caisse des Dépôts et Consignations, owned by the French state, the other part is used by banks to give loans to French SMEs.
[7] https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter.
[8] https://www.euronext.com/en/about/media/euronext-press-releases/euronext-launches-new-cac-40-esgr-index-meet-financial
[9] https://www.world-today-news.com/danone-first-listed-mission-oriented-company/
[10] https://sdgs.un.org/goals
[11] https://www.wedogood.co/

For others who would like to hold a portfolio with different kind of assets, it can be a first step within market finance. You can then adjust your savings in a sustainable manner by choosing fields matching with your mindset on environment, health, technology, energy. Some FinTech propose you to hold this kind portfolio with an investment of only 300€, like with Mon Petit Placement. Investing has never been easier for Millennials with plenty of accessible information and advice to start.

If you want your savings to mean something and have a positive impact, you can always change banks! Imagine that the money you have in your bank account can contribute to the carbon neutrality toward 2050. To act sustainably without making additional effort provides an opportunity to meet rising investors' demand while remaining accessible to everybody. More sustainability-oriented banks seem to meet this demand, like Green-Got[12], Helios[13], OnlyOne[14] and Tomorrow[15]. They offer you the same services as a classic bank while assuring you sustainable savings.

THE FUTURE OF THE BANKING SECTOR & SUSTAINABILITY

As contributors to society, we, as well as our savings, have a role to play in achieving a more sustainable society. The demand is already on the table, the offer too (with the trend clearly expanding)! For now, there is a lack of connection between availability and use. Through communication and education, this issue could be tackled and can scale-up this new manner to invest. Indeed, our generation is not looking for a simple return on asset. We also want to see our impact on daily life. Awareness around sustainable finance is already rising; however, it can be expanded. All the debates around the European Taxonomy[16] or events such as the Paris for Tomorrow Week[17] testified to this new paradigm. As Millennials, we are convinced that our money can, and will, be the vector of change.

Special Thanks to: **Arthur Fraisse** and **Fabrice Ishimwe** for coordinating the survey and **Gabin Primault** and **Antoine Chauve** for their article.

If Millennials want to see the impact of their investment, they can directly take part of crowdfunding to help entrepreneur launching their business.

[12] https://green-got.com/
[13] https://www.helios.do/
[14] https://onlyonecard.eu/
[15] https://www.tomorrow.one/en-EU/

3 WOMEN IN BUSINESS: WHAT IS THE CURRENT STATE OF THE ART?

The main challenges women are facing today when they approach the business community and the workplace (in general and/or in Luxembourg) – are there only challenges or also opportunities?

Over the last few years, much has been said about the now infamous glass ceiling affecting the career trajectories of women. In this article, I want to set the scene in terms of 'Women in Business' - looking at the challenges women face in business which result in their significant under-representation in the decision-making echelons of commerce.

Against that backdrop, I will identify concrete ways we can, each of us - whatever your gender - redress the gender balance and - perhaps more importantly - achieve career success, whilst promoting a more human-centered workplace for the benefit of all.

BUSINESS IS A MAN'S WORLD. ISN'T IT?

It is a fact that women continue to be under-represented in the workplace relative to men. According to statistics published by the European Commission, the employment rate in the European Union for men of working age was 79% in 2019, whereas for women it was 67.3%, representing a difference of approximately 11%[18]. This under-representation of women in the workplace is particularly interesting given that women represent approximately 51% of the EU population[19]. With fewer women in the workplace than men, it follows that modern workplace norms and cultural systems are influenced - and have been influenced - to a greater extent by men.

In addition to men dominating the workplace in number, decision-making in business is also often the exclusive domain of men. A relatively recent S&P survey on the number of male versus female CEOs shows a ratio of 19:1[20], whilst a 2015 article in the New York Times anecdotally noted that in corporate America "fewer large companies are run by women than by men named John"[21].

Contrast this to the number of women currently actively serving on Boards today (women accounted for 22% of Board representation in Luxembourg in

[18] https://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_statistics#:~:text=The%20EU%20employment%20rate%20for,%25)%20by%2011.7%20percentage%20points.

[19] Whilst a woman's life-span is, on average, slightly longer than that of a man, which may account, to an extent, for the fact that women represent the majority of the population, more men of working age are employed in the workplace than are women.

[20] https://www.spglobal.com/marketintelligence/en/news-insights/research/changepays-there-were-more-male-ceos-named-john-than-female-ceos

[21] https://www.nytimes.com/2015/03/03/upshot/fewer-women-run-big-companies-than-men-named-john.html

2020[22]) and we can see that business decisions, policies and the 'tone from the top' is very often filtered through a male lens.

In the wider cultural sense too, men have controlled, and continue to control, the narrative around career success – what that looks like and how to achieve it – and how to do business. Even today, historical male business success is celebrated much more publically and readily in culture than the successes of women in the same field. In England, for example, the inextricable link between masculine success and commerce is visible in everyone's wallet. Bank of England bank notes typically depict on the opposite side to the Monarch's image, a picture of a successful businessman or other male figure of cultural importance. Of the four denomination bank notes currently in circulation, only one depicts a successful woman (the novelist Jane Austin on the back of the GBP10 note), whilst the bank notes of greater value depict the male industrialists, Matthew Boulton and James Watt and the economist Adam Smith. Male business success is therefore in-built into historical popular culture. It is the norm.

Given the cultural bias of commerce being a male domain, it is unsurprising that until relatively recently, the workplace was generally not somewhere particularly reflective of women's outlooks and ideas, or general life experience, including their cyclical physical needs (menstruation) and life transitions (maternity, breast-feeding, menopause). Indeed, we have all probably heard stories about how a woman's choosing to have a family may give the 'wrong impression' to an employer as regards her dedication and commitment to work[23].

Instead, the workplace has – I believe – evolved to better reflect the needs, aspirations and ideologies of men (championing traits such as competition, availability, and celebrating the ideal of the lone leader), rather than those of women (who, often operate from a bias towards collaboration, and when making decisions generally take a longer term, consensus-seeking approach). This misalignment between the commonly observed traits of women in the workplace and the behaviours prized by a business system designed by and led by men, leads – I contend – to women often feeling ill at ease in the workplace making it is more difficult for them to reach their full potential.

Equally, the imbalance between genders at decision-making level in business also affects female success rates outside the traditional workplace, whether due to unconscious bias or other factors. For example, in the realm of start-ups and financing venture capital, female founded businesses also struggle compared to male-run start-ups. In 2018, teams without a single female founder received 90% of European venture capital backed financing, thereby perpetuating the dominance of men in commerce[24]. Today, women still raise 38% less than men when starting under the same conditions[25].

Finally, the impact of Coronavirus on workplace practices has been dramatic for us all, although arguably more so for women who – U.S. based commentators have noted[26] – have also shouldered more of the domestic and family/caring-related tasks than their male counterparts in business[27], making women more likely to seek to down-shift or leave their careers.

In absolute terms then, and based on the historical and cultural imbalance in favour of a more masculine-designed business environment, the picture does look pretty bleak in terms of gender equality in the workplace and for women in business. It would appear as though there is still much to do. Indeed, it is easy to see how women's voices, expectations and aspirations have been marginalized historically, culturally and economically, and how, as a result women often fail to make headway in the workplace and in business.

BUT THINGS HAVE CHANGED, HAVEN'T THEY?

Despite this, it is fair to say that, relatively speaking, great strides have been made in Europe over the last 80 years in terms of promoting and supporting women in the workplace. With regard to gender equality for example, the Treaty of Rome of 1957 mandated equal pay between men and women[28], and paved the way for the first the Equal Pay Directive (1975)[29] and the Equal Treatment Directive (1976)[30], which prohibited discrimination on the grounds of gender in relation to working conditions, access to employment, vocational training and promotions.

Within the traditional employer-employee business model, the system is changing to better reflect the impact of motherhood on working women, with internal business policy initiatives such as women returning to work programmes[31] after periods of absence from work, and, for example, the increased availability of breast-feeding rooms in the workplace.

In the entrepreneurial world too, there are now many more female founded companies than previously[32], more female owned and managed businesses and many more female executives and women holding board seats[33], all of which is testament to the growing shift in gender and societal norms which has happened over the last 50 years.

Increasingly, platforms are being developed which

[22] https://blog.pwc.lu/women-in-the-boardroom-improving-but-not-quite-there-yet/
[23] The work of Joeli Brearley, founder and CEO of UK-based organization, Pregnant Then Screwed (https://pregnantthenscrewed.com/), highlights and campaigns against the workplace discrimination experienced by pregnant women and mothers.
[24] https://ec.europa.eu/info/sites/default/files/economy-finance/dp129_en.pdf
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[30] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A31976L0207 repealed by Directive 2006/54/EC of the European Parliament and of the Council of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast): https://eur-lex.europa.eu/eli/dir/2006/54/oj
[31] Founded on the potential and economic benefit women bring to the workplace, She's Back, founded and run by Lisa Unwin and Deb Khan, is a business supporting women who want to return to the workplace after a career break: https://www.shesback.co.uk/about-shes-back/. Other business-led return to work programames include those of international banking groups and asset managers, amongst others, listed on: https://womenreturners.com/returners/returner-opportunities/
[32] By way of example, in the period 2003-2012, the percentage of women entrepreneurs of the total number of entrepreneurs in the EU 27 increased from 28.9% to 31%: https://ec.europa.eu/docsroom/documents/7481/attachments/1/translations/en/renditions/native

seek to support entrepreneurial women[34], and businesses are being founded by women, for women. Ellevest[35] is a high-profile example of the latter in the financial sector. Co-founded by Sallie Krawcheck in 2014 following her realization that because the financial industry had been built by men for men it was difficult for women to reach their financial goals, Ellevest focusses on helping women take control of their financial futures. Closer to home, here in the Luxembourg, Startalers[36], co-founded by Gaelle Haag and Thierry Smets, enables women to take their financial futures in hand through the use of a digital financial advisor with expertise in sustainable investing.

In the sphere of business decision-making, global initiatives such as the 30% club[37] are championing the case for increased female representation at senior management level and on boards. Closer to home here in Luxembourg, the Female Board Pool supports women in getting board ready and in obtaining a first board mandate, and manages a database of over 700 profiles of 'board-ready' or 'board experienced' women across the private, public and non-profit sectors.

Indeed, the economic argument for greater diversity in the boardroom is compelling: several studies[39] have shown that having women on boards results in better acquisition and investment decisions and in less aggressive risk-taking, thereby increasing shareholder value. However, the movement towards a critical mass of female business leaders also helps to start shifting the cultural narrative of business towards greater inclusivity, collaboration and diversity of thought, meaning that businesses better reflect the communities they serve, and become more representative of the breadth of human experience, not only in respect of gender issues.

Many argue that women excel at the soft skills needed for business leadership: collaboration, communication, emotional intelligence, developing a sense of community and belonging, sharing praise and motivation. A 2016 study, for example, conducted by global consulting firm, Korn Ferry, across 90 countries, showed that women outperformed men in 11 out of 12 emotional competence skills[40]. Importantly, though, the study also revealed that when companies utilize these competencies, workplace satisfaction and company success increases because workers' needs, experience and talents are recognised. As such, increased integration into the business environment of emotional competence soft skills – which are often more readily associated with women – appears to directly correlate with increased business success.

Further, women represent huge economic power and customer insight, and leveraging, within business, the insights of women could be a powerful competitive advantage in consumer markets. As the International Labour Organisation states, as women account for about 70 per cent of the global consumption demand and control about $28 trillion in annual consumer spending[41], it is imperative that corporate boardrooms better reflect the diversity (and power) of its consumer base.

As the evidence suggests, improving women's economic empowerment, including by tackling gender employment gaps, funding opportunities for female founded businesses, and by increasing the number of female business decision-makers makes social, economic and general business sense.

For good reason then, and more than ever before, it is looking like it's becoming more of a woman's business world. So, how can we capitalize on these changes?

OPPORTUNITIES AND ACTIONS

There are myriad ways in which we can continue to increase female participation in business decision-making. The following presents only a few ideas for both men and women to promote greater gender equality and female representation at senior levels in the workplace:

1. Change the cultural narrative around women in business and the workplace. Share and celebrate the stories of successful women business leaders. Celebrate the successes, and champion the contributions of women in your workplace and your business community. Be vocal and supportive.
2. Challenge existing gender norms and biases (including your own). Seek to engage in dialogue about the roles and the gender norms assigned to, and definitions of success applied by, both men and women. Bring understanding and empathy to the table. Build a new picture of how both men and women can together shake off the gender norms which can prevent us from asking for, and designing the working life, what we want.
3. Understand, and be able to articulate, the economic advantage for businesses of greater female representation on boards and in senior management.
4. Where you're able, seek to appoint a variety of voices at decision-making level in business. Diversity of background and experience fosters diverse thought and innovative solutions, which positively impacts the economic success of businesses.
5. As a woman, ask for what you want in the workplace! Unlearn self-defeating thoughts and limiting beliefs and learn how to support yourself from within by taking heed of your inner mentor (the quiet, sage voice within which emanates from a calm place of deep self-compassion and understanding) rather than your inner critic voice (being the voice which is constantly critical and which undermines confidence). As Sheryl Sandberg, author of the book and female collaboration movement 'Lean In'[42] says, 'believe in yourself and your own successes'[43].
6. Promote increased and deeper collaboration within your business and across sectors. This

[33] According to PWC, which conducted research together with ILA, Luxembourg, the number of female board members is following an ascending trend, from 14% in 2016, to 16% in 2018 and 22% in 2020: https://blog.pwc.lu/women-in-the-boardroom-improving-but-not-quite-there-yet/
[34] In the EU, Female Founders supports women entrepreneurs by providing community support, investment readiness and leadership programmes: https://www.female-founders.org/, whilst in the Asian region, the Female Entrepreneurs Worldwide organization offers similar resources and support: https://few.community/
[35] https://www.ellevest.com/
[36] https://startalers.com/
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could take any form. For example, in 2018, Ladies in Law Luxembourg Association (LILLA)[44] – an organization supporting women in the legal profession in Luxembourg to rise up through the ranks – collaborated with Women In Digital Empowerment (WIDE)[45] – a Luxembourg non-profit empowering women to seize opportunities in the digital economy – on a successful legal advice 'speed dating' evening[46] at which Luxembourg-based female entrepreneurs could ask law questions relating to the start-up environment in Luxembourg.

7. Increase your informal and formal support network by actively participating in an industry body, a networking group or by requesting or providing mentorship across genders.
8. Where you're able, and wish to, invest in female founded or female-led start-ups and businesses.
9. Support male allyship. Organisations such as the newly formed Luxembourgish association Men For Inclusion[48] are paving the way in this regard by bringing together men who champion diversity and wish to see a more inclusive workplace .
10. Similarly, support men who wish to take parental leave, work part-time or negotiate another working pattern[49]. Supporting men in exercising their legal entitlement to paid parental leave, where available, should help to shift cultural norms around family responsibilities, away from parenthood being a uniquely women's issue and more the domain, jointly, of parents. Caring responsibilities more generally may also then become a more acceptable part of (working) life, which may encourage workplaces to become more cognizant and accepting of employees' responsibilities outside of work. Over time this may change business policies to become more human-centered.

The Dalai Lama once said, 'the World will be saved by the Western Woman'[50]. Whilst only time will tell us whether this bold statement is in fact a prophetic one, I do believe that we have an opportunity now to harness within a business context the inherent qualities, skills, experience of women, thereby making our workplaces and business generally more creative, more collaborative, more innovative, more diverse and ultimately, more human-centered.

In the end, a more human-centered workplace can only be a benefit to us all – men and women alike – as well as the generations to come.

As the non-profit research organization, Catalyst, states: 'progress for women is progress for everyone'[51].

Alexandra Slack
Certified life, career and women's coach, qualified lawyer and board member of LILLA.

The Dalai Lama once said, 'the World will be saved by the Western Woman'

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[48] Various research papers on this topic have been issued by Catalyst, a global non-profit founded in 1962 seeking to build workplaces for women: https://www.catalyst.org/research-series/engaging-men-in-gender-initiatives/
[49] Whilst there appears to be no current data on the number of men taking parental leave in Luxembourg, EU agency Eurofound, cites that in 2014, prior to the change in parental leave law in Luxembourg, only 20% of fathers took parental leave: https://www.eurofound.europa.eu/publications/article/2017/luxembourg-new-parental-leave-law-enters-into-force
[50] The Dalai Lama's quote is cited in a Huffington Post article from 2013, which contemplates the apparent link between workplace disengagement and lack of female representation at the decision-making levels of business: https://www.huffpost.com/entry/western-women_b_2277916
[51] https://www.catalyst.org/research-series/engaging-men-in-gender-initiatives/

4 ESG: NEW NUANCES OVER THE FINTECH HORIZON

Environmental, Social and Governance (ESG) is much broader and wider than its definition suggests. Commonly understood as a set of standards or criteria that socially conscious investors use to screen potential investments, what does ESG really mean in the bigger picture? It's not just about laws or investment products. It's about a changing society; a cultural movement. This transformation is a cumulative result of progressive evolutions in many facets. From concerns and challenges about regulation, to social factors like financial inclusion and equality; from the COVID-19 impact to the entrance of a new generation built around different values and mindsets. This is all a part of the ESG movement.

NO REGULATION FITS ALL

One of the greatest issues when it comes to ESG is the fact that there is no universal application for it. The issue is broad and the regulations to guide it remain vague. Regulations today, such as the recent implementation of the Sustainable Finance Disclosure Regulation (SFDR) in Europe, obliges financial market participants to inform clients about the ESG impact of their portfolio and products. But this is actually where the challenge already begins since there is no source that possesses a perfect ESG rating system. Although rating agencies exist, critics and competitors are quick to point out the inadequacies and flaws in each other's ESG rating equation. The emergence of multiple rivalling rating agencies will create a competition that, if we're not careful, will dilute the initial scope and purpose of ESG. Such a lamentable circumstance has already occurred with bio labels in the food and beverage industry, and is a risk we will need to avoid. Let's not forget the impact credit rating agencies had on the subprime crisis (1) Rating has become a regulatory challenge, a source of conflict and confusion. As an example, the recently passed SFDR in Europe requires financial market participants to provide an ESG rating by June 2021, but it is uncertain what standards they can use to formulate a proper rating.

Besides rating, another regulatory challenge is the complex nature of the 'single' European market. Legislations are applied differently in every EU country, causing inconsistencies and enhancing the absence of universal application. The complexity from such variation is creating additional layers of problems. Current regulatory methods (the three lines of defence model (2)(3) being one example) are crumbling in the face of an evolving industry, unable to overcome or solve its issues. After the 2008 global financial crisis, the European banking industry reformed itself with the introduction of new regulatory bodies: the European Baking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA). It's now time for regulation to step up its game again, to think beyond the current horizons.

If the initiation of a new world and society is around sustainability, then it's time to refresh the responsibility of regulators and supervisors (4). The current situation pleads for the whole idea of supervisory technology, where the role of the supervisor is one that takes absolute responsibility. It also encourages the entrance of new mindsets and technologies into the banking industry. A new mindset for banking immediately brings decentralized finance (DeFi) (5) and blockchain technology to mind, where trust isn't placed in one entity but is distributed and communal. With regards to rating industries, the introduction of Artificial Intelligence (AI) (6) would provide a more neutral way of scanning and rating investments than any human could offer. We may have a perception of things, but no person or company is exactly the same since each are guided

by varying and individual motivations. However, the potential application of new technology needs to be supported by all regulators, which leaves any progress trapped within a vicious cycle.

FINANCIAL INCLUSION AND EQUALITY

The ESG equation also includes financial inclusion and equality. The lack of a centralized single market in the EU prevents the embracement of financial inclusion. There's no system in Europe that can cater for all the markets because tax laws, habits, languages, and even cultures are all different. It's extremely difficult for investment players to scale around Europe since the rules of the game are different in every EU country. Although neobanks and fintechs are trying to change this (7), it is taking time. As a result, a vast majority of people globally remains unbanked and there's much to be done before financial inclusion becomes a reality.

The whole notion of social equality is another important but often overlooked part of the ESG spectrum. In the banking and financial industry, there are a lot of improvements and changes yet to be made with regards to equality, diversity KPIs and gender balance. It's a well-known fact that it's traditionally harder for women to get into tech and fintech. But this is also why the growing number of initiatives to support women in tech and fintech is significant and promising (8) (9).

THE COVID-19 ACCELERATION

Several key trends, such as climate change and social unrest, have emerged as ESG assets and investments grow in demand. In particular, the COVID-19 pandemic has intensified discussions about the interrelation between sustainability and the financial system. COVID-19 changed our world, changed our industry, and has offered an opportunity for us to rethink aspects across the broad spectrum of ESG. The global pandemic has revealed vulnerabilities in our society and is a sharp reminder that what we take for granted can easily be lost.

Attention towards sustainability, from climate change to carbon emissions, was already increasing before the pandemic. But tragedies like the COVID-19 pandemic have stimulated a greater number to re-evaluate their stances on societal issues. Global sustainability challenges have introduced new risk factors to investments, compelling modern investors to re-examine traditional investment approaches. However, it's not just about investments. It's about a world-wide cultural change and new mindset. Global confinement due to national lockdowns have incited a new way of working and a rapid transition to the digital world. From a social aspect, a greater focus is being placed on work-life balance as the world adjusts to the flexibility and improvements working from home has created. When it comes to social equality, world-wide digitization means that it has never been easier for businesses to go beyond borders. Companies are now providing services to countries across the world, which would have been met with greater resistance and challenges pre-COVID (10) (11). The combined impact of a global confinement and a rapid transition to the digital world has also resulted in higher activity in and engagement with cryptocurrencies and DeFi investments.

ENTRANCE OF A NEW CULTURE AND GENERATION

Our society is currently in the midst of a cultural and generation shift. The younger generation today, which includes millennials and people between 25 to 40 years old, is triggered differently since they possess a different mindset and values (12). Compared to previous generations, a larger percentage prioritize and place great value in environmental sustainability. Consider the number in this age group that are vegan, committed to reducing plastic waste, advocating for environmentally friendly and sustainable production, or conscious about climate change – this is also ESG.

Besides sustainability and the environment, trust is a very important element to their being and way of life. Trust is also a central factor in the financial industry, since a bank is all about trust. However, the younger generation places little trust in current banks and central authorities. Although they are active in the investing game, a large percentage (13) are investing in crypto investments and the DeFi world rather than traditional industries. The crypto world and blockchain technology have brought multiple benefits, such as distributed ownership (14), easy global transactions, increased financial inclusion and equality. It has also brought a new way of thinking about finance – a way of thinking that doesn't stop. Those who are engaged in the 'own your own assets' motion firmly believe that the truth should be shared amongst them. They believe in distributed trust and no longer see the central bank as the unit that controls it. The risk here lies in the fact that the crypto industry is not highly regulated yet, which means investors and their cryptocurrencies are vulnerable and less protected. Isn't it our moral duty to protect investors? With trust and willingness comes change. Like the MiFID regulations have done, it's time to adapt and think of how we can successfully protect investors in the new crypto notion. In other words, how can we bring trust and regulation into newer types of investments?

The development of central bank digital currencies (CBDCs) are an important milestone in this avenue. In response to the rise of Bitcoin and cryptocurrencies, central banks around the world are now at varying stages of developing CBDCs. This is significant as the central banks themselves will be able to produce digital currencies backed up by rules and regulations, making them official and bulletproof. The Bahamas launched its sand dollar CBDC in 2020, and China is likely to follow suit. As pioneers of the CBDC vision, Sweden's central bank, Riksbank (15), launched the e-krona pilot project with an initial 2018 completion. This timeline has been continuously pushed back as the project faces technical limitations and struggles to establish what form it should take upon completion. Establishing a CBDC is a huge task that will take time and will probably require a new legal framework before it can be used. Yet it's an exciting venture in the financial market that promises the embodiment of a new kind of trust in central banks.

A FEW FINAL WORDS

Despite the personal dramas caused by COVID-19, we live in a very fascinating time presented with new challenges and opportunities. My personal outlook for the future is predominantly positive. I'm optimistic about the wider scope of ESG related matters and see much evidence of positive signs towards change and adaptation. Collaboration amongst regulators, banks and fintechs has been buzzing in our financial industry with the rise of RegTech, new financial markets are emerging with digital currencies, and the traditional asset management is embracing ESG values in its core offering.

Let's continue to be more human in every interaction, whether it be personal and business.

Koen Vanderhoydonk
Founder - SMAAS
Author - RegTechBlackBook

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Spelling remarks

5 TESTIMONIALS

MUGO

What does it mean for you to be called a Millennial?

I don't really like talking about Millennials because very often we fall into clichés and stereotypes.

1. If I had to identify a peculiar trait of Millennials, that would be the search for a purpose in both our private and professional life.

This kind of attitude seems to me to be more common in my generation than in previous ones: trying to combine personal beliefs - such as those connected with a finance truly sustainable - with one's work. I see it with my friends, with the people I studied with and who are part of my personal and professional network - my "bubble". My stakeholders are basically Millennials: they have deliberately chosen to work in a very specific field, wishing to combine a personal ideal and express it in their work environment.

The uncertainty that is increasingly pervading the workplace and the job market - as from the crisis of 2008 has impacted my generation profoundly. That has meant that, for example, work traditionally understood as 09h-to-18h has ceased to be the norm and that the distance between private and working life has become increasingly narrow. I believe that this kind of uncertainty has made my generation see the distance between the working domain and the private and personal world of an individual that is much more blurred. Also, for this reason, it is more natural to look for a unique goal when it comes to professional and private life.

2. Another difference intrinsic to our generation concerns the fact that issues such as sustainability, climate change, ESG are almost taken for granted in conversations with a Millennial. Within different age groups such "immediate" connection to sustainability does not seem to exist, and a different understanding and awareness of the topic is identified.
3. Finally, for a Millennial, sustainability and climate change are lifestyle issues to be dealt with on a daily basis, whereas previous generations were and are used to consider such topics less frequently. For instance I come across certain older colleagues in my company that approach such matters perhaps once per year, by making a donation to WWF.

From my own angle, as a personal goal, I hope to contribute to the fact that Millennials can become real game-changers in time. Pragmatically speaking, I don't think they are already there, but I think it will happen soon.

Why did you decide to take sustainable finance as the direction of your personal and professional journey? How did the idea come about?

It's not so much how the idea came about but rather where it started. For me it was a personal journey that brought me to the position I am in now. It is a path that took shape from a personal sensitivity that then evolved into a professional interest when I graduated, and even before that. I started working on these issues at university, founding an association that did pro-bono consultancy for social enterprises, NGOs. I always tried to maintain this advocacy and devote time to it until - within my career path - I decided that this sector was what really interested me and where I wanted to work.

I wanted to do that, and I realised that from a professional point of view there was huge potential in that kind of market and so I decided to move into this specific sector. So, if I have to sum it up, it was a choice of personal ethics, and I could see big changes in the labour market and in the market in general.

When I started working on sustainability five years ago, there were very few companies in Italy really dealing with it. In just five-year time we have seen a multiplier effect, an example being the 145% growth in large companies publishing sustainability reports.

When MUGO was born a year ago, there were all the market and company conditions to start a successful project, both because in these five years I have been able to acquire an appreciable background, and because the sector has actually evolved.

What is MUGO's "recipe" and the difference between you and other market players in the same field? How would you define you as different than your competitors?

MUGO is a climate-tech startup born in 2020 to create the first-climate neutral generation. We provide businesses with innovative technologies and solutions to understand and mitigate the climate impact. We empower any company to measure and reduce the climate impact of its products, clients, and workforce, to stand out in the fight against climate change. I think we differ in a couple of ways.

1. On the one hand, we want to develop people's potential by giving everyone the opportunity to have an impact on the climate - to be a change agent, for example. What does that mean? For me it means developing products that can benefit the student who uses them for free, the young professional who wants to change their lifestyle, and the large company that has a commitment to sustainability and integration into its business, its P&L. I would define all this as inclusivity, and it is something I believe in very much.

2 On the other hand, I believe that our ability to look at lifestyle transformation to combat climate change makes us unique in the market. We are currently working with services that are focused on the HR side of the business, so let's say on the workforce, with services related to the retail world (so related to products), with services related to the e-commerce domain, both physical products, with services that are related to the fintech world and with services that are related to people's lifestyle. We work in the field of measurement, we work in the area of accompanying changes in behaviour, we work on reducing climate impact and we work on compensation. Integrating all these services is something that is distinctive and makes me very proud of what we are doing, because we are a small market player after all.

How do you see MUGO developing in the short and medium term?

As far as the short term is concerned, we are clearly obliged - like all startups - to do well and do it fast. We would like to become the point of reference in Italy for this new growing and bubbly market, especially when it comes to business services. And we want to do this within 12/18 months.

As far as the medium term is concerned, we are looking at expansion at European level and increasing integration with different sectors and services such as finance.

I believe that the link between finance and sustainability is becoming stronger and stronger, as is clear from initiatives such as this, and that this is a trend that is meant to remain. Every conversation I have had with people in the sector shows a willingness from investors to allocate their funds to financial products that do not harm the environment and that generate social impact. The financial system and human impact on the climate are in fact strongly interconnected; this is a risk, but also an opportunity for the sector to contribute to a radical change by favouring on the one hand the inflow of capital to companies that have a positive impact on the climate system and on the other hand by refraining from financing activities and sectors with a catastrophic climate impact such as Oil & Gas.

Not only this, the advancement of ESG indices and impact measurements originally developed for this sector will also have an effect outside the financial world. An example of this is the agreement signed between MUGO and a leading ESG rating company that will be key to enabling MUGO to integrate corporate ratings into the climate impact measurement of retail products.

The risk of greenwashing is still present in the market. Despite this, a level of transparency is increasingly being demanded of companies and institutions lately that gives me hope. With the right amount of people in the industry able to promote and disseminate a radical approach, we will be able to create new standards that are increasingly effective and lasting.

I have a dynamic view of sustainability: the more the value of this trend grows, the more people want to get on board. In fact, it is very difficult for a corporate stakeholder to say today that he or she is not interested in the subject. Accordingly, the fact that we operate in an industry that is actually "trendy" helps. The topic of sustainability is interesting, hot, very current, and this has allowed us to open doors that probably in other times would have been closed to a new company like ours - such as the collaboration we have undertaken with the Discovery network or with a large insurance company with which we have started to work.

EU Action Plan 2030 for the transition to a carbon-free economy - do you think the tools are there?

I can say that I now feel cautiously optimistic about this action plan. Everything is capable of improvement, and then, among others, I would have liked this action plan to include:

- A clear regulation at European level introducing a carbon tax within and outside the EU with the aim of mitigating the negative externalities generated by sectors and countries most responsible for pollution.
- A European policy to harmonise the treatment of carbon credits at Community and State level, overcoming the European Trading System and allowing the introduction of international certification to verify offset projects developed in the EU without the risk of double counting. Initiatives such as this would allow the carbon offset market in Europe to develop much faster.
- Fiscal harmonisation with regard to the treatment of positive climate impact activities. Both today and before Brexit, for example, offsetting activities are not subject to VAT in the UK but are in Italy. Unified and favourable legislation for this type of activity would give certainty and a strong impetus to the development of the sector.

For activities such as carbon tax, the meeting of UN decision makers at COP26 in Glasgow in the autumn will be very important and could give a decisive impetus to the creation of a shared framework.

What advice would you give to Millennials entering the world of work?

The **first** advice is definitely to see the world of sustainability as a real sector and not as a cute little niche. It is a growing sector and one to focus on, and for this reason I believe it is a winning horse also from a job market's perspective. Therefore, one should try to enter this sector as soon as possible as there are great level of professionalism and great skills and no longer see it as a "late carrier switch" as it could have been seen until a few years ago.

The **second** piece of advice is not to settle and not to accept compromises that are too comfortable. We are playing a "long-term" game, and every professional who enters this sector today is a bit of an explorer trying to find the best and fastest way to get to the solution of the climate crisis. Unfortunately, there is no roadmap, but my advice is to always keep the end goal in mind and to approach the problem in a radical way, by staying away from companies that promote short-term solutions or talk about sustainability, but are not willing to challenge themselves to change their industry more factually.

ClauseMatch

clausematch

What does it mean to you to be defined as a "Milennial"? When confronting yourself with your peers, do you think the millennial generation/ your generation embodies different values from the x or y generations? What differences would you mention (for instance, interest in sustainability, approach to sustainability, a more practical stance to problem solving when it comes to environmental impact/a major awareness on the environmental risks)?

The definition of 'Millennial' has no direct impact on my own sense of identity. However, it seems to me that, like other stratifications, it highlights themes that resonate, as well as stereotypes that bear little resemblance to who I am.

Depending on who you ask, a millennial may be a lazy, phone-consumed activist or a tech-savvy, curios humanitarian. I am probably a mixture of both!

Technologically minded and culturally diverse

Millennials sat in the middle of the dot-com bubble and were the early adopters of technologies that allowed people to be connected at a local, national and global level.

The internet, smartphones and social platforms have been pivotal in driving awareness of differences among communities, cultures and countries, along with their unique environmental, social or political challenges. I believe technology has allowed issues of sustainability to be easily surfaced when previously hidden. Millennials were one of the first generations to observe this change.

What would be your 3-key advice to Millennials wishing to approach Sustainable Finance?

1. Think about what your sustainable investing goals are and what is important to you. For example, are you interested in environmental issues like pollution, social issues like human rights or governance issues like diversity?
2. Sustainable investing is not one size fits all. Companies and ESG funds look at and approach sustainability in different ways. Make sure what you are investing in aligns with your own sustainability goals.
3. ESG investing often reduces your exposure to diversification as it reduces the scope to which you can invest across multiple industries. Be aware of this, and when in doubt, rely on funds, as they are professionals at managing this downside risk.

ClauseMatch is a RegTech Company. Codeworks and the collaboration with Gemserv opened the way to your company's involvement into ESG. Why did you choose sustainability as a "direction of travel"?

Sustainability has long been our target. Regulatory technology brings optimisation of resources. However, our story with Gemserv[52] started spontaneously as the client reached out to us searching for a tool to digitise regulatory code. The 2020s in the energy industry is the decade of decarbonisation. It's vital to start utilising renewables and make this switch happen.

Effective regulation and governance are essential to driving the transition to net-zero. However, in practice, it's not as simple.

We are a technology company, and we see our role in helping to achieve sustainability with the use of regulatory technology: digital regulations, machine-readable machine-executable rulebooks.

Our collaboration with Gemserv[53] resulted in the launch of CodeWorks powered byClauseMatch. The ClauseMatch platform in fact was integrated into Gemserv's practice of regulatory code management (SEC and REC) now used by all UK energy market participants including the regulator. Digital rules mean simpler rules, faster decisions, more impact. The project also provided an opportunity to share the experience in financial services with the energy market. The shift to digital and drawing from other industries' experience means this is not a question of choice, there is an existing urgent need to find a better way.

Could you talk us through your business model?

ClauseMatch[54]'s software is hosted on a secure private cloud and we offer our services to clients via a subscription model. Our business model is SaaS (software-as-a-service). We offer a workflow tool, in essence, AI-powered smart connected documents for risk and compliance, that help to revamp the internal policies and procedures frameworks. Where we're coming from is how banks and other regulated industries such as insurance, energy, healthcare pharma, and many others, address regulation from the point of view of internal documentation.

Would you explain us how your tech and business would manage to render a positive impact in terms of sustainability?

The challenges brought in by the climate emergency are huge, they no longer can be underestimated as the actions we all need to take are urgent. Governments, organisations, individuals must ensure that we understand and act within the environmental limits of our world.

Climate risk is represented in a number of regulations across different jurisdictions now. Firms need to weave these obligations into their existing practice on a group policy level and down the line. For instance, according to the Paris agreement, firms need to put all of their products in 3 different categories in each jurisdiction and update relevant policies and procedures accordingly. Given that there are many more rules on top of climate regulations, all of this can become an impossible task to carry out properly.

[52] https://bdaily.co.uk/articles/2019/09/23/regulatory-code-management-platform-launches-following-regtech-company-partnership; https://info.clausematch.com/case-study-gemserv-code-management; https://getcodeworks.co/; https://gemserv.com/
[53] https://gemserv.com/
[54] https://clausematch.com/

Technological advances that regulatory technology such as ClauseMatch offers mean that managing this multitude of changing regulations and internal documents can be done automatically. ClauseMatch at the heart is document management, content management solution. Our platform was created from the point of pain that we saw across multiple organisations trying to manage a large volume of documents that describe their ways of doing business and processes. And we're talking about large volumes of high-risk content (thousands and tens of thousands of documents) that needs to be constantly updated. Organisations need to evidence that regulatory change and regulatory obligations impacting them as a business are reflected, and there is a way to demonstrate compliance with those regulatory requirements as part of the broader understanding of what systems and processes are in place. The biggest challenge is the need to map regulations to policies to procedures to processes to internal controls and to be able to see a straight-through-line of how the company complies with all the requirements. This in fact is the essence of our solution, what we help organisations do efficiently.

As a result, markets can operate more efficiently and effectively contributing to improving sustainability.

What is ClauseMatch's recipe if compared to your competitors in the same space?

Most of the solutions in the GRC space are built as workflows around Word documents. It means that while the workflow could be useful and sophisticated, the document itself is still an unstructured text, i.e. the information in those documents is hard to analyse. ClauseMatch documents are highly structured content, where all meta-data in and around each paragraph is captured in its entirety. This allows for granular data analytics, real-time MI reporting, and risk and exposure analysis.

Because of this structured dataset approach, ClauseMatch is able to leverage the latest technologies in machine learning (ML) and AI and deploy algorithms to its clients based on the latest advances in Natural language processing and Semantics.

In terms of business evolution:

- **How do you see ClauseMatch in the short and medium run?**
- **How do you see the financial industry in the short and medium terms?**

If we look back, some 6 years ago, ClauseMatch used to be a small team of very passionate people ready to take the risks and challenge the status quo in how financial services manage compliance processes.

But despite all the difficulties, we managed to scale bringing a new vision and new digital possibilities to the world of compliance. ClauseMatch was especially successful during the pandemic year. There is a growing need for collaborative functionality. At the same time, forward-thinking regulators are demanding the shift to dynamic compliance which requires the use of the latest technologies. I can see our business growth in North America and EMEA, with our solution becoming an industry standard.

The financial industry is on the way to become technology first. Also, from the compliance side of things (we are obviously a compliance technology company), we can see that there is a strong movement towards building the culture of compliance, embedding it in the DNA of the companies. Regulators are demanding that companies bring compliance into their culture. According to this trend, compliance needs to be enforced not just by the system of controls and monitoring but it also needs to be in the DNA, in the vision and mission of the company, in its culture. This vision is also supported by the companies from within - by the employees, and I believe this trend will continue to grow.

Your business is embracing both a more "traditional" direction of business and a more "green"-tainted way to business development. Do you reckon the "green" side of your business is giving you more headaches if compared to "non-green" fintech or do you feel it is rather the other way round?

For ClauseMatch, a compliance technology company, it's actually the other way around. Our "green" side of the business is catalysing forward-thinking product development.

Firms now need to constantly keep track of changing regulatory obligations in different jurisdictions, fragmented and differing rules written in different languages and using different taxonomy. We see our mission here as to empower both firms and regulators with the AI technology making compliance much simpler so that everyone can concentrate on value-adding work.

For instance, the launch of CodeWorks, has become the most tangible and exciting example of code digitisation to date. It marked a significant first step in the digitalisation of the code landscape. The success with Gemserv has inspired further research and development in this domain. We're now working with several regulators around the globe aiming to digitise regulation.

All of these initiatives represent the "green" side, as it radically optimises compliance processes. I'm excited to watch the developments in this space to see where it takes us.

Business-wise but also socially speaking, do you think sustainability might risk becoming part of the mainstream as just a "trendy" and "politically correct" topic - i.e., leading to solely a kind of greenwashing? Or do you think we are on the right track to make a real positive impact to preventing the adverse consequences of climate change?

This will always be a risk; however, I am hopeful that the long term outlook will outweigh the short term risks of green-washing and institutions jumping on the bandwagon for a quick buck.

I feel that a business risk that needs to be addressed sooner than later is setting global unified ESG investing standards. ESG funds have varying criteria to analyse sustainable factors, which could lead to dishonest investment strategies. Furthermore, we have rating companies that provide conflicting sustainability scores for the same companies.

We have the luxury of interviewing a professional working for a UK firm doing business with EU Countries. How do you feel your company's business approach had to change because of (or thanks to...) Brexit?

In my opinion, Brexit did not influence our business as much as remote work. During the pandemic, internal communication and internal collaboration, especially on everyday changes, have been stifled. Firms started changing and implementing new regulatory guidance and government guidance into their business continuity plans, into their policies and procedures and processes almost on a daily basis. Communicating these changes on a daily basis making sure that employees are aware of new rules of engagement with this new world has been difficult. These factors provided an acceleration of the adoption of technology. We have seen a much faster adoption of tools with collaborative functionality that allow people to work remotely together on documents and content and then centralised tools to be able to communicate to employees. During this time ClauseMatch launched a new product module - a policy portal for employees growing the number of users on the platform up to 170,000 in the first months.

What is your personal outlook regarding Brexit?

The Brexit vote was a huge personal surprise and now we are seeing it play out. Amsterdam replaced London as Europe's largest share trading hub, a sobering reminder that the UK is going through seismic changes until the near future, and will need to rebalance its future role.

Three considerations for the future:

1. **What is the UK's new role?**
The UK benefits from London being dynamic, multi-cultural and innovation-led. There is an opportunity for the UK to further spearhead its positions across niches such as Islamic finance, FinTech, cryptocurrency and sustainable finance.
2. **How does this impact sustainable finance?**
One area that has a less conclusive outlook is the topic of sustainability. Now that the EU Green deal is not in effect with the UK, it is important to find an alternative that meets common goals. The UK has put in place a 10 point action plan for the Green Industrial Revolution and is planning to move forward with the 2019 Green Finance Strategy. My concern is not with the objectives of the plan but with it's execution.
3. **How does the UK position itself amongst the world's power shifts from the west to east?**
Leaving the EU has freed the UK to create new trade deals around the world. The BBC recently reported that the UK was applying to join the CPTPP (The Comprehensive and Progressive Agreement for Trans-Pacific Partnership).

From your perspective, do you think UK firms will benefit from Brexit or would they regret it in time?
I'm not sure that UK firms will have regret; rather, these are the cards they have been dealt. I am sure that many UK firms will struggle whilst others will prosper. Only time will show for what type of companies this will turn out as a benefit or challenge.

Lots of losers

Nearly all industries will be and have been impacted by conflicting regulations and standards post Brexit, which significantly increases the complexity of managing risks and compliance of what are already a spiders web of regulatory obligations.

There is an opportunity for the UK to further spearhead its positions across niches such as Islamic finance, FinTech, cryptocurrency and sustainable finance.

Further, relocation of hundreds of offices, thousands of people and millions of assets across the financial services industry will put pressure on operations, and reduce London's status as a leading financial hub.

Some opportunities

Insurance and solvency 11 reform - Insurers may fall outside European rules known as Solvency II, providing an opportunity for reform. The rules on capital requirements have been regularly criticised as stifling competition for overseas subsidiaries and being over onerous.

Non UK and EU firms - American financial institutions will take advantage of the changing and unsettled operations of UK firms, whilst new offices are being set up. US firms already have established offices, allowing them to draw business away from UK firms as operational dust settles.

Some unscathed

UK mining firms like Glencore or Rio Tinto will not be exposed to the impact of Brexit given that most of their operations are conducted outside of the EU and UK, and therefore are not subject to changes in regulation.

1. What does the word "inclusion" mean to you? Can you give a concrete example?

Inclusion is about ensuring that everybody has access to the same opportunities.
If I was to give you an example, according to a study from London Business School (Why female entrepreneurs are missing out on funding[55]) female entrepreneurs are 63% less likely to obtain a financing than their male counterparts.

There are many reasons for that, some are internal and some are external. Importantly, according to another study from the Harvard Business Review (Male and Female Entrepreneurs Get Asked Different Questions by VCs — and It Affects How Much Funding They Get[56]) whereas men are asked "promotions question" that revolve around their visions for success or outlook for development in a firm, 66 % of women are asked "prevention questions" that focus on their ability to cope with challenges.

The results of the interviews and the opportunities actually offered are consequently completely different.

2. Looking at your international background, what made you land in Luxembourg?

I was born and raised in Italy but I left my homeland when I was 20 years old to move to Spain. Since then I moved to London, Australia, Singapore, back to London again and finally we chose to relocate to Luxembourg.

We chose Luxembourg for work and family reasons. London is of course an incredible city but in order to grow the business and at the same time offer a safe and stimulating environment for our children we decided that the Grand Duchy was the best place for our family.

3. Why did you choose "social" as the direction of travel for your professional journey? Can you tell us more?

I have always been interested in social causes, since my time at University. In fact, upon receiving my Master's degree in International Sciences my goal was to work for an NGO. While that didn't happen, I remained interested and active in the social sphere.
Over the years I engaged in many pro-bono projects offering my expertise to causes that really needed help with their brand and marketing but didn't have money to afford a consultant. However, there were only only so many pro-bono projects that I could undertake at a time as a traditional consultancy and that is why I decided to embark in my current business: a social enterprise that generates profit, with this profit being re-invested to support those who otherwise wouldn't have the means to access professional branding and marketing expertise.

4. Do you think there is a specific reason why social enterprises are more successful in Anglo-Saxon countries than in continental Europe? Is it a matter of trends like was the case with fintech that it firstly developed on the other side of Channel and then spreads to Luxembourg? Or is it more a matter of different business approaches?

There are different reasons. I believe that one of biggest challenges in establishing a social enterprise is that you need to be an entrepreneur and not all countries support entrepreneurship in the same way. For instance, following Hosted Cultural Dimensions, certain countries like the U.S and the U.K. tend to be more "individualistic" and support those who want to try business ideas on their own, even if that might end up in a "failure". And it is a fact, a lot of businesses fail. In Anglo-Saxon countries, the mentality of the "go for it" encourages individuals to try new things, no matters what. Other countries tend to be more risk-adverse and a failure in business can be seen as a personal failure.

However, an important element to point out is that not all countries in Continental Europe should be put in the same basket when it comes to the promotion of social businesses. France and Belgium are, in fact, pretty active in this space; in 2019 the European Investment Fund (EIF) and the European Commission signed a €30 million Guarantee to support social entrepreneurship in France[57],

TOPIC	PROMOTION	PREVENTION
Customers	**Acquisition** Example question: "How do you want to acquire customers?"	**Retention** Example question: "How many daily and monthly active users do you have?"
Income statement	**Sales** "How do you plan tu monetize this?"	**Margins** "How long will it take you to break even?"
Market	**Size** "Do you think that your target market is a growing one?"	**Share** "Is it a defensible business wherein other people can't come into the space to take share?"
Projections	**Growth** "What major milestones are you targeting for this year?"	**Stability** "How predictable are your future cash flows?"
Strategy	**Vision** "What's the brand vision?"	**Execution** "Are you planning to Turing test this?"
Management	**Entrepreneur** "Can you tell us a bit about yourself?"	**Team** "How much of this are you actually doing in-house?"

SOURCE: DANA KANZE, LAURA HUANG, MARK A. CONLEY AND E. TORY HIGGINS

[55] https://www.eib.org/en/publications/why-are-women-entrepreneurs-missing-out-on-funding-executive-summary t
[56] https://hbr.org/2017/06/male-and-female-entrepreneurs-get-asked-different-questions-by-vcs-and-it-affects-how-much-funding-they-get
[57] https://ec.europa.eu/commission/presscorner/detail/en/ip_19_6034

while in Belgium, there are more than 5,000 non-profits, companies and cooperatives with a social purpose, foundations and mutual organisations which produce goods and services in pretty much any sector[58].

In that respect, the key challenge is the understanding of what a social enterprise is. In Belgium and France the right message has been passed on to the business community and public opinion is favourable. With greater awareness comes greater support.

https://europa.eu/!Qq64ny

5. What makes your approach to business different? What makes you different to your competitors (e.g. within digital marketing) – also taking into account that you are a woman in business?

We are not a charity, and we are not fully for profit. Traditionally, a charity depends on people giving them money in order to achieve their goals. Traditional businesses are oriented to profit. Also sustainable finance businesses target profit but have a different underlying aim (e.g. to have a positive ESG impact).

In our case, we are expert branding and marketing consultants and we are still driven by profit, but we have committed to reinvest at least 50% of our profits in the business, so the more money we make the more we help the community.

6. What is your business model?

It is a circular economy: you pay based on how much you can afford, and the profit goes to those in need.

Let's say we are asked to develop a website. This client will pay for the service but at least 50% of the profit will be reinvested in the social purpose for women, so that those who couldn't normally get access to a branding or marketing consultant can now do it. There are different typologies of women we support: women on chomage, women who want to start an activity, established women entrepreneurs and women in leadership. Then there are bigger firms, which want to have a concrete impact on the community and/or need help with their Diversity and Inclusion programmes. Our business model is designed so that we effectively support women in business.

7. Re. the Millennials topic, which is one of the core topics of our paper, what are the three main pieces of advice you would feel to give to Millennials aiming to join the world of sustainable finance? And the 3 biggest mistakes when you start a socially driven activity?

I teach at Kingston University and I always tell my students to remember that they are change agents in the world. But only if: they believe in what they do, if they work for it and if they are prepared to fail and don't give up.

So, my 3 suggestions to Millennials would be to:

1) Believe in what you do; 2) go for what you want (i.e., be committed and strive to do your best to achieve your goal); 3) be prepared to fail and do not give up!

The 3 biggest mistakes one could make when starting a socially driven professional activity in my opinion would be:

- starting for the wrong reasons;
- trying to fix all problems out there;
- relying on donations rather than profit.

8. Do you find there are any real differences among the different generations – X, Y and Millennials? Do you think they have a different approach to business than previous generations?

This is an interesting question. I was recently listening to a podcast[59] where a social entrepreneur was targeting Millennials, because they are considered generally more prone to new ways of doing business, only to find out that gen x were very keen change agents too. I think different generations can and should work together to change the world of business as we know it.

9. Don't you think that Millennials are automatically more practical and pragmatic than our generations?

I am not sure we can say they are more pragmatic but certainly my students have said to me many times: "I am not going to spend my whole life in a 9 to 5 job". They see a word of opportunities out there. They know they can get their job done quickly and well and then enjoy life. They are also more sensitive about the purpose and the values of the companies they choose to work for.

10. What do you think about it? Don't you think that this is already something that could make them feel they are really change agents (makers of their own fate)?

As I said, I believe they are going to change the world. The key is, like any generation before them, they need to try their best to get there. Simon Sinek famously said that before: You are awesome. But you are not born that way, you need to work for it.

11. Gender equality in business (the S in ESG)? What is the state of the art on this topic?

Gender equality is getting attention and traction. Policies have been put in place. However, we are still far from equality. In Italy in December 2020, 98% of the people that lost their jobs were women (Istat[60] and Il Sole 24ore[61]). How is it possible that so many women are losing jobs? In theory we have the same rights, but practically there are different issues. If there is a child at home, who is going to take care of them? Chances are that it is the mum, even if she is working and that's why she might chose a part-time role or a temp job. But when things go wrong, if a business owner must dismiss workforce, they would start from temps and part-timers. Hence, women are more likely to pay the price.

But that's not all. Even when women and men do the same job the pay is different. The EU focuses on gender equality and its work acknowledges that the progress achieved so far is still limited. In fact, in the EU the gender pay gap stands at 14.1% and has only changed minimally over the last decade. This means that women continue to earn 14.1% on average less per hour than men (European Commission, The gender pay gap situation in the EU 2020[62]).

[58] https://hub.brussels/en/social-entrepreneurship-in-brussels/
[59] https://www.impacthustlers.com/
[60] https://www.istat.it/en/archivio/253024
[61] https://www.corriere.it/economia/lavoro/21_febbraio_02/lavoro-crisi-colpisce-donne-sono-98percento-chi-ha-perso-posto-7cfc87ec-6533-11eb-a6ae-1ce6c0f0a691.shtml
[62] https://www.ilsole24ore.com/art/l-italia-sta-lasciando-indietro-donne-AD4t44NB?refresh_ce=1

12. Do you find that it was more difficult for you as a woman to impose your brand? Did the fact that you are a woman have an impact?

Yes it impacted it a lot. At the early stage of my career, I had to face cases of sexual harassment that were even tolerated in the company I was working for. Fast forwards a few years, I moved to Singapore with a background as a country marketing manager for the whole Australia market. Yet, when I was offered my first job in Singapore, at the moment of negotiating my salary, they told me "you don't need a big salary. Your husband has got a good one. You don't need to have a big pay then". They offered me a lower pay, even if the role was quite demanding. The perspective was that as a woman, I didn't need to gain a lot of money as I was married. And this is just the tip of the iceberg.

13. And what about examples of when you had to build your business?

Being a mum and an entrepreneur, it was challenging to demonstrate my value, because before seeing me as an entrepreneur they were seeing me as a woman, and more than that as a mum. According to certain stakeholders I was in contact with, I was supposed to stay home, since I was a mum and my husband was earning more money. The solution I found to overcome such prejudice – and the solution I suggest to all women – is to work on my / your personal brand. I started working on my own blog, I became a public speaker, and I even wrote publications. I feel I had to work harder when compared to a man in the same position to demonstrate my value.

Not only that, but as women we are often faced with the choice of being women or being entrepreneurs. For example, when I had a miscarriage, my client back then asked me to come to work the day after the event. After all, if I was the father, I would have been back, no?

This is not just my personal opinion. In fact social expectations, personal and professional life balance and lack of support are some the very well-known challenges that female entrepreneurs face.[63]

14. You are working in a social enterprise. Do you think this helped you in establishing your business?

There is indeed a lot of attention on these topics currently and a lot of stakeholders want to be associated with social entrepreneurship right now. I must say that even if I decided to start during the pandemic, this only marginally impacted my path. People feel the need to help others, especially in a time where they are saving money for something that would have more value. We have just started, the new website is about to go live and we already have clients that signed for our services. In my view, the reasons for my business's success are: 1) people want to be associated with businesses that do not have profit as their main driver; 2) my newly found self confidence: I feel I can go the extra-mile because I am not only pushing my business forward but each time I succeed in creating new business I am helping a woman in need. It is not just for my own sake, it has a much broader impact.

15. Millennials and x and y generations, do you think there are real differences between Millennials and the x and y generations? Any cross-generational issues?

They have a different relationship with technology. Generation Y had to adapt and to become digital. Millennials were born into the digital revolution. I feel however that there is also a kind of shift in the older generations: they are more interested in social entrepreneurship in a sort of "I want to give something back to the society" way. In my view, there is a cross-generation bottom-line: a certain part of the world – regardless the generation they belong to – has started looking in the same direction, a sustainable future.

16. This is fair, but what about the differences coming from different styles of education when it comes to environmental issues? Back in the day – when older generations were raised – environmental issues were seen as a sort of "romantic narrative" of certain progressive/left-winged activists. Now it has become mainstream. What are your thoughts? Can we say that young and older generations need each other?

Everybody has value, regardless of their generation. Every generation counts, and each can contribute their different skills to the cause. We can learn from each other. This is why I wanted to have representatives from different generations on the advisory board of my company. A client of mine also had an interesting perspective on this topic: they have introduced a so-called "flipped-mentorship" programme – the older professional mentors the younger one, and then the younger one mentors the older one in relation to the skills they respectively lack. We can only learn from each other.

17. The EU and their policies. Do you think these actions towards sustainability are enough for the purpose – also for gender equality? Do you think there is sufficient support for businesses in this space from the EU, or must more still be done?

I think we are getting there, albeit slowly. Re. the financing, it depends on the country that is concerned. In general, EU policies are going in the right direction – however their application within companies is a different story. The Gender Equality Index[64], a tool published by the European Institute for Gender Equality 2019 edition reveals that: "with 67.4 out of 100 (where 100 means full gender equality), the EU's score for gender equality is up just 5.4 points since the 2005 edition (+1.2 points since 2015)".

The EU is closest to gender equality in the domains of health (88.1 points) and money (80.4 points). Gender inequalities are most worrying in the domain of power (51.9 points), although this is also the domain that has improved the most (+13 points since 2005), due to progress in nearly every Member State.

However, on the issue of work-life balance, progress is far from sufficient. Being a parent continues to impact women's access to the labour market, reflecting the disproportionate weight of care duties on mothers. The Index also shows that 31% of women (against only 8% of men) aged 20-64 in the EU, are working part-time.

[62] https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en
[63] https://www.entrepreneur.com/article/367121
[64] https://eige.europa.eu/gender-equality-index/2019

6 LAWYER’S CORNER

Stibbe

More and more people are nowadays considering social engagement as an important element of their life, besides their family and their carrier.

In the past, social activities were traditionally carried out through non-for profit organisations such as the “*association sans but lucratif*” or foundations. Europe has very early tried to promote social businesses and encouraged social entrepreneurs to combine the undertaking of a business with the achievement of non-financial returns besides the financial one.

The Luxembourg financial sector has been for a long time at the edge of inclusive finance and has very early gained a strong position in this sector, with very seasoned and reputed players and institutions, the clear support of the Luxembourg government and also the commitment of the Grand Duchess Maria Teresa towards inclusive finance initiatives[65].

In order to enhance its inclusive finance toolbox, Luxembourg added on 12 December 2016, a new legal framework for the social and solidarity economy resulting in particular in the creation of a dedicated status for social enterprise[66]: the Société d’Impact Sociétal (SIS) was borne.

The social and solidarity-based economy is defined under the SIS Law as

(i) a modality to carry out a business consisting in a continues activity of production, distribution or exchange of goods or services;

(ii) that either (x) support people in fragile situation due to their economic, social or personal situation; or (y) the purpose of which is to contribute to preservation and enhancement of social relations and fighting against exclusions and inequalities; and

(iii) is vested with management autonomy; and reinvest at least 50% of its proceeds in the development of its activity[67].

The purpose of the SIS Law was to create a clear and determined legal framework to allow social entrepreneurs to use the SIS brand and be immediately identified as such, thanks to this status, which is officially recognised by the Luxembourg public authority[68] through a dedicated approval procedure.

There was always a need for a tool combining entrepreneurship and social purpose. Now, the tool is available: what are the outcomes of this effort to support private initiatives dedicated to social finance and did this framework meet its intended goals? Five years after the SIS Law was passed, it is time to come back on this experience: with around twenty SIS set up, shall we consider the SIS to be a success or a great illusion?

1. The status of société d’impact sociétal (SIS): An additional tool in the Luxembourg social and solidarity-based economy toolbox

1.1. What is a SIS ?

In order to create a recognised brand for social business, the SIS Law however, gives a precise framework to the concept of social business in order to make sure that the status only benefits to such companies that truly purport such values and objectives. The idea is twofold: (i), first, any person intending to launch such a social business benefits from a recognised and accepted brand; and (ii) second, any stakeholder (managers, shareholder, clients,...) can immediately identify the fact that they contribute to something that goes beyond their individual interests, by participating to the social and solidarity economy.

1.1.1. A company with a dedicated label

It is all included in the name: “social impact company”: in order to benefit from the SIS label a social business has to be incorporated into a corporate body, which can be:

- a public limited company;
- a private limited company (and a simplified private limited company); or
- a cooperative company.

Other legal forms, such as partnerships (whether corporate partnerships limited by shares or common special limited partnerships) do not seem to be available[69].

The SIS status must be applied for by those companies that want to benefit therefrom. It is a voluntary adherence by the social entrepreneur, and there is no de facto recognition of this status. In order to be granted such status, the private legal person(s) must fulfil the following criteria:

1. Conduct an ongoing business in the production, distribution or exchange of goods or services.
2. Primarily meet at least one of the two following conditions:
   a. provide, through their business, support to persons who are vulnerable due to their economic or social situation, their personal situation, particularly their state of health, or their need for social or socio-medical assistance.
   b. contribute (i) to the preservation and development of social ties, the fight against exclusion and health, social, cultural and economic inequalities; (ii) to achievement of equality between men and women; (iii) to maintenance and strengthening of territorial cohesion; environmental protection; (iv) to development of cultural or creative activities; and to development of initial or continuous training activities.

[65] See https://monarchie.lu/sites/default/files/upload/media/document/2021-03/FR_Biographie_Grande-Duchesse.pdf
[66] Law of 12 December 2016 creating the social impact company (the « SIS Law »)
SIS Law, art. 2.
[67] See below under 1.1.3
[68] Although there is no official list in the SIS Law of eligible legal forms, article 3 of the law states that “Any public limited liability company, private limited liability company or cooperative that follows the principles of a social and solidarity-based economy may be certified as a social impact company [...].”

3. Manage their business autonomously and in such a way that they are completely free to select and revoke their managing bodies and organize and monitor all of their activities.
4. Follow the principle that at least half of the profits realized are reinvested in maintenance and development of the company's business.

Accordingly, the SIS shall clearly specify in its corporate purpose the social goals it pursues in order to allow, thereafter, to report on the achievement of such purpose, not only to its shareholders, but also to the Luxembourg government.

1.1.2. But a company of a specific nature

Although the SIS was initially intended to allow former non for profit associations (*associations sans but lucratif* "ASBLs") having a non for profit purpose but carrying out an economic activity to incorporate such commercial activities, more recently, a trend has emerged[70] where a new generation of entrepreneurs have decided to create their social business directly under the form of a SIS. The SIS Law specifies that a SIS must have a socially orientated corporate purpose that shall meet the following cumulative criteria:

- provide support and assistance to vulnerable persons; and
- contribute to one of the following social goals: preservation of social ties, fight against gender inequality, exclusion health, social, cultural and economical inequalities; maintain and strengthen territorial cohesion; environmental protection; develop cultural or creative activities; or development of initial or continuous training activities.

In order to receive its authorisation as a SIS, the applicant company shall provide explanations as to the choice of the relevant social goals and will have to demonstrate how the contemplated business activity is likely to provide a positive impact in one of the above areas.

As an example, a company providing training activities and applying for the SIS status will have to demonstrate how such trainings contribute to one of the above goals. In this regard, it is important that the articles of association of the SIS include the relevant elements evidencing that the purpose of the proposed SIS is indeed to achieve a social impact.

1.1.3.The SIS status requires a specific government approval

As quickly indicated above, the SIS status requires a voluntary adherence by the social entrepreneur to this status and an authorisation from the Minister in charge of the social and solidarity-based economy *(Ministère du travail, de l'Emploi et de l'Economie Solidaire).*

In practice, the articles of association of the applicant (be it an existing company or a company in the process of being incorporated) shall be provided to the Minister that will, together with the relevant service and with the support of the consultative Commission for approval and on-going supervision of SIS *(Commission consultative d'agrément et de surveillance)* analyse the application and provide advice to the Minister that will pass a decree to approve the applicant's file and grant its authorisation to the SIS.

Besides the draft of the articles of association (or amended draft articles of association), the application file shall contain a certain number of elements such as a declaration of beneficial owners of the company. The list of supporting documents to the application is available at the following address: https://guichet.public.lu/fr/publications/creation-entreprises/agrement-societe-impact-societal.html

1.2.Economic particularities attached to the SIS status

From an economic standpoint, the SIS framework includes some specificities that need to be carefully understood and assessed by social entrepreneurs.

1.2.1. Limited remuneration of the staff

The SIS Law states that the maximum remuneration to be paid to employees of the SIS shall be limited to six times the minimum social salary *(salaire social minimal).*

1.2.2. Profit sharing : financing social goals

The share capital of an SIS shall at all times be comprised of at least 50% of "impact shares". Impact shares do not give their holders any right in the profits generated by the company. Profits allocated to such impact shall be re-invested into the SIS to finance the achievement of its social goals[71].

Besides impact shares, the share capital of the SIS may also be comprised of distributions shares, which confer to their holders a right in the profits generated by the company, insofar as the company purpose, as evaluated by means of certain performance indicators, has been achieved. Distribution shares shall not exceed 50% of the share capital of the SIS.

As a result of the above, the SIS is a non-typical company. Indeed, according to article 1832 of the Luxembourg Civil Code, the purpose of a company shall be to generate a direct or indirect financial benefit for its shareholders. In order to avoid any legal discussion as to the qualification of the SIS as a "company" due to the existence of the impact shares (that can correspond to up to 100% of the share capital of the SIS), the SIS Law specifies that by derogation to the Civil Code, the articles of association of the SIS can derogate to this principle and foresee that the provision of financial benefits to the shareholders of the company can even be fully excluded[72].

As a result, this gives the possibility to social entrepreneurs to have a single flexible legal form available that gives the possibility to operate like a company or like a non-for-profit organisation (ASBL) from time to time, depending on (i) the evolution of the social business and (ii) the necessity to attract partners looking for a certain performance to finance the social goals.

[70] Please refer to Fondements d'une approche européenne de l'entreprise sociale by Jacques DEFOURNY et Sybille MERTENS, https://orbi.uliege.be/bitstream/2268/38063/1/Fondements%20d%27une%20approche%20europ.%20de%20l%27ent.%20soc..pdf
[71] Art. 7(1) of the SIS Law.
[72] See above.

1.2.3. Key social performance indicators

Distributions shares (if any) are only entitled to a share of profit, upon decision of the general meeting of shareholders, if it results from the annual financial statements of the SIS that certain social performance indicators (KPIs) are met . Such KPIs have to be clearly set in the articles of association of the SIS.

The KPIs are freely determined by the SIS initiator(s) in light of the social goals they intend to achieve.

The scope and definition of the KPIs will be one of the key elements discussed with the Minister when applying for the licence. It is important to note that the service of the Ministry in charge of the approval of SIS has a pragmatic business-oriented approach and assists the initiators of an SIS in the definition of such KPIs.

Besides the obtaining of the SIS label, the proper definition of the KPIs is an important element since the SIS shall issue a non-financial annual report assessing the status of implementation of the KPIs. This report shall be submitted to the general meeting of shareholders and to the service of the Ministry in charge of the supervision of SIS within two months following the date of the annual general meeting.

2. The practice of the SIS : How much relevance should be put on a legal regime that lives in the shade of the ASBL status and impact finance products?

It results from this first part that the SIS status is an attractive flexible legal framework. Designated to support the development of social businesses from Luxembourg and benefitting from a clear support from the Luxembourg institutions. After 5 years, it is time to assess whether this structured has turned into a success story. It is time to take a stock and draw lessons for the future.

2.1. A favourable framework to foster the emergence of SIS structures

2.1.1. A recognised label

One has to admit that the main advantage of the SIS label is to give a clear legal framework to incorporate social businesses. The initial approval and on-going supervision of the Luxembourg government is there to ensure that the SIS label is really granted to companies whose legal purpose and daily activities are fully in line with the principles of social and solidarity-based economy.

The label should allow the young engaged social entrepreneurs to get support and recognitions from their peers and towards their counterparties, be it financial or social partners. The label therefore reconciles the associative world and the business environment.

2.1.2. Transparency

Associative world has sometimes suffered from a lack of transparency regarding the use of proceeds received (regardless whether this was justified or not). As opposed, the real economy route drives companies towards more and more transparency. In the financial world, disclosure and transparency have become a mantra.

By imposing an audit on financial reports, imposing an annual non-financial report on the status of achievement of the KPIs and entrusting a public body with the initial approval and on-going supervision of SISs, the SIS Law follows this trend, and gives comfort to public and private shareholders in the SIS that the use of their money will be under control through such reporting obligations. Indeed, although shareholders might have no profit entitlement, they are still allowed to use their shareholders' rights in the governance of the SIS[74]. Accordingly, they can sanction and remove the management of the SIS in accordance with the rules applicable to the legal form used by the SIS.

2.1.3. Tax treatment

To the extent the share capital of the SIS is comprised of impact shares exclusively, the SIS benefits from a tax exemption regarding the municipal business tax and the net wealth tax. Donation granted to such SISs are eligible as special disbursement from the donors (and are therefore tax deductible). This favourable tax regime is justified by the exclusive social purpose of SIS whose share capital is 100% represented by impact shares.

One could wonder why this tax advantage takes into account the nature of the share capital of the SIS rather than its purpose or its qualification as a SIS generally. A larger exemption would certainly be welcomed in the current economic context and more generally, to develop social finance outside of investment fund labels and ASBLs.

2.2. A limited number of SIS effectively formed: the limits of the SIS legal framework

In spite of a clear intention to develop a favourable legal framework to foster the creation of SIS structures, a certain number of legal provision inserted in the legal framework to ensure full transparency and social efficiency of the SIS model might have turned to be somewhat burdensome, limiting the development of SIS structures.

2.2.1. A lack of branding

The SIS has been conceived as a label that offer particular flexibility to existing well known corporate forms to allow them to be efficient in a social and solidarity-based economy environment.

However, this label has never been marketed towards legal professionals and people involved in the social economy. As a result, the SIS label is not known and accordingly not as used as it could or should be taking into account the current needs for and trends towards more social businesses.

Branding of the SIS with spotlights put on this specific Luxembourg legal framework would be more than welcomed.

2.2.2. Costs

Clearly, costs is a key issue for SIS that are – at least at this stage – used by rather small businesses. In particular, the obligation to have audited account

[73] Art 3(1) of the SIS Law.
[74] Art. 1(3) of the SIS Law.

for all SIS is very often seen as a prohibitive cost, likely to prevent the emergence of social businesses which do not focus on improvement of financial returns but rather on achieving social goals.

2.2.3.Authorisation and double authorisation

Again, SIS are ab initio under the supervision of a public authority to which they have to report on a yearly basis, in order to be authorised to carry out their activities.

One may therefore question why social entrepreneurs launching an SIS be also required to obtain a business licence (authorisation d'établissement) to carry out their activities if it falls in the scope of the law of 2 September 2011 regulating access to the professions of craftsman, trader, industrialist and certain liberal professions. In particular, individual social businesses launched under the form of a simplified private limited company (S.à r.l.-S) will in any case have to obtain such an authorisation.

The complexity of this procedure and the fact that it may appear to be redundant with the authorisation as a SIS certainly refrains many entrepreneurs from launching their own business.

2.2.4. Limitation on salaries

The limitation on salaries to six times the minimum legal salary is certainly likely to refrain the large associations (ASBLs) from converting their commercial activities into the form of an SIS. Also, it may refrain entrepreneurs that have developed or intend to develop large businesses in the social sector to opt in the status of SIS. Indeed, such a salary may not be adequate for managers of large structures, in particular if the share capital of the SIS is comprised exclusively of impact shares.

2.3. Reform of the SIS status

In light of the above limits, a draft bill of law[75] was introduced on 9 February 2021 before the Luxembourg Parliament in order to withdraw or amend some of the above requirements that could appear as excessive. In particular, the draft bill of law aims at removing the obligation for small SIS to have their annual accounts audited by an approved statutory auditor (réviseur d'entreprises agréé). Accordingly, it is foreseen that:

- SIS having a turnover of EUR 100,000.- to EUR 1,000,000.- shall have their annual report prepared by a statutory auditor *(commissaire aux comptes)*; and
- SIS having a turnover above EUR 1,000,000.- shall have their annual report prepared and approved by a statutory auditor *(réviseur d'entreprises agréé)*.

2.3.1.Some possible use of the SIS in the investment fund sector

New European regulatory frameworks towards sustainable finance should encourage the use of the SIS structure.

Besides traditional social impact, the SIS might be of a particular interest as a support to the investment fund industry where it could be used in different manners in the sustainable and impact finance sector. Indeed, the sustainable finance disclosure regulation (SFDR)[76], together with the taxonomy regulation[77] and the non-financial reporting disclosure regulation (NFRD)[78], already set out a certain number of criteria and obligations that could be easily implemented through the SIS model. Obligations and transparency requirements may form part of the KPIs, which could then be easily standardised based on the guidance and implementing regulation issued by ESMA.

Also, and more concretely, one could also see two cases where the use of an SIS may improve the current legal practice.

2.3.2. Structuring technical assistance

Technical Assistance is a non-financial component of programmes designed to support public and private financial intermediaries within the impact finance (including microfinance) sector to improve operations of investee companies / micro-entrepreneurs and widen the outreach of such programmes.

At this stage donors and other development finance institutions as public bodies (through dedicated budgets) finance such technical assistance programmes besides the investment structures they invest in. Such technical arrangement pockets are very often difficult to put in place, and are generally based on fiduciary arrangements between banks, the fund manager and the donors.

Using the SIS structure may allow for more transparency towards the donors that would benefit from their shareholders' right of information and also allow them to control the performance of the use of the fund they allocate to technical assistance by using their shareholders' rights in the structure, although they would hold impact shares only (i.e, expecting no return on their technical assistance financing).

CONCLUSION

To conclude, the SIS is a label that still needs to find its place in the social and solidarity-based economy toolbox. Certainly, additional branding of the SIS will be necessary to promote this label and ensure that it is recognised by the social entrepreneurs.

In any case, the existence of this structure and the fact that the Luxembourg Parliament is currently assessing and improving this legal framework, five years after having launched this regime, is a sign of the strong commitment of the Luxembourg financial sector towards social and impact finance generally.

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[75] Draft bill of law 7764 amending the law of 12 December 2016 introducing the social impact company

[76] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

[77] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

[78] Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (COM(2021) 189 final)

It must not be forgotten that taking care of biodiversity and fighting against climate change should have for sole and ultimate goal to enhance human development, not only to safeguard the human species, like any other animal.

As «human development», it must be understood the concept of «integral development»

«Every man is born to seek self-fulfillment. Utilizing only his talent and willpower, each man can grow in humanity, enhance his personal worth, and perfect himself», said the Pope Paul VI in 1967.

While the term "integral development" derives from Catholic social teachings[79], the concept isn't unique to any one faith tradition, or even to faith at all. It's a universal way of thinking about, interacting with, and understanding others. And it's how the most thoughtful and enduring answers to poverty, war, disease, and oppression will be found.

One meaning of «integral development» (among others) is offering viable models of social integration where everyone has a contribution to make to the whole of society. This is both a right and a duty, because it must be clear that what is at stake is reducing dramatic inequality between those who have too much and those who have nothing, between those who discard and those who are discarded[80].

Principle of subsidiarity

In such an approach, guaranteeing the contribution of everyone, both as individuals and as groups, is essential. Everybody is called to become a «game changer». The centrality of the human person must be the guideline to scaffold social and economic policies at states' level and to develop business activities at market level. Promoting subsidiarity[81] is the answer to ensure that economic development will take into account what populations really need according to their cultural particularities, instead of offering global business solutions through products and services whose real benefit is too often rather for the companies providing them than for the end-consumer.

While Corporate Social Responsibility (CSR) policies have become a must, how the largest companies are themselves fostering subsidiarity inside their internal organisation to help supporting their transformation towards the offer of sustainable solutions? Do or can they really give more room to their employees as from the bottom of the organisation to develop their capabilities and grant them adequate responsibilities without risking to open door to some questioning on the business strategy or practices?

The larger a company, the more uncertain the perspective to focus on integral development and implement subsidiarity. Does it mean that large companies would be by nature unfit to play a key-role for developing sustainable business models and solutions?

Some tips for investors to navigate among the plethora of SRI offers

In this perspective, what are the options for an investor who wishes to adopt a responsible behavior and contribute to ensure the humankind a prosperous future for each of its members?

SRI products have flourished so fast over the last years in the context of growing social and ecological concerns all around the world. Sustainable investments are ex-

GUIDANCE FOR INVESTORS IN SEARCH OF MAKING A POSITIVE CHANGE

INVESTMENT UNIVERSE	Listed companies (large, medium and small caps)	Not-listed companies (mostly SMEs, microfinance excluded)
Access to data on the companies and the market	**Moderately easy** (non-financial data) to easy (financial data)	**Poor** (in developing/emerging countries) to moderately easy (in developed countries). Limits : • data collection may be time-consuming • high transaction costs in developing/emerging countries
Capability of the investor to drive a positive change at social/ecological level	**Weak to strong** Limits : • profile of companies into the universe • equity shares and number of voting rights hold	**Strong** Just depending on investor's intention to generate a powerful impact The universe of investment opportunities is hardly unrestricted ; almost everything is possible
How wide may the change be?	**Regional to worldwide** Limits : the wider the change the stronger to implement it, due to resistance to change and competition.	**Regional to national** (where the company is located)
Capability of the company to comply with the principle of centrality of the human person	**Highly uncertain** Limits : company's size despite on-going CSR policies (processes rather than people tend to be key in larger companies)	**Highly uncertain** Limits : working conditions prevailing in some developing/emerging countries

[79] In his Encyclical Letter Populorum Progressio of 1967, the Pope Paul VI, explains what he intends for « integral human development » : the development of each man and of the whole man » (n.14)
[80] Inspired from a speech of Pope Francis in 2017
[81] The principle that decisions should always be taken at the lowest possible level or closest to where they will have their effect, for example in a local area rather than for a whole country. Cambridge Dictionary

panding in any type of assets; notably in the private equity industry.

The following spreadsheet is an attempt at summary of what makes the difference in investing in listed vs. not-listed companies when seeking a positive change on the society. It has been excluded from this comparison how liquid the assets are, as any positive change is to be considered and measured over a medium to long term horizon. Therefore, whatever the investment universe, the responsible investor should stay committed in ones investments over a period of minimum 4 to 5 years.

The two universes are profoundly different each other. It is attempted to compare any sustainable investment transaction through 4 criteria being deemed to raise relevant questions whether it can be expected a significant positive change from the investment done.

As a summary, whereas placing a « buy » order in a listed company can be seen as a smooth process, investing in a not-listed company requires patience, determination and generally some appetite to higher risk. However, the investor will have more freedom to choose what kind of change he wants to foster.

While investing in listed companies offers the potential perspective to generate a change at a larger scale, the intensity of change may be more important and immediate with not-listed companies, because of the closer relationship the investor could be able to build with the latter.

It seems that the centrality of human person may be more present in not-listed companies as they are mostly of smaller size than listed companies. Generally, a greater sense of responsibility is expected from employees in small structures due to limited human resources. However, it has to be checked with the highest attention when investing in developing/emerging markets, as labor and workers' protection laws are often used to being less strict than in developed countries.

Whatever the company (listed or not), the initial intention of the investor – i.e. how deep he wants to get involved and drive a change – remains the very key-component in his decision making.

However, investing in not-listed companies opens a further thought : how far can we generate positive change at large scale while the companies are serving their local market only ? This is the continued addition of such investment deals that should spread a large-scale change.

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8 CONCLUSIONS

Millennials' general distrust of the financial markets, partly due to the fact that they have experienced the recent financial crises as well as the pandemic, is – in and of itself – an interesting element to consider and address.

Added to this, the intergenerational transfer of wealth from the so-called baby boomers and Generation X to Millennials is a critical element in the financial world, and will remain so for the years to come. Certainly an event not to be missed, especially for those of us who are – from an age-range point of view – a couple of decades away from the world of the Millennials.

So here we come to the formulation of a seemingly simple question, relevant not only to Millennials, to which we have tried to bring elements of an answer in this white paper: **how would you like your future to be?**

Ideologically, we have sought to answer this question by identifying themes common to the various groups of the active population, while maintaining a scientifically rigorous approach and integrating the ideas and intentions of each contributor. Practically, we started with topics that are as recent as they are important in the field of sustainable finance. At all times, we have aimed to include as large a human sample as possible, in order to enhance the extant intricate biodiversity of opinions, recognising the limitations of what could realistically be achieved in a single paper.

More particularly, we have delved into the composite ESG universe by concentrating on a specific angle. Indeed, whilst E (environment) is easily defined and understood – and G (governance) rather logical, and imbued with proper and solid processes –, S (social) embodies so many nuances, both objective and subjective, that instinctively we decided to adopt this as our "direction of travel" for this paper. We believe social is, and will in the future be, the key factor enabling the success of both "E" and "G". In other words "S" is to be seen as the glue between the well-known factors of environment and governance, that are already covered to a large extent in available literature.

In compiling this paper, we did not necessarily seek continuity with other similar initiatives we carried out between 2019 and 2020 in which we concentrated on specific aspects of the sustainable finance universe[1] but rather to focus on what we believe to be two powerful "engines" of the social dimension: integration and inclusion. From a methodological point of view we accepted the intrinsic limits of the exercise and have used these two key drivers to form a 'thin green line' linking all the contributions of this white paper.

Consistent with our guiding principles of integration and inclusion, this paper could not fail to include some testimonials – from entrepreneurs more specifically, who were eager to present their own personal paths and professional journeys in

[1] https://issuu.com/banquedeluxembourg/docs/bli_whitepaperone_final?fr=sNjhjODE1Mjc4MDQ
https://issuu.com/banquedeluxembourg/docs/bli_whitepapertwo_v02?fr=sNTlkYjE1Mjc4MDQ
https://issuu.com/banquedeluxembourg/docs/bli_whitepaperthree?fr=sNTczNDE1Mjc4MDQ
https://issuu.com/banquedeluxembourg/docs/bli_whitepaperfour_final?fr=sMzFiZTE1Mjc4MDQ
[2] https://eige.europa.eu/publications/gender-equality-index-2020-report

different countries and sectors of activity within the heterogeneous universe of sustainable finance. In the same way, the now unobjectionable fact that gender equality is a key factor to adequately achieving a truly inclusive approach in both the E and G dimensions of ESG must also be recognized. Indeed, significant inequalities continue to persist not only in the financial industry but in the labour market more generally[2] and, in this respect, it is fair to say that the very recent article published in the UNESCO Science Report 2021[3] provides valuable and objective information on the current position.

As a cherry on the cake, we also wanted to explore **inclusion** from the difficult perspective of ethics, which can be an occasional source of disagreement and even contradiction. Inspired by an old quote attributed to Voltaire[4] we found a volunteer to join our kaleidoscope of contributors and, thus, to bring in his own view and extensive experience in the space of impact investing. Occasionally seen as the "purists" of sustainable finance, impact investing practitioners indeed have valuable experience and reflections to bring to the table for discussion purposes.

In the coming years we will all – both in our private and professional lives – be taking important decisions that will impact the way the world will be. Our choices will define our legacy[5]. Indeed, the question *"What are we prepared to give up of our* ***past*** *to create the* ***future*** *we want?"* specified in the UNESCO Science Report 2021 is a perfect summary that contains in itself the seeds of the deep introspection that each of us may decide to embark upon. However, looking to the past in order to create a better future must be filtered through the **present**. The present is where all decisions are taken. We hope this paper will stimulate each reader to reflect, so as to find within what needs to be done[6] to foster positive change around us. *Be the change you wish to see in the world*[7]. The future is not only shaped by our collective decisions. Responsibility remains individual, although nuances must be recognised, and cannot be simply delegated to others. Integration, diversity and inclusion are ingredients within the reach of every single person. We do not need, each of us, to do big things to put them into practice.

The last sentence of these conclusions is dedicated to all those who made this paper possible and contributed to its existence after a year of hard and passionate work. Thank you!

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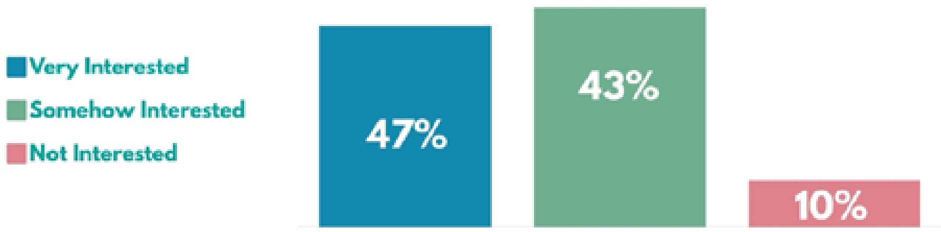
Sperling & Star

Luca Bruni
BZZ Advisory

[3] To be smart, the digital revolution will need to be inclusive – pages 109-135 (https://www.unesco.org/reports/science/2021/en)
[4] "I do not agree with what you are saying, but I will fight to the end so that you can say it." – Voltaire
[5] Page 95 of UNESCO Science Report 2021
[6] "If one has nothing inside, he will never find anything outside. It is useless to go looking in the world for what one cannot find within oneself" – T. Terzani (from the book "Another round of the carousel")
[7] Famous quote attributed to Mahatma Gandhi.

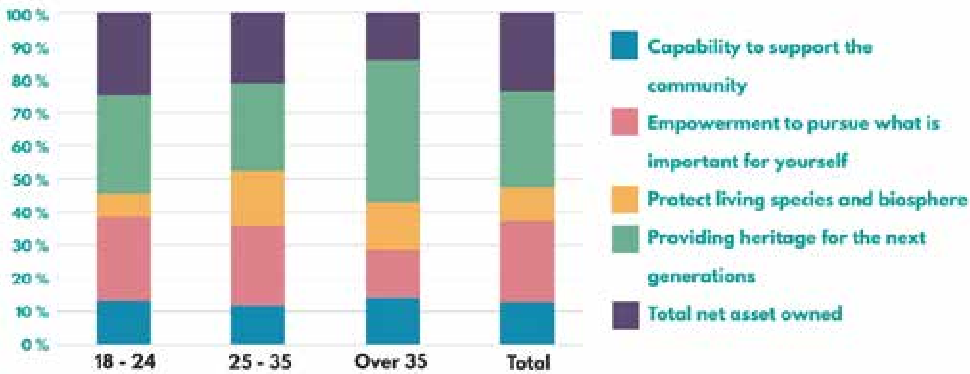
Appendix

How interested are you in sustainable finance?



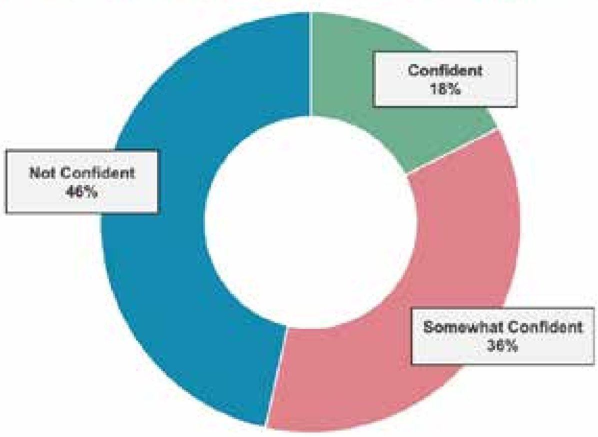
- 90% of respondents are at least somehow interested in sustainable finance and more than 43% state to be very interested.
- That reveals a clear attractiveness for the topic, whether as a practitioner or/and investor

How do you define wealth?

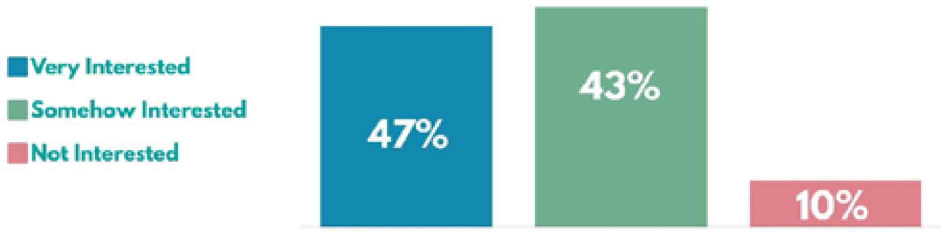


- The most chosen meaning to define wealth is "providing heritage for next generations"

How confident are you in the current banking/financial system?



How interested are you in sustainable finance?



- 90% of respondents are at least somehow interested in sustainable finance and more than 43% state to be very interested.
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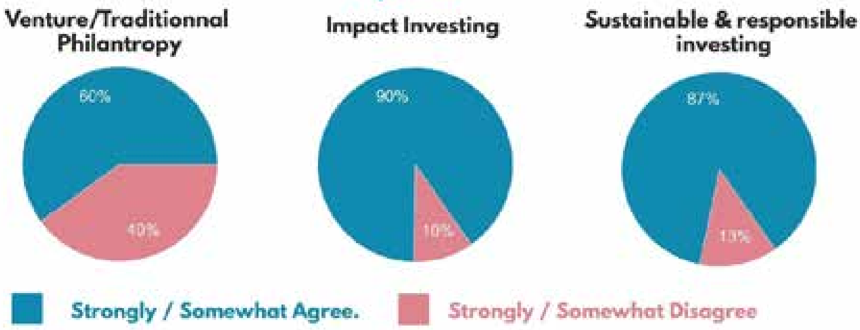
What are the key fields to be improved in order to enhance the sustainable finance industry's development?

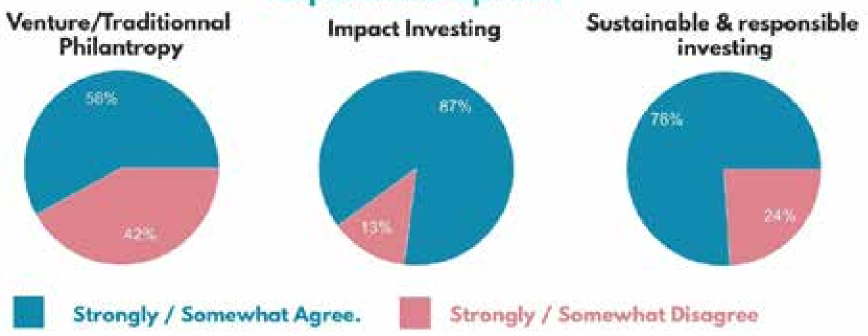
- Even though 46% of respondants are not confident in the financial system, regulation and policy are the highest-ranked methods to develop the sustainable finance industry.
- Both regulation and policy are developed from actors in the financial system (e.g. Central Banks, government legislation, standardization). The financial system is required to institute change; however, at the moment, there is a lack of confidence in the system to do so.

Which financial process is perceived as the most useful too to fit sustainable investment financing needs? Unexperienced respondent's opinion



Regardless the level of professional experience, all respondents deem impact investing as the most useful tool to fit sustainable investment financing needs if compared to sustainable/responsible investing and philanthropy.

Which financial process is perceived as the most useful tool to fit sustainable investment financing needs? Professionally experienced respondents' opinion

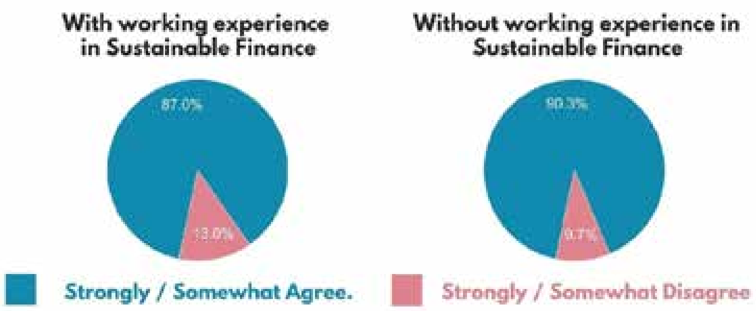


According to experienced respondents, impact investing is a much more useful process for meeting the financing needs of sustainable investing than sustainable & responsible investing (87% vs 76%).

It is possible to make investments in companies or funds which aim to achieve financial market-rate returns while pursuing positive social and/or environmental impact?

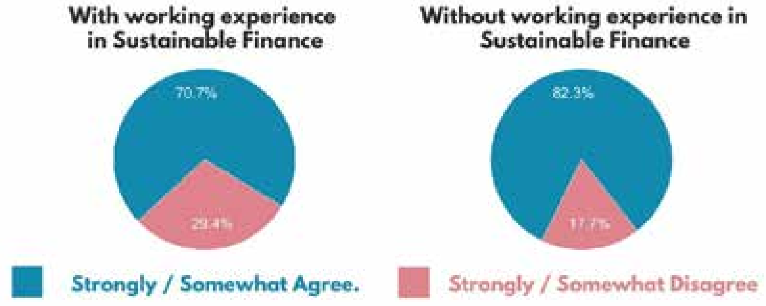
Respondents with professional experience in Sustainable Finance are more optimistic than those without any experience regarding the ability of investments with positive ESG impact to achieve financial returns.

It is possible within my current/future position to influence climate change mitigation/adaptation?



Regardless of the level of professional experience, respondents seem more convinced that they can have an impact on climate change mitigation than on reducing inequalities and poverty (see next slide for details).

It is possible within my current/future position to ensure economic growth that reduces inequality and poverty?



In general, respondents believe that their future or current work can have a <u>positive impact</u> either on the environment or society.