FINE

Fintech Investor Network and Ecosystem

D4.4 RESPONSIBLE INVESTMENT RECOMMENDATIONS

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D4.4 RESPONSIBLE INVESTMENT RECOMMENDATIONS

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Abstract	This report presents key recommendations for screening and constructing responsible investment pipelines, emphasising the integration of environmental, social, and governance (ESG) criteria into investment strategies. The report outlines best ESG practices, the role of screening in responsible investment, and actionable recommendations for investors.
Keywords	Responsible investment, ESG integration, finance, recommendations

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EXECUTIVE SUMMARY

Within the framework of the European project FINE (Fintech Investor Network and Ecosystem), this report provides actionable recommendations for responsible investment (RI) in the context of the European market, with a focus on integrating environmental, social, and governance (ESG) criteria into investment strategies.

To make responsible investment recommendations, different methods and practices have been explored, such as ESG best practices, including the integration of ESG factors into investment frameworks, the active engagement of investors with companies to improve ESG performance, and the importance of transparency through regular reporting on the impacts of investments. Screening, an essential tool for aligning portfolios with sustainability objectives, is emphasised, with recommendations on how to incorporate ESG criteria into screening processes. These include excluding industries with negative environmental or social impacts, such as fossil fuels or controversial weapons, and prioritising companies that lead in sustainable practices.

Several successful case studies demonstrate the practical application of responsible investment strategies. Romania's issuance of sovereign green bonds, Poland's financing for climate-friendly projects and SMEs, the example of the Banque de France, and the UK's social impact investing initiatives illustrate the growing viability and financial potential of responsible investment. These examples show that responsible investment not only supports sustainability but also delivers measurable financial and societal benefits. By following the recommendations outlined in this report, investors can drive the transition toward a more sustainable and resilient financial system, ensuring positive outcomes both now and in the future.

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TABLE OF CONTENTS

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1 INTRODUCTION

In recent years, the growing awareness of social, environmental, and governance (ESG) issues has significantly reshaped the investment landscape. Investors are increasingly recognizing that long-term financial success is closely linked to sustainable business practices. As a result, responsible investment (RI) has evolved into a key strategy for allocating capital, ensuring both financial returns and positive social and environmental outcomes.

Despite the increasing awareness and demand for responsible investment, the current reality within the investment community presents a challenge. As of 2024, only 48% of investors are prepared to consider RI issues in their portfolios, a noticeable decline from 66% in 2021. Additionally, only 43% of investors describe themselves as supporters of RI, down from 60% in 2021. This trend underscores a significant gap between the growing importance of sustainable investment practices and the actual commitment within the investment community. The decrease in RI adoption suggests that while the demand for sustainable investments is increasing, actual implementation is lagging. This is precisely why this deliverable is crucial — it aims to bridge this gap and provide actionable strategies to help investors, institutions, and stakeholders integrate responsible investment practices into their portfolios.

This deliverable, entitled “***Responsible Investment Recommendations***”, provides actionable insights and guidelines designed to help investors incorporate responsible investment practices. The goal is to equip investors with the tools and knowledge necessary to identify, evaluate, and manage investments that meet responsible investment criteria, addressing the increasing need for RI in today’s financial world. The deliverable outlines practical strategies, including screening methods, constructing a responsible investment pipeline, and monitoring techniques to track the ongoing performance and impact of investments.

As a matter of fact, responsible investment has become a critical pillar in the financial ecosystem, driven by increasing regulatory expectations, stakeholder demands, and the growing recognition that sustainable business practices contribute to long-term value creation. Investors are increasingly seeking opportunities that align with environmental, social, and governance (ESG) principles, which not only help mitigate risks but also foster innovation and sustainable economic growth.

The recommendations outlined in this document cover key aspects of responsible investing, including screening methodologies, best practices for due diligence, and strategies for successful implementation. To develop these recommendations, we conducted a series of interviews with investors (3), primarily in Spain and France, using a structured questionnaire to gather insights on their investment strategies, decision-making processes, and the extent to which they incorporate ESG criteria. In parallel, we conducted research on best ESG practices to identify effective approaches already in use within the industry. By combining research on responsible investment, the findings from investor feedback, ESG analysis, and best practices, we formulated a set of practical and forward-looking responsible investment recommendations that are aligned with the evolving financial landscape.

The need for these recommendations is further supported by the discrepancy in the current investment practices. The decline in the number of investors committed to RI highlights the necessity for greater effort in promoting responsible investment practices. By providing a structured investment pipeline and actionable recommendations, this deliverable aims to foster a greater commitment to RI in the investment community, addressing the gaps between awareness

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and implementation. The successful application of these recommendations can help catalyse a shift towards more responsible investment behaviours, contributing to the overall evolution of the financial ecosystem and ensuring that sustainability becomes a core consideration for all investors.

2 DEFINING RESPONSIBLE INVESTMENT

Responsible investment (RI) is an approach that integrates environmental, social, and governance (ESG) factors into investment decision-making. Despite the growing importance of sustainability and ethical considerations in the financial world, recent trends indicate that investor interest in ESG has cooled. According to the annual ESG Attitudes Tracker, only 48% of private investors now factor ESG elements into their investment decisions – a significant decline from 66% in 2021. This marks the third consecutive year of decreased interest, with the percentage falling from 60% in 2022 and 53% in 2023. Moreover, just 43% of respondents now consider themselves "fans" of ESG investing, down from 60% in 2021 and 50% in 2023.

Nick Britton, research director at the AIC, reflects on this shift, stating, “Our ESG Attitudes Tracker shows that investors’ love affair with ESG investing continues to cool. That doesn’t mean they reject it altogether though. To extend the metaphor, they are thinking about the bits of ESG they like and those they don’t, and deciding if they want to make this a longer-term relationship.” This observation highlights the need for clearer definitions and understanding of what responsible investment entails, as well as strategies to help investors navigate the complexities of ESG factors.

As this chapter will explore, responsible investment is not simply about aligning capital with ethical values but also about considering how sustainable practices can enhance long-term financial performance. By defining RI and examining its principles, we aim to provide investors with the clarity needed to make informed decisions and effectively integrate ESG factors into their portfolios.

2.1 KEY PRINCIPLES: ESG CRITERIA

Responsible investment involves considering environmental, social and governance (ESG) factors when making investment decisions and influencing companies or assets (known as active ownership or stewardship). It complements traditional financial analysis and portfolio construction techniques.

Responsible investors can have different objectives. Some focus exclusively on financial returns and consider ESG issues that could impact these. Others aim to generate financial returns and to achieve positive outcomes for people and the planet, while avoiding negative ones.

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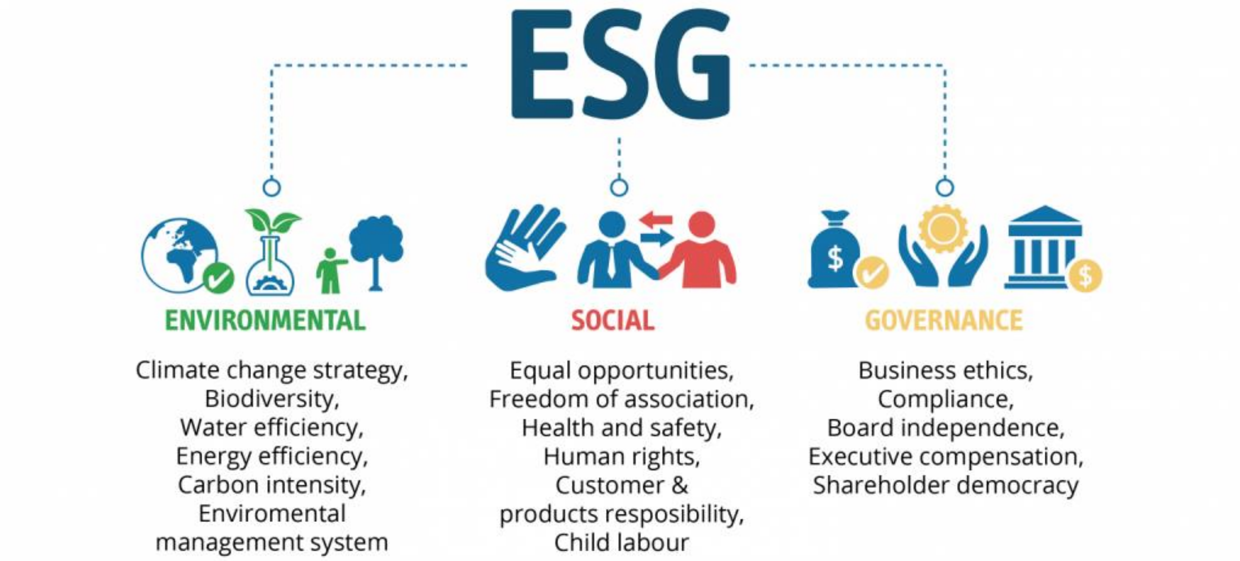

FIGURE 1

ESG CRITERIA

(ESG University. (n.d.). *Five ESG terms to know this week*. *Substack*. https://esguniversity.substack.com/p/five-esg-terms-to-know-this-week-24e)

ESG (Environmental, Social, and Governance) criteria are a set of standards used by investors and financial professionals to assess the sustainability and ethical impact of an investment in the financial sector. They evaluate a company's or investment's performance in terms of environmental management, social responsibility, and governance practices. Increasingly adopted in responsible investment strategies, these criteria offer valuable insights into risks and opportunities that may not be captured by traditional financial analysis.

1. Environmental (E) Criteria

The environmental aspect of ESG evaluates how a company or investment impacts the natural environment considering both the company's direct operations and its broader supply chain. Key factors include:

- Carbon emissions: the amount of greenhouse gases produced by the company, particularly carbon dioxide, which contributes to climate change.
- Energy efficiency: efforts undertaken by the company to reduce energy consumption and increase the use of renewable energy sources, thereby lowering its environmental footprint
- Waste management: practices around waste reduction, recycling, and proper disposal of hazardous materials to minimise environmental impact.

- Water usage: management of water resources, including efforts for conservation, efficient use, and the impact the company has on local water supplies.
- Biodiversity impact: the effects of the company's operations on ecosystems, habitats, and species, including how it contributes to the preservation or degradation of biodiversity.
- Pollution control: measures implemented to minimise air, water, and land pollution, including compliance with environmental regulations and protocols.

2. Social (S) Criteria

The social aspect evaluates how a company manages relationships with employees, customers, suppliers, and communities. This component of ESG focuses on the company's social responsibility and its impact on societal well-being. Key factors include:

- Work practices: fair wages, reasonable working conditions, and respect for employee rights. It includes compliance with labour laws and regulations, as well as conscious efforts to prevent child labour and forced labour.
- Diversity and inclusion: equal opportunities for all employees, regardless of gender, race, ethnicity, sexual orientation, or other characteristics. Fostering diversity within teams not only enhance a company's reputation and attract a broader customer base.
- Human rights: measures to prevent discrimination, exploitation, and abuse, and actively promoting fair labour practice.
- Health and safety: workplace safety protocols and efforts to promote employee well-being.
- Product responsibility: ensuring products and services are safe and contribute to consumer well-being, including privacy and data protection policies.

3. Governance (G) Criteria

Governance refers to the corporate policies and structures in place to ensure accountability, transparency, and ethical behaviour. It focuses on how the company is managed and overseen. Key factors include:

- Board composition: diversity, independence, and expertise of the board of directors, ensuring proper oversight of management.
- Executive compensation: linking executive pay to performance and ensuring it aligns with shareholder interests.
- Shareholder rights: protection of shareholders' rights and equitable treatment of all investors.
- Ethical business practices: anti-corruption measures, fair competition, whistleblower protection, and codes of conduct.
- Transparency and reporting: quality and frequency of financial reporting and communication to stakeholders.

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- Risk management: systems in place to manage financial, operational, and reputational risks effectively.

2.2 FORMS OF RESPONSIBLE INVESTMENT

The various ways investors respond to complex real-world challenges – often categorised under the umbrella of ESG – are collectively referred to as responsible investment. Numerous other terms highlight different approaches within this field, including ethical investment, socially responsible investment, green investment, best-in-class ESG, ESG integration, thematic investment, impact investment, sustainable investment, and shareholder engagement. Here are the key aspects of several types of responsible investment:

- Ethical Investment

Ethical investment typically involves negative or exclusionary screening, where investors avoid companies engaged in activities they consider unethical or that violate international declarations, conventions, or voluntary agreements. Common exclusions include industries such as alcohol, tobacco, pornography, certain weapons, nuclear energy, and companies associated with severe human rights violations or operations in specific countries.

- Socially Responsible Investment (SRI)

Socially responsible investment (SRI) refers to strategies that incorporate both social and environmental criteria when assessing companies. Social criteria include factors such as occupational health and safety, discriminatory hiring or promotion practices based on race or gender, community welfare, and labour disputes. Environmental criteria focus on aspects like environmental management quality, greenhouse gas emissions, energy and resource efficiency, sourcing of raw materials, impact on natural resources, ecosystems, land, and waste management. These criteria are often standardised relative to a company's sales. Typically, SRI investors evaluate companies based on these criteria, either across their entire investment universe or within specific sectors.

- Sustainable Investment

Sustainable investment involves constructing a portfolio by selecting assets that can be considered sustainable or capable of being maintained over the long term. It can also be seen as a strict strategy that excludes assets deemed harmful to long-term environmental and social sustainability. Examples of such exclusions include industries reliant on fossil fuels, such as tar sands and coal, large financial institutions deemed "too big to fail," and major investment banks. On the social side, a sustainable investment fund might prioritise companies that focus on reducing inequalities, ensuring job security, and providing opportunities for employee advancement.

- ESG Integration

ESG integration involves evaluating aspects such as the business model, product strategy, R&D, distribution systems, and human resource policies, focusing on issues deemed most relevant by institutional investors and asset managers. The quality of ESG analysis depends on the analysts' expertise, sources of information, and values, while the portfolio manager's approach balances short-term stock performance with long-term ESG considerations. The effectiveness of ESG integration also depends on how seriously these factors are considered by both financial analysts and portfolio managers, impacting both financial returns and ESG outcomes.

2.3 10 BEST ESG PRACTICES

As responsible investment requires integrating environmental, social, and governance (ESG) factors into investment decisions, below are some of the best ESG practices that assets should adopt.

- Calculating and regularly monitoring environmental impact, particularly by means of a carbon footprint measurement exercise

Measuring the carbon footprint and other environmental indicators strengthens the company's credibility with its stakeholders (employees, customers, investors, partners). This practice demonstrates a genuine commitment to sustainability and enables the quantification of progress in this area.

- Fostering innovation and employee engagement

The social dimension of ESG can be developed by encouraging employee participation in innovation, particularly by creating platforms enabling them to share ideas and contribute to organizational improvements.

- Promoting collaboration and communication to strengthen culture
- Using non-monetary recognition to enhance employee satisfaction
- Implementation of decentralised governance with OKRs (Objectives and Key Results)

Decentralised governance that actively involves employees ensures that ESG objectives are driven not just by the board or by management but should be integrated at all levels of the company. The use of Employing Objectives and Key Results (OKRs) helps to establish clear, measurable targets that are aligned with the organisation's ESG strategy.

- Define and clarify the respective roles of the various committees (e.g. CSR Committee, Audit Committee, Risk Committee) in overseeing the climate risk management
- Organise a general training program for all directors
- Systematise the presentation of climate strategy and/or its implementation at annual General Meetings
- Fostering transparency through clear reporting and communication

This practice aims to promote transparency and foster a culture of openness in every aspect of the business. The goal is to ensure that all policies, and corporate decisions are clear, accessible, and fully understandable by all stakeholders. By achieving high level of transparency companies can build trust, enhance accountability, and strengthen long-term relationships with stakeholders.

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- Integrating cybersecurity and data protection

By integrating cybersecurity and data protection into ESG best practices, companies can gain critical insights and benefits that highlight the pivotal role of data security in fostering a sustainable and responsible organisation. This approach includes improving regulatory compliance: aligning cybersecurity and data protection with ESG helps organisations to stay ahead of regulatory requirements.

3 BUILDING A RESPONSIBLE INVESTMENT PIPELINE: KEY RECOMMENDATIONS

The decline in investor enthusiasm for ESG investing, as highlighted in the previous chapter, underscores the need for clear and actionable strategies to reinvigorate interest in responsible investment. As investors increasingly reconsider their approach to ESG, it becomes crucial to provide a structured framework that helps them integrate sustainable practices into their portfolios effectively.

In response to this challenge, the development of a responsible investment pipeline becomes essential. This chapter outlines key recommendations designed to guide investors in building a robust pipeline that aligns with both their financial goals and ESG criteria. By addressing the gaps identified in the current investment trends, these recommendations aim to offer practical solutions for investors to implement responsible investment strategies, evaluate potential opportunities, and track long-term impact.

Through this approach, we provide investors with the tools to make more informed, sustainable decisions while fostering a deeper, more enduring commitment to responsible investment.

3.1 SCREENING METHODS FOR RESPONSIBLE INVESTMENT

Constructing a responsible investment pipeline is about creating a process or strategy for finding, evaluating, and managing investments that align with responsible investment principles, such as ESG factors. The “pipeline” is essentially the journey that an investment idea goes through before it is selected, monitored, and managed as part of a responsible investment strategy.

Screening is the process of applying specific criteria to determine which investments are eligible for inclusion in a portfolio. These criteria are typically based on various characteristics, such as financial performance, ethical considerations, and environmental, social, and governance (ESG) factors. In the context of responsible investment, screening is used to align a portfolio with an investor’s values and sustainability goals. It can be categorised in several ways, each focusing on different aspects of risk management and ethical standards:

Exclusionary Screening / Exclusions	Negative Screening	Positive Screening	Best-in-class Screening	Norms-based Screening
Applying rules based on…	Applying rules based on…	Applying rules based on…	Applying rules based on…	Applying rules based on…
ESG criteria…	‘*undesirable*’ ESG criteria…	‘*desirable*’ ESG criteria…	ESG criteria that are ‘*desirable*’ *relative to peers…*	compliance with widely recognised ESG standards or norms…
that determine whether an investment…	that determine whether an investment…	that determine whether an investment …	that determine whether an investment…	that determine whether an investment…
is not permitted	*is not* permitted	*is* permitted	*is* permitted	*is or is not* permitted

FIGURE 2

TYPES OF SCREENING

(https://www.unpri.org/introductory-guides-to-responsible-investment/an-introduction-to-responsible-investment-screening-and-exclusions/12727.article)

Screening is not mandatory in responsible investment. However, it is considered good practice for PRI (Principles for Responsible Investment) signatories to evaluate whether incorporating screens based on ESG and sustainability factors can help achieve their financial return and/or sustainability goals while fulfilling their fiduciary duties.

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In certain jurisdictions, financial regulations restrict investments in specific assets or companies involved in activities such as the production of controversial weapons.

Additionally, there are regulated investment products with mandatory screening requirements, such as those that follow EU Paris-aligned benchmarks. These products cater to investors seeking low-carbon investment strategies that align with the objectives of the Paris Climate Agreement. Fund providers tracking EU Paris-aligned benchmarks must screen out investment securities that meet defined criteria.

The following picture shows the reasons for applying screening rules.

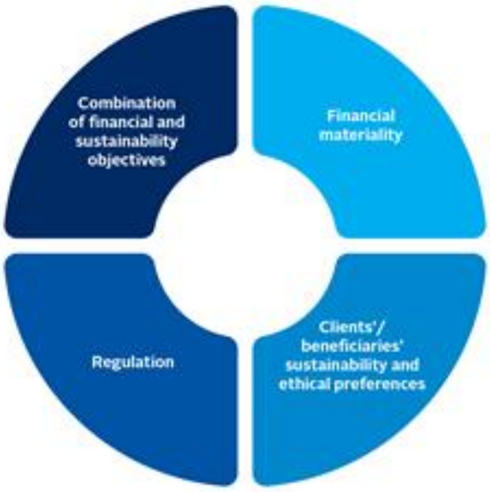

FIGURE 3

REASONS FOR APPLYING SCREENING RULES

(https://www.unpri.org/introductory-guides-to-responsible-investment/an-introduction-to-responsible-investment-screening-and-exclusions/12727.article)

3.2 KEY RECOMMENDATIONS

Given the declining interest in ESG investing and the need for clearer, more actionable strategies, it is essential to provide investors with effective approaches to integrate responsible investment (RI) into their portfolios. By offering structured guidelines and addressing the gaps identified in the current landscape, we aim to empower investors to make more informed, sustainable decisions.

To successfully integrate responsible investment (RI) strategies, the following approaches, each designed to enhance both financial and ESG performance, are recommended:

- Develop Clear ESG Screening Criteria

It is about creating a robust set of criteria to evaluate potential investments based on environmental, social, and governance factors. This may include evaluating carbon emissions, diversity policies, labour standards, or board transparency. By setting specific, measurable ESG targets for all investments, investors can ensure that their portfolios align with sustainability goals while managing risks tied to poor governance or unsustainable practices.

- Integrate ESG Factors into Investment Decision-Making

Incorporating ESG analysis into the financial modelling and decision-making process, not just as an add-on but as a core part of the evaluation, is essential. Investors should assess both the financial performance and the ESG performance of potential investments, ensuring they support sustainable growth. This could mean looking at both traditional financial indicators and ESG-specific data, such as how a company addresses climate change or promotes social equity.

- Engage in Active Ownership and Shareholder Engagement

Beyond selecting responsible investments, investors should take an active role in ensuring that companies in their portfolios adhere to the ESG principles. This can involve engaging in shareholder dialogues, voting on key ESG-related issues, and pushing for improvements in corporate governance or environmental practices. Active ownership is a way to influence positive change in companies while holding them accountable for their impact on society and the environment.

- Establish a Rigorous Monitoring and Reporting Framework

It is crucial to regularly track and measure the performance of investments, both financially and in terms of ESG outcomes. Utilise ESG metrics, such as carbon footprint, waste management, or employee welfare standards, to assess whether investments meet the expected criteria. Equally important is transparent reporting to stakeholders, including clients, investors, and the public, to demonstrate the tangible social and environmental impact of investments. This ensures accountability and helps reinforce the commitment to responsible investing.

- Diversify the Responsible Investment Portfolio

To manage risk and maximize impact, it is important to diversify the portfolio across various sectors and asset classes that meet ESG criteria. A diverse approach ensures that the portfolio is resilient to sector-specific risks, such as changes in environmental regulations, and that it can tap into a wider array of sustainable investment opportunities, from renewable energy to social enterprises.

- Leverage Regulatory and Market Trends

This is about staying informed about emerging regulations and market trends that affect responsible investment. As regulations around ESG disclosure and reporting continue to evolve, ensuring compliance with these standards is essential. Additionally, market shifts towards sustainability – such as the increasing demand for green bonds or sustainable funds – offer opportunities to align investments with the growing market for responsible assets.

- Promote Collaboration and Knowledge Sharing

Engage with other investors, stakeholders, and experts in the field of responsible investment. Collaborating with industry peers and sharing best practices can help strengthen the investment community's approach to RI. Networking through conferences, webinars, or joint initiatives can provide valuable insights, encourage innovation, and support the development of more effective responsible investment strategies.

These recommendations show that the growing focus on ESG investing is a direct response to the climate crisis and evolving legal requirements surrounding issues such as equality, diversity, and inclusion. A healthy environment is essential for sustaining economic growth, and investors are increasingly seeking companies that are actively addressing climate change and taking steps to reduce their carbon footprint. ESG reporting plays a crucial role in fostering accountability, encouraging companies to become positive agents of change while enhancing their resilience to emerging risks. This approach not only strengthens long-term viability but also offers several key benefits for investors.

First, it improves risk management, with 54% of companies including ESG factors in their risk inventory reporting, highlighting the importance of these considerations. ESG investing also has the potential to enhance portfolio performance, as companies that prioritise sustainability are often better positioned to thrive in the future. Additionally, investors can make a positive environmental impact by backing businesses committed to sustainability. Notably, ESG-focused companies tend to demonstrate greater innovation and adaptability. For instance, Apple has committed to becoming carbon neutral by 2030 and has successfully encouraged 175 suppliers to transition to renewable energy. The company has also reduced the carbon footprint of its 13-inch MacBook Pro by 8% by adopting environmentally friendly designs, such as the Apple M1 chip. Similarly, Cisco achieved its goal of sourcing 85% of its electricity needs from renewable energy in 2021. Lastly, ESG investing contributes to global sustainability goals, ensuring that investors are part of a broader movement toward a more sustainable future.

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4 SUCCESSFUL APPLICATIONS OF RESPONSIBLE INVESTMENT

Building on the growing importance of ESG factors, this chapter presents several examples of successful responsible investment applications, which reflect some of the strategies and recommendations outlined in the previous sections.

- **Banque de France**

Based on most recent Responsible Investment Report 2022 from Banque de France, the bank's responsible investment approach reflects its commitment to the Responsible Investment Charter of 2018. The Banque de France has implemented several key initiatives under this framework:

- Double Materiality Principle: the Banque de France has adopted the double materiality principle, which requires consideration of both:
    - The ESG performance of investments and their environmental impact.
    - Climate-related risks that could affect portfolio assets.
- Alignment with UN Sustainable Development Goals: the Banque de France aims to contribute to the achievement of the UN's SDGs while managing and mitigating the physical and transition risks faced by its portfolios.
- Annual Reporting: the Banque de France publishes an annual responsible investment report to track and assess its progress. In 2019, it became the first central bank to publish such a report, demonstrating transparency in its investment strategies.

Investment Strategy:

- Climate Goals: The Banque de France integrates ESG criteria into the management of its proprietary assets and engages with companies in which it holds shares to improve their ESG practices.

Key Outcomes:

- The Banque de France has successfully improved the environmental and ESG performance of its portfolios, including:
    - Ensuring the equity components of its own funds and pension liabilities portfolios align with a <2°C temperature increase trajectory.
    - Investing EUR 1.95 billion in green bonds and funds that support environmental energy transition.
    - Allocating EUR 160 million in social and sustainable bonds.
    - Setting a 0% revenue threshold by 2024 for excluding companies involved in coal extraction or coal-based energy production.
    - Managing portfolios totalling EUR 22 billion in assets from its own funds and pension liabilities as of November 2022.

This strategy reflects the Banque de France’s strong commitment to sustainable investment practices, with an emphasis on climate risk management, ESG performance, and alignment with global sustainability goals.

- **Romania** (sourced from World Bank 2025 Report and Societe Generale 2024 Article)

Sovereign Green Bonds

Green bonds are financial instruments that allow borrowers to raise large-scale debt from capital market investors, specifically to fund projects with positive climate and environmental outcomes. Romania recently issued a sovereign green bond worth EUR 2 billion on February 15, 2025, aimed at advancing its Nationally Determined Contributions (NDCs) in line with international climate goals.

Framework for the Green Bond

The sovereign green bond follows a structured framework outlining the usage and management of proceeds:

- Use of Proceeds: clear description of how the funds will be allocated to climate and environmental projects.
- Objectives and Eligibility: defined processes for evaluating projects that align with Romania's sustainability goals.
- Disclosure and Reporting: ongoing reporting on the management of bond proceeds and the expected impacts of the financed projects.

This framework ensures transparency and accountability in how the funds are used to achieve environmental benefits.

Collaboration with International Finance Corporation (IFC)

Romania's efforts are further strengthened by effective collaboration between its subsidiary bank, BRD (Société Générale’s Romanian arm), and the International Finance Corporation (IFC), a member of the World Bank Group, to promote sustainable finance.

On January 19, 2024, Société Générale and IFC signed a Collaboration Framework Agreement to accelerate sustainable finance projects. A key initiative under this collaboration was the synthetic risk transfer (SRT) transaction, which allowed BRD to free up capital, enabling them to increase financing for sustainability-focused projects in Romania.

Key Impact

- Risk Guarantee: IFC provided a risk guarantee of €700 million to BRD's portfolio.
- Capital Freed: this freed up sufficient capital to facilitate up to €315 million in loans, specifically targeting climate-related activities and women-owned small businesses.

By leveraging this innovative approach, Romania is accelerating its sustainable finance initiatives, contributing to its climate goals while fostering economic development in key areas such as clean energy and gender equality in business.

This case study highlights Romania's successful integration of responsible investment strategies, emphasising the role of green bonds and international collaboration in driving sustainable finance forward.

- UK (Social impact investing report published by the UK Government)

"The UK impact investing market, including both social and environmental impact, is currently worth £150 billion" (page 8)

Successful ESG Investment Examples

- Henderson Global Care UK Income Fund: this Open-Ended Investment Company (OEIC) focuses on investments in companies that address ESG issues. Its goal is to "contribute to the social well-being of communities and the protection of the natural environment" (page12).
- Resonance Property Funds: with a total investment of £135 million, Resonance has launched three social impact Limited Partnership property funds since 2013. These funds focus on acquiring and leasing properties to UK-based homelessness charities.

Investment Strategy and Recommendations

The report outlines key strategies and recommendations to further advance social impact investing:

1. Enhance deal flow and scale: improve the ability to invest in high-impact projects at a larger scale.
2. Build competence and confidence: strengthen knowledge and confidence within the financial services sector regarding social impact investments.
3. Improve non-financial reporting: develop better methods for reporting on non-financial outcomes, ensuring transparency in social and environmental impact.
4. Simplify investment access: make it easier for individuals and institutions to invest in social impact opportunities.
5. Sustain momentum: continue to build cohesion across initiatives and maintain the momentum of impact investing in the UK.

These efforts aim to accelerate the growth of social impact investing, ensuring that it continues to address pressing social and environmental challenges effectively.

- **Poland**: Advancing Sustainable Finance

The Polish Ministry of Finance has launched the Sustainable Finance Platform, a collaborative initiative that brings together key public administration institutions with a stake in the Polish

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financial market. The platform's goal is to catalyse the creation of a "coherent, comprehensive, and feasible Polish roadmap for sustainable finance" (Ema Winiarz, *in principle* article).

Support for SMEs and Green Financing

Under the European Investment Bank (EIB) Accord, small and medium-sized enterprises (SMEs) in Poland have access to €200 million in growth and green financing through Société Générale Equipment Leasing Polska (SGEF Poland). As part of the agreement, 90% of the loan will finance SME projects, with the remaining funds directed towards supporting public sector initiatives (European Investment Bank Article).

EIB Financing for Climate and SMEs

In 2023, over half of the nearly €5.1 billion in financing from the EIB Group in Poland was allocated to climate-friendly projects. The bank also provided more than €630 million in support to SMEs, benefitting over 47,700 Polish businesses and helping sustain almost 450,000 jobs.

These initiatives demonstrate Poland's commitment to fostering sustainable finance and supporting both SMEs and climate-friendly projects for long-term economic and environmental benefits.

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5 CONCLUSIONS

Responsible investment involves integrating environmental, social, and governance (ESG) factors into investment decisions, which goes beyond traditional financial analysis by considering the broader impact of investments on society, the environment, and corporate governance. As highlighted throughout this deliverable, the importance of ESG criteria has grown significantly, helping investors manage long-term risks and opportunities related to issues such as climate change, social inequality, and corporate mismanagement, while still fostering financial returns and market stability.

Best ESG practices, as outlined in previous sections, include developing clear frameworks for integrating ESG factors, actively engaging with companies to improve their sustainability performance, and ensuring transparency through regular reporting on ESG outcomes. Screening investments to exclude harmful industries and prioritising those that lead in sustainability are key strategies for aligning portfolios with responsible investment goals. These recommendations – such as the need to integrate ESG factors, establish a rigorous monitoring and reporting framework, diversify portfolios, etc. – are essential to driving the transition to a more sustainable financial system. Without implementing these recommendations, investors could risk missing out on the long-term benefits of ESG integration, such as enhanced risk management, improved portfolio performance, and alignment with evolving global sustainability goals. Furthermore, failing to act may expose investors to increasing regulatory pressure, reputational risks, and potential market volatility.

The successful case studies presented earlier – such as Romania's sovereign green bonds, Poland's EIB financing for climate and SMEs, the Banque de France's commitment to sustainable investment, and the UK's social impact investments – demonstrate that responsible investment is both practical and financially viable. These examples underscore the potential for responsible investment to generate positive outcomes, both now and in the future.

As more financial institutions and investors continue to adopt and integrate ESG criteria into their decision-making processes, the future of responsible investment looks increasingly promising. The recommendations outlined here serve as critical steps for investors looking to not only align their portfolios with ESG principles but also contribute to a more resilient, equitable, and sustainable global economy. By embracing these strategies, investors can play a vital role in driving positive, long-term change, ensuring both financial returns and meaningful contributions to global sustainability.

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APPENDIX A

INVESTOR QUESTIONNAIRE

1. What your investment thesis is (sector, industry/technology, maturity, geography)? How many companies have you invested in your fund portfolio? Is there a Fintech?

2. Which business model are you investing in (B2B, B2C, B2G, B2B2C)? Are you investing in software or software + hardware?

3. What is your investment policy (sole, co-investment, pool of investors)?
- (Question only for Business Angels)

4. How does your investment decision process work?
   a) How long does your due diligence process typically take?
   b) What are the next steps with your portfolio startups?

5. What are your project eligibility criteria?
   a) Do you have any ESG specific criteria?
   b) Do you integrate in your business responsible practices, such as environmentally friendly solutions, inclusive business models, or positive societal impact?
   c) If yes to question 1: is there any difference between investing in Fintech than in other sectors?

6. What value do you bring beyond capital?

7. What is your expected level of involvement (business plan, strategy, etc.)?

8. What are your main concerns that might prevent you from investing?

9. What is your biggest investment lesson?

10. What is the most recent company you have invested in and why?

11. How do you monitor and participate in your investments?

STEFANO FERACE, TRUFFLE CAPITAL (FRANCE)

1. What your investment thesis is (sector, industry/technology, maturity, geography)? How many companies have you invested in your fund portfolio? Is there a Fintech?
Investing in fintech, Insurtech and cyber mature companies in EMEA. Current portfolio 20 fintechs.

2. Which business model are you investing in (B2B, B2C, B2G, B2B2C)? Are you investing in software or software + hardware? B2B, mostly only software but in case both.

3. What is your investment policy (sole, co-investment, pool of investors)? (Question only for Business Angels)

4. How does your investment decision process work? Several meeting and final Investment commit

   a. How long does your due diligence process typically take? 2 months

   b. What are the next steps with your portfolio startups? Consolidation for some and for others exit

5. What are your project eligibility criteria?

   a. Do you have any ESG specific criteria? N/A

   b. Do you integrate in your business responsible practices, such as environmentally friendly solutions, inclusive business models, or positive societal impact? Yes

   c. If yes to question 1: is there any difference between investing in Fintech than in other sectors? No

6. What value do you bring beyond capital? Board presence, support in M&A activity, HR, Strategy, international expansion and business intros

7. What is your expected level of involvement (business plan, strategy, etc.)? See above.

8. What are your main concerns that might prevent you from investing? Founders' motivation and belief in the company.

9. What is your biggest investment lesson? Always run deep due diligence even if this might be the founder choose other funds.

10. What is the most recent company you have invested in and why? Wyden, crypto company in Switzerland because crypto is in a strong momentum and here to stay.

11. How do you monitor and participate in your investments? Weekly calls with CEO and top management of the company.

LOURDES ALVAREZ DE TOLEDO, JME VENTURES (SPAIN)

1. What is your investment thesis is (sector, industry/technology, maturity, geography)? How many companies have you invested in your fund portfolio? Are there any Fintech companies?

JME Ventures is a Spanish investment firm that has €150 million AUM. We invest between €250,000 and €2 million in pre-seed and pre-Series. It is a Spanish company with global aspirations. We are sector-agnostic, with a portfolio of 80 companies across various sectors, including eleven fintech companies. Some examples of fintech angle investments are Flywire, GPT advisor, Taxdown, Bankflip, Reveni, Declarando, Depasify, Cofers, Flanks, Invofox.

2. Which business models are you investing in (B2B, B2C, B2G, B2B2C)? Are you investing in software or software + hardware?

While we favour B2B software companies, we have also invested in B2C and hardware companies. For instance, we have invested in PLD Space, which manufactures rockets to launch nanosatellites. Another example is BCN 3D, a company that manufactures 3D printers. We have recently invested in Theker, a software company for robotics that needs to be integrated into a robot.

3. What is your investment policy (sole, co-investment, pool of investors)? (Question only for Business Angels)

4. How does your investment decision process work? a. How long does your due diligence process typically take? b. What are the next steps with your portfolio startups?

Our process varies based on investment size:

- For investments under €300,000, the process typically takes less than a month, with no formal due diligence and often using convertible notes.

- For investments over €500,000, we conduct due diligence after investment committee approval, taking 2-4 weeks including negotiation of terms.

- We typically require a board seat for investments of at least 10% ownership or €500,000.

5. What are your project eligibility criteria? a. Do you have any ESG specific criteria?

b. Do you integrate in your business responsible practices, such as environmentally friendly solutions, inclusive business models, or positive societal impact? c. If yes to question 1: is there any difference between investing in Fintech than in other sectors?

We don't have specific ESG criteria. Our focus is on companies that create value by disrupting markets through technology, believing this approach impacts society, productivity, and job creation.

6. What value do you bring beyond capital?

Our value-add depends on founders' needs. We mostly help them with fundraising, business planning, strategy definition, international connections, hiring, and go-to-market strategy. But there is a huge variety depending on each company. The most important point for us is trying to ease our founders the path to success.

7. What is your expected level of involvement (business plan, strategy, etc.)?

Again, it depends on the founders. Some founders like to speak on a weekly basis, some founders won't ever call. We have at least a quarterly meeting, but I personally like to have at least a monthly call with every portfolio company that I manage.

8. What are your main concerns that might prevent you from investing?

Key concerns that might prevent investment include a slow time to market and scalability issues for the project and team. We need to invest in companies with the potential to grow very fast in a restricted time horizon (7 years), and one of the biggest risks is getting stuck or being a local player. Another big risk is finding a founding team able to scale in terms of being leaders, hiring talent, and managing people and investors in a way that enables them to grow at the pace needed.

9. What is your biggest investment lesson?

My biggest lesson has been that in venture capital, there are no rules or deal breakers. Every company has its singularities, and it should be analysed holistically. For instance, our most valuable company (Flywire) was a "solo founder" company, and the founder left the company two years after our investment. The new CEO had a very small stake in the company. Even with those apparent red flags for many investors, they reached a $5 billion valuation and were listed on NASDAQ. Another example is JobandTalent. Many investors say that they don't invest in diluted teams. JobandTalent founders were extremely diluted at the time of our investment, and it did not prevent them from raising additional rounds and reaching a €2.5 billion valuation.

10. What is the most recent company you have invested in and why?

In the past 12 months we have invested in 14 companies, most of them related to AI. One of the most recent investments has been Theker. An AI software applied to robotics that is deploying its solution in verticals such as logistics, waste management, fashion and supply chain.

11. How do you monitor and participate in your investments?

If it's a pre-seed investment, we will require just a monthly email with five bullet points of main KPIs of the company. We won't participate as board members or require them to send us a lot of information, just basic performance information. If we invest more than 500k euros, we will usually take part in the board of directors, and we will need to have at least quarterly detailed information about their financial statements and the performance of the company.

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