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# Analysis of selection criteria used by main financial actors to offer sustainable funds.

## **How is sustainability currently addressed?**

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## Description of approach and own contribution

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|---|---|---|---|---|---|
| **Research idea/research question** | | | | | |
| Defining and formulating research question | X | X | | | |
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Clarify the sources of your reference list. Please indicate in the table below the number of each type of source that you have used.

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**Abstract**

Investing in companies that tackle sustainable concerns not only enhances social and environmental situations but can also increase investors' profits. This research project aspires at introducing the manner main Belgian financial actors approach sustainability when it comes to sustainable funds. In addition, the aim of this thesis is to provide insights into several topics such as how is information about funds disclosed, which regulations are used to promote sustainability within funds, and to which extent are selection criteria applied. Data for this study was gathered through desk research as well as semi-structured interviews with four financial actors all part of a different sector, in order to grasp the entirety of the industry.

Analysing how financial actors handle sustainability is a broad and complex task. Overall, it can be stated that information available to investors is scarce and collecting more is a daunting task. Additionally, regulations are currently only focused on transparency of funds but more sustainability-oriented ones are yet to arrive, and the extent to which financial actors apply selection criteria differs tremendously, which leads to differences in efficiency in regard to dealing with sustainable matters. These findings indicate that more research could be made; and also present concerns in the current approaches toward sustainability within funds.

**Keywords:** Sustainable Funds; Selection Criteria; Regulations; ESG; Belgian financial actors.

# 1 Introduction

Addressing the sustainability of financial products does not only contribute to positive social change, but it is proven that both individuals and businesses can increase their earnings from this. Sustainable investing involves individuals and corporations investing in companies that have a specific interest in the improvement of society or the environment. Financial products meeting these requirements are, among others, the funds. Therefore, encouraged by the current societal and environmental situation, funds manufacturers increased the creation of so-called sustainable funds that group companies with a common interest in a certain area of environmental or societal concerns. Research has clearly established that those sustainable investments are an essential contributor to reducing the damage society is causing to the planet.

The screening process of companies susceptible to be included in sustainable funds has evolved over time (Renneboog, Ter Horst & Zhang, 2008). Numerous studies have investigated the approaches that funds manufacturers use to screen their companies. However, these studies each are based on a different definition of sustainability. This difference in body of theory presents an issue for funds manufacturers which have, therefore, the sole option to also produce self-made definitions and proxies to measure the sustainability of a company.

As a result, the existing research is inadequate for industries to which essential knowledge about sustainable investing is a significant aspect within their business models. Hence, industries in such situations find themselves debilitated in terms of assembling the most efficient sustainable funds.

Given this overall lack of research and conflicting views regarding how to best define sustainability when it comes to the array of companies within one fund, this research aims at providing a situational analysis of how sustainability is being addressed by main Belgian financial institutions. In this vein, the objective of this study is to analyse 1) the availability of information regarding the composition of sustainable funds and any related content, 2) the regulations that affect the choice of actors, and 3) the extent to which selection criteria are currently used by financial actors in the country. Respectively, the following research question will be answered: "*Analysis of selection criteria used by main financial actors to offer sustainable funds. How is sustainability currently addressed?*".

This study aims at contributing to the body of knowledge on sustainable investing by surfacing and evaluating current approaches and techniques for the financial industry in which there is a willingness to create sustainable funds. This will help address the current shortage of research in this area and provide real-world analysis for Belgian funds manufacturers and regulators.

It is worth mentioning that this research, like any other research, has its limitations. The fact that it is based on Belgian financial institutions might prevent the application of the results to a wider range of countries and populations, as Belgium has unique characteristics.

Section 1 introduces the context of the study. The research objectives and questions are identified, and the value of such research argued. The limitations of the study are also discussed. Under Section 2, the existing literature is reviewed to identify key approaches to sustainable investing. Section 3 focuses on the theoretical framework. The adoption of a qualitative, inductive research approach is justified, and the broader research design is discussed, including the limitations. Section 4 analyses the results of the research. Finally, Section 5 aims for a critical discussion on the subject and further steps that the industry can undertake.

## 2 Literature review

While company data on the selection criteria used by main banks when it comes to the composition of their sustainable portfolio exist, scholarly information on the subject is rather limited. Therefore, the literature review of this paper covers this industry from a broader viewpoint and uses the funnel approach, starting from the role of banks towards the specific selection criteria, passing through the sustainability of the banking sector. However, although a great majority of sources remains scientific, the more the specificity of the topic, the less academic information there is available. This is mainly due to the novelty of the studied subject.

The main role of a bank, according to the literature, is crystal clear: to act as a link between financially surplus and deficit, allowing cash to flow from one to the other (Barua, 2020) (Jeucken & Bourna, 2017). As such, banks guarantee that available funds are mobilised and directed toward efficient economic activity, permit fund redistribution, and offer basic financial services (Drigã & Dura, 2014). In other terms, banks conduct a variety of market transactions and ease the utilisation of money (BC Campus, n.d.).

Although the growth potential brought by banks in the economy is unquestionable, it did not prevent the banking sector to face scandals and tarnish its reputation of security and risk control (Cruz Rambaud, Valls Martínez & Parra Oller, 2020). Indeed, the 2008 financial crisis represents the downfalls of the past banking system: financial agents focused exclusively on financial results, at the expense of other factors such as the environment or social aspects (Torre Olmo, Cantero Saiz & Sanfilippo Azofra, 2021).

Sustainable banking is a relatively young notion. However, as the role of banks in today's economy is crucial and although the banking sector is considered self-sufficient, studies claim that banks can have a significant impact in mitigating environmental disasters and should be encouraged to use their position in society and their knowledge to solve Environmental, Social and Governmental (ESG) issues and trigger a strong shift towards a norm of sustainable practices (Barua, 2020). Banks are, indeed, capable of fostering this change despite doing it slowly, thanks to their inner function being significant in the economy (Jeucken & Bouma, 2017). Furthermore, although the impact of sustainable practices in the banking sector is controversial, there has been proof of a correlation between the ESG scores of banks and their stability in financial distress periods: the more a bank has ESG matters included in its core business, the better it will cope in difficult financial situations (Chiaramonte, Dreassi, Girardone & Piserà, 2021).

Moreover, it is relevant to mention the contradictory opinions in the literature. As some sources state that sustainable activities in the banking sector are profitable (e.g., bringing new clients, strengthening already existing ones, intangible competitive advantage) (Torre Olmo, Cantero Saiz & Sanfilippo Azofra, 2021), some others claim the opposite: there has been no sound evidence that their profitability differs from conventional banks and some studies even showed that ethical banks make fewer profits (Cruz Rambaud, Valls Martínez & Parra Oller, 2020). However, because the latter statements have not been thoroughly analysed, and the first ones have been, it is believed that sustainable activities do bring more advantages (Ferrel, Liang & Renneboog, 2016).

The demand for green investing is continuously growing. To answer this demand, fund manufacturers started to propose so-called sustainable funds, where individuals have the possibility to invest solely in companies that are said to be sustainable. Yet, no definition of what a sustainable company is has been found in the literature. However, to still profit from this growing demand, manufacturers base themselves on several criteria: negative screening, positive screening, and active ownership (Nofsinger & Varma, 2014).

Originally, funds manufacturers started the screening of companies by excluding "sin-stocks", when religions were a predominant aspect in society's decision making. This exclusion of sectors or companies is the negative screening, as it aims at removing items (i.e., companies) from a list. On top of this exclusion, some manufacturers use the positive screening which consists of selecting specific companies that meet the chosen requirements (Renneboog, Ter Horst & Zhang, 2008). The last most common selection criteria used by manufacturers is the active ownership (i.e., shareholder engagement). This latter is the most difficult to verify and to legitimate, as it only states that decision making in the executive board will have an emphasis on sustainable or social matters (Dimson, Karakas & Li, 2015).

Although most of the literature points out that banks and fund manufacturers are the main actors in this transition towards green investing, other institutions outside the finance world also play a substantial role. Such is the case of governments and political unions that implemented regulations and principles on the banking sector: SDG, UNEP FI, GRI, UNGC or the Equator Principles (Torre Olmo, Cantero Saiz & Sanfilippo Azofra, 2021). This list is non-exhaustive as more regulations are often being implemented around the world. However, for the purpose of this paper, it is relevant to explain the most conceivable ones.

In 2015, the United Nations adopted the Sustainable Development Goals (SDG) to address global challenges (e.g., reduction of poverty, inequality, climate change or environmental degradation) by 2030. It is in this context that the same institution established the Finance Initiative which is part of the Environment Programme (UNEP FI), that aims to tackle these challenges through increased financial support to social and environmental activities and is based on six principles (Torre Olmo, Cantero Saiz & Sanfilippo Azofra, 2021). Although the UNEP FI includes around 200 banks from 56 countries, these initiatives are, as the name implies, solely voluntary based and are not applicable to the whole industry.

Another key instrument used to tackle environmental issues are the Equator Principles. These voluntary guidelines were adopted by major financial institutions (e.g., Citibank, Barclays) with the objective of funding and advising only significant projects that are environmentally and socially responsible (Equator Principles, 2020). Although these principles were initially implemented in 2003, they are constantly being rephrased following new developments. Therefore, the Equator Principles can be defined as a tool used to attain the SDG. However, once again, these principles are voluntary and cannot be used to define the whole industry but can be considered a push towards the wanted direction.

Hence, needless to emphasise that the voluntary effect of the previously explained guidelines is only limited to the willingness of financial institutions and that change in the banking sector remains slow (Carè, 2018). In this context and to bring the literature towards the geographical position of this paper, the European Union (EU) recently implemented objectives and regulations to strongly encourage industries to improve their environmental footprint.

The EU has been a strong stakeholder in making changes possible in European countries. Similar to the forementioned initiatives, the EU established climate change strategies already back in 1992. However, it is as of 2019, with its new president, Ursula von der Leyen, that the European Commission made the climate change one of its main objectives and developed the European Green Deal[1] (Siddi, 2020).

The increase of financial tools used to tackle climate issues (e.g., green sovereign bonds, sustainable funds) has led to a significant number of diverse classifications regarding a sustainable entity, causing a lack of transparency and comparability. Therefore, but also following the same mentality as in 1992, the EU developed the EU Taxonomy that aims to give a detailed definition of a sustainable activity, facilitating the awareness of financial institutions when it comes to investing. In this regard, the EU's ultimate goal is to reach climate neutrality by 2050 (Schütze & Stede, 2020). Moreover, since 1 January 2022, each financial institution has the obligation towards end-investors to be fully transparent regarding its financial products, whether they are sustainable or not. This is laid down in the Sustainable Finance Disclosure Regulation (SFDR) (Official Journal of the European Union, 2019).

To conclude this literature review, it is believed that the focus on sustainability of sustainable investing is relevant: the current state of the literature and its gaps regarding, among other subjects, the extent to which the selection criteria are to be applied are a clear indicator that studies could be done.

# 3 Data and method(s)

As the subject remains relatively new, the data was collected using an inductive approach. Considering the exploratory aspect, the best approach is that observations derive from the collection of qualitative data. The first part of the data was collected through semi-structured interviews with several strategic actors in the financial industry. The questions, however, remained focused on the selection criteria of sustainable funds and the extent to which these are applied, as well as potential future developments and current regulations. The second part of the data was collected through desk research. The main actors' websites needed to be analysed as the sensitivity of the subject made the collection of detailed data more difficult. This part of the data strengthens what was discovered in the interviews.

[1] Guidelines of the main policies regarding the EU's climate agenda.

The interviews were conducted on a semi-structured basis, using questions formulated in a way that allow detailed answers, but flexibility too. In order to reach the research objectives, the following topics were discussed in each interview: communication of funds' compositions, regulations, selection criteria, insights of company/industry. This type of research tool remains useful for exploratory purposes (George, 2022), which is the case of financial actors' approach toward sustainability. Interviewees were chosen in a non-randomised manner, to represent the industry as a whole despite a lack of respondents, and the data was collected at one point in time. To tackle this issue, the interviewees were selected in specific strategic activities: among NGOs, banks, labelling agencies and in the academic field. Hence, this disparity in actors allows an overall grasp of the situation. It should be noted that all approaches used to connect with interviewees (e.g., social media posts, LinkedIn search, talks after seminars, personal contacts, etc.) resulted in only four institutions agreeing to participate in this study.

The next step in analysing the interviews included coding, categorising, and theming. Several ways of coding were used: in vivo coding, line-by-line coding, and descriptive coding. All these codes are reported in Appendix B, which illustrates the codes and derived codes created based on the interviews' transcriptions. The codes are logically grouped in four different categories, depending on the direction of the questions. The category "Communication" groups all codes that are related to the transparency of funds and how the actors communicate the compositions and any related information to end consumers. The categories "Regulations" and "Selection Criteria" focus respectively on the current regulations that actors have to comply with, and the criteria that these actors use to classify a fund as sustainable. Lastly, the category "Company/industry Insights" relates to all information that is not in the literature but that represents the industry. For clarity purposes in the annex, each category has been given a different colour, see Figure 1 below.

Figure 1: Colour code of categories

| |
|---|
| Communication |
| Regulations |
| Selection Criteria |
| Company/Industry Insights |

Source: personal

Finally, several themes emerged that will be detailed in the section 4 of this thesis.

Using a thematic analysis on this collected data was the most appropriate choice, as discovering patterns is inherent to the exploratory purpose, and other types of analysis do not provide such patterns (e.g., narrative analysis or discourse analysis). However, in this regard, content analysis could be as useful but it requires a truly specific question and goal which, due to the purpose of this thesis, were not included. Through this analysis of data, one can observe the different trends happening in the sustainable finance sector and the big ideas behind selection criteria. This type of analysis allows flexibility and an inductive development of codes (Jansen, 2020).

The thematic analysis does not require the use of only one language (e.g., English and French interviews) and hence, makes the analysis of codes challenging (Barkley, 2021). It is also worth noting that the researcher must remain unbiased, and that subjectivity might distort the data (Javadi & Zarea, 2016). Moreover, other types of limitations include sampling issues, as it remains challenging to attract interviewees, as well as the narrowed focus on Belgium, which might reduce representativeness. Overall, considering that the benefits outweigh the pitfalls, thematic analysis is the most appropriate method. In addition, the coding of data made the research scientifically valid and allows peers to verify that the analysis and the limitations were mitigated to the best degree possible.

In summary, the data required to answer the research question "*Analysis of selection criteria used by main financial actors to offer sustainable funds. How is sustainability currently addressed?*" was collected through several interviews with actors in the financial industry, as well as additional desk research. As this topic is exploratory, the most appropriate analysis method is the thematic analysis, despite some limitations remaining.

# 4 Results

Defining the sustainable aspect of companies and financial products is a challenging task. Hence, this thesis aims at analysing the current situation of how sustainability is being addressed by main Belgian financial institutions. In this regard, the research is focused on information's availability regarding sustainable funds, on the main regulations affecting the institutions, and on the extent to which selection criteria are being utilised. The research aim and research objectives are functions of the research question "*Analysis of selection criteria used by main financial actors to offer sustainable funds. How is sustainability currently addressed?*".

This result section will be divided into several subsections, each representing a theme compiled from the data. It purely demonstrates the research findings; the interpretations are introduced in section 5. The first theme illustrates all discoveries related to the communication of funds' compositions and related information; the second one is focused on regulations that institutions have to comply with; the third theme deals with selection criteria these institutions use to classify a fund as sustainable; the fourth theme represents all findings related to insights of companies and the industry as a whole.

## 4.1 Theme 1 - Communication

Research on funds providers' websites showed that finding the current composition of funds is difficult. The information is not publicly available and if it is, remains pretty vague. Indeed, if investors want to improve their knowledge about the true composition of sustainable funds, but do not wish to invest, they might find themselves in a challenging position. The only choice they have is to fully trust the information available on public Web pages (*Interview 1*).

Data collected through interviews emphasises that the information is challenging to gather. A person willing to invest but also financially illiterate, hereinafter the "lambda investor", has relatively few resources available: funds' prospectus, fact sheets or KIID, which are all documents providing more information related to the funds (Murphy, 2022). Although funds providers are obliged to publish such documents for an increase in transparency, they remain relatively vague and incomprehensible for the lambda investor because of the financial jargon (*Interviews 1 & 2*).

Another tool that interviewees presented is the more advanced financial platforms such as Morningstar or Bloomberg. The downsides of these platforms are that lambda investors are rarely aware of their existence, they are costly, and they use ESG scores that do not represent the ESG aspect of investees but the related ESG risk (*Interviews 1, 2 & 3*). In addition, some platforms rank funds on a scale from 1 to 5 or 1 to 10, 1 being the poorest profile in sustainable aspects (*Interview 3*). Belgian providers publish the composition of their funds once a year, as requested by Belgian law: institutions must publish the whole composition which is reported on the FSMA Website. In this regard, funds providers suggest that lambda investors check it and decide if the sustainable intake is sufficient (*Interview 3*).

In a nutshell, the available information on funds' composition is poor and gathering more is a daunting task as to where, what, and how to find it. Finding the information is counterintuitive. This conclusion concerns both lambda investors and financial literate ones.

### 4.2 Theme 2 - Regulations

As mentioned in section 2 "Literature Review", among the main regulations applied to the sustainable finance industry are the SFDR and the EU Taxonomy. However, at the time of writing, the EU Taxonomy is not fully completed and remains controversial as to which activities to include (e.g., gas and nuclear). The SFDR, focused on transparency of funds, is a source of misconceptions as lambda investors tend to believe that a fund classified in article 8 or 9 is automatically sustainable (*Interview 1*). In addition, the SFDR does not require specific prerequisites to be fulfilled: it currently does not require that a fund must be fully sustainable to be qualified as article 8 or 9 of the SFDR (*Interviews 1, 2 & 3*). However, by the end of 2022, the SFDR will require that a minimum percentage of sustainable investments be disclosed in the prospectus (*Interview 3*).

In this vein, another major controversy about the SFDR is related to whom can classify a fund as article 8 or 9. Funds manufacturers themselves are in charge of classifying their funds, which triggers legitimacy issues. The interviewees disagreed on whether it should or should not remain the case. Some believe those funds manufacturers are the most appropriate to know to which article their funds belong, whereas others are more in favour of a third party managing the whole process of classification.

Although still controversial and unfinished, the EU Taxonomy represents a significant change in the financial industry's regulatory body. It currently requires that funds manufacturers disclose a percentage of alignment of the funds said as sustainable. This somewhat tackles the issue of not knowing the extent to which funds are being screened, but there is no minimum percentage of alignment required (*Interview 4*). Accordingly, current studies show that solely 4-5% of all funds are aligned (*Interview 1*).

The Markets in Financial Instruments Directive (MiFID) ESG, also to be implemented by the end of 2022, is yet another legislative tool imposing more transparency. Focused on the distributors of funds only, it requires them to disclose information about ESG aspects, through the choice of specific Principal Adverse Impacts (PAI) listed in the SFDR. Furthermore, distributors are obliged to ask their consumers their preferences regarding sustainable matters (e.g., which percentage of EU Taxonomy alignment, which percentage of sustainable investments) and to make them aware of the negative impacts of each fund. Distributors will, following their consumers' preferences, elect several PAIs out of a list of 64. Also, distributors are charged to promote PAIs corresponding to their funds, which must be disclosed in the prospectus. Lastly, they must publish the true ESG profile of each fund in their annual report, as well as their policies regarding sustainability (*Interview 3*). Further research is worth to be made, but it would be out of the scope of this thesis.

To summarise, the major regulations applied on sustainable funds group the SFDR, the EU Taxonomy and, by the end of the year, the MiFID ESG. Although the future seems to differ, current regulations are solely focused on the transparency of funds and aim at improving the awareness of the end consumer.

### 4.3 Theme 3 – Selection Criteria

Several methods exist, which the financial industry has implemented to screen companies. The main ones remain negative screening, positive screening, and shareholder engagement. Although these are all utilised throughout the industry, there is no such obligation to use them all together to classify a fund as sustainable.

Among major funds distributors and manufacturers, the main selection criterion used is negative screening. However, the extent to which screening is applied differs tremendously: some exclude several industries (e.g., weapons, fossil energy, etc.), while others decide to weigh the companies and invest accordingly (i.e., normative screening). Others again decide to take a hybrid approach and exclude some industries, but weigh others judged as less problematic but still controversial (e.g., palm oil, soil, mining).

Following the negative screening, some institutions use the positive screening. After excluding companies, they rank the leftovers based on their overall performance in their respective fields (i.e., best-in-class method) and decide to invest in only the top ones. A normative screening can also occur among these leftovers. Lastly, the shareholder engagement criterion is the most controversial as there is no way of observing its effects and is, hence, impossible to analyse.

Therefore, the lack of conformity has as a result that financial actors individually adapt the SFDR sustainability definition and decide to which extent they would apply it. Data shows that the criteria themselves are not being questioned but actors are dubitative regarding the extent to which they are applied.

### 4.4 Theme 4 – Company/Industry Insights

Insights of companies and the industry overall are the key elements that were researched in this study. This theme complements the others as it gives a final touch to the understanding of the situation regarding sustainable funds and contributes to the research question.

Despite the characteristics shared among the industry (i.e., regulations, criteria, etc.), actors within it are not much alike. The main categories of actors in the sustainable funds' sector are banks, fund manufacturers (which can be a segment of banks), label agencies and NGOs. The latter are usually unique in each country, and even nationalised in some, as their main purpose is to verify the sustainable aspects of distributed funds. In this vein, these non-profit companies make use of the same criteria but in a much more advanced and stricter manner. Their work shows that nine funds out of ten are violating fundamental rights in some way. In addition, they point out that a part of deposits that banks invest in stock markets is completely opaque and remains impossible to analyse (*Interview 1*).

Furthermore, funds distributors studied in the interviews (i.e., banks without a personal funds manufacturing segment) tend to rely much more on external partners to legitimate the sustainability of their funds, whether it concerns the screening of investees, the most appropriate screening method to use or the management of funds as a whole (*Interview 3*). In addition, the main label agency in Belgium is focused on the transparency of methods used to classify a fund as sustainable, and not on the truly sustainable aspect of the funds. Major reasons for this omission are said to be that the composition of funds changes frequently and analysing the investees is time-consuming, whereas the policies of funds manufacturers do normally not vary. Also, the only "punishment" for not respecting sustainable criteria anymore is the removal of the label (*Interview 4*).

Lastly, data showed that the lack of guidance of public institutions (e.g., the EU) triggered financial actors to improvise how to tackle sustainable matters (*Interviews 2 & 3*). Moreover, although they share a common definition of what a sustainable activity is, the extent to which they apply the selection criteria remains individual which leads to different ways, and hence efficiency, of approaching the problem. However, including a third party responsible for stamping the funds or companies judged as sustainable is still a controversial matter.

To summarise this section, there are several key takeaways collected from the data that are worth emphasising. Gathering detailed information about funds classified as sustainable is a challenge; the information available to lambda investors remains poor. Moreover, changes in regulation body are yet to come. Currently, the regulation body is solely focused on transparency without encouraging sustainable actions. Finally, a mix of unprecise selection criteria and lack of guidance results in own approach to sustainability.

# 5 Discussion

This thesis aims at depicting the situation of sustainable funds offered by main financial actors in Belgium, by analysing three significant aspects: the general availability of information, the main regulations affecting actors, and the extent to which selection criteria are applied. Overall, this study focuses on the research question "*Analysis of selection criteria used by main financial actors to offer sustainable funds. How is sustainability currently addressed?*". After describing the obtained results in an objective manner in the previous section, this section concentrates on the interpretation of the data and intends to evaluate it according to the abovementioned research question.

Data shows that collecting detailed information regarding the composition of funds is difficult, whether it concerns lambda investors or financially literate ones. Moreover, the liberty financial actors have regarding the extent to which they use selection criteria causes sustainable matters to be handled in various ways, leading to different efficiency levels. Regulations, however, tend to be more forward-looking, as future ones will impose minimum percentages related to sustainable activities. However, actors remain doubtful of the clarity of regulations. For instance, deadlines differ from one actor to another and hence, as cooperation among them is inherent to their businesses, it leads to difficulties in adjusting to changes (*Interview 3*).

It should be noted that the exploratory aspect of this thesis made a somehow comparison with current literature impossible. The literature review showed that, indeed, there are only a few scientifically backed-up papers regarding how sustainability is addressed by financial actors. The collected data emphasises what was found in the literature regarding which selection criteria are used, for instance. However, the content of this work can only improve the current state of literature by pointing out the current situation in a more detailed manner. This subject is broad and complex and deserves more extensive research if one wants to grasp the entire aspect.

Furthermore, the whole sustainable finance field entails many more topics which precedented the subject of this thesis and link everything together. These topics include, among others, reflections on the role of individuals in investing in sustainable funds: research indicates that investors are willing to invest in sustainable funds but only to a certain extent. The Sustainable Finance course taught at KULeuven describes that once investors invested in sustainable products, some do not wish to invest further. There is in each and every person a trade-off between profits and altruism and this trade-off differs from person to person, leading to different types of investors and companies (D'Espallier, 2021). In this regard, the fact that society only focuses on funds' manufacturers or distributors as the ones who must change is a topic that deserves more research (*Interview 2*). However, it is worth noting that the sustainable funds sector is currently not pricing the externalities, as the banking industry overall is not considered the direct impactor.

In addition, data indicates that the expectation of sustainable funds is to group companies with a direct impact on ESG matters (*Interview 2*). However, focusing on influential companies (e.g. Shell) willing to transit towards greener practices might be more impactful and might allow more profits for the investors. This topic has relevance for further research, as using negative screening as described in Section 3 excludes such companies and one can wonder if this is the best approach. This is a current controversy in the industry: two finance experts debated this topic during the Finance Avenue organised by L'Echo on 20 November 2021, for instance.

This thesis has tried to bring light to the current situation of sustainable funds in Belgium. However, one of the limitations is the difficulty of gathering interviewees. If it were not for personal contacts, there would not have been any interviews at all. Even so, only a few agreed to participate in this study, which questions its reliability. Several hypotheses can be drawn from this: the information is too sensible and actors risk sharing it, the period was the busiest one and actors had no time, there is simply no willingness to help, etc. It is also worth noting that the sustainable funds' scene in regard to main financial actors in Belgium is quite limited. Hence, this thesis is non-exhaustive and serves as an introduction to more advanced research.

Moreover, the whole sustainable funds sector remains controversial. Data indicates that there are oppositions among financial actors, which lead to difficulties in finding a proper solution. These oppositions concern, for instance, the implementation of a supreme authority stating which company or fund is sustainable. Therefore, the purpose of this research is purely exploratory and does not expect to find the most appropriate solution.

Another current concern in this field is the pressure climate change puts on the population. Economists, hence, are researching whether ESG remains the most appropriate indicator to look at to tackle environmental problems. The Economist (2022) states that the population should therefore focus solely on the E (i.e. environment), as this aspect is judged the most urgent.

To summarise, considering the exploratory aspect of this thesis, it is crystal clear that further research could be made, also on related topics. This thesis emphasised the lack of constraints regarding the extent to which selection criteria must be applied, that regulations are yet to be improved, and that overall information is challenging to gather. More extensive research could be made on subjects such as the role of the investor on the sustainable scene, how to price externalities in the banking industry, or the most appropriate application of selection criteria. This list is non-exhaustive and indicates areas that have not been researched by the author. Lastly, it is worth stating that this subject is of utmost importance in the finance industry, as, already at the moment of writing, several financial actors and development economists reached out for more information about the findings of this thesis.

# 6 Conclusion

This thesis aims at analysing the current situation regarding sustainable funds implemented by main financial actors in Belgium. In this vein, it focuses on answering the research question "*Analysis of selection criteria used by main financial actors to offer sustainable funds. How is sustainability currently addressed*" through several research aims and objectives, such as the availability of information, how regulations affect financial actors, and the extent to which selection criteria are applied. This section briefly mentions the key findings, the contribution, the limitations, and recommendations for future research based on this thesis.

Overall, the research aims and objectives are answered as follows: 1) the information regarding funds is challenging to gather whether one is a lambda investor or a financial literate one; 2) regulations are focused on transparency of funds but stricter ones imposing minimum percentages if a fund is classified as sustainable will be implemented by the end of 2022; and 3) the extent to which actors use selection criteria varies fully from one to another which leads to different efficiencies in regard to tackling sustainable matters. These findings contribute to the current state of literature as there is only little if any, research made on the situation in Belgium.

Nevertheless, the lack of data limits the conclusions of this thesis: finding financial actors willing to be interviewed is challenging, whether it is due to their willingness or the limited number of actors available. Moreover, access to relevant information is difficult, as what can be found online is vague and incomplete. Lastly, the fact that this thesis is solely based on Belgium questions its representativeness abroad.

As the objective of this thesis is purely exploratory, it can open ways for relevant further research. To name a few examples: the role that investors play in sustainable investing, or how to best utilise screening methods. Overall, this thesis and all related research led to contributing to a current hot topic: "*How and where can not only the population but also institutions invest in order to tackle sustainable matters*", which at the sight of this thesis' limitations, would require long and constant research.

This study has shed light on some issues regarding the approaches main Belgian financial actors have toward sustainability within their funds.

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## ***Appendix A: Interview transcriptions***

**Transcript of interview 1**
**Interviewee:** Charlaine Provost – Project Manager at Financité
**Interviewer:** Gaëtan De Vos
**Date and time:** 30.03.2022, 5pm.
**Location:** Online

**Gaëtan De Vos :**
Bonjour. Pourriez-vous vous présenter brièvement ?
**Charlaine Provost :**
Je m'appelle Charlaine Provost, mon parcours a été de faire une école de commerce avec une spécialisation en finance. J'ai démarré ma carrière professionnelle dans une institution financière qui émettait sur le marché des fonds socialement responsables. J'avais donc la charge de choisir les entreprises que l'on jugeait comme socialement responsable. J'y ai travaillé durant six ans pour ensuite être recruté par Financité pour travailler, encore une fois, sur l'investissement socialement responsable. C'est donc un de mes sujets phares chez Financité mais je travaille aussi sur la finance solidaire et je suis directrice d'une coopérative de financement d'économie sociale.
**Gaëtan De Vos :**
Merci beaucoup. D'après mes recherches, c'est très difficile de savoir la composition d'un fond durable, que nous soyons investisseurs ou non. Pourriez-vous développer plus ce phénomène ?
**Charlaine Provost :**
Premièrement, concernant les critères de sélection et les méthodologies utilisées, il y a une nouvelle réglementation qui est entrée en vigueur : SFDR, Sustainable Financial Discolure Regulations. A ce sujet, les fonds qui prétendent intégrer des critères autres que des critères financiers, classifiés par l'article 8 (aborder ESG) ou l'article 9 (objectifs d'IR plus solide). L'obligation que ces fonds a est surtout de transparence sur ce qu'ils font. Elle se matérialise dans différents outils de communication mais le principal outil où trouver quelque chose est le prospectus du fond. Cela reste tout de même léger mais c'est à cet endroit que nous trouvons des explications concernant un possible filtre négatif, quels thèmes sont abordés. Les seuils ne sont parfois pas très explicites mais certains prospectus renvoient à une politique d'exclusion qui est plus détaillée. On trouve aussi dedans, une fois le filtre négatif appliqué et qu'une sélection positive a été faite (ne sélectionner que certaines parmi les entreprises restantes), les thématiques sont aussi juste énoncées et les seuils ne sont pas communiqués. Avoir plus de détails là-dessus reste généralement rare. Toutefois, sur une politique d'exclusion, il y a maintenant plus de transparence. Le travail du label Towards Sustainability, qui a justement ces critères d'exclusion, a harmonisé certaines pratiques. Par contre, la sélection des actifs concernant la sélection positive reste un flou. En termes de composition des fonds, il y a différents outils de communication : KIID et fact sheets dans lesquels nous pouvons trouver les top 10 positions. Par contre, pour les OPC il y a une obligation belge de communiquer la composition entière du portefeuille deux fois par an. Toutefois, lorsque le document n'est publié que trois mois après la date d'inventaire. C'est surtout pour des raisons de concurrence qu'ils ne donnent accès à ces documents que plusieurs mois après. Certains fonds ont des meilleures pratiques : ils communiquent régulièrement. La composition des fonds de gestion passive est plus facilement trouvable car c'est stratégiquement moins important vu la gestion passive. Voilà ce que je peux dire concernant la transparence des portefeuilles.

**Gaëtan De Vos :**
Merci. Pourriez-vous développer le label Towards Sustainability ?
**Charlaine Provost :**
Ce label a été initié par BelFin, en 2018-2019. Vous pouvez trouver plus d'information dans le rapport sur l'investissement socialement responsable mais ce label avait pour ambition de faire le ménage sur les marchés car il y avait vraiment de tout et n'importe quoi concernant les fonds durables. C'est un label fort attaché à la transparence mais aussi aux critères d'exclusion qui soient étendus et transparents concernant leurs seuils. En termes de critères de sélection positive, il demande qu'il y ait une stratégie explicitement énoncée. Toutefois, il ne dit pas labelliser que si une stratégie X ou Y est appliquée. Ce label est fort critiqué par Financité car il provient du secteur financier : il y a une question de légitimité. Il y a encore des seuils trop laxistes. Toutefois, la version européenne de ce label est meilleure. Pour le coup, contrairement à certains autres labels (i.e., ISR en France), il y a des critères : les moyens mis-en-œuvre. Mais à aucun moment ce label n'est octroyé que s'il exclut tel ou tel secteur. Ceci explique pourquoi le label Towards Sustainability a été perçu comme stricte par rapport aux autres secteurs financiers des autres pays. Ce label indique la direction vers la durabilité et non la durabilité telle quelle. Chez Financité, on analyse la composition des portefeuilles par rapport à des listes noires élaborées en interne. Par rapport au marché, il y a 9 fonds sur 10 qui violent les droits fondamentaux et on se demandait si Towards Sustainability s'il fait mieux. La réponse est non, et c'est la même chose pour toutes les listes noires : il n'y a aucune différence entre le marché ISR et ceux labellisés Towards Sustainability.
**Gaëtan De Vos :**
Concentrez-vous vos efforts sur les portefeuilles distincts et non sur le comportement d'une banque en générale ? Par exemple, une banque X peut n'émettre que des fonds verts tandis qu'une autre pas.
**Charlaine Provost :**
Non. Nous analysons deux types de produits : des fonds d'investissements (certains élaborés par des gestionnaires d'actifs sans avoir d'activité bancaire et certains le sont - Belfius a sa filiale de gestion d'actifs). La deuxième catégorie de produits que nous analysons sont les comptes bancaires. Ceci est l'activité principale des banques : collecter de l'argent via les comptes et d'ensuite octroyer des crédits par derrière. Pour le moment, nous n'avons identifié que très peu de banques qui font de l'ISR. Seules Triodos, VDK et New-B. Pour les autres, leurs politiques d'exclusion sont trop légère que pour être considérées. Une autre activité que Financité n'étudie pas sont les investissements en compte propres réalisés par les banques. Lorsque l'argent est déposé sur un compte bancaire, tout ne va pas être octroyé sous forme de crédit. Il y a une partie appelée ALM qui est une partie que la banque investie elle-même sur les marchés financiers. Ce type d'information est entièrement opaque.
**Gaëtan De Vos :**
Il est très difficile de trouver de l'information concernant la composition des fonds. Auriez-vous de quelconques idées ?
**Charlaine Provost :**
Il y a un moyen de trouver ce genre d'information mais pas de manière super précise : le site de la FSMA. Il y a un endroit où vous pouvez trouver la liste des OPC de droits belges. Dans ce cas-là, vous allez pouvoir faire une recherche car souvent, lors des fonds durables, ils appellent cela « green », « vert », etc. Dans nos rapports ISR, nous expliquons cette méthodologie car c'est ce que nous utilisions avant. Autrement, vous pouvez regarder directement sur le site de Financité en cherchant par promoteur qui vous intéresse, vous trouverez la liste de tous ceux que nous avons analysés.

**Gaëtan De Vos :**
Merci beaucoup. Connaitriez-vous d'autres entreprises « concurrentes » de Financité ?
**Charlaine Provost :**
Oui, nous avons des cousins français : Novethic. Ils font une analyse du marché très fine des fonds ISR. Concernant les autres pays, nous n'avons pas vraiment de contacts. Sinon en Belgique, il y a aussi l'étude MIRA, par la Vlerick et EtiBel.
**Gaëtan De Vos :**
Que pouvez-vous me dire concernant les critères spécifiques des banques ?
**Charlaine Provost :**
Il y a deux grandes catégories de critères d'exclusion. La première catégorie est l'exclusion sectorielle, qui vient de l'origine de la finance socialement responsable qui est religieuse. Retirer des fonds les « sin stocks », ceux qui sont donc liés aux jeux de hasard, la pornographie, l'alcool, les armes, etc. Le ISR vient vraiment de là et c'est pour ça que dans beaucoup de méthodologies nous excluons les jeux de hasard et l'alcool. Des choses qui ne sont plus pertinentes. Cela avait un sens culturel très fort à l'époque. Cette exclusion est liée à l'exclusion environnementale : l'exclusion du secteur du charbon et peu à peu celui des énergies fossiles. Quoi que, concernant le charbon il y a un consensus mondial sur le fait qu'il faut quitter définitivement ce type d'énergie. Il y a donc énormément de fonds qui n'ont pas froid aux yeux et qui le retirent. Toutefois, l'énergie fossile est encore fort controversée et tant qu'il n'y a pas de traité international interdisant l'usage de ces énergies, tout le monde dira que nous en avons encore besoin. Nous sommes encore loin de retirer ces énergies même si c'est LA recommandation phare du GIEC. La deuxième catégorie est l'exclusion est basée sur le comportement des entreprises, quel que soit leur secteur. Les fonds suivent le UN Global Compact, qui reprend une dizaine de principes regroupés selon les droits humains, les droits du travail, les droits humains et la gouvernance. Grosso modo, il faut respecter des standards internationaux de base. Par exemple, elles n'ont pas le droit d'investir dans des entreprises qui vont user du travail forcé, des enfants, etc. Des grands principes retrouvés souvent dans les conventions internationales. Cela c'est le deuxième cadre qui est aussi appelé cadre normatif car ils font appel aux normes internationales.
**Gaëtan De Vos :**
Il n'y aurait donc que les critères d'exclusion que les banques prennent en compte ?
**Charlaine Provost :**
Non, cela n'est que la première couche et c'est ce qui est utilisé en premier. Un fond retire d'abord ces entreprises et continue sur les restantes. Il y a ensuite les critères positifs : le fond veut favoriser/n'investir que dans certains types d'entreprise. Parmi ceux-ci, il y a les critères thématiques (lié à l'eau, énergies renouvelables, etc.) où ils n'investissent que dans les entreprises qui ont des revenus importants liés à ces thématiques. Ensuite, certains fonds utilisent le « best in class ». Ils sont diversifiés sectoriellement et regardent dans chaque secteur pour classer les entreprises selon les critères E (émissions de CO2, consommation d'eau, volume de déchets générés chaque année) S (nombre d'heures de formation, turnover, fournisseurs durables) G (indépendance des administrateurs, représentativité des femmes). Ce sont des aspects qui existent depuis très longtemps. Cette façon amène une grande diversité de pratiques car certains prennent les 20% les meilleurs, d'autres les 40% et certains même les 80%. Mais autant dire que le niveau de sévérité est très léger. Finalement, il y a les fonds qui se disent « intégrer ESG ». Ces fonds sont n'importe quoi car, très facilement qualifiable d'article 8, ils vont prendre des critères ESG au niveau d'exclusion mais parfois aussi de sélection positive. Après avoir analysé tous les fonds et sélectionner ceux qui sont à exclure, ils vont tous les garder et simplement pondérer en fonction. Donc finalement, ils investissent

dans tous. Cette stratégie est beaucoup moins restrictive et qui a beaucoup moins cet ADN de désinvestissement. Ensuite il y a cette stratégie un peu parallèle à toutes de l'engagement actuarielle : il y a une politique de vote au niveau de l'assemblée générale concernant les entreprises dans lesquelles ils investissent. Certaines seront plutôt dans le dialogue, ils n'excluent pas mais utilisent un dialogue constructif et lors d'un problème, ils poussent le management. Toutefois, ces techniques sont improuvables. Il y en a énormément qui disent que c'est leur stratégie mais les rapports ne montrent rien.

**Gaëtan De Vos :**

Merci beaucoup. Dernière question : comment voyez-vous le futur de la finance durable, des labels, des règlementations, etc. ?

**Charlaine Provost :**

Il y a vraiment depuis deux ans, depuis que la UE a développé son plan d'action pour la finance durable, on voit qu'il y a énormément de choses qui sont en train d'avancer au niveau de la transparence. Le problème est que les gens pensent que l'article 8 et 9 veulent directement dire fond durable alors que non, c'est juste lié à la transparence des fonds. Au niveau de la taxonomie, la pierre angulaire de la finance durable, qui est fort controversée par rapport à l'inclusion du gaz et au nucléaire. Même si fort controversée, cette taxonomie va permettre de montrer à quel niveau les fonds durables sont alignés avec cette taxonomie. Un fond avec article 8 ou 9 va devoir démontrer à quel niveau il est aligné avec la taxonomie. Les premières études sorties ont estimé que les meilleurs fonds étaient en moyenne aligné à 4 ou 5%. Il n'y a donc que 4 ou 5% des investissements qui correspondent réellement à des choses vertes. Je pense que cela va vraiment donner l'heure sur ce qu'est la finance durable. Ce dont nous avons vraiment besoin est un label Européen, qui est en cours de développement. Il y aura certainement des objectifs d'avoir un alignement de minimum 40-50%. Ceci promet d'être plus sérieux.

**Gaëtan De Vos :**

La taxonomie n'a pas déjà été mise en place ?

**Charlaine Provost :**

Non, elle est entrée en vigueur l'année passée. La première mouture est entrée en vigueur mais la question du gaz et du nucléaire n'a pas été tranchée l'année passée mais bien le 31/12/2021, dans une proposition de la Commission Européenne qui s'est traduite dans un acte délégué le 02/02/2022. Elle est encore en cours d'élaboration car, pour qu'une activité soit dite de verte doit répondre à au moins un des six objectifs sans nuire aux cinq autres sauf qu'à l'heure actuelle, les activités ne sont compatibles qu'avec les deux premiers : l'atténuation du changement climatique et l'adaptation au changement climatique. Il y a la liste des activités OK ou pas OK. Mais les autres objectifs en lien avec l'économie circulaire, les activités ne sont pas encore décrites. Nous sommes dans une phase de transition. Un point important est que lorsqu'on regarde sur le marché européen, le nombre de fond dits article 9 ont un objectif d'investissement durable (mais pas forcément vert), représente 3 ou 4% sur le marché. Il y a donc très peu de fonds positionnés sur le marché. On ne sait pas si c'est rassurant ou inquiétant vu qu'il n'y a que peu d'acteurs qui se risquent à faire des investissements durables.

**Gaëtan De Vos :**

Merci beaucoup.

**Transcript of interview 2**

**Interviewee:** François-Xavier Ledru – Ph. D. Candidate (impact investment) and teaching assistant in finance at UNamur and Solvay

**Interviewer:** Gaëtan De Vos
**Date and time:** 15.04.2022, 4pm.
**Location:** Online

**Gaëtan De Vos :**
Bonjour. Pourriez-vous vous présenter brièvement ?
**François-Xavier Ledru :**
Je travaille maintenant à l'université de Namur et à l'université de Bruxelles, à Solvay depuis un peu plus de cinq ans. J'ai commencé ma thèse il y a cinq ans et, si tout va bien, je la termine l'an prochain. Cela prendra six ans au total. Je ne fais pas que de la recherche. A côté je donne aussi cours du soir à l'université de Namur. Je donne cours sur tout ce qui touche à l'économétrie et à la supervision du mémoire. J'ai une formation en gestion avec une spécialisation en finance, j'ai vraiment été dans toutes les options financières. Ma thèse porte sur la finance durable, avec un côté assez financier. Le thème de la finance durable m'a fortement intéressé il y a cinq-six ans. J'ai fait mon mémoire sur les investissements à impacts et puis j'ai commencé ma thèse là-dessus. Après, il y a cinq ans, la littérature était vide. Il n'y avait qu'un seul article qui devait avoir été publié. J'ai donc dû élargir le spectre de mes connaissances en finance durable, en allant aussi vers tout ce qui est investissements socialement responsables, ESG, microfinance. J'ai deux gros sujets sur lesquels je travaille : performance financière des investissements à impacts (est-ce que la performance financière de ce type d'investissements est différente des autres types d'investissements durables et des marchés traditionnels) ainsi que le comportement des investisseurs (facteurs qui font que certaines personnes investissent dans les banques sociales -NewB, Triodos-). Voilà les thématiques que je traite.
**Gaëtan De Vos :**
Pourrions-nous discuter de la composition des fonds durables ? Si un investisseur veut investir dans un fond dit comme durable, il se rend vite compte qu'il est difficile d'accéder à des informations détaillées. Que pouvez-vous dire de cette thématique ?
**François-Xavier Ledru :**
Alors je n'ai jamais écrit de papier sur les exclusions ou le processus de sélection mais je l'ai investigué sur le côté afin de nourrir la réflexion. C'est sûr que s'en tenir au KIID est inutile si on veut vraiment connaitre la composition des fonds et les processus de sélection. Au final, le KIID ne reste qu'un document d'information destiné au grand public : il doit rester accessible au maximum de personnes, même si en réalité il n'est pas tant accessible que ça. Ce qui est possible de faire est de, si tu as accès à des plateformes comme Bloomberg ou Data Stream, cela peut être de bons outils pour avoir accès à la composition des fonds. Évidemment, ce sont des plateformes payantes mais souvent les universités ont accès à ce genre de plateformes et là tu peux, pour l'écrasante majorité des fonds dans le monde, collecter une myriade d'information, y compris la composition actuelle des fonds. Alors, une autre source intéressante pour creuser dans la manière dont les fonds sélectionnent les entreprises est d'aller dans les prospectus des fonds. Ces prospectus sont parfois entre 60 et 400 pages donc le but n'est pas de tout lire. Dans ces prospectus, tu as des sections telles que « politiques d'investissements durables » où tu vas retrouver beaucoup plus de détails. Après, ce n'est toujours pas suffisant car il y a quelques imprécisions ou des choses pas super claires. Soit il n'y a pas moyen d'aller plus loin, soit il peut rediriger vers d'autres documents comme les analyses d'impact ou une liste plus détaillée des critères. Pour moi, si un de tes objectifs est de creuser la procédure de sélection, je commencerais par le prospectus.
**Gaëtan De Vos :**

Comment est-ce qu'un investisseur quelconque pourrait savoir cette information ?
**François-Xavier Ledru :**
Cela devient très compliqué. Je pense que cela dépend de l'individu. Je m'avance mais entre un individu avec 100 EUR à investir et un autre qui à 250.000 EUR, je pense que l'accès à l'information n'est pas le même. A mon avis, ce sera plus facile pour un individu pesant 250.000 de demander le listing. En revanche, c'est un avis personnel et je n'ai aucune preuve scientifique. Il est parfois possible, même souvent, de consulter ces compositions sur des sites tels que Morningstar ou autres. Parfois même sur le site des fonds aussi. La difficulté est que les sites Web sont complexes et cela reste dur de trouver l'endroit où ils ont été mettre cela, mais j'ai déjà trouvé des compositions de fonds sur des sites Internet des banques donc vraiment à accès tout public. Il faut quand même effectuer ses recherches, il faut s'y connaitre un peu. C'est sûr que la personne lambda qui ne connait absolument rien à la finance ne sait pas où aller chercher, est-ce qu'elle pourrait trouver l'information ? Je pense que oui. Est-ce qu'elle va savoir trouver l'information ? Cela va être très compliqué. Une question à poser est est-ce que c'est souhaitable que les gens aient facilement accès au contenu, dans la mesure où on peut commencer à douter de l'aspect réellement durable des fonds. Ce qui est intéressant est de lire dans le prospectus, le processus de sélection et puis de comparer avec la liste des actifs. Là on peut vraiment se poser la question : où est-ce qu'on se situe vraiment ?
**Gaëtan De Vos :**
Vous ne trouvez pas cela déroutant que les banques ne rendent pas cela plus intuitif ? Investissant moi-même, je me suis vite rendu compte que sans background financier, je n'y comprendrais rien.
**François-Xavier Ledru :**
Même chez une banque dite durable, telle que Triodos, la composition du fond ne reste pas intuitive. Mais je pense que le problème est plus complexe. Il y a déjà des articles dans la littérature qui ont démontré qu'effectivement, il y avait parfois une volonté des institutions financières de complexifier à outrance. Je ne sais plus exactement pourquoi mais c'est quelque chose qui a déjà été démontré. Après, une erreur que moi j'ai fait au début est de penser que tous les citoyens disant vouloir investir durablement, veulent vraiment investir durablement. Et que, par conséquent, la faute se trouve du côté des banques. Alors c'est effectivement plus opaque du côté des banques mais en réalité, il y a déjà des études qui ont démontrées que les gens avaient une notion très personnelle du durable. Par exemple, dans le vrai durable, il y a un trade-off entre le rendement et le rendement social. Quand on entre dans un vrai fond d'impact investing, généralement, il y a un trade-off. Le simple fait que la société se concentre sur deux objectifs fait qu'à un moment donné, si elle veut maximiser le profit d'une manière non éthique, elle ne pourra pas le faire. Par la force des choses, il y a ce trade-off. Une partie des gens est prête à accepter ce trade-off mais jusqu'à un certain stade. Il y a une étude en cours de publication qui montre que les gens sont prêts à accepter un sacrifice financier pour passer du non durable au durable, mais qu'une fois dans le durable, ils ne sont pas nécessairement prêts à accepter un plus grand sacrifice pour avoir plus de durable. Donc, il faut déjà commencer par regarder du côté des consommateurs, ce qu'ils souhaitent vraiment et où ils sont prêts à aller car sauver le monde, tout le monde est prêt à le faire. Le problème est qu'il y a toujours un coût pour faire cela. Je pense que ça vaut la peine de creuser ça, notamment à la vue des moyens financiers. Quand on voit aujourd'hui l'inflation et tout ce qui touche à l'évolution de notre économie, il est évident que les gens n'ayant pas un revenu élevé et devant bâtir un capital pour leur avenir, même s'ils veulent investir durablement, si cela leur offre un rendement moindre, est-ce qu'ils pourront vraiment se le permettre ? Il y a des nuances du côté des banques mais du côté des consommateurs aussi. Après, un autre point à prendre en compte est que les banques doivent mettre sur pieds des énormes fonds

d'investissement. Ils doivent être destinés à des centaines de millier de personnes, qui veulent toutes acheter et vendre très rapidement, qui veulent des fonds diversifiés, qui veulent du rendement, qui veulent une prise de risque limitée et donc, pour pouvoir mettre sur pieds de tels fonds et matcher les souhaits des consommateurs, on ne peut pas aller chercher des petites entreprises opérant dans des milieux reculés et qui, pour le coup, aident vraiment à résoudre des problèmes mais qui ne feraient jamais l'affaire dans les fonds recherchés par les institutions. C'est un peu débridé mais je pense que nous ne sommes pas simplement dans une dualité, c'est plus complexe. Il y a des enjeux de liquidité, de rendement, de diversification, de souhaits des consommateurs, jusqu'où ils sont prêts à aller et c'est tout cela qui, au final, fait émerger la situation telle qu'elle est maintenant. Une question à se poser serait : « est-ce que tant de gens sont prêts à se mettre dans des fonds durables ? Il y a aussi des gens qui investissent dans le durable juste pour dire qu'ils y investissent mais leur investissement représente 2% du total. Je n'ai pas de réponse définitive à ta question mais je pense qu'il y a beaucoup d'éléments qu'il faut prendre en compte pour la compréhension. De la même manière, la transparence des banques ne concerne pas que le durable. En 2008, lorsqu'elles vendaient des subprimes à des gens qui n'y connaissaient rien, il n'y avait pas non plus beaucoup de transparence. Est-ce vraiment lié au durable où à l'industrie financière dans son ensemble ? Y aurait-elle à gagner si les gens ne comprennent pas le fond de l'histoire ?

**Gaëtan De Vos :**

Toutes ces questions sont vraiment intéressantes. Pour revenir sur le sujet du mémoire, que savez-vous me dire sur les critères que les banques appliquent ?

**François-Xavier Ledru :**

De manière générale, il y a trois grands types de critères : le negative screening, le positive screening et l'engagement actionnariat. Le negative screening est le fait d'exclure, certaines banques et sociétés de gestion vont exclure des pans entiers de l'industrie. Des exemples classiques sont le nucléaire, les armes à feux, etc. En plus de cela ou à la place de cela, certaines vont exclure des entreprises sur base de critères. Par exemple, toute société qui, dans X ou Y type d'activité, a un pourcentage Z de son chiffre d'affaires sera exclue. Évidemment, cela reste donc au cas par cas. Il faut vraiment aller relire dans les prospectus car le critère d'exclusion peut être utilisé à toutes les sauces. Cela dépend des critères précis que le fonds d'investissement a choisi. Est-ce des secteurs complets, est-ce seulement si l'engagement est supérieur à un certain seuil ? Certaines excluent les entreprises n'étant pas signataire d'une certaine charte, telle que United Nations Principles for Responsible Investments. Cela est indépendant du secteur : tu as signé ou pas. Il y a pleins de possibilités en matière d'exclusion. Après cela, le positive screening est la manière classique. Soit on va créer nous-même construire un score ESG qui sera appliqué aux entreprises, soit on l'achète (MSCI mais majorité de fonds le font en interne). Puis, sur base de ce score, par industrie, les entreprises sont classées et seul le top X% est sélectionné. Il y a pas mal de questions qui peuvent émerger. Comment sont construits ces scores ? Dans le cas de MSCI, c'est encore assez simple mais concernant les scores maison, c'est plus compliqué. C'est difficile de trouver la méthodologie exacte qui a été employée par le fonds. Mais dans tous les cas, ils expliquent prendre que les top X% ou de retirer celles n'ayant pas un score suffisant. Certaines entreprises combinent cela avec le negative screening : elles virent une série de boites et parmi ces boites, faire le classement. Certains fonds ne font que de l'exclusion, d'autres que de la sélection positive. Le fait de prendre le top X% est le best-in-class. Il y a aussi pas mal de fonds qui font de l'engagement actionnarial. Une fois avoir déterminé par une certaine méthode les entreprises du portefeuille, on va, au moyen du vote, assemblée générale ou dialogue avec le management, essayer de faire avancer telle ou telle cause. Je soupçonne que cela dépend du poids que tu pèses dans le total de l'actionnariat, ou de ta renommée. En tout cas, pour avoir lu une dizaine de prospectus, ce sont les trois grands critères.

**Gaëtan De Vos :**

Concernant l'engagement actionnarial, pensez-vous que ce soit réellement valable comme critère ou est-ce plus greenwashing ?

**François-Xavier Ledru :**

Ce qu'ils font précisément, je n'en sais rien. Peut-être en allant lire dans les rapports de gestion. Le contenu est vraiment opaque, je ne sais pas dire si c'est du greenwashing ou pas. Par contre, sur le principe, j'étais très dubitatif. Je pensais que pour changer le monde, il fallait des boites qui étaient faites pour changer le monde. En réalité, au final, les boites étaient « non durables » représentent dans les 95% de l'univers des entreprises. Donc, la seule manière de changer le monde n'est que de financer des boites durables, on n'y est pas arrivé. Il y a pas mal de personnes dans le secteur privé qui considèrent que la façon la plus efficace d'arriver à atteindre les objectifs verts fixés est de, justement, faire changer les acteurs majeurs du marché. Autrement dit, leur idée est de dire que ce sera plus efficace que Total devient Total Energie pour de vrai que d'investir dans une start-up durable qui ne pèse pas très lourd. C'est assez simple de dire que si tout le monde fait ça, la start-up va grandir mais bon, il y a pas mal de théories développées. A l'heure actuelle, sur le secteur de l'énergie, les sociétés dominantes sont des sociétés qui, à la base ne sont pas durables. Si on arrive à les faire changer, notamment aussi car c'est dans leur intérêt financier dans le futur, cela peut aller plus vite que d'en créer une autre qui serait durable mais qui prendrait un temps fou à s'agrandir. Au final, ces sociétés non durables sont peut-être non durables mais ont une expertise de leur domaine qui est parfois centenaire. Parfois, si elles deviennent durables, les économies de temps seraient peut-être très importantes. Tout reste à voir ce qui est réellement fait. Sur le principe, ce n'est pas idiot.

**Gaëtan De Vos :**

Que pouvez-vous me dire sur les réglementations telles que SFDR, EU Taxonomie ou d'autres ?

**François-Xavier Ledru :**

Je ne connais pas beaucoup la EU Taxonomie car, à la base, tout ce qui est réglementations n'est pas mon domaine, mais SFDR je m'y suis pas mal intéressé. Il y a trois gros articles dans le SFDR : l'article 4 ou 6 concernant les fonds non durables, l'article 8 concernant les fonds socialement responsables et puis l'article 9 qui est pour les fonds à impact. Ce qui me dérange sur le SFDR est que ce soient les fonds qui choisissent de quel article ils relèvent ainsi que le manque de critères strictes sur la durabilité. Il n'est mis nulle part que pour faire partie de l'article 9, vous ne pouvez pas investir dans tel ou tel secteur, vous devez avoir un minimum de critères remplis. Au final, n'ayant pas de critères précis pour un article et qu'en plus de cela, ce sont les fonds eux-mêmes qui décident s'ils en relèvent ou pas, je reste dubitatif. Le SFDR représente une première étape. Dans mes souvenirs, la taxonomie concerne la définition des secteurs et industries prometteuses pour tout ce qui est résolution des challenges environnementaux et sociaux et de privilégier les investissements vers ces secteurs. Cela semble un peu plus explique car on target réellement les choses plus claires. Mais le problème de la finance durable est qu'au final, tout est laissé à l'appréciation de l'investisseur. Il y a d'un côté les fonds qui déclarent leurs critères, de l'autre des gens qui choisissent. Il n'y pas d'autorité suprême qui dit : « tu es durables et toi tu ne l'es pas ». C'est vraiment que chacun à sa conception du durable et chacun va aller chercher le fonds que lui considère comme étant suffisamment durable pour lui. Alors, c'est génial en termes de matching de l'offre et de la demande mais en termes de contribution concrète à la résolution des enjeux sociétaux, c'est un peu plus délicat. C'est assez complexe toute cette affaire de finance durable. Encore une fois, certaines personnes ne peuvent pas se permettre

d'investir dans un fonds durable leur rapportant 5% de moins qu'un fonds classique. Avec un fonds classique, il faut déjà des années avant d'acheter un bien immobilier. C'est terrible comme constat mais c'est ainsi.
**Gaëtan De Vos :**
Merci beaucoup.

**Transcript of interview 3**
**Interviewee 1:** Jan Deroost – Head of Responsible Investment (ESG) at Belfius Bank
**Interviewee 2:** Didier Simal – ESG Coordinator at Belfius Bank
**Interviewer:** Gaëtan De Vos
**Date and time:** 21.04.2022, 9am.
**Location:** Online

**Gaëtan De Vos:**
Hello. Could you briefly present yourself?
**Didier Simal:**
First of all, just a little explanation on the way ESG is organised within Belfius Bank and what are our specific functions. Belfius consists of several entities: Belfius Bank, Insurance entity and some smaller entities such as leasing entity and, last but not least, there is the Asset Management entity, within Belfius Investment Partners, represented by Jan. ESG is organised on group-level. There is the Head of Sustainability for the group, she has set an ESG team, which coordinates the ESG on the group level and I am part of this ESG team. I have a coordinating role. Next to that, there are also a number of ESG experts. For insurance, there is also a Head of Sustainability, with a small team and that is also the case on the part of Belfius Asset Management, headed by Jan. I leave it to him.
**Jan Deroost:**
I have joined Belfius last year. I am responsible for the Responsible Investment in Belfius Investment Partners. We are just a small team, of three people in total. The role is threefold: we are responsible for the transition to comply with all the new regulations (e.g., EU sustainable finance), we promote sustainable investments as an ideal strategy in the bank and, within the Belfius Group, we are responsible for the screening of the exclusion policy, which is called the Transition Acceleration Policy in Belfius. Not only for the portfolios that we manage but also for other portfolios within Belfius Group. Perhaps what you need to realise as well, is that Belfius Investment Partners is the management company for the Belfius funds, but we do hand over the proper investment management for most of our funds to external partners. The prime external partner with which we work with is Candriam. And then, other external partners are JP Morgan, Blackrock. The activity that we undertake ourselves is essentially a fund-of-fund activity, with just one fund that was taken over by Belfius Investment Partners, investing in individual securities.
**Didier Simal:**
Maybe just to give a little comment on that. Jan mentioned the Transition Acceleration Policy which is our group policy related to sector criteria. I myself am coordinating and responsible for the daily implementation of these criteria and for the application throughout the process, on a group level. On that respect, Jan and I are working together on regular basis.
**Gaëtan De Vos:**
What could you tell me about the selection criteria that you apply and specifically your external partners? What do they apply on top of that exclusion criteria?

**Jan Deroost:**

Basically, we have a group-wide exclusion policy. So that is what, in the first instances, is valid for all of our funds. The exclusion policy focuses on a number of areas: we want to make sure that the companies in which we invest have good governance practices. We make sure that they comply with the OECD guidelines, with the UN Global Compact. There are a number of sectors that we limit or completely exclude. It will not be a surprise to you that these sectors are mostly the energy sector, we want to reduce our exposure to fossil fuels and so we have a limitation in place there. We also want to avoid a certain number of controversial activities: weapons, gambling, tobacco, companies that are involved in soil, palm oil and I think these are the items, but I might have missed one. Maybe Didier have something to add.

**Didier Simal:**

Yes. The overall approach of our exclusion policy is that we apply a normative screening: checking if a company responds to the criteria of the UN Global Compact. As Jan mentioned, there are several sectors in which we apply strict exclusions: tobacco and gambling. Next to that, we have a number of sectors where we have a very specific approach, not just putting exclusion but putting in place restrictions, limits and thresholds for activities that are the energy sectors and weapons. Then we have a number of sectors where we also apply mostly a normative screening based on best practices within specific sectors: mining sector (or and minerals), palm oil sector and soil sector. These last sectors, we do not exclude them, but we have a specific approach. You can find more information on our website.

**Gaëtan De Vos:**

How did you decide on which industry to exclude?

**Didier Simal:**

There is a mix of reasons. First of all, there are a number of criteria resulting from our ESG approach and ESG purpose of our company: to be meaningful and transparent for Belgian society. We found that some activities didn't comply with that purpose as tobacco or gambling. The energy sector, the restrictions, and thresholds that we apply there are mostly resulting from European legislations and our voluntary commitment to the science-based target of reduce our carbon footprint and the carbon footprint of our balance sheet by 2030. Obviously, the restrictions and thresholds used for the energy sectors will be involving based on science and specifically the commitments we took. There are also the overall international criteria put forward by the Global Compact and OECD guidelines. It's a mix of reasons, there is no specific reason.

**Gaëtan De Vos:**

How does Belfius make sure that these criteria are applied?

**Jan Deroost:**

The policy that has been set is a policy that all funds managed should comply with t. At the moment, we are putting in place a process to screen all portfolios. We already have screened quite a lot but by the end of the year, we'll have done the entire offering. The way we screen is that we use an external data provider that allows us to check the involvement of the companies part of the funds, in specific sectors. The external data provider also has given us a screening method that allows, when we upload the holding of funds, to see which holdings would give a problem under our policy and also allows us to check on a high level if each of the fund is in line with the policy. That is very Important as well because the management of most of the funds is delegated to external partners. The process is that we would engage with the external partners on any discrepancy that we find between our screening results and their opinion on the companies. For a number of items, the screening will be black and white, it is very hard to have a discussion. On other items, however, the things are not always black and white, and we have a discussion with our external partners.

**Gaëtan De Vos:**

Do you consider it to be a one-time screening?

**Jan Deroost:**

No, it will be a regular screening, at least on a quarterly basis.

**Gaëtan De Vos:**

How do you make sure that these third parties are matching your expectations regarding sustainability?

**Jan Deroost:**

We would also screen the holdings of their funds.

**Gaëtan De Vos:**

If I understand it correctly, the screening you make are solely based on the exclusion criteria?

**Jan Deroost:**

Yes, it is based on the exclusion criteria that are within the Transition Acceleration Policy. That is the screening that is taking place. Obviously, the results of the screening should not be that much of a surprise, as our external partners have agreed to comply with the Group's policy. They have their own systems to ensure portfolios do comply with the policy. If you want, what we do is a second-line control. It's the partners that have the prime policy to put in place the systems that ensure that portfolios comply with the exclusion criteria.

**Gaëtan De Vos:**

Thank you. What can you tell me about the EU sustainability you told me about earlier?

**Jan Deroost:**

There are several items. The EU wants to make sure that the money flows into those sectors that will allow us to have a good transition towards a more climate-friendly economy. A number of regulations that are associated to that are, firstly the SFDR. SFDR promotes the transparency of our financial products. It ensures that the funds do have sufficient disclosures and, apart from that, the regulation asks to classify the offering into funds that do have a sustainable objective (the greenest funds), funds that do not have a sustainable objective per se but do promote social or environmental characteristics and, lastly, funds that do not have any sustainable ambitions at all. The reason why the regulator has made this distinction is that they wanted to make sure the end clients have a better understanding of what the fund stands for. That is something we comply with; the classification has already been done. The second pillar is the EU taxonomy. The EU taxonomy is a description on which activities can be considered sustainable, from an EU point of view. The intention is to develop this set of criteria both at the environmental and social ends. At the moment, the EU taxonomy is only looking at environment and looking at activities that either have to do with climate mitigation or adaption. There are a number of sets of criteria that are developed but, if we want to say that a fund is aligned with the EU taxonomy, the only thing we talk about is climate mitigation or adaptation. The EU then has done a very meticulously description on which activity contributes to a goal of climate adaptation or mitigation. What we will be asked to do is, for the article 8 and 9, to set a minimum target of activities that are in line with the EU taxonomy. The SFDR also asks us to put forward in our prospectus, by the end of the year, a minimum percentage of sustainable investments. These two items would allow the end user to have a better understanding of the objectives of the funds. A third pillar, which is MIFIT ESG, is something that aims at distributor of financial products. It puts forward the rules of conduct for the distribution of financial products. MiFID ESG will ask distributors to ask their clients what their ESG preferences are, from August of this year onward. If the client answers yes, the client will be asked what the percentage of sustainable investments he would like to have in his account, what is the percentage of taxonomy aligned activities you would like to have in the portfolio. This information needs to be in the prospectus by the end of the year. The client will also be asked how the investments would consider the principal adverse impact (the negative impact of the investments). SFDR has defined a set of 64 principles adverse impact indicators and the clients will be able to choose which are the PAIs that he wants to consider in his investment strategy. Obviously, that means that if he has such a profile build for the client, we need to make sure that our offer is meeting these requirements. SFDR, not only asks us to determine in the prospectus the minimum percentage of sustainable investments but, also asks us to determine for each fund, which are the PAIs that we are promoting with the fund. You could see it as offer and demand. At the demand end, the EU has made sure that the end clients are aware of the ESG requirements of the funds, at the offering side, all the manufacturers of funds are obliged to divulge the information that is necessary to assess whether the product is meeting the requirements of the clients. The regulation is even more forward looking in a way that we are asked to specify items in our prospectus (minimum percentage in sustainable investments, alignment to taxonomy, what PAIs) but then asks us to start publishing, from next year onward, in our annual report the percentage of sustainable investments that really is in the portfolio, what is the real percentage of taxonomy alignments and asks us to publish for the funds that have selected specific PAIs, all of these PAIs. Also, there is an obligation on top of this which is not on the product level but more entity level. We are required to publish what our policies are, what we do exactly in order to promote sustainability. We will have to publish also, at the entity level, what is, for the total mass of funds that we have under management, the average score of each of these mandatory PAIs. There are some mandatory PAIs but also some items with additional PAIs. This is a field that all financial institutions will have to deal with.

**Gaëtan De Vos:**

SFDR is all about transparency of the funds. How do you determine which fund is sustainable or not?

**Jan Deroost:**

You are hitting the one billion dollars question. The EU has really done a meticulous job in describing which activity is in line with the taxonomy, on the objectives (climate mitigation and climate adaptation). These are things that can be analysed and there is an objective benchmark. Our data provider follows all the companies that monitor and establish which activities are aligned with the taxonomy and which are not. The companies will also gradually be obliged to publish around exactly these lines. For the companies that have already reported, the data provider simply collects the information and brings it back to us. However, for most of the company, that information is not yet available, and they have to use a proxy and make estimates. It's this type of information that we will be able to use to already give some information to a client on the percentage of taxonomy in line. There is noise of the information that we can provide: these are estimates and there will be differences depending on the data provider, but everyone is looking towards the same direction. However, for the percentage of sustainable investments, these are less clear. There is no lexical on what is sustainable and what is not. Ultimately, the goal of the taxonomy is to be so encompassing that it really encompasses all activities and that they would all be described. We are far from there so the only thing we can go by is the definition given in the SFDR regulation: an activity, in order to be considered sustainable, has to contribute to a social/environmental objective without harming any other sustainable activity and entities complying must have good governance standards (following the UN compact, OECD guidelines, etc.). The difficulty is that there is no clear guidance on what you can consider as contributing to a sustainable objective. In the market, there is a large discrepancy between the different providers. Also, there is no objective standard: there are different approaches. At the moment, we are still developing the framework in order to exactly determine what is sustainable. We have conversations with quite a lot of partners. We know that everyone in the AM industry is also developing this framework. There will be different approaches, I cannot go more into details. There are different ideas. These are individual decisions made by individual asset managers who would come with their definition of sustainable investments.

**Didier Simal:**

To summarise, there are a number of issues there. First of all, the compliance with the EU regulations and sustainable finance action plan and its components are a huge challenge for every financial institution. The problems are the lack of data, the deadlines are not always aligned (we have to comply with rules by a number of deadlines and the deadlines for the underlying companies are not the same. They might need to report later than banks must do) and finally the issue of the FSMA that do not put a stamp on the funds. At this point, there is no third party that puts an official stamp on a fund as being a fund with a sustainable objective or a fund which promotes sustainable characteristics. As a result of that, there a several approaches in the markets.

**Gaëtan De Vos:**

I read in the literature that the SFDR allows banks to choose themselves which fund is part of articles 8 or 9. Would you, as a bank, prefer keeping the decision on this matter?

**Jan Deroost:**

The regulation is not strengthened enough. We should see some improvements in the future to see the legislation to be more effective. That being said, I still think that the decision on which fund belongs to which article is a decision that needs to be taken by the manufacturer because only him can be sure that the product complies with a specific regulation. If, for instance in article 8 funds, in the prospectus, there will be possible to see if there is a minimum percentage in sustainable investments, whether or not there is a percentage in EU taxonomy aligned investments, with PAIs that are measured. The difficulty is more about the definition of sustainable investments, not about the classification. There is a possibility for article 9 funds that there are more supervising actions. In order for that to be effective, there should be a more strengthen definition of what is a sustainable investment. The broad brush with which they defined sustainable investments now is something that must be refined.

**Didier Simal:**

Generally speaking, we are in favour in more clarity and that a supervisor putting a stamp on the fund that is put forward. It is too vague at this point, and we are in favour of a third party taking up its role agreeing on which fund is which article.

**Jan Deroost:**

For the classification in article 8 and 9, what is lacking is what is now the minimum percentage of sustainable investments that is needed in order to classify as article 9 fund and the sector has desperately tried to get that information from the legislator but so far, we never got a clear answer. It is just the understanding that there must be more investments in article 9 than article 8 but how much more? This is not clear. There seems to be a suggestion from the EU that it should be close to 100% but they have never clarified this. In reality, this means that there is a big difference between one article 9 fund and the next. Simply because the interpretation of sustainable investments objectives is different from one provider to the next. There, there is probably clarification that can be done. However, at the end on who decides, it is the manufacturer that needs to put forward the proposal and having an official stamp afterward.

**Gaëtan De Vos:**

How could one make sure that one invests in sustainable companies? Is the only option to trust the bank/manufacturer? How can I find the full composition of the funds?

**Jan Deroost:**

The full composition of funds is published once a year in the annual reports. You would be in position to check if this fund checks your vision of sustainability. Otherwise, you can look at Morningstar website. It will be far from perfect, but they have a sustainability rating of the funds. You then have an idea of how much, according to certain criteria, the fund is invested in companies that do have a low or high ESG risk. The rating is not fully meeting your requirements as it is more an ESG risk rating and less for a fund investing in companies that are doing good. For that type of ratings, I don't know where you can get it.

**Didier Simal:**

The SFDR is a big step forward for the investor, regarding comparability of funds. At the same time, its implementation is a work in progress. There are a number of things unclear and deadlines to come. The goal is to avoid greenwashing and make a funds easier comparable for individual investors. It's clear, we are not there yet, and we hope that the issues will be solved.

**Gaëtan De Vos:**

Thank you very much.

**Transcript of interview 4**

**Interviewee 1:** Louis Eklund – Project Manager at Central Labelling Agency

**Interviewee 2:** Tom Van den Berghe – Director at Central Labelling Agency

**Interviewer:** Gaëtan De Vos

**Date and time:** 05.05.2022, 9am.

**Location:** Online

**Gaëtan De Vos:**

Could you briefly present yourselves?

**Louis Eklund:**

My name is Louis Eklund, I am project manager at the Central Labelling Agency, which is in charge of the Towards Sustainability label. I am working mainly on the daily operations, together with Tom.

**Tom Van den Berge:**

I am Tom Van den Berge. I am the managing director of the CLA. I am also director sustainable finance at the Belgian Financial Sector Federation.

**Gaëtan De Vos:**

So basically, there is only one company in charge of the main labels?

**Tom Van den Berge:**

Yes. In charge is a big word but the CLA is the agency that awards the labels to funds, and potentially also other products that comply with the criteria of the label. But these products are managed by a large number of asset managers.

**Gaëtan De Vos:**

Is this CLA unique in Belgium?

**Tom Van den Berge:**

Yes, it is the only one in Belgium and it is even in Europe. There are not many in Europe, there are a few labels. Some of the labels are managed by the government, like it France. Also, in Norway, it is also the government, also in Austria. There are also private labels: these private organisations that manage and award the labels, like in Belgium with the CLA.

**Gaëtan De Vos:**

Can you present the label Towards Sustainability?

**Tom Van den Berge:**

What we want to do is to define a number of expectations, of sustainability criteria for funds. These are some kinds of a minimal level of ESG quality that these products need to have. These can be more ambitious, which is encouraged but the fund cannot go below that minimum level. IF it goes below, the fund is not credible anymore and it starts to greenwash. That minimum level of ESG quality is something we want to define. That level is always a balance, we don't want to put it too high because only a few banks or asset managers will be able to reach that high level and there would be only 20-30 firms with the label and there won't be a lot of impact. You don't want to put that level too low because otherwise there is no real substance to your label if everybody can get a label without doing very much. You need to find a good balance and we think we found such balance, but it is very much open to discussion. Lots of stakeholders think it is too strict while others think it is not strict enough. Especially in the field of sustainability, there is a lot of discussion.

**Gaëtan De Vos:**

You're talking about sustainability and ESG quality but how do you create that threshold? Which criteria do you apply?

**Tom Van den Berge:**

We have a number of criteria. There are three important elements in our expectations. The first element is more a negative approach, that are criteria about the things you cannot invest in, the do-no-harm aspects. There are exclusions: you cannot invest in gold mine, in tobacco, in defence, in arm sectors, unconventional oil and gas, etc. There are also exclusions more referring to international norms like if a company is involved in human rights violation, labour violations, the UN global compact, OECD guidelines are also excluded. A second element is that you also need to have a positive objective with your investment policies. It is exclusion plus a positive impact that can be realised through different ways: the best-in-class, impact investments, on the portfolio level overweighing, the objective of being the benchmark in CO2 emissions. There are a lot of ways to have a positive impact. The third pillar is transparency. We have formulated in our quality standards all these things that you need to have in your policies.

**Gaëtan De Vos:**

What is the position of the CLA regarding the new regulations such as SFDR, EU taxonomy?

**Tom Van den Berge:**

This is something we could talk a whole hour about. One important thing is to distinguish what the European legislation is doing and what the label is doing. The taxonomy is a list of definitions of what is green, it is purely objective definitions. It does not say that you need to invest in these green things or not. The SFDR is a disclosure regulation. It says: if you say you are sustainable, you need to disclose these and these things. It doesn't say that you have to be sustainable nor in what way you are sustainable. You just need to disclose what you do if you say that you are sustainable. Then, the label is different. The label says that you must do that and that you cannot do that. It goes beyond definitions and disclosures. It is a normative framework that says what you can and cannot do. There is also an audit on how you do that but does not exist currently in the European legislations. The

European legislations are still very important, and the label must be in line with these. When the label talks about investing in companies that contributes to the environment, we refer to definitions of the taxonomy. When we formulate our disclosure and transparency requirements, we refer to the SFDR. We use these European legislations are building blocks, but we add layers.

**Gaëtan De Vos:**

Regarding the audit that you do, is it only on a bank-level or would you go to the companies inside the funds?

**Tom Van den Berge:**

We do not go the companies. We do not evaluate the investee companies. Our focus is on the investment policies of the fund manager. When he manages the fund, he writes down the investment policies: his decisions on where to invest and where not to invest. Such investment policies contain a lot of financial consideration but also some ESG consideration. These policies need to be published. We check if these policies are in line with the criteria of the label. To a lesser degree, we look at the results of these investment policies: the content of an actual fund. Why we do it like that, the composition of a fund can change every day. The only certainty is the investment policies that determine the selection criteria of a certain fund. You can thus check if these criteria are in line with the ones of the label and you can trust, it will continue to be in line with the label. That is the main focus of the verification. A second step that we do is that we do look at some of the individual portfolios. So we pick a few individual funds per asset managers and we check the content. The verifier would ask to explain why a company is in line with the selection criteria. A third thing that we do is a on-site audit. Every three years, the asset managers are visited by the auditor. There, he needs to show how the internal organisation of the ESG department is working. There is also a real-time monitoring where we follow the composition of the labelled funds. If we see some red flags, we contact the asset managers and ask some explanation.

**Gaëtan De Vos:**

And the worst thing that could happen is that you remove the label?

**Tom Van den Berge:**

Yes, the worst thing that happens is to remove the label. Why do we not look at the investee level? One is because of the composition that can change, then it is because of the ESG assessment of a company actually depends on a lot of factors. There is quite a grey zone in ESG assessments. It is perfectly possible that one asset manager believe that this company fits the ESG portfolio whereas another says that is does not. It depends on the level of ambition and strictness each asset manager and on the information they have about a company, that can be different. The data providers can be different too. Banks and asset managers do not have whole information regarding all their funds. They use external data providers, but they do not always agree on the assessment of a company. It is not the fault of the bank but yeah. It is not the task of the CLA to be the judge of what a sustainable company is. We look at the investment policies of funds and sustainable portfolios, that are different than sustainable companies. We do not award the label to shares or bonds, because these are from individual companies. We only give the label to portfolios.

**Gaëtan De Vos:**

Would you be in favour of a big supreme authority stating what is sustainable and what is not?

**Tom Van den Berge:**

No. What we require is that the fund manager has a very explicit and clear investment policy, with clear internal criteria (i.e., this is our position, this is how we approach sustainability, these are the different metrics that they take into account when they evaluate companies). We check if this setup is complying with our expectations. We can live with the fact that different asset managers have a different assessment of an individual company. We do not think that it is black or white. It depends on what the asset manager thinks it is important. Some attach importance to environmental aspects and less to social impacts. That can give very different results. For instance, Tesla has a good environmental score and therefore sustainable company, but some managers check for the social side. Tesla does not allow labour union and some asset managers says that it cannot be. Tesla drops in the ESG rating and is no longer eligible for the sustainable fund. It is not up to us to determine who is right. We are not a judge and we do not think that a government will ever do that.

**Gaëtan De Vos:**

Could you give more details about the selection criteria that you use?

**Tom Van den Berge:**

We looked at which ESG issues are hot in society, among investors. Many investors say that sustainable investing is the same as not investing in fossil fuels. Of course, it is not the only thing that you need to look at, but it means that you need criteria. We look at what is happening, and we look also at other labels. Which criteria these other labels are using. Also, some of European legislations have criteria. The climate benchmark has some normative criteria. We find inspiration in all these things, and we try to find an appropriate level of strictness. If you look at main labels and compare them, they all have criteria on the same topics but there is a nuance in how strict they are. That is how we determine the criteria.

**Gaëtan De Vos:**

For my understanding, the label is applied after the creation of funds. You would analyse the funds and verify if they are meeting your expectations?

**Tom Van den Berge:**

No. Assets managers need to take the initiative. They need to apply for the label. We are not proactively looking for funds to label. An asset manager who wants a label for their fund contact us and fill in the whole application form, we do the whole verification and if successful, they receive the label. If they do not apply, they will not receive the label. If they don’t think it is interesting to have the label, they don’t have to do it. It is no legal requirement. It is a voluntary decision.

**Gaëtan De Vos:**

How could fund manufacturers be more sustainable, in your view?

**Tom Van den Berge:**

It is difficult to define what more sustainable it. That is the problem and the reason why we don’t have a ranking of our labelled products. Some labels have a rating system, but we think it is impossible and the market is too diverse. We have chosen a binary label: you have or don’t have. If you have the label, then we give the guarantee that the fund has a minimum level of sustainability. That some boxes are checked. The way you go beyond is open to the asset managers and we only ask that he is transparent on the ways that he goes beyond. But that beyond, there is a lot of diversity, and it is very difficult to compare. You cannot compare a microfinance fund with a European sovereign fund. These two can be sustainable but it is impossible to compare them.

**Gaëtan De Vos:**

Well, the whole point of my thesis is to analyse the way sustainability is addressed and to give an understanding of the sustainability in funds. I do not have more questions, thank you very much.

## *Appendix B: Codes and categories*

| Interview | Codes | Derived Codes | Derived Codes 2 |
|---|---|---|---|
| Interview 1 (Financité - FR) | SFDR | Art. 8(approach ESG) | Misconception - only linked to transparency |
| | | Art. 9 (objectives ESG ) | Misconception - only linked to transparency |
| | | Transparency | Light |
| | Funds prospectus | Informations principales | |
| | Selection criteria | Negative screening | Vague |
| | | Labels | More transparency |
| | | Positive screening | Blurred |
| | Communication (funds composition) | KIID | |
| | | Fact sheets | |
| | | Belgian obligation | Publication OPC (FSMA) |
| | | FSMA | Not precise |
| | | | Hard |
| | Towards Sustainability | Cleaning | |
| | | Transparency | Applied criteria |
| | | | Thresholds |
| | | Financial sector | Legitimacy |
| | | Non-exclusive | Not granted if specific sector is excluded |
| | Financité | Black lists (exclusion) | Intern |
| | | 9/10 funds | Against fundamental rights |
| | | Investment funds | |
| | | Bank accounts | Few only are SRI |
| | ALM | Opaque | |
| | Positive screening | Best-in-class | Diversed practices (20%-40%-80%) |
| | | "Intégrer" ESG | Invest in all |
| | | | Weighing |
| | Engagement actionarial | Untouchable | |
| | EU Taxonomy | Controversial | Gas, nuclear? |
| | | Accepted activities | 2 out of 6 |
| | | To what extent aligned | 4-5% green investments |
| | Label Européen | Obligation | Minimum 40-50% aligned? |

| Categories |
|---|
| Communication |
| Regulations |
| Selection Criteria |
| Company/industry insights |

| Interview | Codes | Derived Codes | Derived Codes 2 |
|---|---|---|---|
| Interview 2 (PhD. Unamur - FR) | Communication (funds composition) | KIID | Useless |
| | | | Mainstream oriented |
| | | Websites (free) | Necessary prerequisites to understand |
| | | Paid platforms | |
| | | Counterintuitive | |
| | Funds prospectus | Insufficient | |
| | | Unprecise | |
| | | Vague | |
| | Complexification | Voluntary | |
| | Trade-off profit/social | Definition | Personal |
| | | Nuances | |
| | | Opaque banks but sole reponsible? | |
| | Funds' demand | Fast | |
| | | Diversified | Not to small company with direct impact |
| | | Limited risk | |
| | | Profit ok | |
| | Transparency | Voluntary opacity | |
| | Selection criteria | Negative Screening | Exclusion |
| | | Positive screening | Intern ESG score |
| | | | Buying ESG score |
| | | ESG score | Hard to know how created |
| | | | Best-in-class |
| | | Shareholder engagement | Opaque |
| | | | Change major players |
| | | | Assumptions |
| | SFDR | Funds choose | Legitimacy |
| | | Strict criteria | Lacks |
| | | First step | |
| | | Willingness of the investor | |
| | No supreme authority | Stating which company is sustainable | Matching D-S |
| | | | Social matters? |
| | Necessary profits | Need | |

| Interview | Codes | Derived Codes | Derived Codes 2 |
|---|---|---|---|
| Interview 3 (Belfius -EN) | Small team | External partners | |
| | Selection criteria | Only negative screening | OECD guidelines |
| | | | UN Global Compact |
| | | | Private ESG approach |
| | | | EU legislations |
| | | Normative screening (pondération) | mining. palm oil, soil |
| | Screening of portfolios | External provider | ESG profile of investees |
| | | | Method to screen portfolios |
| | Management of funds | Delegated to external partners | Prime responsibility |
| | | | Hard to discuss |
| | SFDR | Transparency | Classify the offering |
| | | | End consumer |
| | | | Minimum % of sustainable investments |
| | | | Decision to be made by manufacturers |
| | EU Taxonomy | Currently on environment | Climate mitigation |
| | | | Climate adaptation |
| | MiFID ESG | Obligations distributors | Ask ESG preferences |
| | | | % of desired sustainable investment |
| | | | Added to prospectus by end 2022 |
| | | | % of negative impact (PAI out of a list -SFDR-) |
| | | | Divulge information about ESG requirements |
| | EU obligations | Annual report | True current ESG profile of funds |
| | | | Policies |
| | | | What is done to promote ESG |
| | | | Average score of PAI |
| | Guidance | Not clear | |
| | | One definition | To what extent? |
| | | Different ideas | Individual decisions |
| | | | Individual definition |
| | | | Minimum % of sustainable investments to classify in articles SFDR |
| | Challenges | Compliance to EU | Lack of data |
| | | | Deadlines not aligned |
| | | | No global stamp on |
| | Communication (funds composition) | Published 1x/year | Annual report |
| | | | Morningstar |
| | | | ESG scores not efficient |
| | | Check if matches own vision of sustainability | |

| Interview | Codes | Derived Codes | Derived Codes 2 |
|---|---|---|---|
| Interview 4 (Towards Sustainability - EN) | CLA | Responsible for Belgium | Unique |
| | Sustainable expectations | Minimum level | ESG quality |
| | | | Balance (not too high nor too low) |
| | Criteria to obtain | Negative screening | Sectorial exclusions |
| | | | OECD guidelines |
| | | | UN Global Compact |
| | | Positive screening | Best-in-class |
| | | | Impact investments |
| | | | Objective of CO2 emissions |
| | | Transparency | |
| | EU regulations | EU Taxonomy | Purely objective definitions |
| | | SFDR | Transparency |
| | Label | Can and cannot invest in | |
| | | Use EU regulations | |
| | | Audit | Investment policies |
| | | | Composition can change |
| | | | Selection criteria do not change |
| | | | Verification |
| | | | On-site audit |
| | | | Real-time monitoring |
| | | Only funds | |
| | | No ranking | Definition sustainability |
| | | Voluntary decision | Initiative from AM |
| | Punishment | Removing of label | |
| | Investee level | Composition changes | |
| | | Grey zone in ESG assessment | Strictness and ambition differ |
| | | | Available information differs |
| | | Banks and asset managers do not receive all info from providers | Not the task of CLA to judge (???) |
| | Supreme authority | Stamp on funds | Not in favour |
| | | | No interest |
| | | | Focused on policies |
| | | Not black or white | Importance to asset manager |
| | Selection criteria | Hot ESG topics | |
| | | Other labels | |
| | | EU regulations | |

# *Appendix C: Sources catalog (non-exhaustive)*

**Sources**

| | Context | Title | Bibliography APA | Main ideas | Type of source | URL if any |
|---|---|---|---|---|---|---|
| X | Role of banks | **The financial sector and the role of banks in economic development** | Drigă, I., & Dura, C. (2014). The financial sector and the role of banks in economic development. In *6th International Multidisciplinary Symposium "Universitaria SIMPRO* (pp. 10-11). | Ensure the mobilization of available money and guiding them towards the pursuit of efficient economic activities; Enables funds redistribution; Improving the information problems; provides basic financial services; economic, legal, political and international environment determines its profits; Efficiency of banking system is a key determinant of sustainable growth. Efficient banking system is significant in achieving economic development; well functionning banks accelerate economic growth; | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| X | Role of banks | **The changing environment of banks** | Jeucken, M., & Bouma, J. J. (2017). The changing environment of banks. In *Sustainable banking* (pp. 24-38). Routledge. | Intermediary role in the economy; efficient credit approval allows banks to weigh risks and attach a price to these risks.; Banks can foster sustainability; Banks responded more slowly to sustainable challenges than other industries; Enormous role in contributing towards sustainable development; intermediaries between people with shortage and surplus of capital; core activities generate two principle sources of income (interest rates and provision earnings); Banks have comparative advantage in terms of knowledge; important role in reducing uncertainty (info asymetry) and this has a price; clients with high environmental risk will pay more; Banks prefer short-term payback while sustainability requires long-term; sus investments have lower rate of return | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | Role of banks | **27.3 The Role of Banks** | BC Campus (n.d.). Money and Banking. [Book chapter]. In *Principles of Economics*. Retrieved from https://opentextbc.ca/principlesofeconomics/chapter/27-3-the-role-of-banks/ | Carry out the range of transactions that occur in markets; allow people to store the money; intermediary in the payment system (helps economy exchange goods for money); facilitate the use of money; | Online Academy | https://opentextbc.ca/principlesofeconomics/chapter/27-3-the-role-of-banks/ |
| | Impact of banks on environment | **Sustainable Finance course - KULeuven** | Bert d'Espallier, slides on Toledo | Banks -> individual decisions rather than group decision is what caused economic crises | KULeuven Course | |
| X | Sustainable banks | **Sustainable Banking (CH3)** | Carè, R. (2018). Sustainable Banking. *Springer Books*. | Progress remains slow; Initiatives appaer to be voluntary and not mandatory; Lack of uniformity; Initiatives are taken by individual commercial banks; Many developing countries are performing better than developed ones; Triodos (1980s) became the pioneer in environmentally conscious banking; Several compliances and reporting standards further encourage banks to be envir. responsible; | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| X | Sustainable banks | **Sustainable Banking - Scale Development and Validation** | Shamshad, M., Zaini, S. H. R., & Akhtar, A. (2019, December). Sustainable Banking—Scale Development and Validation. In International conference on Sustainable Development Research in the Asia-Pacific (pp. 119-135). Springer, Cham. | Sustainability as a key driver that contribues to development of economy; Sus bank has a very wide scope; many rules and regulations have been dev. in the last two decades (UNEP FI, GRI, UNGC, Equator Principles, etc.); european banks are moving towards the creation of a socially responsible industry and focus on the triple bottom-line; many banks started to offer SRI opportunities, environmental damage insurance, green credit cards, micro credit. | Scientific | https://link.springer.com/chapter/10.1007/978-3-030-61891-9_8 |
| X | Sustainable banks | **Principles of Green Banking** | Barua, S. (2020). Principles of Green Banking. In *Principles of Green Banking*. De Gruyter. | Fundamental role of financial instit. is to provide bridge between surplus and deficit; allow economy to grow; government provides policies, guidelines to ensure smooth functionning of this process; banking sector is crucial for economic growth and can thus be more effective in mitigating envir. degradations; important to force banks to play a role; replace traditional business-model by environment-augmented business models. relatively young concept; Understanding and adoption requires substantial time; Green banks can have significant impacts on envir. quality; Not all the same across economies but fundamental concepts should remain uniform; Green banking needs to [illegible] | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| X | Sustainable banks | **Sustainable Banking, Market Power, and Efficiency: Effects on Banks' profitability and Risk** | Torre Olmo, B., Cantero Saiz, M., & Sanfilippo Azofra, S. (2021). Sustainable Banking, Market Power, and Efficiency: Effects on Banks' Profitability and Risk. *Sustainability*, *13*(3), 1298. | 2008 crisis, banks focused too much on financial results; Way of recoup the damaged reputation is by implementing sustainable business strategies; rep. is important in banking sector due to asymm. info; SDG is one of the most important step to address several global challenges by 2030 (reduction of poverty, inequality, illiteracy, climate change, envir. degradation, human rights); Banking sector plays crucial role in this; UNEP FI is voluntary-based (increase lending supporting SE activities based on six principles); UNEP FI allows signatory banks to have more info/tools to tackle envir. problems; MORE INFO ON EACH SOLUTION IN HERE; sustainable initiatives improve the banks' profitability (bringing new clients, strengthen already existing clients); intangible competitive advantage plays a key role in sus banks. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | Sustainable banks | **Big banks embrace sustainable investing, but change is slow** | Vereckey, B. (2021). Big banks embrace sustainable investing, but change is slow. MIT Management Sloan School. https://mitsloan.mit.edu/ideas-made-to-matter/big-banks-embrace-sustainable-investing-change-slow | Discussion about greenwashing, you do need a way to verify what they're saying is true; change takes time inside banking sector; Standardization of definitions is key; AIMM assesses a project's outcomes, its effect on market creation and its impacts on project beneficiaries; SDG; Major banks are allocating funds to susfin. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | Sustainable banks | **Sustainable and Conventional Banking in Europe** | María del Carmen Valls Martínez, Salvador, C. R., & Parra Oller, I. M. (2020). Sustainable and conventional banking in Europe. *PLoS One, 15*(2) http://dx.doi.org/10.1371/journal.pone.0229420 | Financial crisis led to distrust of conventional financial system; Banks projected an image of security and risk control; Basel Committee -> measures for the manag of sustematic risk in EU banks; crisis not only economical but ethical, thus stronger regulations will not prevent this lack of morality; Increase sound education in susfin; Since crisis, banks considering people before its profits haven't stopped growing in strength and numbers; Rapid growth of SRI in the last years; Degree of SRI remains small compared to overall investments; No sound evidence that profitability is different between conventional and sustainable banks, experience that ethical banks experience less profits but no thorough analysis. | Scientific | http://dx.doi.org/10.1371/journal.pone.0229420 |
| | Sustainable banks | **Do ESG strategies enhance bank stability during financial turmoil? Evidence from Europe** | Chiaramonte, L., Dreassi, A., Girardone, C., & Piserà, S. (2021). Do ESG strategies enhance bank stability during financial turmoil? Evidence from Europe. *The European Journal of Finance*, 1-39 | ESG scores reduces bank fragility during fin distress; Banks with higher ESG are less risky, envir. activism reduces bank risk-taking; bank instability is inversely realted to level of social engagment, fair governance practices positively affects stability; EU rewards banks more engaged in CSR practices; sus practices requires efforts and long period of time before bringing stability. | Scientific | https://www-tandfonline-com.kuleuven.e-bronnen.be/doi/full/10.1080/1351847X.2021.1964556 |
| | Labels and solutions | **Equator Principles** | Equator Principles. (2020). The equator principles. *A financial industry benchmark for determining, assessing and managing environmental and social risks*. Retrieved March, 01, 2022 | | Scientific | https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf |
| | Labels and solutions | **European Green Deals** | Siddi, M. (2020). The European green deal. *Finnish institute of international affairs.* Retrieved March 01, 2022, from https://iris.unica.it/retrieve/handle/11584/313484/457281/WP114_European%20Green%20Deal.pdf | | Political | https://iris.unica.it/retrieve/handle/11584/313484/457281/WP114_European%20Green%20Deal.pdf |
| | Labels and solutions | **EU Taxonomy** | Schütze, F., & Stede, J. (2020). EU Sustainable Finance Taxonomy–What Is Its Role on the Road towards Climate Neutrality? | Tries to classify industries to know which one is more sustainable and lead investments to them. | Political | shorturl.at/tzBMO |
| X | CSR/SRI | **Socially Reponsible Firms** | Ferrell, A., Liang, H., & Renneboog, L. (2016). Socially responsible firms. *Journal of financial economics*, *122*(3), 585-606 | CSR was a controversed notion (vs. corporate view of CSR = agency problem) but nowadays it is proven as being beneficial. Good-governance companies actually have a better CSR score and perform better. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **Socially Responsible Funds and Market Crises** | Nofsinger, J., & Varma, A. (2014). Socially responsible funds and market crises. *Journal of Banking & Finance*, *48*, 180-193 | More and more demand towards green investing (SRI, etc.); funds started to exclude sin-stocks: Analysis of the SRI funds' performance: SRI strategies = neg. and pos. screening; SRI funds perform better in crisis but worse in good times; negative and positive screening techniques are different for each company; why SRI more popular? Bc less risky in crises; more impacted by loss than by gain. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **Socially Reponsible Investments: Institutional Aspects, Performance and Investor Behavior** | Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially responsible investments: Institutional aspects, performance, and investor behavior. Journal of banking & finance, 32(9), 1723-1742. | Screening has involved over time; oldest screening is negative; many different screening techniques; most common industries of neg and positive screening; internalizing the externalities - old economic theories do not hold anymore (Adam S); many problem with the stakeholder value-maximisation theory; CSR not feasible in competitive economies; gov. should care about externalities while companies only care about max. profits; more SRI initiatives but still lots to do about it; | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **The Price of Ethics and Stakeholder Governance: The Performance of Socially Reponsible Mutual Funds** | Renneboog, L., Ter Horst, J., & Zhang, C. (2008). The price of ethics and stakeholder governance: The performance of socially responsible mutual funds. Journal of corporate finance, 14(3), 302-322 | SRI funds underperform their benchmarks; SRI investors are just unable to identify the SRI funds that will outperform in the future; they tend to find easily funds that will perform poorly; corporate governance and social screens are diminishing the risk-adjusted returns; SRI considerations influence the stock prices and investors pay a price for the use of SRI screenings in funds. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **The Price of Sin: The Effects of Social Norms on Markets** | Hong, H., & Kacperczyk, M. (2009). The price of sin: The effects of social norms on markets. Journal of financial economics, 93(1), 15-36. | Societal norm against investing in sin stocks; investors pay a price by not investing in these; sin stocks have higher expected returns; many social scientists believe that social norms are important in shaping economic behaviour and market outcomes; study of social norms on markets; is SRI investing only about feeling good or make it companies change?; more study to be made on it. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **Active Ownership** | Dimson, E., Karakaş, O., & Li, X. (2015). Active ownership. *The Review of Financial Studies*, *28*(12), 3225-3268 | Active ownership tends to work better if the company has reputational concerns and higher capacity to implement changes; engagement activities improve shareholder value; ESG activities give rise to positive return. | Scientific | See Finder - KULeuven - Master's Thesis - Sources |
| | CSR/SRI | **Why Do Investors Hold Socially Responsible Mutual Funds?** | Riedl, A., & Smeets, P. (2017). Why do investors hold socially responsible mutual funds?. *The Journal of Finance*, *72*(6), 2505-2550. | | Scientific | See Finder - KULeuven - Master's Thesis - Sources |

**Sources from Web pages**

| Context | Company | Websites | General info/feeling |
|---|---|---|---|
| Sustainable investing | **ING Belgium** | https://www.ing.be/fr/retail/my-news/sustainability/sustainable-investments | They state that there are different way to classify funds. However, they use only exclusion; pretty confusing, sometime contradictory or different info; |
| | | https://www.ing.be/en/retail/my-money/building-up-capital/ing-sustainable-investment | Not all info at one place; very disperesed and meticulous research is to be done to find out what they do -> still not precise; they speak about what is done in the industry but not what they do exactly |