LIÈGE université Library

https://lib.uliege.be

matheO

https://matheo.uliege.be

The Integration of Impact Investing Practices and Impact Measurement in Socially Responsible Investing Practices

Auteur : Zine, Chaimae
Promoteur(s) : David, Romain
Faculté : HEC-Ecole de gestion de l'Université de Liège
Diplôme : Master en sciences de gestion, à finalité spécialisée en Banking and Asset Management
Année académique : 2022-2023
URI/URL : http://hdl.handle.net/2268.2/17054

Avertissement à l'attention des usagers :

Tous les documents placés en accès ouvert sur le site le site MatheO sont protégés par le droit d'auteur. Conformément aux principes énoncés par la "Budapest Open Access Initiative"(BOAI, 2002), l'utilisateur du site peut lire, télécharger, copier, transmettre, imprimer, chercher ou faire un lien vers le texte intégral de ces documents, les disséquer pour les indexer, s'en servir de données pour un logiciel, ou s'en servir à toute autre fin légale (ou prévue par la réglementation relative au droit d'auteur). Toute utilisation du document à des fins commerciales est strictement interdite.

Par ailleurs, l'utilisateur s'engage à respecter les droits moraux de l'auteur, principalement le droit à l'intégrité de l'oeuvre et le droit de paternité et ce dans toute utilisation que l'utilisateur entreprend. Ainsi, à titre d'exemple, lorsqu'il reproduira un document par extrait ou dans son intégralité, l'utilisateur citera de manière complète les sources telles que mentionnées ci-dessus. Toute utilisation non explicitement autorisée ci-avant (telle que par exemple, la modification du document ou son résumé) nécessite l'autorisation préalable et expresse des auteurs ou de leurs ayants droit.

HEC LIÈGE
Management School - Liège Université

The Integration of Impact Investing Practices and Impact Measurement in Socially Responsible Investing Practices

Jury :
Promoteur :
Romain DAVID
Lecteur(s) :
Catrina SANTI

Mémoire présenté par
Chaimae ZINE
En vue de l'obtention du diplôme de
Master en sciences de gestion à finalité
Banking and Asset Management
Année académique 22/23

Acknowledgements:

I would like to express my deep gratitude to my supervisor, Mr. David Romain, for his expert advice and valuable support throughout this research journey.

My sincere thanks go to my school, HEC Liège, for providing me with an exceptional learning platform and for supporting my academic aspirations throughout this experience.

I would like also to express my gratitude to the various participants in my qualitative study for their generous participation and valuable contribution, which enriched this research with unique perspectives.

Finally, my warmest thanks go to my family, and in particular my parents, for their unconditional love, unwavering support, and constant encouragement throughout my academic life. Their presence and their sacrifices have been invaluable sources of inspiration and I am deeply grateful to them.

Table of contents

Acknowledgements: **2**

List of abbreviations : **5**

Introduction : **6**

1. **Context:** 6
2. **Structure:** 8

Literature review: **9**

Part I: Ecosystem of sustainable finance: **10**

1. **Sustainable finance :** 10
2. **Socially responsible investment :** 11
3. **Impact investing :** 17
3. **Similarities and differences between ISR and Impact Investing:** 18
4. **Conclusion of the first part:** 20

Part II: European Union Regulations regarding sustainability: **21**

1. **Sustainable Finance Disclosure Regulation (SFDR):** 22
2. **Corporate Sustainability Reporting Directive (CSRD):** 24
3. **The EU Taxonomy:** 25
4. **The European Union's Green Deal:** 26
5. **MiFID II:** 27
6. **Conclusion of the second part** 28

Part III: Reporting: **30**

1. **Greenwashing:** 30
2. **Global Reporting Initiative:** 30
3. **Conclusion of the third part:** 31

Part IV: Conclusion of literature review: **32**

Empirical analysis: **33**

Part I: Research design and methodology: **33**

1. **Data collection methodology:** 33
2. **Participants:** 34
3. **Data analysis methodology:** 35
4. **Sample selection:** 35
5. **Conclusion:** 39

Part II: Data Analysis: **39**

Theme 1: Socially responsible investment: 39

Theme 2: Impact Investing: 42
Theme 3: Positive impact: 45
Theme 4: The positive impact of SRI: 47
Theme 5: Sustainable Finance Disclosure Regulation (Article 9): 49
Theme 6: Nuance between ISR and impact investing: 53
Theme 7: Measure of impact: 56
Discussion: 59
Conclusion: 64
Bibliography: 67
Appendices: 72
Appendix 1: Evolution of Sustainable Bonds and Loans: 72
Appendix 2: Evolution of Sustainable Equity Capital Markets: 72
Appendix 3: Q1 2021 sustainable bonds by region: 73
Appendix 4: Transcription extracts of Participant Answers: 74
Appendix 5: Interview guide: 82
Executive summary: 83

List of abbreviations :

SRI : Socially Responsible Investment

SFDR: Sustainable Finance Disclosure Regulation

CGER : Caisse Générale d'Epargne et de Retraite

CSRD : Corporate Sustainability Reporting Directive

RFA : Réseau de financement alternatif (Réseau Financité)

FIR : Forum pour l'Investissement Responsable

AFG : Association Française de la Gestion Financière

Introduction :

1. Context:

In recent years, there has been a rise in people's awareness of various social and environmental concerns, which has resulted in an increase in interest in socially responsible investing (SRI). By investing in businesses that exhibit ethical and responsible business practices, the socially responsible investment (SRI) approach seeks to combine financial rewards with beneficial social and environmental results. However, there is a continuing discussion over the degree to which SRI contributes to positive social and environmental impacts, as well as how investors may assure themselves that their investments are making a meaningful impact in the world around them.

Another notion has become a new paradigm for socially responsible investment in recent years which is Impact investing. Impact investors make investments with the intention of tackling certain social challenges like poverty, education, or climate change to achieve positive social and environmental impacts in addition to financial returns.

This strategy differs from conventional SRI, which usually focuses on avoiding financial investments in businesses engaged in activities deemed detrimental to society or the environment... Along with a financial return, impact investment aims to provide verifiable social and environmental impact. It varies from SRI in that it places a greater emphasis on funding businesses or nonprofits that are expressly devoted to resolving social or environmental problems. Even though the idea of impact investment is still somewhat young, it has picked up steam and piqued the curiosity of investors. The Global Impact Investing Network (GIIN) reported that the market for impact investments worldwide reached $715 billion in 2020, a 42% increase from the previous year. Several variables, such as increased investor demand for SRI alternatives, rising public awareness of social and environmental concerns, and the advent of new technologies that make impact assessment and reporting easier, all contribute to this expansion.

Even if impact investments and SRI are gaining more attention, yet there are still many unsolved concerns about their efficiency and impact. For instance, it is unclear how socially responsible investors can determine if the social and environmental impacts of their investments are indeed improving people's lives and the environment. Concerns have also been raised concerning the possibility of "impact washing," in which investors make claims of having a positive impact without really producing any noticeable or tangible impacts.

In this context, new EU legislations are intended to foster ethical and sustainable investing practices in the financial sector, to counteract exaggerated claims about the sustainability of the environment, and to encourage financial players to use the right sustainability strategies. The need that financial operators disclose how their products adhere to the EU Taxonomy for sustainable operations is a crucial component of these regulations.

As discussed, more people and organizations recognize the value of environmental and social

responsibility in the financial industry, the idea of sustainable finance has been gaining popularity recently. However, the terminology used in this industry is sometimes unclear and inconsistent, which makes it difficult for both investors and the public to grasp.

Höchstädter, A., & Scheck, B. (2014) note that while having fundamental distinctions, the terms SRI and impact investing are often used synonymously. Impact investing is intended to purposefully produce positive social and environmental impacts, whereas SRI often focuses on avoiding investments in businesses that have a negative effect. Despite these distinctions, the two ideas are often mixed, which causes misunderstandings and incorrect interpretations.

In addition to this ambiguity, it is unclear how investors may be certain that their investments are really having a positive impact. While not always intended to do so, some socially responsible investors assert that the products they sell have a positive impact. The issue of how these investors categorize their products in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation, which specifies the standards for goods intended to have a positive impact on social and environmental sustainability, arises considering this.

The misrepresentation of certain investment products as "impact investments" when they are not intended to have a positive impact is another issue that has to be addressed. This is an important problem since the Sustainable Finance Disclosure Regulation (SFDR) of the European Union has created a new categorization for investments with a "sustainable investment" purpose known as "Article 9" products. These products must show that they have a definite, quantifiable impact on social or environmental results; otherwise, the investing industry's reputation may suffer.

Given the significance of this problem, our research aims to determine the standards by which investment products are classified as impact investments under the SFDR and to investigate if they are being misrepresented as such. Interviewing practitioners in the investment sector will be done for this research to learn more about their methods and viewpoints regarding impact and socially responsible investing. By doing this, we intend to add to the body of knowledge already available on sustainable finance and provide readers a greater understanding of the difficulties the investment sector has in appropriately categorizing investment products within the SFDR framework.

Differentiating the notions of SRI and impact investment deeply is necessary to solve these difficulties. It's also critical to investigate impact investing strategies and how they could affect socially responsible investors. As a result, investors will be better able to make choices and contribute to favorable social and environmental outcomes in a more defined and consistent sustainable finance framework.

To guarantee that investments are really having a positive impact, it is crucial to have a thorough grasp of the theories and methods used in the area of sustainable finance. The approach that was utilized to investigate these ideas in more detail will be covered in the next parts of this thesis, along with the findings of interviews with different players in the sustainable finance sector.

2. Structure:

The main aim of this research is to examine and explore diverse elements as stated previously. To achieve this objective, we will go through four sections:

- The first section focuses on a thorough literature review and the examination of relevant theoretical perspectives that pertain to our research question which is: **How can investors ensure the positive impact of their socially responsible investments?**
- The second section addresses the data collection, methodology used and data analysis.
- The results and limitations encountered are presented in sections 3. The study will be concluded with a final summary in section 4.

Literature review:

The financial sector has experienced significant expansion towards sustainable development in the past decade, with limited external oversight from regulators and institutions (Cremasco, C., & Boni, L., 2022).

Traditionally, companies cared just about maximizing the shareholder's profit. The objective and the responsibility of the companies were all financial materiality (Renneboog, L., Ter Horst, J., & Zhang, C., 2008).

But Bollen, N. P. B. (2007) proposed the argument that investors might possess a multi-attribute utility function that encompasses not only the conventional risk-reward optimization but also incorporates a range of personal and societal values.

With the rising awareness of sustainability and ESG concerns, there has been a corresponding increase in the number of terminologies and nomenclatures utilized. This abundance of definitions and methodologies has caused a lack of standardization among asset managers, asset owners, and academics. In fact, there is a broad range of terminologies that can be used to refer to sustainable investing. Socially responsible investing, impact investing, green investing, and ESG investing are examples of terms that are frequently interchanged by investors and academics as part of this all-encompassing term.

To begin this study, we will conduct a review of existing literature to put the topic into the context. This process will be divided into four parts:

- In the initial section, we will focus on exploring the concepts of socially responsible investment and impact investing, from discovering the origins to offering various definitions, and highlighting their key similarities and distinctions.
- In the second section, we will delve into the European regulations concerning the sustainable finance: The Union Sustainable Finance Disclosure Regulation (SFDR), the difference classification under this regulation, the CSRD, the EU taxonomy, the European Green Deal and the MiFId II.
- In the third section, we will discuss the notion of greenwashing and transparency in reporting namely the Global Reporting Initiative.
- The fourth section will be a conclusion of different findings in our literature review.

Part I: Ecosystem of sustainable finance:

The ecosystem of sustainable finance is still poorly defined, still experiences a level of conceptual uncertainty (Marco, 2021) and the various literature is attempting to clarify the true meanings of its elements. Nowadays, investors don't have enough capabilities to distinguish between the different investment strategies. Therefore, in this initial section, we aim to clearly define the relationship between socially responsible investment and impact investing.

1. Sustainable finance :

Following a long period of dominance of the Friedman perspective, which holds that businesses can only be considered sustainable if they are maximizing profits for their shareholders. The emergence of sustainable finance dates to the early 1970s, with the aim of being a financial practice that considers social and environmental sustainability (Friede, G., Busch, T., & Bassen, A., 2015). Thus, the objectives of sustainable investments not only encompass financial objectives, but also include non-financial goals.

As sustainability and ESG concerns have gained momentum, the lexicon used to describe them has also increased. This profusion of definitions and approaches has led to a lack of consistency among academic researchers, asset managers, and asset owners. In fact, there is a wide range of terminology used to describe sustainable investing, including socially responsible investing, impact investing, green investing, and ESG investing. These terms are frequently employed interchangeably, contributing to the umbrella term's lack of clarity (Schueth, S., 2003).

The aim of sustainable investments is to promote sustainable development by considering long-term environmental, social, and governance (ESG) factors in investment decisions for publicly traded companies and large enterprises (Busch, T., et al., 2016; Camilleri, M. A., 2015).

In recent years, sustainable finance has garnered significant attention and interest. Sustainable finance presupposes that finance, whether from corporations or other sources, should be utilized in a way that generates economic activity without sacrificing the potential for future generations to produce similar levels of economic activity (Wilson, C., 2010). In 2020, over $400 billion in new funds were raised in capital markets, including $357.5 billion from sustainability bonds and $76.5 billion from green bonds (Refinitiv., 2020).

Although the terms environment and sustainability are frequently utilized interchangeably, they do not have identical meanings. Environment refers to the natural world and the diverse ecosystems that comprise our planet. Sustainability, however, refers to the capability of meeting present needs without jeopardizing the capacity of future generations to meet their own needs.

This encompasses not only safeguarding the environment but also promoting social and economic prosperity. Therefore, while environmental preservation is a crucial element of sustainability, it is

not the sole component. To attain authentic sustainability, other factors such as social fairness and economic feasibility must also be considered.

We will use the terms socially responsible investment and sustainable finance interchangeably in our research thesis, thus henceforth, socially responsible investment will be our main focus.

2. Socially responsible investment :

2.2. Origins:

It is difficult to pinpoint the exact year when the first types of socially responsible investing emerged in our history. The SRI that we are familiar with today came into existence not too long ago, little more than twenty years at the most. However, it is worthwhile to take a look back at some of the main breakthroughs and important milestones that have contributed to the formation of SRI as the kind of investing that it is today.

2.2.1. The Old Testament: the beginnings of SRI:

According to Loiselet (2000), we can confidently assert that the earliest roots of the concept of ethical investment may be found in the literature that are shared by the three major monotheistic faiths. Therefore, we discover in Genesis the concepts of sharing the world and of man's obligation to make it grow fruit along with other people and not at the cost of those other people.

2.2.2. Saint-Thomas D'Aquin:

St. Thomas Aquinas addressed the problem of unethical business practices much later, in the 13th century, and produced a philosophy based on the idea that "all human activity receives its rule from reason. This assessment must be considered by businesses. It is incumbent upon it to demonstrate that it seeks honorable goals and employs methods that are, in and of themselves, blameless. At this cost, it will be acknowledged as a physically beneficial pursuit, and it will take its rightful position in Christian society" (Matière à penser, p.8, paragraph 4). In his writings, Saint Thomas Aquinas goes beyond what is stated in the book of Genesis. In the process of establishing the positive theory of commerce, which seeks to offer a religious framework to the practice of commerce, he is one of the first to talk about extra-financial criteria in the execution of an economic activity. The positive theory of commerce seeks to give a religious framework to the conduct of trade. According to him, the only kind of business that has a place in a Christian society is one that has pure and virtuous goals.

2.2.3. Quackers: Religious Society of Friends:

The 18th century is where the earliest signs of socially responsible investing may be discovered, claim Férone, G., D'Arcimoles, C.-H., Bello, P., & Sassenou, N. (2001). The first group to examine non-financial factors while making investment decisions was the "Religious Society of Friends," a movement founded by ex-Anglican Church members. Now that we are discussing the utilization of our cash from an investing standpoint, we are not only talking about business.

The governing ideals of this society are equality, solidarity, and a distaste for the acquisition of needless possessions. The Quackers, the nickname given to adherents of the religious society of friends founded in 1747 by George Fox, were reputed to be honorable, according to Férone, G., D'Arcimoles, C.-H., Bello, P., & Sassenou, N. (2001). Their civilization was built on upholding agreements, honoring determined rates, and having no desire to barter. Additionally, they gave priority to their employees' safety, cleanliness, and working conditions.

After being persecuted for a considerable amount of time in England, the Quakers immigrated to America, where the cause quickly gained momentum. They were placed in charge of some of the biggest corporations in the nation because of their superior performance and the concern that their superiors had for their staff. They began strongly opposing slavery in 1758 and forbade investments in alcohol and tobacco. The Quakers were among the first to forgo using certain resources for their own financial gain; thus, we may regard their religious organization as one of the pioneers in the field of socially responsible investing.

2.2.4. Birth of SRI in the 20th century in the United States:

The practice of screening, intended to select the businesses or industries in which members of religious congregations could or could not invest, first appeared around the turn of the 20th century. This enables us to pinpoint the role that religion played in the development of what is now known as socially responsible investing. These mostly American congregations forbade their members from making investments in the following industries: gambling, tobacco, alcohol, and guns. Religion finds a new means to lend substance to its values via investment funds as the world becomes more monetarized and financialized. The first investors in ethical funds therefore seek to incorporate a moral component into finance by incorporating ethical dimensions—reflections of their religious beliefs—into their investment decisions" (Arjaliès, 2010).

The "Social Creed of the Churches" is a document that the Federal Council of Churches (now the National Council of Churches) in the United States has accepted. This 1908 treatise places a strong emphasis on the ethics of working and manufacturing circumstances. It highlights how crucial it is to provide just and equal working conditions as well as ethical industrial procedures.

According to Meignant (2004) even after all these years, this rule continues to serve as a guide for socially responsible investors who seek to support the creation of a more fair and equal society. This implies that investors may use this 1908 document as a reference to inform their decisions and actions if they desire to utilize their wealth in a socially responsible manner and to advance principles like equality and justice.

In conclusion, the Federal Council of Churches' adoption of the "Social Creed of the Churches" places an emphasis on the morality of working and production circumstances, and it is still used as a guide by socially conscious investors trying to create a society that is more equal and just.

2.2.5. Acceleration of the movement during the sixties:

The movement starts to pick up steam, and SRI starts to resemble the shape we are familiar with from the 1960s and beyond. Prior to then, theme exclusion was mostly used by religious organizations. Notably, in the 1960s, it is important to remember that a new industry—the armaments industry—became the focus of discussion and controversy.

Religious organizations, academic institutions, and other organizations questioned where their financial gains came from and how their assets were used after the Vietnam War, which left behind a thriving military and armaments sector. All arms-related enterprises were put on the market for boycott. The Pax World Fund, the first socially responsible mutual fund in contemporary SRI, was created in this manner. The Methodist Church established the Pax World Fund in 1971. This fund, which was available to anyone, aimed to exclude, in addition to the gambling, alcohol, cigarette, and pornographic industries, all businesses that took part in Vietnam War-related expenditures (Pagès, 2006).

The fund's founders, Luther Tyson and Jack Corbett, intended for investors to be able to match their investments with their principles. Tyson and Corbett also intended to draw attention to social and environmental concerns among major corporations. The 1960s social, political, and economic context—the birthplace of social (women's rights, civil rights), and environmental demands—is the foundation of SRI. The growth of SRI and corporate social responsibility (CSR) was facilitated by this environment.

2.2.6. SRI to the present day:

As the first SRI funds outside of the US were created in the 1980s, the movement continued to gain momentum. The first SRI fund was established in Britain in 1984, while the first SRI fund in Canada was established two years later. SRI was also clearly developed in Europe in the 1980s. “CGER” introduced Cigale, the first SRI savings account, in 1984. The first investment funds finally debuted on the Belgian market in 1992. These included the KBC Eco Fund and the VMS Luxinter Ethifond

Fund. The investment philosophy of these funds then included both positive and negative criteria. Keep in mind that the BNP Paribas Fortis offer included the Cigale savings account, which was accessible until 2013. The RFA and Fairfin criticized BNP for not implementing responsible investment policies regarding the environment, peace, freedom, and democracy, forcing the bank to end this product. The existence of the organization in tax havens was also condemned by these two networks, although they did not raise any concerns about the product's ethical standing (Trends Tendance, 2013).

As can be seen, SRI has evolved throughout the years based on the weight accorded to certain concerns and has taken on a variety of shapes. After the 1980s, when brief intervals of divergent expectations occurred one after the other, this phenomenon grew more evident. These developments demonstrate the SRI industry's vitality as well as the industry's ongoing institutionalization and evolution. In the period from 1982 to 2015, five different phases may be emphasized, according to (Dumas, 2015).

The civil rights era was the first, lasting from 1982 to 1991. The difficult situation in South Africa, the social issues related to Apartheid, the working conditions of black workers, and campaigns against certain businesses that have been condemned for their actions are at the core of the current preoccupations. The primary SRI tactic in this first phase was divesting from certain targeted firms. The South Africa Safe Equity (SAFE) index, which featured businesses that refused to make investments in South Africa, was established a few years earlier. The California pension fund made the decision to sell off over $100 billion of its assets in businesses that were not listed on the SAFE in 1987 as a result of the widespread public awareness of the socioeconomic issues in South Africa at the time (Pagès, 2006).

The second period, referred to as the "green niche," was marked by a decline in South African news coverage from 1992 to 1997. After the repeal of the Apartheid restrictions in 1991, SRI—for which Apartheid had contributed to raising awareness of a new form of finance—had to reinvent itself. SRI received less attention this second time than it did during the civil rights era that came before it. The preservation and conservation of the environment are now top priorities. The creation of green funds was one of the specialty efforts started at this time. For the first time, investors will be just as interested in the underlying motivation for their investment as they are in the financial outcome (in this example, investing in firms involved in environmental conservation and preservation). We'll now contrast the performance of SRI funds with traditional funds. SRI is less often mentioned in the media now than it was formerly.

Then followed the "professionalization" phase, which lasted from 1998 to 2000 and was dominated by pension funds. SRI became more popular among institutional investors. Even more so than during the preceding period, the performance of the funds is crucial. Pension fund managers want to know whether performance and safeguarding client money can coexist with the morals of ethical investing (Dumas, C., Louche, C., 2015).

The "SRI years" are the fourth time frame. from 2001 and 2005. SRI changed its focus from an ethical discourse to a rhetoric of responsibility during this era of transformation. The first

conversations about SRI regulation are held as professionalization progresses (Dumas, C., Louche, C., 2015)

When SRI turned its attention to climate change in 2005, the fifth period—known as "the ESG years"—began. There was no bias in the media's coverage at the time. Responsible investment and corporate governance, which had traditionally been considered separately, were combined during this period. According to Dumas, C. & Louche, C. (2015), there is no discontinuity to close the parenthesis on this era, which was scheduled to finish in 2010. Despite the 2008 financial crisis, SRI factors have mostly not altered. To determine when to close the ESG parenthesis and open a new one, the present conversation should be watched, however.

For some academics, the year 2015 marked the beginning of the "Impact Investing" era. Impact investing and SRI, which attempts to invest in a group of sectors that do not aggravate the social or environmental situation, vary significantly. In contrast to Impact Investing, which seeks to encourage business models that, by their very nature, contribute to greater tangible positive impact, SRI achieves this purpose by excluding from its investment universe businesses that may be characterized as poor performers. Impact investing suggests innovative solutions to certain societal issues (Simon, J., & Barmeier, J., 2010). Impact Investing was advertised as an upgrade to SRI a few years ago, or SRI 2.0.

Socially responsible investment (SRI) has significantly increased internationally between 2015 and 2023. As more and more investors include these criteria in their investments, environmental, social, and governance (ESG) considerations have emerged as critical determinants in investment choices.

Several factors have influenced its progression. First, as global difficulties like climate change, environmental degradation, social inequality, and governance scandals have become more widely known, investors are now taking these issues into account when making financial choices.

Further evidence of the possible advantages of SRI in terms of long-term financial success has been provided through research and academic studies. Incorporating ESG criteria into a company's strategy may increase a company's ability to manage risk, recruit people, enhance reputation, and provide sustainable profits, according to studies. Regulators and standard setters have also significantly contributed to promoting the use of SRI. Guidelines and procedures have been created to encourage the openness of ESG data and to make comparison easier.

2.3. Definition:

Due to the complexity and multiplicity of the term. It is not simple to define socially responsible investment (SRI).

It is important to define the terms "ethical investments and socially responsible investments. The two terms are often used synonymously" according to Sparkes (2001). but they must be differentiated. He claims that the notion "ethical investment" is oversimplified and that the word "SRI" is more applicable. The term "ethical investment" refers to the historical practice of rejecting

allegedly immoral activities "without taking into account issues and profiles of different components" (Revelli, C., 2012). Since experts consider the word "socially responsible" to be more contemporary and less reductive, we shall use it throughout this research study.

SRI includes a variety of investing strategies with various goals. Each investor develops his or her own definition in accordance with their own principles, which is reflected in the SRI strategy they choose. Lack of definition harmonization among industry specialists (fund managers, labels, etc.) is one of the main issues with SRI.

SRI is no longer the exclusive domain of a select few donors or adherents of certain religious groups and has grown to represent excellence in three areas: financial, environmental, and social performance. The FIR (Forum pour l'Investissement Responsable) and the AFG (Association Française de la Gestion Financière) have resolved to define socially responsible investing more precisely. According to the two organizations, SRI is an investment that aims to reconcile economic performance and social and environmental impact by financing the companies and public entities that contribute to sustainable development regardless of their sector of activity. By influencing the governance and behavior of players, SRI promotes a responsible economy.

A second definition from Capelle-Blancard and Giamporcaro-Saunière (2006) is worth mentioning: "Socially responsible investment (...) refers to a practice that consists of selecting investments, not only on the basis of financial criteria (profitability, risk, etc.), but by integrating social, ethical, or environmental concerns into its choice». ISR is still a relatively new activity that is the subject of various research, and some people believe it to be a reaction to capitalism's moral problem.

According to Pagès (2006), SRI should take into account a company's complete impact on its environment, including social, governance, working, and other factors, rather than only ethical standards that lead to the exclusion of particular industries (such as alcohol, cigarettes, and weapons). The idea of SRI stems from the realization that a business can only aim for long-term success if it respects its socioeconomic surroundings. There is presently no agreement in Europe to define SRI uniformly, according to (Eurosif, 2014).

In the financial industry nowadays, socially responsible investing (SRI) is widespread. The majority of financial institutions assign specific teams to handle the non-financial requirements of their investments. According to Louche (2015), this dissemination is advantageous since it enables the company to connect with potential investors. However, it may also work against SRI if it results in a weakening of its guiding principles, especially ethics, responsibility, and sustainability.

3. Impact investing :

3.1. Origins:

A conference hosted by the Rockefeller Foundation in 2007 is when the term "impact investing" first gained serious traction. Leaders in business, charity, and finance gathered at the Bellagio Center in Italy to discuss how to create an atmosphere that would foster the growth of impact investment. A second meeting in 2008 resulted in the creation of a strategy for expanding this market. Although the phrase is relatively new, the idea of utilizing money to change society has been ingrained in our culture for some time (Clark, C., Emerson, J., & Thornley, B., 2015).

The incapacity of governments, charities, and philanthropists to handle social and environmental concerns as they exist in the 21st century on their own has led to the emergence of different types of social investment, particularly (Brandstetter, L., & Lehner, O. M., 2015). Impact investment is founded on schools of thought that support blended value or the triple bottom line, claim Bugg-Levine, A., & Emerson, J. (2011). The conventional division between for-profit and nonprofit endeavors is challenged by these ideas. The former is just seeking financial gain, while the latter encourages those worried about social issues to donate money or wait for government action. The viewpoint of these two writers is shared by Brandstetter, L., & Lehner, O. M. (2015), who contend that by fusing the once incompatible social and economic logics, social companies are better equipped to reach their full potential in terms of growth, efficiency, and innovation.

Despite the introduction of this kind of investment and the attention it sparked among several participants, the majority of writers in the scholarly literature on the topic regret the absence of a uniform definition of impact investment according to theoretical analysis (Höchstädter & Scheck, 2014b). In fact, the lines separating this occurrence from others are contested by investment organizations from throughout the globe.

3.2 Definition:

To establish an initial approach to impact investing, we will first use the definition of The Global Impact Investing Network (GIIN):

"It is investing with the intention to generate positive, measurable social and environmental impact alongside a financial return".

In the previous definition, we can consider two aspects of impact investing. The first aspect is the non-financial impact and the second one is the financial return.

Thus, regarding the first aspect, to be considered as an impact investor, it is required for an investor two mean characteristics concerning his investment:

a. The integration of a genuine aim of generating social impact into their decision-making (Boerner, 2012) or the intention of generating a positive impact.
b. The non-financial impact should be measured or evaluated (O'Donohoe, N., Leijonhufvud, C., Saltuk, Y., Bugg-Levine, A., & Brandenburg, M., 2010).

Concerning, the financial returns, generally, the returns of the original investment capital seem to be a considered as a minimum requirement. Nevertheless, there is typically no restriction regarding the expected level of financial gain, meaning it could be below, equal to, or surpass market rates (Höchstädter & Scheck, 2014b). But, as the demands of investors regarding risk as well as financial and social returns change based on their intentions and objectives (Charlton & al., 2015). This has led to the categorization of investments as either "financial-first" or "impact-first" (Charlton & al., 2015).

a. *Impact-first:* Such an investor is willing to sacrifice a portion of the expected yield that comes with a certain level of risk, and as a result, is willing to accept certain compromises. Which means, they tend to maximize the non-financial impact while still maintaining the minimum financial return requirement (Charlton & al., 2015).
b. *Financial-first:* These investors tend to maximize their financial returns while still maintaining the minimum non-financial impact.

The impact investment market is expanding rapidly, with a range of financial institutions, foundations, government agencies, and high net worth individuals pooling their resources to invest in socially responsible projects (Weber, 2016). This growth in capital investment is encouraging, as impact investing offers the unique opportunity to pursue both financial and social goals simultaneously (Rizzello et al., 2016).

However, the lack of evidence regarding the actual impact of these investments remains a critical challenge. To direct investment towards products and services that truly make a difference, it is crucial to have clear evidence of their effectiveness in improving the lives of those they aim to serve.

3. Similarities and differences between ISR and Impact Investing:

Throughout the various definitions and categorizations described above, in this section, we will delve into the similarities between Socially Responsible Investment (SRI) and Impact Investing. Even though most research focuses on each investment individually, we will examine them collectively to gain insight into their connection and to take a step towards finding answers to our primary research question.

Opinions vary on the relationship between impact investing and Socially Responsible Investing (SRI). Some might view impact investing as a type of Socially Responsible Investing (SRI) strategy (Tides (2011).), while others may consider it a subcategory of SRI (Radjy, T., & Cejnar, N., 2010), or a separate (Stanfield, 2011) and more extensive approach (Freireich, J., & Fulton, K., 2009).

A range of analyses, theories, and perspectives leads to diverse conclusions. To condense these disparities, we can categorize them under four major areas:

a. Impact investing is viewed as a proactive method for tackling social and environmental problems, rather than just avoiding harmful consequences, or addressing them only after they have taken place, in comparison with the SRI that just works on enhancing corporate practices with regards to Environmental, Social, and Governance (ESG) criteria (Hill, 2011).
b. A distinction in the scale and character of investments: Socially Responsible Investment funds would concentrate on big corporations (Chua et al., 2011), while impact investments typically aim at smaller businesses (Fleming 2012).
c. Impact investing, which is predominantly carried out through private equity, while SRI funds are primarily concentrated on investments in public equities (mutual funds) (Hao Liang Luc Renneboog, 2020).
d. With regards to the projected level of financial return, impact investing places greater importance on non-financial impact over financial consideration (Ashta, 2012).

In our study, the significant distinction that we are particularly interested in is the first one that considers that SRI is simply abstaining from negative impacts and prioritizing top-tier Environmental, Social, and Governance (ESG) considerations (Harji, K., & Jackson, E. T., 2012) while for Impact investors the fundamental idea is the achievement or realization of a positive social impact, or the outcome of efforts to create positive change in society.

As a result, this brings us to consider how investors in Socially Responsible Investing (SRI) aim to generate a positive impact through their investments, even though such investments do not necessarily have a guaranteed positive outcome. This prompts us to consider the idea that:

a. Investors in SRI pretend to have a positive impact when they are not in reality.
b. There is a confusion among investors regarding the distinction between SRI and impact investing.
c. Investors are mistakenly using the metrics of impact investing to evaluate the impact of their SRI investments.

4. Conclusion of the first part:

Nonetheless, according to the findings of Eurosif (2014), impact investing is regarded as one of the means to execute SRI tactics, despite possessing numerous features that are different from conventional SRI methods.

It's important to acknowledge that merely refraining from investing in companies that don't meet specific sustainability standards doesn't automatically classify as impact investing.

Impact investing goes further than negative screening and necessitates a proactive approach that aims to produce measurable social or environmental impact. This implies that impact investors actively search for businesses or projects that are devoted to generating positive transformation and are devoted to measuring and disclosing the outcomes of their impact efforts.

By doing so, impact investors can efficiently align their investments with their beliefs and objectives and encourage constructive change in society and the environment.

Part II: European Union Regulations regarding sustainability:

The financial sector has experienced significant expansion towards sustainable development in the past decade, with limited external oversight from regulators and institutions.

The Sustainable Finance Disclosure Regulation that financial market participants were obligated to comply with since March 2021, marked a significant milestone in terms of providing investors with transparency regarding the sustainability of their investments. To ensure the information is comparable and consistent, the Taxonomy Regulation was implemented in the subsequent stage. Furthermore, the impact of these regulations extends to the real economy, which must report underlying data on its management of ESG issues. The aim is to equip investors with the means to proactively manage their investments and prioritize those that meet the specified sustainability objectives.

In this section, we will focus on two key regulations that are relevant to our study, namely the Sustainable Finance Disclosure Regulation and the EU taxonomy.

Given its expanding significance in the area of sustainable investing, we will start this discussion with the Sustainability Disclosure Regulation (SFDR). Improved environmental, social, and governance (ESG) information disclosure and openness by businesses and financial products are the goals of the SFDR. The SFDR emphasizes the disclosure of ESG practices and effects, which has a big influence on investment choices and how businesses manage their sustainable operations.

After we will go on to the Corporate Sustainability Reporting Regulation (CSRD), which broadens corporations' sustainability disclosure requirements, after introducing the SFDR. Investors and stakeholders will be better equipped to choose sustainable investments thanks to the CSRD's goal of enhancing and harmonizing ESG data offered by businesses.

The Green Deal of the European Union, a significant endeavor to improve environmental sustainability via a number of policies and initiatives, is the next section we will discuss. The Green Deal covers topics including the switch to renewable energy sources, energy efficiency, environmental preservation, and the encouragement of a circular economy. Additionally, it emphasizes enlisting private funding to aid in the transition to a greener economy.

Moreover, we will discuss the EU taxonomy, which outlines precise standards for designating sustainable economic activity. The taxonomy offers a framework for evaluating how investments may affect the environment and tries to promote financial flows to sustainable businesses.

1. Sustainable Finance Disclosure Regulation (SFDR):

1.1. Sustainable Finance Disclosure Regulation (SFDR):

Causing skepticism and generating suspicion about their credibility of their statements and the trustworthiness of their assertions regarding sustainability. Investors can sometimes transmit hazardous phenomenon like greenwashing.

To halt it, a collection of regulations was adopted by the European Union to lead financial entities toward effective sustainability strategies. In our study, we will focus firstly on SFDR:

The Sustainable Finance Disclosure Regulation, a critical framework for sustainable finance, obliges financial operators to disclose how their products are positioned about the overarching EU Taxonomy for sustainable activities (Schütze, F., & Stede, J., 2021).

Back into the context, the Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 of the European Union was adopted by the European Parliament and Council on November 27, 2019, and came into force on March 10, 2021 (European Parliament, 2019).

We can consider that the Sustainable Finance Disclosure Regulation is pertinent for three key factors:

- It provides a clear scope to respect, both financial market participants and financial advisors are obligated to comply with the regulation.
- Several valuable definitions are included in it.
- Both financial products and entities are subject to the requirements that they are obliged to fulfill.

As a concrete impact, the Sustainable Disclosure Regulation require a clear classification for financial product under three main categories: Neutral (Article 6), intermediate (article 8) and sustainable (article 9) that we will explain further in the next section of this part.

1.2. Classification of the SFDR:

In today's financial landscape, there is a widespread emphasis on the impact of investments, but this has also led to a higher risk of deceptive and dishonest practices known as "greenwashing". As a result, regulators have established stringent guidelines for how sustainability concerns should be addressed, handled, and disclosed in financial products.

For this reason, the Sustainable Finance Disclosure Regulation depending on how much financial products are dependent on achieving sustainability targets, it distinguishes and establishes different articles of disclosure processes and practices. In other words, based on the level of ESG integration,

the classification of ESG-related products and non-ESG products as article 6, article8 and article 9 funds (Becker, M., Martin, F., & Walter, A., 2022).

On the following section, we will discuss the different classifications, the different articles:

Article 6: It concerns products that do not have a sustainable objective. These products are neutral in relation to sustainability in their investment strategy. The products included in this article, they do not meet criteria to be classified as article 8 or 9. Which means, when conducting their asset allocation, managers don't take into consideration the sustainability criteria (Cremasco, C., & Boni, L., 2022).

Article 8: In these products, there is a greater priority concerning the financial aspect. Hence, their main objective is not sustainability. But ESG factors are incorporated in the investment strategy (Becker, M., Martin, F., & Walter, A., 2022). To put it differently, according to (Regulation (EU) 2019/2088) article 8 is considering where:

"a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices."

Article 9: On the opposite of the article 6, article 9 consider non-financial aspect as a priority to create a real-world positive impact beside the financial returns. This is often accomplished by aligning the portfolio with the UN Sustainable Development Goals (SDGs) (Becker, M., Martin, F., & Walter, A., 2022).

Considering the meaning of impact investing and these different articles lead us believe that the products that belong to the investment strategy of impact investing should be considered within the scope of article 9. Given that the global interest of impact investing is the outcome of the investment strategy which means the positive impact on non-financial materiality.

Normally the impact investing is always threatened by "impact washing", wherein the expression "impact investing" is exploited to draw in funds without genuinely intending to create an impact (Lisa, S., Timo, B., Johannes, M., 2022).

Consequently, if we consider that all the products fallen within the scope of impact investing as a part of article 9, this could create a rise of "impact washing". And, a small percentage of funds fulfill the specified impact criteria, and merely being classified under Article 9 is insufficient to qualify as an impact investment fund. (Lisa, S., Timo, B., Johannes, M., 2022).

To summarize the different classification, for article 6, in any case, there is no sustainability in the investment strategy (Darina.S, Hector. H., 2021). For the other two articles, the aim is to differentiate between financially sustainable products that encourage environmental or social attributes which is article 8 and financial products with the objective of creating a favorable impact on the environment and society which is article 9 (Renneboog, L., Ter Horst, J., & Zhang, C., 2008).

There is a phenomenon called fuzziness, which means that some investors assert belonging to Article 9 but exhibit the behavior of Article 6 funds. Conversely, they proclaim to be Article 6 compliant in terms of sustainability performance but behave similarly to Article 9 funds. Finding it difficult to accurately differentiate the values, norms, and attributes that define sustainability from those that do not (Cremasco, C., & Boni, L., 2022b).

As a result, this leads an issue of finding it difficult to accurately differentiate the values, norms, and attributes that define sustainability from those that do not. Due to lack of clarification, a clear sustainability risks and impact outcomes should be appropriately factored in at every level.

2. Corporate Sustainability Reporting Directive (CSRD):

An improved legislative framework for corporate sustainability reporting and disclosure obligations is the Corporate Sustainability Reporting Directive (CSRD), which is being proposed by the European Union. It expands on the current Non-Financial Reporting Directive (NFRD) and aims to make sustainability reporting requirements for businesses doing business in the EU more stringent.

The CSRD broadens the spectrum of reporting obligations by adding more organizations and a larger variety of sustainability-related data. Its goal is to provide stakeholders thorough and comparative information on businesses' environmental, social, and governance (ESG) performance so they may make better decisions.

The importance of the CSRD in enhancing the quality and consistency of sustainability reporting (De Moor et al., 2022). To ensure the accuracy and comparability of data across various businesses and industries, it suggests standardized standards and techniques for reporting ESG data. Incorporating sustainable factors into investment choices is made easier because to this uniformity, which also encourages transparency.

Additionally, the CSRD encourages businesses to make information available in digital, machine-readable formats to improve accessibility and speed up data analysis. This supports the overarching objective of encouraging sustainable finance and making it easier to include ESG variables into investment strategies (De Moor et al., 2022).

The issues brought on by greenwashing are another focus of the CSRD. It aims to decrease the risk of corporations providing inaccurate or incomplete sustainability information by introducing explicit reporting criteria and verification systems (Black et al., 2022). Building confidence in sustainable finance and encouraging long-term wealth creation are two goals that are furthered by this.

To sum up, the Corporate Sustainability Reporting Directive (CSRD) is a substantial improvement in corporate sustainability reporting inside the European Union. To help stakeholders, make better choices, it extends reporting requirements, harmonizes standards, and increases transparency. The CSRD contributes to the entire framework supporting sustainability and ethical corporate practices, together with other sustainability-related policies.

3. The EU Taxonomy:

We mentioned before the EU taxonomy, its objective is to create a unified system for recognizing environmentally sustainable activities across various sectors. Concretely, The EU Taxonomy helps to analyze each activity performed to determine if it meets the technical screening criteria defined for six main objectives like climate change mitigation and transition to a circular economy.

To revise SFDR and harmonize the standards for assessing whether an economic activity qualifies as sustainable, the Regulation EU 2020/852 (“Taxonomy”) established a shared vision for discussing sustainability.

Thus, it aims to establish uniform standards for deciding whether a particular economic activity is regarded as "green" or ecologically sustainable. It was created as a component of the European Union's Action Plan for Sustainable Finance and is a crucial element of the shift to a low-carbon, climate-resilient economy.

For evaluating the environmental sustainability of economic operations, the EU Taxonomy offers a set of technical and scientific standards. It seeks to ascertain if a particular activity significantly advances the environmental goals defined by the European Union, such as the prevention of climate change, the preservation of biodiversity, the sustainable use of resources, and the advancement of the circular economy.

The EU Taxonomy has a number of benefits, according to (Black et al., 2022). First, it creates a standard framework for evaluating the environmental effects of economic activity, promoting comparison and transparency of sustainable investments. Using these standards, investors may find and assess investment opportunities that support important environmental goals.

Additionally, the EU Taxonomy is crucial in the fight against "greenwashing," which is the practice of portraying goods or activities as more sustainable than they really are. The EU Taxonomy offers a clear framework for preventing false claims and guaranteeing that investments result in actual environmental effects by establishing strict requirements.

De Moor et al. (2022) emphasis the EU Taxonomy as a crucial instrument for guiding capital flows toward sustainable projects and assisting the shift to a green economy. Through the identification of economic activities that substantially advance environmental sustainability, it offers investors, businesses, and politicians’ clear direction.

The EU Taxonomy implementation, however, is not without difficulties. De Moor et al. (2022) specifically brings up the difficulty of environmental effect assessment, continuing scientific discussions, and the need for constant technological adaptation. Despite these obstacles, the EU Taxonomy marks a significant advancement in unifying sustainability standards and encouraging investment in environmentally friendly business ventures.

In summary, the EU Taxonomy offers a crucial legal framework for evaluating the environmental sustainability of financial activity. It establishes a single platform for stakeholders, businesses, and investors, fostering the comparability and transparency of sustainable investments.

4. The European Union's Green Deal:

A comprehensive and ambitious plan to battle climate change, advance sustainability, and accelerate the shift to a carbon-neutral economy is the European Union's Green Deal (Johnson et al., 2023).This big project highlights the need to increase private investment in important areas including renewable energy, building rehabilitation, sustainable transportation, and technology innovation while also mobilizing sizable financial resources to assist the green transition (Johnson et al., 2023).

To make all economic sectors more sustainable and resilient in the face of environmental concerns, the European Union's Green Deal seeks to reform them all significantly (Driver, 2018). It consists of policies and actions to lessen greenhouse gas emissions, safeguard biodiversity, support renewable energy sources, enhance energy efficiency, and promote the sustainable use of natural resources (Black et al., 2022). These initiatives are meant to help us reach the challenging goal of being carbon neutral by 2050.

In the Green Deal, sustainable financing is crucial. According to studies, including environmental, social, and governance (ESG) considerations into investment choices might help the economy move toward being more sustainably run (Smith et al., 2018). As a result, the Green Deal encourages investors to consider ESG factors when making investment choices, so promoting the shift to more environmentally friendly economic activity.

In addition, the Green Deal mandates the creation of a green taxonomy that we discussed before and that outlines the standards for sustainable business practices (Black et al., 2022).

The Green Deal provides chances for innovation and the creation of new technology solutions in addition to its financial benefits. Research and development initiatives in fields including sustainable transportation, waste management, and renewable energy sources are supported (Gray et al., 2023). These programs seek to encourage innovation, promote public-private collaborations, and draw funding for the creation of more environmentally friendly products and procedures.

In summary, the Green Deal of the European Union is an ambitious answer to the problems of sustainability and climate change. By incorporating ESG criteria and encouraging information transparency, it fosters sustainable financing and strives to mobilize sizable financial resources to assist the green transformation. A green taxonomy will make it possible to analyze sustainable investment opportunities with more accuracy. The Green Deal also provides chances for technical advancement and innovation, enabling the shift to a carbon-neutral economy and encouraging sustainable economic growth.

5. MiFID II:

The European Union put in place the Directive on Financial Instruments Markets II (MiFID II) as a regulatory framework to regulate the financial markets and ensure investors' protection. While the MiFID II primarily aims to increase market efficiency, investor safety, and transparency, it also has consequences for sustainable investment practices.

The study by Busch (2016) emphasizes that MiFID II deals with the regulation of high frequency trading, algorithmic trading, and electronic direct market access. These regulations aim to strengthen investor confidence by reducing market abuse, promoting fair and orderly markets, and encouraging fair investment. MiFID II supports long-term investment practices by offering a more stable and regulated business environment.

The field of sustainable finance has been impacted by the MiFID II's implementation as well. According to Driver (2018), MiFID II mandates that financial institutions take their customers' preferences and sustainability goals into account when providing investment services. This shift toward customer-centricity is in line with the rising demand for durable and socially responsible investment products.

Additionally, the MiFID II places more emphasis on the disclosure of the costs, fees, and charges associated with financial products and services. Investors are able to make clearer decisions because to the growing transparency, including by taking the sustainability of their investments into account (Driver, 2018).

It's critical to understand the broader context of EU regulations when examining the relationship between MiFID II and sustainable investment. For instance, the Sustainable Finance Disclosure Regulation (SFDR) completes MiFID II by establishing rules on the disclosure and transparency requirements for market participants regarding the incorporation of sustainability factors into investment decisions (Black et al., 2022).

In conclusion, the MiFID II plays a significant role in the development of the financial markets and has indirect consequences for sustainable investment practices. As the demand for durable investment products rises, she improves market transparency, investor safety, and customer focus. Additionally, MiFID II supports the overall framework for promoting sustainable finance within the European Union in conjunction with regulations like the SFDR.

6. Conclusion of the second part

As a whole, the regulatory frameworks of MiFID II, the EU Taxonomy, the SFDR, the CSRD, and the Green Deal advance sustainable finance in the European Union. However, it's crucial to recognize certain situations when each piece of legislation could have particular objectives or possible restrictions.

We will start with the EU Taxonomy, which, although essential for identifying environmentally friendly economic activities, tends to focus exclusively on environmental issues and could fall short in capturing the wider social and governance aspects of sustainability. Along with environmental criteria, social and governance factors must be taken into account to achieve a thorough evaluation of sustainability (Van der Linden et al., 2022).

Moving on to the SFDR, it mainly targets financial market players like asset managers and investment advisers, even though it places a heavy focus on transparency and ESG disclosure. The regulation may, however, have very little effect on non-financial businesses and their sustainability efforts. To strengthen the sustainability reporting requirements for a larger variety of firms, it is crucial to combine the SFDR with other regulations, such as the CSRD (De Moor et al., 2022).

Although the CSRD aspires to strengthen corporate sustainability reporting, it may face difficulties in coordinating reporting requirements across many businesses and sectors. It might be difficult to create a cohesive framework that reflects the distinctive features of different enterprises. To allow for meaningful comparisons while taking into account the peculiarities of each sector, efforts should be made to ensure that reporting standards are realistic, pertinent, and suited to various kinds of organizations (Black et al., 2022).

While transparency and investor protection provide indirect support for sustainable investing practices in the case of MiFID II, its particular rules for encouraging sustainable finance could not be as thorough as those under specialized sustainability legislation. To effectively use MiFID II's potential to encourage sustainable investment, it is essential to combine its requirements with existing sustainability legislation (Driver, 2018).

The Green Deal may need to take extra steps to guarantee that the shift to a green economy is socially inclusive and tackles larger societal issues, notwithstanding its objectives and emphasis on environmental sustainability. To achieve sustainable development and promote a fair transition to a greener economy, social and economic factors must be integrated with environmental concerns (Baker et al., 2023).

As a result, even while each legislative framework significantly advances sustainable finance, it is crucial to acknowledge their possible disadvantages and the need for all-encompassing, integrated strategies. Policymakers may further increase the efficacy and impact of these frameworks in promoting sustainable development and ethical corporate practices by addressing these constraints and balancing each regulation with others.

Our research focuses primarily on Article 9 of the Sustainable Finance Disclosure Regulations (SFDR), which is one of the most important provisions for encouraging sustainable financial practices. Because they have different needs and goals, Articles 8 and 9 of the SFDR should be distinguished from one another.

To set themselves apart from competitors and specify their ultimate impact purpose, entities wishing to position themselves in accordance with Article 9 are obliged to reveal the impact objective of their financial products. This is more than just ESG performance since Article 9 mandates that the highest ESG standards be linked to the creation of positive impact on predetermined global sustainability targets.

The importance of impact goals in Article 9 necessitates a comprehensive approach to effect assessment across the processes and procedures of the financial product. For instance, to guarantee that the actions and outcomes of investment funds positioned under Article 9 contribute to the production of social value, asset managers are expected to actively interact with target businesses.

Determining how SFDR classifies a financial product that adheres to the principles of sustainable finance and finance for sustainable development, therefore, depends on the evaluation of sustainability drivers in a financial instrument. SFDR encourages transparency and accountability in the financial sector by incorporating impact objectives into the disclosure framework. This allows investors to make educated decisions about the sustainability features of the products they are considering.

In conclusion, Article 9 of the SFDR creates a framework for the disclosure of impact goals and calls for the establishment of a relationship between the attainment of the highest ESG standards and the creation of positive effects. This emphasizes the significance of impact assessment and guarantees that financial products adhere to the sustainable finance principles and help achieve overall sustainability objectives. The financial sector may significantly contribute to sustainable development and good change by adhering to the SFDR's requirements (Bengo, I., Boni, & Sancino, 2022).

Part III: Reporting:

1. Greenwashing:

As we have previously discussed the concept of "greenwashing", it is a significant concern that must be acknowledged. While it relates to pretend a positive impact of impact investing in general, impact washing presents a barrier to the widespread success of impact investing (Harji and Jackson, 2012; Findlay and Moran, 2019). It also applies to our research question, which involves adhering to socially responsible investment principles and claiming a positive impact.

This is the main objective of our study; how can an investor declare a positive impact and a classification among article 9 when he is following a SRI in reality? Does his investment supposed to have an impact? Reflecting on the literature review and alongside the different notions and concepts, the SRI doesn't not have a positive impact among his objectives, but the impact investing does. This means that investors misunderstand these two types of investments, or they do it intentionally?

In both cases, it is considered as a greenwashing because it concerns pretending something that it is not in reality:

- In case investors on socially responsible investment declare having a positive impact, how this impact is measured? Do they use the metrics of impact investing?
- In case they classify their socially responsible investments among article 9, how do they conclude it?

2. Global Reporting Initiative:

If we talk about reporting, we can refer to the GRI which is the Global Reporting Initiative, it is a widely acknowledged structure that enables companies to disclose their sustainability performance. A crucial aspect of the GRI structure is the disclosure of non-financial information.

Through the disclosure of information regarding these non-monetary aspects of their operations, companies can offer significant perspectives to investors who are concerned about both financial gains and the social and environmental implications of their investments.

We didn't include this section with the last part about regulations because the Global Reporting Initiative is not a form of regulation. It lacks the power to enforce compliance or administer sanctions. Hence, companies that opt to report their non-financial performance according to the GRI do it voluntarily.

Nonetheless, numerous organizations opt for GRI reporting as a means of showcasing their dedication to sustainability and satisfying the demands of their stakeholders.

3. Conclusion of the third part:

As we discussed previously, the act of greenwashing is a dishonest advertising technique utilized by certain businesses to present their goods or services as more ecologically or globally sustainable sound than they really are. This can deceive consumers and investors who are seeking to make environmentally responsible decisions. To avoid greenwashing, it is crucial for companies to offer truthful and transparent data regarding their environmental and social policies.

To do so, companies can use the Global Reporting Initiative (GRI) structure. As previously stated, the GRI offers directives for businesses to present their sustainability accomplishments in a detailed and uniform manner. Using this structure, companies can ensure that their sustainability reporting is reliable, comparable, and pertinent to stakeholders.

Moreover, the GRI structure comprises metrics that enable corporations to disclose their ESG process. These metrics offer a distinct and quantifiable method for companies to exhibit their sustainability policies, instead of merely asserting them without supporting data.

In general, integrating GRI reporting into sustainability operations can serve as a potent means for businesses to evade greenwashing and boost transparency in their sustainability disclosure.

Part IV: Conclusion of literature review:

In conclusion, the literature study and analysis of the three elements provide important insights into how investors may make sure that the SRI they make will have a positive impact.

First, the literature study reveals that SRI and impact investing are distinct concepts. Impact investing has a more proactive approach by actively managing social and environmental issues, in contrast to SRI, which mainly focuses on improving business policies linked to Environmental, Social, and Governance (ESG) criteria. Given that some investors could erroneously think their SRI investments are producing positive change when they are not, it is clear that SRI investments alone do not always guarantee a positive impact.

Second, a review of Article 9 of the Sustainable Finance Disclosure Regulations (SFDR) reveals how important it is for encouraging sustainable financial practices. Article 9 underlines the significance of impact goals and mandates that organizations disclose the financial products' impact objectives. By doing this, investments are made with the highest ESG criteria in mind and help to achieve set global sustainability goals. It is important to remember that Article 9 should include products having quantifiable impacts.

The concept of "greenwashing" also highlights the need of reporting on social and environmental regulations in a honest and transparent manner. Greenwashing is a dishonest activity that may deceive investors and purchasers. Companies can make use of frameworks like the Global Reporting Initiative (GRI) to offer accurate and comparative data on their sustainability accomplishments to prevent this. Integrating GRI reporting into sustainability activities encourages transparency and aids businesses in avoiding false advertising.

These results highlight the need for investors to carefully assess the impact of their responsible investments. Adopting SRI guidelines alone won't result in good transformation. Investors should actively seek assets that emphasize quantifiable positive impacts and be mindful of the differences between SRI and impact investing. Additionally, following legal requirements such as Article 9 of the SFDR might help investors choose financial instruments that support sustainability goals.

Investors may adopt a comprehensive strategy to assure the success of their SRI by integrating these concepts. This entails actively looking for investments with quantifiable impact, complying with legal requirements, and encouraging open reporting procedures. In the end, these initiatives help create a financial environment that is more sustainable and socially responsible.

Empirical analysis:

The following three sections of this thesis include a detailed summary of the research methods used in this study, a presentation of the findings from our interviews, and a discussion of the findings.

First, we will describe the specifics of the qualitative research technique used, including how participants were chosen, what information was gathered, and how it was analyzed. Ensuring the accuracy, reliability, and credibility of the research's conclusions or findings. To get to significant conclusions and make wise judgments, it is essential to have confidence in the results.

In the second part, we will discuss the results of the interviews we conducted with key players in the impact investing and ISR industries. We shall describe in depth the opinions and experiences of these stakeholders by presenting the themes that arose from our analysis of the interview data.

Finally, we will evaluate the findings and go more into the themes highlighted in the interview data in the discussion section. We'll explain the research's trends and patterns by referencing theoretic frameworks and ideas found in the literature on our main research question. We will also emphasize the need for more study into major subjects and challenges that developed throughout the research process, and we will recommend prospective areas for future research.

Overall, these three parts will give insights into the similarities and contrasts between the impact investing and ISR industries and highlight important potential and problems for each, as well as a full knowledge of the methodology, findings, and interpretation of this study.

Part I: Research design and methodology:

1. Data collection methodology:

The purpose of this research is to investigate how investors may claim a positive impact and categorize their investments under Article 9 when socially responsible investing procedures are really followed by the investor.

To answer the research question: "What is the extent of integration between impact investing practices and the measurement of impact in sustainable finance products?", we decided to conduct our investigation utilizing a qualitative methodology and conduct interviews in a semi-structured format.

Because our research issue deals with complex social phenomena and because we want to get in-depth knowledge of the experiences and opinions of specialists in this sector, the use of a qualitative research approach is justified.

According to Creswell (2014), qualitative research techniques are especially well-suited for investigating complex social phenomena. This is because qualitative research methods allow the collection and interpretation of rich, nuanced data.

We may acquire insights into the beliefs, attitudes, and behaviors of impact and socially responsible investments practitioners via semi-structured interviews. We can also gain insights into the obstacles and opportunities these investments practitioners encounter when seeking to categorize the investments under Article 9.

In addition, we think that qualitative research methods are especially suited for our research issue because they allow the study of subjective experiences and perceptions of social phenomena. This is one of the reasons why we feel qualitative research methods are particularly appropriate. We are interested in studying the viewpoints and interpretations of the people who participated in our research , rather than imposing a predetermined framework on our analysis, we would want to focus on exploring these perspectives and interpretations.

In a nutshell, the purpose of this research is to investigate and explore, using a qualitative research methodology, how investors might claim a positive impact and categorize their investments under Article 9 when, in fact, they are engaging in socially responsible investing activities. We aim to achieve this goal by conducting semi-structured interviews with practitioners of socially responsible investing and impact investing to gain a comprehensive understanding of the experiences and perspectives of those working in this sector.

2. Participants:

As discussed above, to gain a comprehensive understanding of the research topic, we conducted semi-structured interviews with a diverse range of participants. Participants are not necessarily asset managers or those directly involved in the practice of these investments, but rather professionals who work in this field and have a strong knowledge and expertise in the area of impact investing and socially responsible investment.

By including a variety of perspectives, we sought to capture a broad range of experiences and insights related to the classification of investments under Article 9 and the declaration of positive impact. Furthermore, we ensured that our sample was geographically diverse and included participants from different regions and countries to capture a global perspective on the research topic.

3. Data analysis methodology:

After we had finished conducting the interviews, we transcribed it and carried out an in-depth analysis of the data using a method known as theme analysis.

This required going over each transcript several times to find important themes and patterns hidden within the data. After that, we classified these themes and arranged them into meaningful groupings.

To gain insight into the details, get an improved understanding of the data and explore the nuances, we also delved deeper into each theme by constructing sub-themes.

To be more specific, we utilized an inductive method to discover patterns that arose directly from the data. At the same time, we used a deductive approach to rely on already established theories and frameworks linked to socially responsible investment and impact investing.

4. Sample selection:

As we have already discussed, participants in the interviews were chosen on the basis of their expertise and experience in impact investing and SRI, as well as their in-depth understanding of current regulations and practices regarding sustainable finance.

In addition to this, we took into consideration the many backgrounds and roles that the individuals we interviewed play to provide an accurate and comprehensive picture of the ecosystem around sustainable investing.

The interviews were carried out in a semi-structured format with the assistance of an interview guide that had been produced in accordance with the study topic. The interviews were first taped, then transcribed, and then evaluated using a theme analysis approach. This process entails compiling the most significant topics from the interviews and classifying them accordingly.

The following is a list of the actors interviewed:

- ***Hamid Amoura*** is the head of the SRI (Socially Responsible Investment) department at Mirabaud Asset Management. He reports directly to the company's CEO and his role is to define and implement the responsible policy within the management of all investment funds.
  As Head of SRI, Hamid assists the funds in developing their investment strategy by taking into account social and environmental responsibility aspects. His perspective is "top-down", which implies defining an investment policy applicable throughout the management company. This global approach aims to ensure that the investment policy is consistent at all levels of the company and that investment decisions are unified and coherent.

In his role, Hamid works closely with the investment teams to define and improve their investment processes. He also interacts with other departments such as communications, marketing, and legal compliance to share SRI advancements and meet increasing regulatory requirements.

- ***Thomas Leclercq*** is a financial analyst working at the group bank Degroof Petercam Belgium for two and a half years. In his role, he plays a diversified role. First of all, he is a member of the bond selection committee within the private bank, where he is responsible for the selection of bonds.
  Another important aspect of his role is the sustainable approach and methodology within the private bank. He looks after environmental, social and governance (ESG) criteria, as well as the impact of investments. Since the SFDR law came into force in 2021, it has been necessary to put in place a formal process and a sustainable methodology. For the past two and a half years, he has been dedicated to these topics, including analyzing portfolios and understanding the criteria to be considered in selections, as well as the restrictions imposed by certain legacy funds.
  Thomas has extensive expertise and knowledge of these topics, including regulatory aspects and methodologies. He is also able to provide training to asset managers and private bankers on these topics.

- ***Martin Michiels*** is an experienced manager in the financial services industry, working at Deloitte Belgium since January 2021. Within the company, he is involved in various projects, such as audit, assurance, M&A, due diligence, and sustainable finance.
  As a member of the Sustainable Finance Platform, Martin has been involved in several important projects. One of them was the implementation of the SFDR regulation for a mid-sized asset manager. This initiative helped to comply with regulatory requirements for sustainable finance.
  In addition, Martin has also been involved in environmental, social and governance (ESG) due diligence projects. He has contributed to the assessment of ESG criteria in merger, acquisition and financing transactions, ensuring that sustainable aspects are taken into account.
  Another aspect of his expertise is in green bond insurance. Martin has gained extensive knowledge in this area and has worked on projects to verify and certify green bonds for compliance with sustainable finance criteria and best practices.
  His active participation in various projects in this field has allowed him to acquire a solid expertise, to become familiar with current regulations, ESG assessment methodologies and industry best practices.

- ***Matthew Welch*** is a Responsible Investment Specialist at DPAM Belgium (Degroof Petercam Asset Management). In his role, he is responsible for updating and safeguarding the sustainability approach to the company's investments.
  On one hand, Matthew oversees several sustainable funds, where he ensures the integration of environmental, social, and governance (ESG) issues throughout the investment process. This involves considering sustainability guarantees and managing the funds from end to end.

On the other hand, Matthew is also responsible for the social aspects of ESG across all assets of DPAM. This means that he oversees and addresses the social implications and considerations related to investments, alongside the environmental and governance factors.

- ***Alexandre Gaudin*** is a senior at KPMG Luxembourg, specializing in consulting and insurance. As part of his consulting work, he provides advisory services on the integration of sustainability risks and issues within the internal audit and risk management departments of companies.
  Alexandre's main focus in insurance and auditing is on Green Financial Instruments (GFIs). His role is to verify and guarantee that the funds raised through these instruments (such as green bonds and green loans, among the most common) are actually used to finance projects with a positive environmental impact. The definition of "green" can be based on the technical criteria of the EU Taxonomy or on specific client policies and frameworks.
  In this way, Alexandre helps ensure transparency and alignment of investments with sustainability criteria, guaranteeing that the funds raised are used responsibly and in line with the companies' environmental objectives.

- ***Thomas Eeckhaudt*** is a Senior Manager at Deloitte Risk Advisory Belgium. His main role is to advise financial institutions on the integration of ESG (environmental, social and governance) risks and regulatory compliance. Although corporate social responsibility (CSR) is a broad area, Thomas focuses mainly on two regulations: the Sustainability Reporting Regulation (SRR) and the Markets in Financial Instruments Directive (MiFID).
  His expertise allows him to guide financial institutions in understanding and applying these regulations to socially responsible investment (SRI). However, he does not make investment decisions or give advice on this subject. His role is to help financial institutions comply with regulations, assess, and manage ESG risks, and develop sustainable strategies in their operations.

- ***Ann Asare*** is a member of a team that specializes in corporate debt and key markets as an investment associate in Netherlands. Her area of expertise is in the Mena region and impact investment in Africa.
  Ann works for a company that is recognized as an impact investor and specializes in impact investment. To invest in socially responsible companies and social entrepreneurs, the company mainly administers Article 9 funds. These investments seek to provide financial rewards as well as favorable social and environmental impacts.
  Ann is a financial associate who is aware of the value of striking a balance between social and financial gains. She contributes significantly to developing the area of impact investing and bringing about significant change in the world by fusing financial knowledge with a dedication to impact.

- ***Frédéric Adam*** is the Investment Management Head at DPAS. DPAS is a Luxembourg-based asset management company that oversees various Luxembourg funds within the group. As the head of investment management, Frédéric's role involves coordinating sustainable development

initiatives within the company. Ensuring adherence to SFDR (Sustainable Finance Disclosure Regulation) regulations is one of the main responsibilities. Initially concentrating on entity-level compliance, this started in March 2021. A more thorough approach to fund-level disclosures is now necessary since the criteria have now increased. The legal, risk management, and reporting departments work with Frédéric's team to plan the implementation of regulatory requirements throughout the funds.

It is important to highlight that DPAS does not yet have a defined investing strategy. Instead, it is their responsibility to make sure that the investment strategies used by different fund managers—internal, from partner banks, or external—align with Article 8 and Article 9 of the SFDR and meet certain requirements. Whether the fund managers are internal or external organizations, Frédéric and his team transmit the essential information and data needs to them to make it accessible to investors.

- ***Lisa Scaria*** works as an investment manager analyst and supports sustainable and responsible investing. Her main responsibility is to support the administration and analysis of sustainable investment plans. Lisa has also got the chance to contribute to the business' operations' reporting division.

  There are several regulatory standards that must be followed given the regulatory environment governing funds and corporations in the asset management sector. Lisa's participation involves ensuring adherence to these legal requirements, both inside the management firm and at the fund level. Lisa actively engages in the execution of these criteria as a member of the sustainability and socially responsible investment team and strives to fulfill the company's reporting responsibilities. She plays a critical role in ensuring that the information and data required to satisfy regulatory criteria are appropriately gathered and reported.

- An **asset manager** (anonymous) works in the area of socially responsible investing (ISR). As an asset manager with expertise in ISR, this individual is in charge of managing and overseeing a portfolio of financial assets that are aligned with ESG (Environmental, Social, and Governance) criteria.

  His job is to find investment opportunities that meet the company's established ESG criteria while ensuring that the chosen assets have a positive influence on society and the environment.

- The **head of SRI** (Socially Responsible Investment) at a French company (anonymous), shared valuable insights into their role and responsibilities. As head of SRI, this person is responsible for overseeing SRI-related initiatives within the company, ensuring that they are in line with the company's core values and long-term objectives. The company recognizes the growing importance of integrating environmental, social and governance (ESG) factors into investment decisions. The head of SRI emphasized the company's commitment to identifying investment opportunities that not only generate financial returns, but also make a positive contribution to society and the environment.

  In addition, the anonymous stakeholder is also committed to raising awareness among customers and stakeholders of the benefits of SRI, and highlighting the impact that responsible

investment can have on both financial performance and the common good. Through effective communication, the company seeks to inspire others to adopt sustainable investment practices and become advocates for positive change.

5. Conclusion:

In a nutshell, the goal of our study methodology was to gain a worldwide and complete understanding of the ecosystem around sustainable investment by conducting interviews with important actors in the industry. We decided to use a qualitative approach so that we could conduct an investigation into the matter in more. Because we employed a process called theme analysis, we were able to determine the most important themes that emerged from the interviews and conduct an in-depth examination of the respondents' answers.

Part II: Data Analysis:

The results obtained from the different interviews conducted will be summarized in this chapter through the different themes and sub-themes discussed. At the end of the chapter, we will discuss additional themes not included in our analysis guide that were mentioned by the interview participants. The appendix 4 contains a table of extracts of transcription of the opinions of the stakeholders, created to better visualize the questions and answers of participants and allow for discussion, which will be the topic of the next chapter.

We will first focus on the importance of definitions to our research topic. Before delving into a given topic, it is essential to understand it and clarify the key terms associated with it. In the context of our study on socially responsible investment (SRI), it is crucial to establish a solid foundation by defining key concepts and understanding the different perspectives that exist in this field. This section therefore aims to present the different definitions provided by interview participants and analyze the divergent or convergent views that emerge. By fully understanding the definitions and nuances associated with SRI, we will be better prepared to explore the themes and findings that will be discussed in the following sections of this report.

Theme 1: Socially responsible investment:

According to Hamid and Lisa, socially responsible investment consists of taking into account extra-financial criteria, notably environmental, social and governance (ESG) criteria, in the investment process of a fund. For Thomas Leclercq, SRI is a type of investment that goes beyond a simple

financial return. It integrates social, environmental, and good governance criteria, and aims to generate positive externalities for society as a whole. As for Martin, he referred to the definition of SRI in the context of the SFDR (Sustainable Finance Disclosure Regulation). In his view, it is an investment that contributes positively to climate change adaptation and mitigation, while meeting criteria of no significant harm and minimum social standards. While Matthew mentions that clearly defining SRI can be complex, but he emphasizes that sustainable investments are those where the products and services of the invested company or country have a positive impact in their environment, both socially and environmentally. Whereas Alexandre approaches SRI from a regulatory perspective, referring to the EU Taxonomy. In his view, SRI is about investing in environmental and sustainable economic activities, according to the criteria of the EU Taxonomy. He also points out that SRI can be considered as such if it is aligned with religious or moral principles, or if it concerns companies that respect recognized standards of human rights and international climate agreements. For Tomas Eeckhaudt, SRI differs from traditional investments in that it considers non-financial elements in the decision-making process, such as the balance between risk and return for society as a whole. The viewpoint of the asset manager is that he is enthusiastic about the idea of socially responsible investing. He notes that it entails making investments in businesses that have an emphasis on social and environmental issues in addition to financial gains. These businesses have a strong commitment to ethical behavior, sustainability, and community participation. It emphasizes how crucial it is to support businesses that are trying to make the world a better place. As for the head of SRI, he declares support for socially responsible investing and clarifies that it entails matching one's investment portfolio with one's own values. He places a strong emphasis on making investments in businesses that uphold particular social and environmental standards, such encouraging diversity and inclusion, cutting carbon emissions, or defending human rights. He makes a point of saying that this enables us to pursue financial gains while still having a beneficial influence with our money.

Interestingly, participants shared a common understanding of SRI by including non-financial considerations, such as ESG criteria, in the investment process. One of theme emphasizes the importance of generating a positive impact, whether on the environment, society or both.

However, nuances can be observed in the answers. Martin emphasizes the importance of meeting specific criteria related to climate change and minimum social standards. Alexander mentions the regulatory dimension and emphasizes the importance of complying with the EU Taxonomy. It is also interesting to note that Matthew emphasizes the importance of the real impact of the company's or country's products and services, highlighting a practical dimension of SRI.

Analysis of theme 1:

The findings of our qualitative interviews on the theme of socially responsible investment (SRI) are presented in this part. We examined the different point of view to find important sub-themes and new ideas.

a. <u>ESG and extra-financial criteria:</u>

Several participants underlined that SRI is about including extra-financial factors in the investing process, notably environmental, social, and governance (ESG) factors. They made it clear, in an important way, that SRI extends beyond financial returns and recognizes the larger implications of investing decisions.

<u>Example of an answer</u>: "Socially responsible investments, or SRIs, are a class of investments that aim to achieve more than just financial gain. It is an investment that creates favorable externalities for society as a whole and satisfies specific social, environmental, and good governance requirements."

b. <u>Avoiding negative impact:</u>

Some participants emphasized the significance of investments contributing positively to climate change adaptation or mitigation in accordance with the European definition of SRI. Additionally, it is essential to prevent serious bad impacts. This implies that in addition to having a positive impact, socially responsible investments must also not significantly damage the environment or society.

<u>Example of an answer:</u> " …Let's imagine that you only invest in companies that try to reduce their CO2 emissions, but at the same time dump tons of waste into the sea. This doesn't work, so in addition to making a positive contribution, you need to avoid having negative impacts - that's the second part…"

c. <u>Social minimums and compliance with standards:</u>

Some participants emphasized the importance of adhering to international norms and social minimums. This entails taking social factors into account while making investments and according to guidelines set out by groups like the International Labor Organization (ILO).

<u>Example of an answer:</u> "The third aspect is to respect social and short minimums, which requires having at least some social concerns, such as adhering to the ILO's (International Labor Organization) standards. "

d. <u>Sustainability and positive effect:</u>

A few participants underlined that SRI seeks to have a positive impact on both society and the environment. This is making investments in businesses that focus on social and environmental objectives while pursuing financial gains. The goal is to improve the planet by using sustainable goods and services.

<u>Example of an answer</u>: "…where the goods and services of the investing company or country is generating real life impact for products and services. You're going to consider an investment to be impact investments, if the company you invest in is delivering products and services that have a

positive impact on its environment, an environment in broad sense both socially and environmental..."

These results highlight the importance of non-financial factors, positive impact, avoiding negative repercussions, social norms, and sustainability in defining socially responsible investment (SRI). The conclusion points out a critical harmonization issue with the way the concept of socially responsible investing (SRI) is understood. Participants' various points of view demonstrate a genuine range of perceptions, confirming the existence of a reality where there is no unanimous claim as to the definition of SRI. This insight points up a key obstacle that must be removed in the SRI sector. It is obvious that each participant has a unique interpretation and perspective of what SRI stands for, which fragments the definition of the concept itself. The SRI industry may have trouble harmonizing standards and procedures because of this heterogeneity.

Theme 2: Impact Investing:

According to Hamid, impact investing is considered one of the facets of socially responsible investment (SRI). He explains that SRI can be seen as an umbrella for several approaches, including exclusionary policies, ESG (environment, social, governance) policies and impact investing. Impact investing distinguishes itself by actively seeking to have a positive impact. Hamid highlights the three fundamental criteria of impact investing: intentionality, which consists of clearly formulating the intention to achieve sustainable development objectives; additionality, which requires that the investment makes an additional contribution to the realization of a project that would not be possible without the investment; and measurability, which implies having concrete indicators to evaluate the real impact of the investment.

While Thomas Leclercq makes a distinction between the impact approach and the ESG approach. He argues that whereas the impact method looks at the goods and favorable outcomes a firm may provide in terms of the environment and societal issues, the ESG approach concentrates on risks and extra-financial concerns. He uses the examples of Tesla, which has a good impact despite governance and social difficulties, and Diageo, a liquor firm that performs well in ESG terms but may have a less positive impact. He draws attention to the fact that these two methods provide various viewpoints for assessing investments.

Martin considers impact investing to be the highest level of socially responsible investing. He describes it as a type of investment that is closer to philanthropic funding. According to him, impact investors are willing to sacrifice some financial return for the social action or impact they wish to generate. He points out that this willingness to contribute to impact action distinguishes impact investing from other levels of socially responsible investing.

Moreover, Matthew mentioned the regulatory distinction between Article 8 and Article 9 funds. Article 8 funds include social and environmental considerations in investments, while Article 9 funds have specific impact objectives. It emphasizes that the impact approach focuses on the concrete

impact of investments, while the ESG approach examines the ESG factors of investments. This regulatory distinction highlights the recognition of the different approaches within the framework of sustainable finance.

While Lisa expresses his view that socially responsible investing (SRI) aims to generate income, while impact investing does not. In her view, SRI incorporates social and environmental considerations while seeking to maximize financial returns. Impact investing, on the other hand, places more emphasis on social or environmental impact and is willing to accept potentially lower financial returns.

And for Thomas Eeckhaudt, he emphasizes that impact investing has the explicit goal of creating change and generating positive impact. He highlights the willingness of impact investing investors to go beyond simply considering financial risks/returns and actively contribute to real-world solutions.

People, the environment, and profits are the three main components of impact investment, according to Ann Asare and the asset manager. They argue that by backing businesses that make a profit while making substantial contributions to worthwhile initiatives, investors hope to have a positive impact on social and environmental problems.

Analysis of theme 2:

a. **Impact Approach vs ESG Approach:**

The participants underline that impact investing belongs within the wider field of socially responsible investment (SRI), which compares with the ESG approach. It is seen as a subset of SRI but differs from the ESG approach in that it actively seeks to produce positive impact rather than just taking risks and non-financial considerations into account.

Example of an answer: "…To illustrate these differences, let's take two contrasting examples. Diageo achieves good results in terms of ESG by taking environmental aspects into account in its processes and treating its employees adequately compared to other companies in the sector. However, the sale of alcohol does not clearly contribute to a positive impact on society. Consequently, Diageo may obtain a good ESG score but a less favorable impact score, which may exclude it from impact investment portfolios. On the other hand, the company Tesla, which produces electric cars, has a positive impact on the environment by accelerating the transition to sustainable and less polluting means of transport. However, Tesla has governance issues, including with its CEO, as well as recent social issues, such as accusations of hiring discrimination and other internal discrimination issues. In terms of ESG, Tesla may score average or worse due to these issues, but from an impact perspective, it can be considered to have a positive impact…"

b. Fundamental Criteria of Impact Investing:

The participants affirm the key standards for impact investment, such as intentionality, additionality, and measurability. The additionality is what distinguishes impact investing in particular, which needs investments to make a contribution in addition to what would naturally occur, as well as the consideration of numerous social and environmental concerns. These requirements are meant to make sure that investments actively promote progress.

Example of an answer: "… when investing in an impact fund or in a private equity firm, it is necessary to provide funds that will serve as initial capital and that will stimulate a whole process of investment and development of companies. This differs from a simple purchase of shares in the secondary market, where the money exchanged is not additional but simply transferred between the existing parties…"

c. Balancing Financial Returns and Social/Environmental Impact:

Deciding to prioritize and produce good social or environmental impact means being ready to accept possibly lower financial rewards. Beyond only financial concerns, it highlights how crucial it is to bring about real change and contribute to solutions.

make sure that investments actively promote progress.

Example of an answer: "…impact investments sets creating change as an explicit goal, not just a consideration, besides financial risk/return…"

d. Regulatory Framework:

Frameworks and regulations recognize the many methods used in sustainable finance, such as the difference between Article 8 and Article 9 funds. This acknowledgement emphasizes the value of considering impact and ESG considerations when making investments and indicates the rising relevance of impact investing as a unique investment approach.

Example of an answer: "…And you've got Article 9, which has actually a set of impact objective and that's what I'm talking about impact…"

e. People, Environment, and Profits (3Ps):

People, the environment, and profits are the three key factors that impact investing considers. It supports companies that produce a profit while making significant contributions to social and environmental causes. impact investors seek to solve social and environmental problems by balancing financial objectives with positive impact.

Participants in this qualitative research on the topic of impact investment presented a variety of opinions and thoughts. They made the point that, although impact investing is unique from the ESG

approach, it is a component of socially responsible investment (SRI). impact investing actively seeks to have a demonstrable positive impact, while the ESG approach concentrates on risks and non-financial issues. The essential standards of impact investing, such as intentionality, additionality, and measurability, which guarantee that investments actively promote the goal in question, were also emphasized by the participants. They emphasized the value of achieving a balance between financial returns and social and environmental consequences, and they recognized the presence of a legal framework that takes varied approaches to sustainable finance into account. Finally, impact investment is seen as assisting businesses that make a profit while significantly advancing social and environmental objectives. The complexity of the notion of impact investment and the variety of participant viewpoints are both highlighted by this theme analysis.

Theme 3: Positive impact:

According to Hamid, a positive impact is an all-around additional value that inevitably has a positive extra-financial impact. He points out that impact investment used to be the primary environment in which positive impact was discussed, but that this is no longer the case. He emphasizes the importance of dual materiality of impact and materiality of risk. Hamid cites a number of factors for positive impact, including as internal business policies that support corporate social responsibility (CSR) and goods and services that support sustainable development objectives.

Thomas Leclercq brings up several aspects of impacts, including reduce environmental pollution, better working conditions for workers, and innovation for society as a whole. He declares that having a positive impact covers many different sectors and may have several beneficial outcomes.

For Martin, he makes the point that while a positive impact may be of additional value, it may not really be so. He emphasizes that in order to evaluate risks and minimize adverse effects, ESG criteria are taken into consideration in socially responsible investing. Martin maintains that the concept of impact also entails the investor's participation, since the investor is required to keep updated with of the actual impacts a firm or project has on the world during the duration of his investment. He highlights the need of open reporting on the goals and impacts created.

According to Alexandre, a financial investment that supports at least one of the taxonomy's six goals is said to have a positive impact. He notes that the investment might have a positive impact in the form of less CO_2 emissions, fewer waste, or more social fairness.

Ann underlines the significance for individuals making intentional decisions to spend their money responsibly. She gives the example of adding microfinance institutions (MFIs) in an investment portfolio, concentrating on those that help small and medium-sized businesses (SMEs) or invest in gender equality. Unlike investments in virtual assets like bitcoins, Ann perceives these investments as physical and honest. She believes that making thoughtful investment decisions that advance social and environmental well-being is necessary for a positive impact.

Furthermore, Frederick emphasizes the need of having a point of reference against which to evaluate positive impact. He uses a private equity fund that focuses on lowering carbon emissions as an example, but he emphasizes how difficult it is to precisely calculate avoided impact in the absence of a reference. He highlights the need for clear benchmarks to assess positive impact.

Positive impact investment is about producing social or environmental benefits in addition to financial rewards, according to the head of SRI. It entails making investments in businesses that uphold specific principles and goals like sustainability, social justice, or community development. This can include funding businesses that put a focus on green technology, assist regional communities, or advance diversity and inclusion. The goal is to turn investment into a force for good and help create a future that is both sustainable and equitable.

Analysis of theme 3:

a. Positive impact vs added-value:

Participants stated that having positive impact is an added value that is present globally and always generates beneficial extra-financial impacts. It was highlighted that although positive impacts were formerly primarily addressed in the context of impact investment, this is no longer the case. The importance of the dual materiality of impact and risk is highlighted, emphasizing the need of taking into consideration actual affects and the related dangers.

Example of an answer: "…A positive impact is an added value in general, because the extra-financial added value necessarily translates into a positive impact…"

b. Element of positive impact:

Participants list several elements that have a positive impact, including company policies that promote corporate social responsibility and goods and services that support sustainable development objectives. Reduced environmental pollution, enhanced employee working conditions, and societal innovation are all good effects. Positive impact is stated as having a wide range of applications and beneficial consequences.

c. Implication of investors:

Some participants discuss the importance of using ESG criteria to evaluate risks and reduce adverse effects while making socially responsible investments. Investors are seen as participants in the concept of positive impact and are expected to be informed of the real impact of a firm or project during their investment. Focus is placed on the need of transparent reporting of the goals and impacts achieved.

Example of an answer: "…But beyond that, the notion of impact also implies the involvement of the investor. Once he has chosen to invest in a product, he must follow throughout the life of his investment the real impacts generated by a company or a project, this is why it is important that companies or funds practicing impact investing report this information. … So, for me, there is a very important notion of involvement, as well as a need to report on the impacts created…"

The consideration of the many viewpoints on the idea of positive impact, in conclusion, emphasizes the essential importance of additionality. The term "additionality" describes the extra contribution produced by an investment over and beyond what would have occurred naturally, leading to a tangible and quantifiable benefit. This aspect clearly separates the positive impact from a straightforward additional value in the abstract.

Participants pointed out the positive impact includes concrete social and environmental advantages in addition to merely generating financial value. This entails making investments in businesses that seek to improve society and the environment via sustainability, social justice, or community development aims.

Additionally, it should be noted that reporting of the goals and outcomes is necessary for the assessment of the positive impact. Investors need to be able monitor the changes in the outcomes brought on by their investments and make sure the businesses or initiatives to which they contribute adhere to the additionality and measurability standards.

In conclusion, the idea of additionality is crucial to having a positive impact since it guarantees that investments produce tangible, quantifiable outcomes in addition to just financial gain. This aids in the differentiation between real impact and tangibly contributed value, fostering the development of a sustainable and just future for both society and the environment.

Theme 4: The positive impact of SRI:

Hamid highlights the goal of responsible investing, which is to create value on both a financial and non-financial level. He uses Schneider Electric as an example; this business creates Green GRID networks and other energy-efficient solutions. These sophisticated technologies optimize power use, lowering carbon footprints.

Also, Thomas emphasizes the success of Schneider Electric's energy-efficient products. By encouraging more efficient power use and a smaller carbon footprint, investments in this firm may be considered as having a positive impact.

And Alexandre emphasizes that he anticipates that socially responsible investment will have a positive impact, but he also cautions against the potential of "greenwashing" and emphasizes that certain business statements may be overdone.

Moreover, Ann argues that socially responsible investing includes impact investing concepts and takes into consideration governance, social, and environmental factors.

But Matthew makes the argument that impact investments and SRI funds may both be considered socially responsible investments. He uses the producer of wind turbines Vestas as an example, highlighting how this investment can be seen as both an impact investment and a socially responsible investment since it supports the development of renewable energy.

Finally, two crucial aspects of socially responsible investing (SRI) are mentioned by Frederick. First and foremost, an investment must be excellent in both the environmental and social arenas without favoring one over the other to meet the requirements of Articles 8 and 9. He used Tesla as an example, a company that is frequently commended for its environmental brilliance because it produces electric automobiles but that has come under criticism for how it treats its workers socially. Therefore, if the social requirement is taken into consideration, there cannot be a negative consequence for anything to qualify under Article 8. Frederick argues that there is often an evaluation of social conflicts when it comes to measuring impact. As a result, it's critical to make sure there are no disagreements about the OECD multinational enterprises principles in pre-contractual disclosures. If there is such a dispute, the investment is no longer qualified under Article 8. Frederick also raises the prospect of having well specified investing criteria for financial instruments that promote social responsibility, such social bonds. In this instance, a demonstrable positive impact would be achieved by using the money obtained via these bonds to fund assets that have a positive impact on society. Frederick emphasizes the need of socially responsible investment overall and the necessity of taking social issues into consideration when balancing environmental and social requirements. His remarks emphasize the difficulty of examining socially responsible investing criteria and the need to find a balance between the many factors, even if he does not provide specific instances.

Analysis of theme 4:

a. Financial and non-financial value creation:

Participants emphasized that the goal of SRI is to create both financial and non-financial value. This indicates that SRI is not limited to maximizing financial returns, but also seeks to generate a positive impact on social and environmental issues.

b. Integration of ESG criteria:

Participants emphasize that SRI takes into account environmental, social and governance (ESG) factors. This indicates that SRI seeks to promote responsible business practices, which can have a positive impact on society and the environment.

c. Contribution to positive initiatives:

Some participants highlight the fact that SRI aims to support positive initiatives in areas such as renewable energies, the reduction of social inequalities, and other sustainable development issues. This indicates that SRI seeks to generate positive impact by supporting companies and projects that actively contribute to social and environmental progress.

Example of an answer: "…According to the definition of Europe, yes, for me, such an investment has a certain positive impact, not only eliminating the negative impact. In fact, some funds can be considered socially responsible in the sense that they have no negative impact, so they are rather 'light'. If a fund excludes certain sectors, it is already, to a certain extent, socially responsible by avoiding being socially irresponsible. However, it is important to note that this definition is increasingly criticized, which I can understand…"

d. Balance between financial return and impact:

Some participants point out that SRI can involve a certain financial trade-off, where investors potentially accept lower financial returns in exchange for greater positive impact. This indicates that SRI may require a more holistic approach to investing, considering both financial aspects and social and environmental impact.

In conclusion, the examination of the many perspectives on the positive impact of socially responsible investment (SRI) demonstrates that this strategy may in fact have an impact. Participants highlight that SRI seeks to provide value that is both financial and non-financial. Environmental, social, and governance (ESG) standards are integrated into SRI, which encourages ethical corporate conduct and so helps bring about change. Additionally, SRI backs good ideas in fields like sustainable development, social inequality reduction, and renewable energy. This demonstrates how SRI may actively encourage social and environmental advancement. SRI is a strategy that tries to have a positive impact by incorporating ethical and sustainable factors into investing choices. It is crucial to remember that the outcomes of SRI may differ depending on the precise application of ESG criteria and the goals sought by investors. SRI funds and methods must thus be carefully assessed to achieve the intended positive impact. SRI provides enormous opportunities for ethical and sustainable investment, contributing to the development of a future that is both inclusive and environmentally friendly.

Theme 5: Sustainable Finance Disclosure Regulation (Article 9):

The SFDR regulation has two major goals, according to Hamid. The first is transparency. He notes that there was formerly some ambiguity in SRI investing, where each participant claimed to be practicing SRI without explicitly describing how they were doing so. The SFDR wants greater

transparency to prevent greenwashing. The second goal of the SFDR is to enhance SRI fund comparability. Each player may have their unique sensitivity, according to Hamid, who says that there are several SRI approaches. This complicates the comparability of SRI funds. The SFDR regulations provide three levels of classification—articles 6, 8 and 9—to address this. Article 6 designated funds that are not considered as SRI. Article 8 funds are traditional SRI funds that often include ESG factors into the selection and construction of their portfolios without necessarily having a specified sustainable purpose. Finally, Article 9 funding are more focused, seeking to realize specified sustainability goals. These funds must clearly state the sustainable development goal they are working toward and evaluate how the firms they include fit into this goal. Hamid additionally declares the fact that the European Commission has strengthened and simplified the requirements for company eligibility. They have identified businesses that are completely in line with sustainable development objectives, such as producers of solar panels, photovoltaic panels, electric car manufacturers, and businesses that make conductive chemicals, which are essential for the energy shift. These businesses are seen as potential answers to sustainability issues. The Commission has also considered businesses that are transitioning, have sincere intentions, and adopt ambitious climate measures. Even if they may not now satisfy all the requirements, these businesses recognize the significance of the transitional period and are dedicated to serious and legitimate sustainability initiatives. To take a concrete example, he considers a company operating in the oil and gas sector. At first glance, this may seem strange, since gas is a fossil energy source. Now, if this company, at time T, produces hydrocarbons but is also committed to putting in place a concrete investment plan, called 'capex Green' or green investments, with more than 50%, 60% or even 70% of these future investments allocated to the energy transition, moving from hydrocarbon production to renewable energy production, it would not be totally illogical to consider these companies eligible for Article 9.

According to Thomas Leclercq, impact investing and sustainable investing have similar definitions in that they both need the integration of ESG (environmental, social, and governance) factors. He does, however, make the point that an ESG strategy may be used without actively participating in impact investment. He emphasizes that their intention is not to choose funds that fall under the purview of Article 9 of the SFDR, as this would entail the "do not significantly harm" criterion, which calls for not adversely affecting some environmental or social aspects while favorably affecting others.

Martin underlines how difficult it is to categorize SRI as an Article 9. He believes that SRI is a kind of sustainable investing, but rules demand that funds designated as Article 9 have 100% sustainable assets and adhere to SFDR standards. He recognizes that comparing Article 9 funds might be challenging since there can be various interpretations and approaches for determining impact.

Matthew brings attention to the difficulty caused by the SFDR regulation's absence of a uniform definition of impact investment. The social taxonomy has not yet been completed, despite the environmental taxonomy in the rules having been released. He points out that it is difficult to compare Article 9 funds since each asset manager is free to specify its own technique for determining impact. Additionally, he cautions against unfairly comparing various strategies.

Ann and Lisa point out that only instruments having a positive influence are covered under Article 9. This indicates that products falling under Article 9 classification must benefit the environment and society. Thus, they emphasize that Article 9 classification requires a positive impact.

According to Frederick, the SFDR Article 9 categorization will rely on the amount of sustainable investment we want to make. A company must spend 100% of its assets, with 90% of those assets going to enterprises that are deemed sustainable, in order to be designated as Article 9. However, different players may have different definitions of sustainability. He highlights the need to verify that descriptions match reality and issues with social and environmental washing. He also brings up the idea of being categorized as a "8 plus" with a minimum sustainable investment of around 50%. He emphasizes that the CSSF is closely monitoring every area and that there have been conversations about standardizing procedures. He concludes by saying that being classified as an article 9 often requires investing at least 100% in sustainable companies.

Analysis of theme 5:

a. Transparency and the fight against greenwashing:

To prevent greenwashing, the SFDR rule seeks to promote transparency in sustainable investing. Participants emphasized the importance of precisely defining sustainable investing methods and avoiding the misunderstandings that pre-existed in the SRI field.

b. SRI fund comparability:

To enhance the comparability of SRI funds, the SFDR adds the categories of articles 6, 8, and 9. Article 9 funds are those that have well defined sustainability goals and evaluate how the businesses in their portfolios help them achieve those goals. Investors will find it simpler to comprehend and contrast SRI funds as a result.

c. Lack of a consensus on what impact investment means:

The lack of a standardized definition of impact investing in the SFDR makes it difficult to compare Article 9 funds. Because each asset manager is allowed to choose its own approach to calculate impact, comparing different funds becomes more difficult.

d. Selection criteria for qualified companies:

Eligibility requirements for companies are changing. The European Commission highlights businesses that support goals for sustainable development, such as those making solar panels, EVs,

and chemicals with little environmental impact. Included are transitioning businesses and those taking significant climate action.

e. <u>SRI fund classification challenges:</u>

Participants emphasized how challenging it is to categorize SRI funds under SFDR article 9. The impact of SRI funds may be assessed using many methods, which makes it difficult to compare different funds. They draw attention to the fact that categorization might differ based on the data source chosen from one management to another. The work of categorization is complicated and subject to interpretation due to differences in viewpoint and methodology between management and data suppliers.

f. <u>Different approaches: Backward vs Forward looking:</u>

One participant cites the Volkswagen green bonds as an example, citing conflicting views on their validity in light of the Dieselgate incident. He emphasizes that a corporate bond manager has a more forward-looking strategy, interacting with businesses and taking into consideration previously handled problems. This demonstrates how several methods might provide contradicting outcomes.

<u>Example of answer:</u> "…I had the opportunity to speak with a corporate bond manager from DWS, and he explained to me that their approach was different. They don't rely solely on backward-looking analyses, but they meet companies, talk to people and take a more forward-looking approach. According to them, Volkswagen's past problems are resolved, and therefore today they consider a green bond from Volkswagen to be quite acceptable. This is where the differences between managers and data providers can lead to very different results, which makes things more complex in today's market…"

He also uses Total as an example, whose indirect Scope 3 emissions are a major contributor to the company's high greenhouse gas emissions, despite Total's dedication to green initiatives. Depending on how these various factors are considered, different people may see Total as a sustainable investment.

In conclusion, there are a variety of viewpoints and interpretations about how financial products should be categorized in terms of sustainability, based on the sources of the data and the management strategies used. The process of categorization is difficult since there is no precise, standard definition.

g. <u>Article 9 requirement:</u>

For some, products covered by Article 9 of the SFDR must benefit both society and the environment. This indicates that Article 9 only applies to devices that have a beneficial impact. For others, to be designated as Article 9, a company must allocate 100% of its assets, with at least 90% of those

assets invested in sustainable enterprises. However, the definition of sustainability may vary among different stakeholders, and there is a need to ensure that the descriptions align with reality and avoid issues such as greenwashing. Frederick mentions the possibility of a "8 plus" classification, where a minimum of around 50% sustainable investment is required. He highlights the close monitoring by the CSSF (Commission de Surveillance du Secteur Financier) and ongoing discussions on standardizing procedures. He concludes that being classified as Article 9 often necessitates investing 100% in sustainable companies.

Example of answer: "…If you know that you will have 60% sustainable investment with a greater social component, then you will be classified as an article 8 instead. You can say that you are an article 8 with a minimum sustainable investment of one barrier of about 50%. Some call it an "8 plus", a concept which is not really described in the regulations, but which exists on the market…"

Different viewpoints and interpretations have been offered in response to the topic of whether Article 9 of the SFDR solely applies to products of impact investment. The SFDR law seeks to combat greenwashing while advancing transparency and comparability in sustainable investment. Comparing Article 9 funds is difficult, nevertheless, due to the absence of a widely accepted definition of impact investing and the many methods asset managers use to evaluate impact. Article 9 categorisation of SRI funds is a challenging process that is impacted by various approaches and interpretations. Additionally, stakeholders may have different interpretations of the criteria for Article 9 categorization, such as giving 100% of assets to sustainable businesses, therefore it is important to make sure that descriptions are accurate and avoid problems like greenwashing. There is a desire for uniformity and clarity in practices, as shown through ongoing talks and monitoring by regulatory organizations. Overall, the difficulties associated with applying Article 9 of the SFDR are a result of the lack of a consistent definition and the difficulty of classification.

Theme 6: Nuance between ISR and impact investing:

Hamid argues that the concept of additionality is what distinguishes impact investing from SRI. SRI is a term that applies to all impact investing methods, however not all SRI strategies include impact investment. Companies that can quantify and demonstrate a real influence on society—as opposed to just internal best practices—are the focus of impact investment. It also emphasizes the rising tendency to combine the two methodologies, i.e., SRI standards and social and environmental impact goals.

Impact investing, in Martin's opinion, is a more nuanced kind of SRI. Impact investing, in his opinion, is a kind of investment that is more comparable to charitable financing and is willing to forgo a larger portion of financial return in favor of social action or effect. Additionally, he describes the many SRI levels, from exclusion to ESG inclusion, and identifies impact investing as the highest level, where sustainable extra-financial factors take priority over the financial component.

Matthew highlights how legislation affects the difference between SRI and impact investment. He mentions articles 8 and 9 of the European SFDR regulation, which require the specification of sustainable objectives and impact. Managers are obligated by the requirements to describe how they determine and consider impact when making choices. He draws attention to the safe distinction required by legislation and the obvious separation between the impact of investments and the evaluation of ESG factors.

According to Alexandre, impact investing is more concerned with effecting change than SRI is with making profit. In his opinion, impact investing prioritizes sustainable extra-financial factors more than SRI, which aims to strike a balance between the two.

Frederick prioritizes the development of SRI and impact investment terminology and interpretations. He emphasises the importance of quantifying impact, particularly in relation to carbon emissions and compliance with the Paris Agreements. He also emphasizes the idea of "adverse impact" and the need of knowing how one's investments would affect them. Frederick also cites regulatory difficulties, notably those that exist between the US and Europe.

Lisa notes that although impact investing openly establishes the creation of change as an aim, in addition to financial risk/return, SRI expressly takes non-financial factors into account when making decisions.

The asset manager notes that there is a significant difference between SRI and impact investing, but that some managers find it difficult to make this claim since regulations are vague and the industry is still relatively new. He predicts that in the years to come, this complexity will tend to disappear.

Analysis of theme 6:

a. **Impact investment and SRI are distinct from one another:**

The idea of additionality, which concentrates on businesses that can measure and show a true impact on society, separates impact investing from SRI.

Example of an answer: "…For a long time, private equity was considered the asset class that best met all the criteria of impact investing. However, the definition has broadened to include listed (publicly traded) investments now also thanks to the active and ambitious commitment to good business management practices. The achievement of tangible results and the establishment of a real impact justify the impactful nature of these investments…"

Impact investing is a subset of SRI, which is a larger phrase that incorporates all impact investment strategies.

Example of an answer: "… It is true that there have been cases where certain fund houses or institutional investors have sometimes presented SRI as impact investing. This has created some confusion among end investors as to the real nature of their investment and its concrete impact. For

our part, we strive to clearly explain to our investors the differences between these two approaches…"

b. Focus on sustainable extra-financial factors:

Compared to SRI, impact investment focuses more value on sustainable extra-financial elements. Impact investing is referred to be a more advanced form of SRI, in which extra-financial sustainability aspects are prioritized above financial considerations. In favor of a social action or impact, impact investors are more ready to forgo a larger portion of their financial gain.

c. The impact of legislation

The distinction between SRI and impact investment is significantly influenced by legislation. The definition of sustainable aims and effect is mandated by certain legislation, such as Articles 8 and 9 of the European SFDR Regulation, forcing managers to consider impact when making decisions.

Example of an answer: "…Well, they don't have a choice anymore because of regulation. You've got the so-called Article 9 products they need to have a sustainable objective and therefore impact investment and so you cannot hide anymore behind anything, because the regulation forces you to specify your fund. So, if you have an article, an impact fund, you have to say Article 9 fund and you have to describe in full transparency how you going to calculate that impact. So, it's up to the investors to actually decide whether or not they want an impact product and if they consider that the impact methodology of the asset manager is credible and that's what the whole regulation actually did is open up the back door of all the asset managers to actually force asset management to explain how they're going to determine impact, define impact or integrate impact in their decisions…"

d. Profit and change effects:

SRI seeks to find a balance between sustainable financial and non-financial aspects, while impact investing focuses more on the impact of change.

e. Regulation and impact quantification:

Impact investing considers effect measurement to be crucial, especially in light of carbon emissions and adherence to the Paris Agreements. Regulations may be difficult to navigate, especially when trying to differentiate between investment impact and ESG analysis.

These distinctions between SRI and impact investing are highlighted by the weight given to sustainable extra-financial elements, the measurement of effect, the change goals, and the regulatory variations. Impact investing is a subset of SRI that emphasizes the value of additionality by concentrating on companies that can have a demonstrable influence on society. Impact investing

is a more sophisticated kind of responsible investment since, in comparison to SRI, it puts a higher importance on sustainable extra-financial considerations. The effect of legislation, such the European SFDR regulation, which requires the identification of sustainable aims and impact in investment decision-making, further highlights the distinction between SRI and impact investing. Overall, these variations in emphasis, impact assessment, aims, and legal requirements add to impact investing's uniqueness as a specialized strategy within the more general category of responsible investment.

Theme 7: Measure of impact:

Hamid focuses on the fact that impact may be assessed using various SRI and impact investing measures. He emphasizes the kind of goods and services that are created as a crucial impact investment indicator, concentrating on their support to the objectives of sustainable development. He also discusses the historical evaluation of firms' internal SRI procedures using ESG criteria.

Martin claims that there is no definite, concrete way to quantify impact in SRI. According to him, the type of investment is what determines how to measure impact. He uses the program "Funds for Good" as an example, where the metrics include the number of entrepreneurs assisted, the amount of funding donated, and the number of coaching hours offered. He emphasizes how crucial it is to adjust indicators to the unique environment of each investment.

The importance of legislation in incorporating ESG criteria and determining impact is emphasized by Matthew. According to him, asset managers must report on important metrics related to the primary negative effects. He says that some examples of these KPIs include worker injury rates, diversity, and greenhouse gas emissions. Managers are required by regulations to report on these KPIs in order to evaluate the success of their sustainable investment plans.

Alexandre refers to the Climate Awareness Bond Allocation study from the European Investment Bank, which offers metrics for measuring impact. It emphasizes the significance of establishing certain metrics for assessing impact, such gender pays equality and carbon emissions. He also points out that not all indications apply to all companies.

According to Ann, impact investment uses a sustainable business evaluation technique to evaluate its impact. As part of this review, they evaluate the goods and corporate governance. She talks about using certain KPIs to evaluate the impacts of gender diversity and environmental concerns like carbon emissions and water consumption. She does point out that not all signs apply to all businesses.

Analysis of theme 7:

a. **Indicators and Metrics:**

The relevance of employing indicators and metrics to determine impact is discussed by participants. As examples of different types of indicators, they list worker injury rates, diversity, greenhouse gas emissions, gender pay equality, and environmental issues like carbon emissions and water use. They also mention the number of entrepreneurs helped, funding donated, coaching hours offered, and support for sustainable development objectives. The wide range of indicators emphasizes the necessity for customized measurements that take into account the unique investment and business situation.

Example of an answer: "…if we take the example of "Funds for Good", a small Brussels SME which offers investment funds and reinvests 50% of its profits in a philanthropic entity, their objective is to finance entrepreneurs for help create their own jobs. In addition to financing, they also provide coaching to entrepreneurs. In this case, the indicators they use to measure their impact are the number of entrepreneurs they have helped, the amount of funding granted and the number of hours of coaching provided…"

b. **Adjusting Impact Measurement:**

The impact assessment has to be modified to account for the particular qualities of each investment, say the participants. They emphasize that the impact assessment should be customized to the kind of investment and take into account the unique conditions and operating environment. The complexity and variety of impact assessment are reflected in the realization of the need for customization.

Example of an answer: "…However, it is important to note that this highly depends on the type of product you are investing in. Each investment can have its own relevant indicators to measure its impact…"

c. **Legislation and reporting:**

The participants highlight how important it is for regulations to take into account environmental, social, and governance (ESG) factors and to specify how to assess the impact. They refer to regulations requiring asset managers to provide reports on key performance indicators (KPIs) with an emphasis on sustainability and impact. This theme emphasizes the importance of transparency and accountability as well as the impacts that regulatory frameworks have on impact measuring procedures.

Example of an answer: "…And these KPIs can be both diversities can be injury rates of the workers can be your greenhouse gas emissions, scope 123. So, all these elements are standardized and as a measure, you're forced to communicate on them. That's a way to see whether or not the Sri or the investments strategy is effective…"

d. <u>Scope and Applicability:</u>

Impact measuring indicators' broadness and application are subjects of discussion among the participants. They realize that not all metrics are comparable across industries, businesses, and investments. This acknowledgement emphasizes the need for evaluations that are appropriate to the context and the knowledge that impact measurement should be adapted to the unique aims and features of each investment.

Example of an answer: "…However, the applicability of these metrics may vary depending on the nature of the invested companies…"

The viewpoints discussed in Theme 7 provide insight into how impact investing and SRI are measured. Participants highlight the need of using metrics and indicators to measure impact. These metrics and indicators should take a variety of factors into account, including worker injury rates, diversity, greenhouse gas emissions, gender pay equity, and environmental issues including carbon emissions and consumption of water. They do, however, recognise that not all indicators are applicable in all situations and that impact assessment should be tailored to the particulars of each investment. To effectively reflect the unique consequences of investments, impact assessments must be customized. Regulations mandating asset managers to report on key performance indicators (KPIs) connected to sustainability and effect further underscore the importance of law. This highlights the need of transparency, accountability, and consistent reporting procedures. Participants also acknowledge the potential for variation in the scope and application of impact assessment indicators across sectors and investments, underscoring the need of context-specific analyses. The insights offered generally highlight the difficulty and significance of creating customised assessment methodologies to quantify impact in SRI and impact investing efficiently.

Discussion:

In this section, we'll contrast the data gathered during various interviews with field actors with that which was gathered throughout the literature review.

The literature review offered a variety of viewpoints on the connection between impact investing and SRI, from views that it is a subset or more comprehensive approach within SRI to views that it is a distinct strategy.

But the results of the qualitative research provide insightful understandings into this divergence, illuminating participants' viewpoints and enhancing knowledge of the topic. Impact Investing is seen as a part of SRI, which is one important conclusion from the qualitative study. Participants emphasized that although SRI focuses on risks and non-financial issues, impact investing actively attempts to have a tangible positive impact. This is consistent with the literature review's emphasis on impact investing's proactive nature in creating quantifiable social or environmental impacts as opposed to SRI's focus on improving business practices connected to ESG criteria.

Intentionality, additionality, and measurability were highlighted as crucial criteria for impact investing in the qualitative study. The importance of striking a balance between financial gains and social and environmental implications was acknowledged by the participants. These results support the literature review's assertion that impact investing requires a proactive strategy aimed at bringing about positive social change in addition to negative screening.

Also, in qualitative study we examined the idea of additionality, which separates impact investing from SRI during the qualitative study. Additionality focuses on companies that can measure and demonstrate true impact on society, which differentiates impact investing from SRI.

When we invest in an impact fund or in a venture capital (private equity), it is necessary to provide funds that will serve as initial capital and that will stimulate a whole process of investment and development of businesses. This is distinct from a straightforward share purchase on the secondary market, where the money exchanged is not additional but simply transferred between the existing parties. The primary interaction between the two forms of investment is seen in this example. In other words, impact investing provides an extra contribution and enables the completion of initiatives that would not be possible without the investment. Therefore, for the participants, impact investing is an "additional-value" investment

We have previously addressed the issue of whether investors claim to have a positive impact in a previous section of our study. Participants in the study made it apparent that using indicators and measuring impact are major topics. They understand that not all metrics are comparable across businesses, investments, or sectors. This acknowledgment emphasizes the need of evaluations that are specific to the environment and individuality of each investment. Therefore, no particular indicators are available for each investment. So, it's customized dependly on each type of investment.

It is crucial to remember, nevertheless, that the qualitative study also showed that the participants had a variety of perspectives and viewpoints. This is consistent with the literature review's analysis of the distinctions and classifications made between Impact Investing and SRI. The variety of viewpoints emphasizes the complexity and dynamic nature of various investment approaches, highlighting the need for further study and debate in the area.

Additionally, a possible harmonization problem with how SRI is interpreted was discovered by the qualitative analysis. Participants offered a variety of interpretations and points of view, which caused the definition of SRI to become divided. This is consistent with the literature review's description of the difficulties in standardizing practices and procedures across the SRI industry. To establish a shared understanding of SRI and advance uniformity in the sector, it is imperative to address the diversity of interpretations and attitudes among investors.

The examination of the literature sheds light on Article 9 of the SFDR and its connection to impact investment. It emphasizes that Article 9 prioritizes non-financial factors and seeks to produce positive impacts in addition to financial gains. To accomplish this outcome, it highlights that investment portfolios must be in line with the UN Sustainable Development Goals (SDGs). The literature does, however, also recognize the potential of "impact washing," which occurs when the phrase "impact investing" is abused without sincere intentions to make a difference.

But for the participants' opinions on the standards for Article 9 classification, it ranged widely. Some considered Article 9 should only apply to innovations that benefit society and the environment. Others suggested that in order for a corporation to be categorized under Article 9, 100% of its assets must be allocated, with at least 90% invested in sustainable enterprises. However, different stakeholders have different definitions of sustainability, making alignment with reality necessary to prevent problems like greenwashing.

A "8 plus" categorization, requiring a minimum of about 50% sustainable investment, was also suggested by the qualitative study. This idea exists in the market as a way to classify assets that fall between Article 8 and Article 9. It is not specifically specified in the rules. The industry's goal for precision, consistency, and correct categorization is seen by the constant talks about processes standardization and the strict oversight by regulatory organizations like the CSSF.

The combination of the results from the qualitative study and the literature analysis emphasizes the difficulties in implementing Article 9 of the SFDR. The difficulties in comparing Article 9 funds are caused by the lack of a generally acknowledged definition of impact investing and the variety of approaches employed by asset managers to measure it. The categorizing process is made more difficult by the many stakeholder interpretations of the criteria, which also highlights the necessity for accuracy and avoiding greenwashing.

The results show that it is critical to achieve consistency and clarity in the interpretation of Article 9. Ongoing conversations and regulatory oversight show that these problems are being addressed. The absence of a generally accepted definition and the inherent complications in the classification procedure are the main causes of the challenges experienced while categorizing funds under Article 9.

These conversations should be continued, the criteria should be improved, and regular processes should be established in order to increase transparency and comparability in sustainable investing. By doing this, the sector may decrease the danger of "greenwashing" and guarantee that investments falling within the scope of Article 9 indeed have positive impacts on the environment and society.

Moreover, the analysis of the literature sheds important light on the EU's regulatory frameworks, including MiFID II, the EU Taxonomy, the SFDR, the CSRD, and the Green Deal, and emphasizes how they have advanced sustainable finance. However, the results of the qualitative study revealed several constraints and difficulties that must be taken into account but are not fully discussed in the scientific literature.

The absence of accurate information, especially in connection to the SFDR, is one of the constraints of the qualitative study. Although asset managers are trying to provide data on all of their assets, it is presently difficult to publish comprehensive data. Because there are no guidelines for required reporting for all firms, this constraint exists. The availability of data, which the SFDR will thereafter be able to acquire, is expected to be greatly increased by the upcoming CSRD regulation, which requires reporting by all organizations.

The qualitative study also highlights the ordered structure of establishment of each legislation as a key factor. The SFDR was established prior to the need that businesses publish their sustainability-related data, and it was put into practice before the client profiles under MiFID II had been adjusted to reflect this. Confusion and difficulties in successfully matching the rules are brought on by this inconsistency. Sustainability policies are always being adjusted and changed, which emphasizes the need of ongoing explanations and updates to account for changing legal requirements.

The qualitative study also highlights the EU Taxonomy's flaws including its present narrow focus on environmental taxonomy and the absence of a thorough social taxonomy. Asset managers may report how well their portfolios adhere to environmental requirements, but this does not provide a whole picture since social factors must also be taken into account. Because of the wide range in how asset managers define and calculate impacts, it is difficult to compare Article 9 funds and reliably measure their efficacy.

Given these restrictions, it is clear that there are certain limits and difficulties with the regulatory frameworks that need to be resolved. In order to maximize each regulation's effectiveness and influence on sustainable development and ethical business practices, policymakers should take these restrictions into account and work to balance each one with others. A more comprehensive and relevant assessment of sustainability may be achieved by including social and governance criteria into the EU Taxonomy, integrating the SFDR with other rules such as the CSRD, and guaranteeing realistic and applicable reporting requirements across all industries.

Looking forward, it is anticipated that the market will stabilize over the next three to five years and that as the concept and practical implementation of sustainable investment become clearer, criticism of sustainable finance would decrease. Improvements in the market will probably be facilitated by the projected increase in data availability via the CSRD. The dynamic aspect of

sustainable finance, however, is highlighted by continuing adaptations and alterations to rules, demanding ongoing adjustments and adaptations by market players.

The regulatory systems examined have made considerable advancements in sustainable finance, but it is important to recognize their weaknesses and push themselves toward complete and integrated strategies. Policymakers may improve the efficiency of these frameworks in encouraging sustainable development and ethical business practices by addressing the highlighted boundaries and balancing one regulation with others.

As we discussed, when talking SRI and sustainable finance, the idea of "greenwashing" is crucial to take into account. The term "greenwashing" describes the dishonest marketing strategies used by certain companies to make their goods or services seem more ecologically or socially sustainable than they really are. This may deceive buyers and investors who are trying to make wise choices. It is imperative that businesses provide accurate and honest information about their environmental and social practices in order to avoid "greenwashing."

Investors may not intentionally claim to have a positive impact in case they are not really in reality, according to one of the major conclusions from the qualitative study. Instead, various stakeholders have diverse understandings and interpretations of sustainability concepts. The different viewpoints and levels of expertise that people bring to the idea of impact investing or SRI may be the cause of this difference. Furthermore, the already noted inconsistency in the sequencing of rules might lead to misconceptions about the goals and definitions of sustainable finance.

It's interesting how certain conclusions from the qualitative study conflict with those from the literature review. Participants in the study claim that SRI has a positive effect, which goes against the idea of "greenwashing" that has been emphasized in the literature. This mismatch highlights the necessity for coherence and clarity in comprehending sustainable finance as well as the need of open communication.

Participants in the qualitative study place a strong emphasis on the value of transparency in SRI and impact investment. They emphasize the significance of stating goals in plain terms and provide proof of the actual impact made. Investors must prove their positive impact via open reporting and transparency; it is not enough for them to just promise to do so. Businesses may use different strategies, but convincing stakeholders via thorough and credible information is the key.

The study participants understand the significance of employing metrics and indicators to assess effect, which is consistent with the literature review. They list a number of variables that should be taken into account, including worker safety, diversity, greenhouse gas emissions, wage fairness for women, and environmental concerns including carbon emissions and water usage. Participants understand that not all indicators are appropriate in every circumstance and that each investment's unique features should be taken into account when conducting an impact assessment.

This highlights the need of conducting context-specific analysis and developing specialized evaluation procedures in order to accurately measure the impact of SRI and impact investment. According to the evaluation of the literature, credible and comparable sustainability reporting may

be ensured by using well-established frameworks like the Global Reporting Initiative (GRI). The GRI framework offers principles for detailing and standardizing how sustainability accomplishments are presented, allowing businesses to avoid "greenwashing" and increase openness in their sustainability disclosure.

The difference between impact investing and SRI is vital to keep in mind, but it's also important to recognize that both categories are included in products that come within the regulatory frameworks' Article 9 categorization. The requirements for fulfilling Article 9's requirements are not only centered on having a positive impact; they also include factors like investing a specific portion of assets in businesses that are environmentally friendly or socially responsible. Therefore, when investors assert that their assets fit under Article 9, it is not only a misinterpretation or a flexible research approach; rather, it is an admission that their investments satisfy certain criteria.

In fact, some participants confirmed that there have been cases when some fund companies or institutional investors mistook SRI for impact investing. Due to this, final investors are unsure of the genuine nature of their investments and the real impacts they will have. However, with greater transparency, accountability, and correct labeling, investors will be better able to navigate the market and take actions that will lead to the social and environmental results they want.

Thus, It is obvious that transparency, customized impact assessment approaches, and context-specific studies are vital, even if the issue of the true extent of SRI's contribution to positive social and environmental outcomes is complicated. Investors may increase transparency, prevent greenwashing, and make significant advancements in sustainable finance by adhering to these principles and making use of existing frameworks. Transparent communication, trustworthy reporting, and a common commitment to sustainability are the keys to creating a tangible difference.

Conclusion:

In conclusion, a thorough study that considers numerous viewpoints and factors is necessary to answer the questions of to what extent SRI contributes to positive impact and environmental outcomes, and how investors can ensure their investments make a tangible difference.

It is clear from the discussions that are being presented that the true impact of SRI is complicated. Investors and consumers who want to make ethical decisions have a problem from greenwashing, a dishonest advertising strategy used by certain companies. To prevent deceiving stakeholders, it is essential for businesses to disclose their environmental and social policies in an honest and accurate approach.

The results of the qualitative study provided insight into participants' perceptions on impact investment and SRI. Although the literature study implies that there may be a lot of "greenwashing," the research participants exhibit confidence in SRI's positive outcomes. This difference underlines the need of precision and agreement in defining sustainable finance and stresses the significance of honest discourse. The notion additionality plays a key role to differentiate the two investments.

Transparency emerges as a central theme throughout the discussions. Participants in the qualitative study emphasize the importance of outlining goals and providing proof of the real impact that was made. Merely claiming to have a positive impact is not sufficient; investors must demonstrate it through reliable and comprehensive reporting. Businesses may use different strategies, but convincing stakeholders via honest and responsible actions is the key.

Also, to ensure a tangible difference, investors must go beyond mere investment in companies and harness the power they have as asset managers. Through active participation in voting during annual general meetings (AGMs) and engagement with companies, asset managers can push for sustainable practices and drive real change in the economy. This perspective goes beyond solely looking at a company's products and services and emphasizes the influence asset managers can have in transforming the practices of invested companies. This involves investing in companies with the intention of actively influencing their sustainability practices, rather than limiting investments to specific sectors. By leveraging their influence, asset managers can truly make a positive impact on social and environmental outcomes.

The measurement of impact heavily relies on metrics and indicators. The study's participants support the use of a range of indicators that include issues including workplace safety, diversity, greenhouse gas emissions, gender pay equality, and environmental concerns. However, they also accept that each investment's particular conditions should be taken into account when conducting an impact assessment, which calls for context-specific assessments and distinct approaches.

Investors may benefit from well-established frameworks like the Global Reporting Initiative (GRI) to make sure their investments are really making an impact. Companies may increase transparency and reduce the danger of greenwashing by providing comparable and credible sustainability reporting by following the GRI principles.

Furthermore, the conclusion of this study highlights the relevance of the "8 plus" concept in the categorization of investments. Although it is not explicitly stated in the regulations, this concept falls in between Article 8 and Article 9. This idea proposes a strategy for assets that do not entirely fulfill the requirements of Article 9 by establishing a threshold of around 50% sustainable investment. However, continued talks on process standardization and greater monitoring by regulatory agencies like the CSSF are required in order to assure accuracy, uniformity, and accurate classification. The "8 plus" concept would encourage transparency and comparability in sustainable investments while giving investors more freedom in their selections of ethical investments.

The difference between impact investing and SRI is crucial to keep in mind, but it's also important to recognize that both categories are included in products that come within the regulatory frameworks' Article 9 categorization. The requirements for fulfilling Article 9's requirements are not only centered on having a positive impact, they also include factors like investing a specific portion of assets in businesses that are environmentally friendly or socially responsible. Therefore, when investors assert that their assets fit under Article 9, it is not only a misinterpretation or a flexible research approach; rather, it is an admission that their investments satisfy certain criteria.

It is true there have been cases when some fund companies or institutional investors mistook SRI for impact investing. Due to this, final investors are unsure of the genuine nature of their investments and the real impacts they will have. However, with greater transparency, accountability, and correct labeling, investors will be better able to navigate the market and take actions that will lead to the social and environmental results they want.

In conclusion, it is obvious that transparency, tailored impact assessment approaches, and context-specific studies are essential even if the issue of the real degree of SRI's contribution to positive social and environmental impacts is complicated. Investors may increase transparency, prevent greenwashing, and make significant advancements in sustainable finance by adhering to these principles and making use of existing frameworks. Transparent communication, trustworthy reporting, and a common commitment to sustainability are the keys to creating a tangible difference.

As a participant affirms it, it is crucial to recognize that socially responsible investment is undergoing a revolution, following the three stages described by philosopher Arthur Schopenhauer. Initially seen as ridiculous, it then became perceived as dangerous when some financial actors resisted the inclusion of non-financial criteria. However, it is now evident that socially responsible investment is necessary and not dangerous. This revolution is progressing at different stages across geographic regions and within the financial industry itself, with some already embracing its importance while others still view it as risky.

This study thesis has clarified some important topics related to the impact of SRI that were raised by participants. It is troubling because despite their assertions, there isn't a precise conclusive proof of SRI's positive impacts. This throws suspicion on the accuracy of their claims and draws attention to a possible misunderstanding of the concept. A further degree of complexity is added by using similar metrics to evaluate SRI's impact, which might introduce biases and restrict our comprehension of

the wide diversity of experiences and factors involved. Further study is required to better determine the true impact of SRI, if any, in light of these difficulties. To provide a more accurate and transparent evaluation of SRI's impact, if any, on people, this necessitates the adoption of objective and thorough evaluation processes that take into account diverse viewpoints and assessment approaches.

Bibliography:

Scientific Articles:

Höchstädter, A. K., & Scheck, B. (2014). What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners. Journal of Business Ethics, 132(2), 449–475. https://doi.org/10.1007/s10551-014-2327-0

Hebb, T. (2013). Impact investing and responsible investing: what does it mean? Journal of Sustainable Finance &Amp; Investment, 3(2), 71–74. https://doi.org/10.1080/20430795.2013.776255

Sandberg, J., Juravle, C., Hedesström, T. M. & Hamilton, I. (2008). The Heterogeneity of Socially Responsible Investment. Journal of Business Ethics, 87(4), 519-533. https://doi.org/10.1007/s10551-008-9956-0

Bollen, N. P. B. (2007). Mutual Fund Attributes and Investor Behavior. Journal of Financial and Quantitative Analysis, 42(3), 683–708. https://doi.org/10.1017/s0022109000004142

Marco, G. (2021). The ecosystem of sustainable finance: A literature review. Sustainability, 13(2), 639. https://doi.org/10.3390/su13020639

Verheyden, T. & De Moor, L. (2014). The Use of Multi-Criteria Decision Analysis to Define and Evaluate Socially Responsible Investments. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.2382813

Luo, W., Tian, Z., Zhong, S., Lyu, Q. & Deng, M. (2022). Global Evolution of Research on Sustainable Finance from 2000 to 2021 : A Bibliometric Analysis on WoS Database. Sustainability, 14(15), 9435. https://doi.org/10.3390/su14159435

Schumacher, K., Chenet, H. & Volz, U. (2020). Sustainable finance in Japan. Journal of Sustainable Finance & ; Investment, 10(2), 213-246. https://doi.org/10.1080/20430795.2020.1735219

Black, I., Chen, Y., & Tran, K. (2022). The Role of Regulation in Facilitating the Transition to a Sustainable Financial System: Lessons from the European Union Taxonomy. Journal of Sustainable Finance and Investment, 12(8), 799-819. https://doi.org/10.1080/20430795.2020.1796101

Becker, M., Martin, F., & Walter, A. (2022). The power of ESG transparency: The effect of the new SFDR sustainability labels on mutual funds and individual investors. Finance Research Letters, 47, 102708. https://doi.org/10.1016/j.frl.2022.102708

Findlay, S., & Moran, M. (2019). Purpose-washing of impact investing funds: motivations, occurrence and prevention. Social Responsibility Journal, 15(7), 853–873. https://doi.org/10.1108/srj-11-2017-0260

Bengo, I., Boni, L., & Sancino, A. (2022). EU financial regulations and social impact measurement practices: A comprehensive framework on finance for sustainable development. Corporate Social Responsibility and Environmental Management, 29(4), 809–819. https://doi.org/10.1002/csr.2235

Steiner, G., Geissler, B., Schreder, G., & Zenk, L. (2018). Living sustainability, or merely pretending? From explicit self-report measures to implicit cognition. Sustainability Science, 13(4), 1001–1015. https://doi.org/10.1007/s11625-018-0561-6

Junkus, J. C., & Berry, T. D. (2015). Socially responsible investing: a review of the critical issues. Managerial Finance, 41(11), 1176–1201. https://doi.org/10.1108/mf-12-2014-0307

Kuhlman T, Farrington J. What is Sustainability? *Sustainability*. 2010; 2(11):3436-3448. https://doi.org/10.3390/su2113436

Popescu, I., Hitaj, C., & Benetto, E. (2021). Measuring the sustainability of investment funds: A critical review of methods and frameworks in sustainable finance. Journal of Cleaner Production, 314, 128016. https://doi.org/10.1016/j.jclepro.2021.128016

Chiu, I. H. (2022). The EU Sustainable Finance Agenda: Developing Governance for Double Materiality in Sustainability Metrics. European Business Organization Law Review, 23(1), 87–123. https://doi.org/10.1007/s40804-021-00229-9

Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially responsible investments: Institutional aspects, performance, and investor behavior. Journal of Banking and Finance, 32(9), 1723–1742. https://doi.org/10.1016/j.jbankfin.2007.12.039

Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investment, 5(4), 210–233. https://doi.org/10.1080/20430795.2015.1118917

Schueth, S. (2003). Socially Responsible Investing in the United States. Journal of Business Ethics, 43, 189–194. https://doi.org/10.1023/A:1022981828869

Busch, T., Bauer, R., & Orlitzky, M. (2016). Sustainable Development and Financial Markets. Sustainable Development and Financial Markets: Old Paths and New Avenues, 55(3), 303–329. https://doi.org/10.1177/0007650315570701

Camilleri, M. A. (2015). Environmental, social and governance disclosures in Europe. Sustainability Accounting, Management and Policy Journal, 6(2), 224-242. https://doi.org/10.1108/SAMPJ-10-2014-0065

Arjaliès, D. (2010). A Social Movement Perspective on Finance: How Socially Responsible Investment Mattered. Journal of Business Ethics, 92(S1), 57–78. https://doi.org/10.1007/s10551-010-0634-7

Pagès, M. (2006). La responsabilité: vers une radicale modération. Nouvelle revue de psychosociologie, 2, 59-65. https://doi.org/10.3917/nrp.002.0059

Cayrol, R. (2011). Opinion, sondages et démocratie. Presses de Sciences Po. https://doi.org/10.3917/scpo.cayro.2011.01

Sparkes, R. (2001). Ethical investment: whose ethics, which investment? Business Ethics: A European Review, 10(3), 194–205. https://doi.org/10.1111/1467-8608.00233

Revelli, C. (2012). La place de l'investissement socialement responsable (ISR) dans le champ de la finance durable: proposition d'une grille de lecture. La Revue des Sciences de Gestion, 258, 43-49. https://doi.org/10.3917/rsg.258.0043

Revelli, C., & Viviani, J. (2012). Performance financière de l'investissement socialement responsable (ISR) : une méta-analyse. Finance Contrôle Stratégie, 15–4. https://doi.org/10.4000/fcs.1222

Schütze, F., & Stede, J. (2021). The EU sustainable finance taxonomy and its contribution to climate neutrality. Journal of Sustainable Finance & Investment, 1–33. https://doi.org/10.1080/20430795.2021.2006129

Becker, M., Martin, F., & Walter, A. (2022). The power of ESG transparency: The effect of the new SFDR sustainability labels on mutual funds and individual investors. Finance Research Letters, 47, 102708. https://doi.org/10.1016/j.frl.2022.102708

Yeoh, P. (2019). MiFID II key concerns. Journal of Financial Regulation and Compliance, 27(1), 110–123. https://doi.org/10.1108/jfrc-04-2018-0062

Balcerzak, A. P., MacGregor, R. K., Pelikánová, R. M., Rogalska, E., & Szostek, D. (2023). The EU regulation of sustainable investment: The end of sustainability trade-offs? Entrepreneurial Business and Economics Review, 11(1), 199–212. https://doi.org/10.15678/eber.2023.110111

Cremasco, C., & Boni, L. (2022). Is the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) effective in shaping sustainability objectives? An analysis of investment funds' behaviour. Journal of Sustainable Finance & Investment, 1–19. https://doi.org/10.1080/20430795.2022.2124838

Wang, C. N., Larsen, M. L., & Wang, Y. (2020). Addressing the missing linkage in sustainable finance: the 'SDG Finance Taxonomy.' Journal of Sustainable Finance & Investment, 12(2), 630–637. https://doi.org/10.1080/20430795.2020.1796101

Schuetze, F., & Stede, J. (2020). EU Sustainable Finance Taxonomy – What Is Its Role on the Road towards Climate Neutrality? Social Science Research Network. https://doi.org/10.2139/ssrn.3749900

Bonoli, A., Zanni, S., & Serrano-Bernardo, F. A. (2021). Sustainability in Building and Construction within the Framework of Circular Cities and European New Green Deal. The Contribution of Concrete Recycling. Sustainability, 13(4), 2139. https://doi.org/10.3390/su13042139

Eckert, E., & Kovalevska, O. (2021). Sustainability in the European Union: Analyzing the Discourse of the European Green Deal. Journal of Risk and Financial Management, 14(2), 80. https://doi.org/10.3390/jrfm14020080

Bridges, J. W., Greim, H., Van Leeuwen, C., Stegmann, R., Vermeire, T., & Haan, K. H. D. (2023). Is the EU chemicals strategy for sustainability a green deal? Regulatory Toxicology and Pharmacology, 139, 105356. https://doi.org/10.1016/j.yrtph.2023.105356

De Moor, L., Hafner, S., & Pistor, K. (2022). Making EU Taxonomy Compatible with Sustainable Finance Goals. Journal of Environmental Investing, 13(2), 103-115. https://doi.org/10.3905/jei.2022.1.256

Brandstetter, L., & Lehner, O. M. (2015). Opening the Market for Impact Investments: The Need for Adapted Portfolio Tools. Entrepreneurship Research Journal, 5(2). https://doi.org/10.1515/erj-2015-0003

Ormiston, J., Charlton, K., Donald, M. S., & Seymour, R. J. (2015). Overcoming the Challenges of Impact Investing: Insights from Leading Investors. Journal of Social Entrepreneurship, 6(3), 352–378. https://doi.org/10.1080/19420676.2015.1049285

Nicholls, A. (2009). 'We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship. Accounting, Organizations and Society, 34(6-7), 755-769. https://doi.org/10.1016/j.aos.2008.09.002

Scheitza, L., Busch, T., & Metzler, J. (2022, October 5). The impact of impact funds – A global analysis of funds with impact-claim. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4082091

Stanfield, J. (2011). Impact investment in education. Retrieved from ResearchGate: https://www.researchgate.net/publication/239768633_IMPACT_INVESTMENT_IN_EDUCATION

Reports: (Thesis, PHD, publication, Surveys...) :

Tides. (2011). Impact investing field scan: Landscape overview and group profiles. San Francisco, CA: Tides.

Hill, K. (2011). Investor perspectives on social enterprise financing. London: City of London.

Radjy, T., & Cejnar, N. (2010). Impact finance survey 2010. Zurich: AlphaMundi

Giamporcaro, S. (2006). L'investissement socialement responsable entre l'offre et la demande : analyse et enjeux de la construction sociale d'une épargne politique (Doctoral dissertation). Université René Descartes, Paris.

Pagès, A. (2006). Les performances de l'investissement socialement responsable : mesures et enjeux (Undergraduate thesis). HEC Paris, Paris.

Dumas, C. (2015). Collective beliefs for responsible investment (Doctoral dissertation). Université de Gand, Gand.

O'Donohoe, N., Leijonhufvud, C., Saltuk, Y., Bugg-Levine, & A. Brandenburg, M. (2010). Impact investments: an emerging asset class. Washington D.C.: J.P. Morgan, The Rockefeller Foundation, Global Impact Investing Network. Retrieved from https://thegiin.org/knowledge/publication/impact-investments-an-emerging-asset-class.

Dumas, C., Louche, C., & Van den Berghe, L. (2015). The challenges of responsible investment mainstreaming: beliefs, tensions and paradoxes. Ghent: Ghent University. Faculty of Economics and Business Administration.

Matière à penser. (n.d.). Saint-Thomas D'Aquin, Justice Politique [Saint Thomas Aquinas, Political Justice]. Retrieved March 20, 2023, from

http://matiereapenser.free.fr/philo/Textes%20eleves/philippe%20nemo_saint%20thomas_justice_politique.pdf

Eurosif. (2014). European SRI Study 2014. Brussels: Eurosif. Retrieved March 19, 2023, from https://www.eurosif.org/wp-content/uploads/2022/03/Eurosif-SRI-Study-2014.pdf

Harji, K., & Jackson, E. T. (2012). Accelerating impact: Achievements, challenges and what's next in building the impact investing industry. New York, NY: The Rockefeller Foundation.

Freireich, J., & Fulton, K. (2009). Investing for social & environmental impact: A design for catalyzing an emerging industry. Cambridge, MA: Monitor Institute.

Refinitiv. (2020). Sustainable Finance Review: First nine months 2020. Retrieved from https://www.refinitiv.com/content/dam/marketing/en_us/documents/reports/sustainable-finance-review-first-nine-months-2020-bnpp.pdf

Journal articles :

Capelle-Blancard, G., & Giamporcaro-Saunière, S. (2006). L’investissement socialement responsable. Cahier Français, 331, 1-70.

Boerner, H. (2012). The corporate ESG beauty contest continues: Recent developments in research and analysis. Corporate Finance Review, 17(3), 32–36.

Loiselet, E. (2000). “L’investissement Socialement Responsible: Genèse, Methods et Enjeux,” L’Economie Politique N°7, 3èmè trimestre.

Books :

Férone, G., D'Arcimoles, C.-H., Bello, P., & Sassenou, N. (2001). Le développement durable.

Meignant, A. (2004). Le DRH : partenaire stratégique. Paris : Editions Liaisons.

Cato, S. M. (2021). Sustainable Finance : Using the Power of Money to Change the World (1st ed. 2022). Palgrave Macmillan.

Clark, C., Emerson, J., & Thornley, B. (2015). The Impact Investor: Lessons in Leadership and Strategy for Collaborative Capitalism. United States: Jossey-Bass Inc.

Simon, J., & Barmeier, J. (2010). Impact Investing for Development. Chicago.

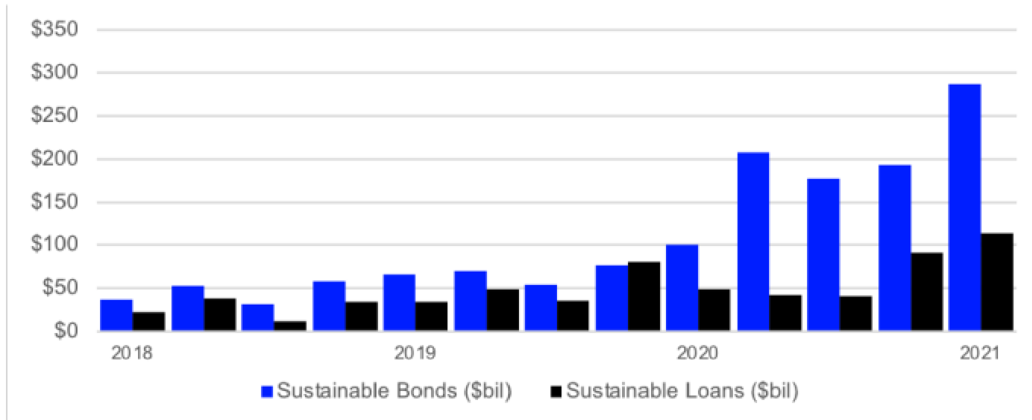
Bugg-Levine, A., & Emerson, J. (2011). Impact investing: Transforming how we make money while making a difference. San Francisco, CA: Wiley.

Online source :

https://trends.levif.be/a-la-une/banque/bnp-paribas-fortis-met-un-terme-a-ses-produits-financiers-ethiques/

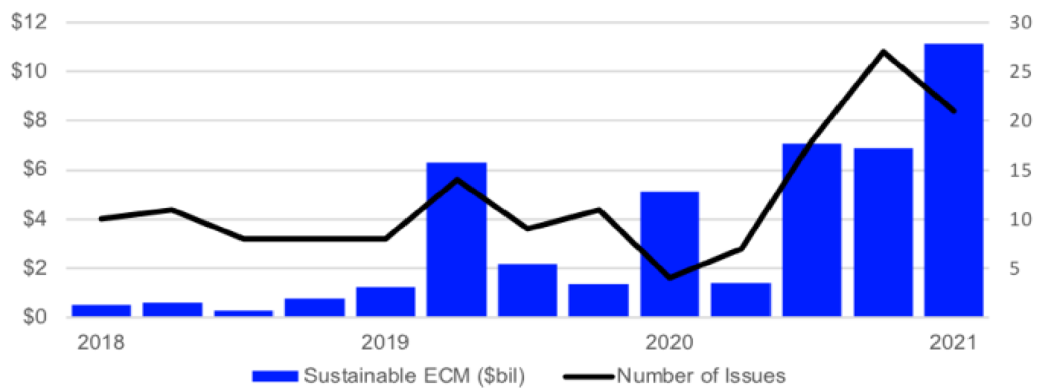
Appendices:

Appendix 1: Evolution of Sustainable Bonds and Loans:



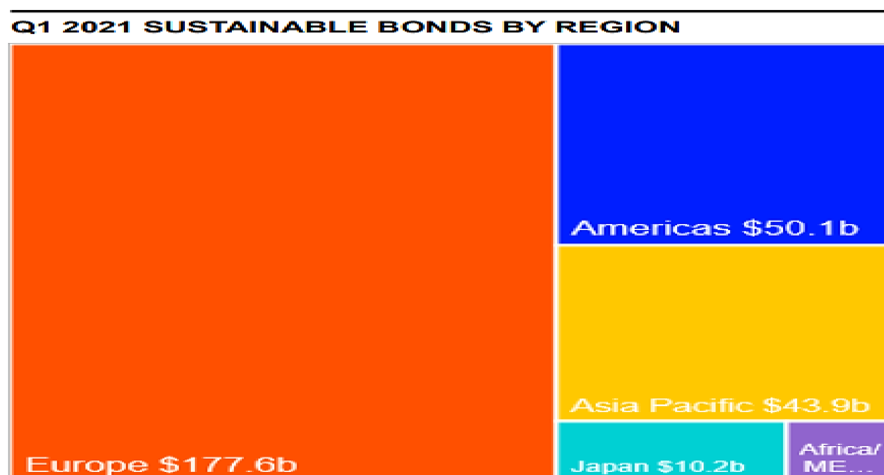
Source: BNP Paribas Sustainable Finance Review - First Quarter

Appendix 2: Evolution of Sustainable Equity Capital Markets:



Source: BNP Paribas Sustainable Finance Review - First Quarter

Appendix 3: Q1 2021 sustainable bonds by region:



Source: BNP Paribas Sustainable Finance Review - First Quarter

Appendix 4: Transcription extracts of Participant Answers:

	Hamid Amoura
Definition of SRI	C'est le fait de tenir compte des critères extra-financiers, donc ESG dans un processus d'investissement d'une gestion
Definition of Impact Investing	L'impact investing est une des branches de l'investissement socialement responsable. Faut savoir que l'investissement responsable et faut le voir un peu comme un parapluie, bien sous son parapluie là il existe plusieurs facettes. Les politiques d'exclusion sont une forme d'ISR. Les politiques ESG sont une forme d'ISR. La politique d'engagement -- ça fait partie des stratégies ISR. Puis y a aussi ce qu'on appelle donc l'impact investing. L'impact investing est un type d'investissement qui vise activement à avoir un impact positif. Cependant, pour atteindre cet objectif, il doit satisfaire à trois critères fondamentaux, appelés les "fameux 3 critères" : intentionnalité, additionalité et mesurabilité. L'intentionnalité se réfère à la formulation claire de l'intention selon laquelle cet investissement contribuera à un objectif de développement durable. Il est important que les investisseurs définissent explicitement leur engagement envers un impact positif. La mesurabilité signifie qu'il est essentiel de disposer d'indicateurs et de mesures concrètes qui permettent de démontrer de manière tangible l'impact réellement positif de cet investissement. Cela implique la collecte de données spécifiques et la mise en place de métriques pour évaluer les résultats obtenus. Le deuxième critère, l'additionalité, est souvent sous-estimé. Il fait référence à la capacité de l'investissement à être véritablement additionnel, c'est-à-dire à apporter une contribution supplémentaire et à permettre la réalisation d'un projet qui ne pourrait pas voir le jour sans cet investissement. Par exemple, lorsqu'on investit dans un fonds d'impact ou dans une entreprise en capital-investissement (private equity), il est nécessaire de fournir des fonds qui serviront de capital initial et qui stimuleront tout un processus d'investissement et de développement d'entreprises. Cela diffère d'un simple achat d'actions sur le marché secondaire, où l'argent échangé n'est pas supplémentaire mais simplement transféré entre les parties existantes. Pendant longtemps, le private equity était considéré comme la classe d'actifs qui répondait le mieux à tous les critères de l'impact investing. Cependant, la définition s'est élargie, incluant désormais également des investissements côtés (cotés en bourse) grâce à l'engagement actif et ambitieux envers les bonnes pratiques de gestion d'entreprise. L'obtention de résultats tangibles et la mise en place d'un véritable impact justifient le caractère impactant de ces investissements. En résumé, les trois critères essentiels de l'impact investing sont l'intentionnalité, l'additionalité et la mesurabilité. Initialement, ces critères étaient largement applicables au private equity, mais ils s'étendent désormais aux investissements côtés (cotés en bourse).

Positive Impact	Un impact positif est une valeur ajoutée de manière générale, parce que la valeur ajoutée extra-financière se traduit nécessairement pas en impact positif. Très longtemps, l'impact positif était purement on va dire encadré dans le cadre de l'impact investing. Aujourd'hui, l'impact positif, c'est devenu une monnaie courante, c'est-à-dire que maintenant il y a cette recherche d'un double objectif, on parle de double matérialité, donc une matérialité risque et une matérialité impacte donc de rien à re in fine, c'est vrai que quand on fait un investissement socialement responsable, donc avec la prise en compte des critères ESG, on vise donc non seulement à essayer d'évaluer au mieux les risques afin de les minimiser, donc ça c'est. Tout le côté un peu historique de l'achèvement isr et depuis maintenant quelques années sur Le fait d'être à la recherche d'un impact positif ? Cet impact positif, il peut venir de plusieurs manières. Il a, il est polymorphe, il est plusieurs pincettes, ça peut être soit sur les pratiques internes de l'entreprise, donc essayer de promouvoir les bonnes pratiques internes de l'entreprise, notamment à travers leur politique RSE. Donc ça concerne le plan social en faisant en sorte que il y ait des bonnes pratiques sur la dimension sociale ou bien être quelque part, valoriser le capital humain, avoir des bonnes règles de gouvernance pour avoir des bonnes ressources ? Débat surprenante notamment. Et puis ça peut être aussi un impact positif sur la nature des produits, des biens et services qui sont produits par l'entreprise. Et là c'est par exemple typiquement de répondre à un objectif de développement durable avec un produit qui va être une solution pour atteindre par des objectifs de développement durable. Publiquement, ça peut être bon mais voilà, ça peut être si on prend dans les énergies renouvelables, si on peut les producteurs de de panneaux solaires ; éolienne, on voit bien que ça contribue fortement à lutter contre le réchauffement climatique et ainsi répondre à un objectif de développement durable.
Does SRI have an impact?	Cela répond à un double objectif : 1. Un objectif extra financier : et celui de d'avoir une valeur ajoutée sur le plat sur le plan extra financier, sur la sociale, sur le plan environnemental en effet. 2. Un objectif financier : qui est celui qui néanmoins d'avoir une meilleure évaluation de l'entreprise parce que quelque part, on ne peut pas réduire l'évaluation d'une entreprise à des simples métriques financières. Un processus d'investissement classique vise à analyser le bilan, compte de résultats, la stratégie financière d'une entreprise sans tenir en compte que ça peut aller au-delà de ça et tenir en compte aussi des critères extra financiers d'une entreprise qui ont de plus en plus d'impact également sur le cours de l'entreprise. Et donc en prenant en compte et en évaluant de la meilleure façon possible ces critères extra financiers, cela peut aussi aider à optimiser le rendement/risque du portefeuille, essayer de réduire les risques à court terme en ayant une meilleure évaluation de l'entreprise, mais aussi potentiellement donc, d'avoir une meilleure performance sur le long terme. D'où le fait d'optimiser le rendement risque, quelque part sur l'investissement. Donc un double objectif extra financier, promouvoir les bonnes pratiques et ainsi avoir un impact positif soit sur le plan social et environnemental. Et puis bien entendu sur le plan financier, optimiser le rendement-risque.

	On attend un impact positive. Oui Il y a une entreprise qui est assez monnaie courante et qu'on utilise aussi beaucoup dans ce cas de figure là. Vous avez par exemple on peut-on faire un lorsqu'on investit dans une entreprise comme Schneider Electric : c'est une entreprise qui a développé un certain nombre de biens qui sont utilisés afin d'atteindre une certaine efficience énergétique. Par exemple : développer des réseaux de Green GRID. Ce sont des systèmes intelligents qui visent à optimiser la consommation d'électricité, Schneider Electric connaît un gros succès, notamment grâce à ce type de produit qui vise justement à atteindre l'efficience énergétique en optimisant la consommation d'électricité et ainsi à réduire la consommation de l'empreinte carbone.
In Article 9, we classify just products that have a positive impact?	La réglementation SFDR c'est une réglementation qui vise à atteindre principalement 2 objectifs. Un premier objectif c'est celui de la transparence. Quelque part on dit ce qu'on fait en fait ce qu'on dit et il est vrai que pendant longtemps, dans l'investissement ISR il y avait une certaine opacité, c'est-à-dire que chacun disait, qu'il faisait de l'isr, mais sans nécessairement, comme on dit dans le jargon, ouvrir le capot et montrer concrètement comment il mettait en œuvre cette politique. Elle sert donc premier objectif qui est celui de lutter contre le greenwashing. -- cet exercice de transparence Un 2ème objectif, c'est celui d'améliorer la comparabilité entre les fonds, parce que il existe plusieurs manières de faire l'ISR, chacun peut avoir aussi sa sensibilité, ainsi une comparaison compliqué. Maintenant, la réglementation a mis en place 3 niveaux de classification : les articles 6 c'est réglé, on est d'accord, ce sont des fonds qui ne sont pas ISR. Article 8 les fonds ISR classiques : c'est lorsqu'on fait la promotion globale pour la sélection dans la construction de son portefeuille, sans nécessairement atteindre un objectif durable et particulier. Les fonds de l'Article 9, sont beaucoup plus spécifiques, ce peut être effectivement la pointe des investissements un peu impact en devant spécifiquement explicité: De quel objectif de développement durable qu'on souhaite atteindre, et les entreprises qu'on intègre on les intègre sur quelle base ? On évalue qu'une entreprise peut contribuer au nom à cet objectif de développement durable Plus récemment, la Commission européenne a renforcé et a bien précisé que il y avait des entreprises effectivement étaient éligibles les entreprises qui répondaient à 100% à un objectif de développement durable comme je l'indiquais si on peut acheter des électrique, si on prend des fabricants de panneaux solaires ou de ou de panneaux photovoltaïques, même des entreprises qui sont dans l'introduction de chimie conducteurs parce que les chimie conducteurs sont un outil maintenant indispensable afin d'assurer la transition énergétique. Donc c'est des entreprises qui sont, on va dire solution. Mais elle a également intégré dans son dans les entreprises éligibles, les entreprises, les

	compagnies qui étaient dans un effort de transition, c'est à dire celles avec qui on a un processus d'engagement, qui fait preuve de bonne volonté et qui ambitionne une politique climat extrêmement positive et ambitieuse sur le sujet. Donc ce ne sont pas forcément des entreprises qui à l'instant d tache toutes les cases. Mais qui accepte que on puisse considérer la phase de transition, le fait qu'elle soit en mouvement, pour peu que on s'assure et qu'on atteste du sérieux, de la crédibilité de la politique engagée. Donc ça importe effectivement un peu plus de nuances, un peu plus de granularité, et c'est toujours pareil. Prenons un exemple concret, prenons une entreprise qui opère dans le secteur du pétrole et du gaz. À première vue, cela peut sembler étrange, car le gaz est une source d'énergie fossile. Maintenant, si cette entreprise, à l'instant T, produit des hydrocarbures mais s'engage également à mettre en place un plan concret d'investissement, appelé les 'capex Green' ou les investissements verts, avec plus de 50%, voire 70% de ces investissements futurs alloués à la transition énergétique, en passant de la production d'hydrocarbures à la production d'énergie renouvelable, il ne serait pas totalement illogique de considérer ces entreprises comme éligibles à l'article 9. Le changement de mode de production ne se fait pas du jour au lendemain, cela prend plusieurs années, et la manière d'assurer et de confirmer la crédibilité du plan mis en place passe par l'affectation des investissements. Ainsi, dès lors qu'une proportion non négligeable des investissements, appelés 'Green capex', est allouée à cette transition, cela devient un signe permettant d'identifier l'engagement de l'entreprise dans cette voie. Cela peut contribuer à la maintenir dans le secteur des entreprises respectueuses de l'environnement.

There is a nuance between the two investments?	La différence entre ISR (Investissement Socialement Responsable) et Impact Investing réside principalement dans la notion de caractère additionnel. En d'autres termes, toutes les stratégies d'Impact Investing sont également considérées comme ISR, mais toutes les stratégies ISR ne sont pas nécessairement de l'Impact Investing. L'Impact Investing se concentre sur les entreprises capables de mesurer et de démontrer un impact tangible dans la société. Cela va au-delà des simples bonnes pratiques internes. Par exemple, une entreprise peut mettre en avant des pratiques de valorisation du capital humain, des politiques anticorruption, des mesures de gouvernance solides, ou encore des initiatives environnementales telles que l'économie circulaire. Bien que ces critères soient importants du point de vue extra-financier, ils ne garantissent pas nécessairement un impact significatif dans la société. Cependant, il est vrai que ces deux notions peuvent parfois être confondues. De plus en plus, la tendance est à l'association des deux approches, et il peut y avoir des stratégies d'investissement qui combinent à la fois des critères ISR et des objectifs d'impact social et environnemental. En résumé, l'ISR se concentre sur les pratiques responsables et durables au sein des entreprises, tandis que l'Impact Investing va plus loin en cherchant des entreprises capables de générer un impact social et environnemental mesurable dans la société. l'additionalité, est souvent sous-estimé. Il fait référence à la capacité de l'investissement à être véritablement additionnel, c'est-à-dire à apporter une contribution supplémentaire et à permettre la réalisation d'un projet qui ne pourrait pas voir le jour sans cet investissement. Par exemple, lorsqu'on investit dans un fonds d'impact ou dans une entreprise en capital-investissement (private equity), il est nécessaire de fournir des fonds qui serviront de capital initial et qui stimuleront tout un processus d'investissement et de développement d'entreprises. Cela diffère d'un simple achat d'actions sur le marché secondaire, où l'argent échangé n'est pas supplémentaire mais simplement transféré entre les parties existantes. Pendant longtemps, le private equity était considéré comme la classe d'actifs qui répondait le mieux à tous les critères de l'impact investing. Cependant, la définition s'est élargie, incluant désormais également des investissements côtés (cotés en bourse) grâce à l'engagement actif et ambitieux envers les bonnes pratiques de gestion d'entreprise. L'obtention de résultats tangibles et la mise en place d'un véritable impact justifient le caractère impactant de ces investissements.

How to measure impact?	La mesure de l'impact d'un investissement socialement responsable, y compris dans le cadre de l'impact investing, peut se faire à travers différents indicateurs. En général, l'impact investing se base sur la nature des biens et services produits, c'est-à-dire comment ces produits contribuent à atteindre des objectifs de développement durable. Par exemple, la mesure de l'impact peut se faire en évaluant les émissions de carbone réduites à presque zéro dans la production d'énergie. Cela représente une métrique concrète de l'impact environnemental de l'investissement. D'un autre côté, il existe également des mesures historiquement utilisées dans l'investissement socialement responsable, connues sous le nom de critères ESG qui se concentrent davantage sur les pratiques internes des entreprises. Prenons l'exemple des pratiques internes liées à la politique d'entreprise. Une bonne gouvernance, des dimensions sociales telles que les pratiques équitables envers les employés, ou encore des actions environnementales comme l'optimisation de la consommation d'eau peuvent être mesurées et prises en compte dans l'évaluation de l'impact. Par exemple, si une entreprise parvient à maintenir sa croissance économique tout en réduisant sa consommation d'eau grâce à des techniques et des processus plus efficaces, cela représente une mesure de l'impact positif dans les domaines à la fois environnemental et économique. En résumé, la mesure de l'impact d'un investissement socialement responsable et de l'impact investing repose sur des indicateurs tels que les résultats environnementaux, sociaux et de gouvernance, ainsi que sur la contribution à la réalisation des objectifs de développement durable.

	Thomas Leclerq
Définition of SRI	L'ISR est un type d'investissement qui vise un objectif supplémentaire au-delà du simple rendement financier. Il s'agit d'un investissement qui répond à certains critères sociaux, environnementaux et de bonne gouvernance, et qui génère des externalités positives pour la société dans son ensemble.

Definition of Impact Investing	On distingue l'approche ESG de l'approche impact. Je vais commencer par définir ce qu'est un investissement ESG. ESG fait référence à l'environnement, au social et à la gouvernance. Ce sont des investissements qui se caractérisent par des critères ESG, c'est-à-dire des sociétés qui intègrent des aspects environnementaux et sociaux dans leurs processus et opérations. Cela signifie qu'elles cherchent à améliorer leurs processus de production, traitent leurs employés de manière équitable, non discriminatoire et humaine, et réduisent les risques réglementaires et environnementaux pour les communautés. L'approche ESG est principalement axée sur la gestion des risques et prend en compte tous les aspects extra-financiers qui peuvent avoir un impact sur la valeur de l'entreprise. En revanche, l'approche impact va plus loin en examinant les produits que l'entreprise propose à la vente. Par exemple, une entreprise productrice d'éoliennes a un impact positif sur l'environnement, tandis qu'une entreprise qui fournit des produits éducatifs en Inde contribue à réduire les inégalités en facilitant l'accès à l'éducation. Il existe donc une différence entre l'approche ESG et l'approche impact. L'approche ESG se concentre sur les risques et les aspects extra-financiers, tandis que l'approche impact se concentre sur les produits et les résultats positifs qu'une entreprise peut générer sur le plan environnemental et social. Pour illustrer ces différences, prenons deux exemples opposés. La société Diageo, productrice de spiritueux, obtient de bons résultats en termes d'ESG en prenant en compte les aspects environnementaux dans ses processus et en traitant ses employés de manière adéquate par rapport à d'autres entreprises du secteur. Cependant, la vente d'alcool ne contribue pas clairement à un impact positif sur la société dans son ensemble. Par conséquent, Diageo peut obtenir un bon score ESG mais un score d'impact moins favorable, ce qui peut la exclure des portefeuilles d'investissement à impact. En revanche, la société Tesla, qui produit des voitures électriques, a un impact positif sur l'environnement en accélérant la transition vers des moyens de transport durables et moins polluants. Cependant, Tesla a des problèmes de gouvernance, notamment avec son CEO, ainsi que des problèmes sociaux récents, tels que des accusations de discrimination à l'embauche et d'autres problèmes internes de discrimination. En termes d'ESG, Tesla peut obtenir un score moyen voire moins bon en raison de ces problèmes, mais du point de vue de l'impact, elle peut être considérée comme ayant un impact positif. En résumé, l'approche ESG se concentre sur les risques et les aspects extra-financiers, tandis que l'approche impact se concentre sur les produits et les résultats positifs qu'une entreprise peut générer sur le plan environnemental et social. Ces deux approches offrent différentes perspectives lors de l'évaluation des investissements et peuvent conduire à des décisions d'investissement différentes en fonction des objectifs des investisseurs

Positive Impact	Il y'a différents aspects, c'est-à-dire peut-être moins de pollution de l'environnement des traitement sociaux des employés meilleurs de l'innovation tout le temps de l'innovation pour la société en général. Il y a différents aspects. Donc oui, c'est l'impact positif. Généralement donc oui.
Does SRI have an impact?	Oui on attend un impact positif d'un tel investissement. Comme j'ai dit Il y'a différents aspects, c'est-à-dire peut-être moins de pollution de l'environnement des traitement sociaux des employés meilleurs de l'innovation tout le temps de l'innovation pour la société en général. Il y a différents aspects. Donc oui, c'est l'impact positif. Généralement donc oui.
In Article 9, we classify just products that have a positive impact?	Je pense que ces définitions sont cohérentes dans le sens où il n'est pas possible de pratiquer l'investissement à impact sans prendre en compte les aspects ESG. En revanche, il est possible de mettre en place une approche ESG sans pour autant faire de l'investissement à impact. Par conséquent, notre intention n'est pas de sélectionner des fonds relevant de l'article 9 de la SFDR. Cette législation inclut le critère de "do not significantly harm" (ne pas causer de préjudice significatif) qui stipule qu'un investissement ne doit pas avoir un impact négatif sur certains aspects environnementaux ou sociaux tout en ayant un impact positif sur d'autres. Il y a donc une claire corrélation entre ces définitions.
There is a nuance between the 2 investments?	Il est vrai qu'il y a eu des cas où certaines maisons de fonds ou investisseurs institutionnels ont parfois présenté l'investissement socialement responsable comme de l'investissement à impact. Cela a créé une certaine confusion chez les investisseurs finaux quant à la nature réelle de leur investissement et à son impact concret. Pour notre part, nous nous efforçons d'expliquer de manière claire à nos investisseurs les différences entre ces deux approches. Nous proposons différents produits qui prennent en compte de manière distincte l'impact investing et l'investissement socialement responsable, et nous nous efforçons de faire comprendre cette distinction le plus clairement possible. Cependant, nous reconnaissons qu'il peut y avoir des problèmes de compréhension chez certains investisseurs concernant ces sujets. C'est pourquoi nous nous engageons à informer au mieux nos clients et les investisseurs en général.

Appendix 5: Interview guide:

1. Could you introduce yourself and briefly explain your role in socially responsible investment?
2. How would you define socially responsible investment?

On the objective of the investment:

1- What is the main objective of a socially responsible investment?
2- Do you expect a certain positive impact from such an investment?

On the positive impact:

1- How would you define the positive impact of an investment?
2- How do you determine if a socially responsible investment has a positive impact on society or the environment?
3- What is the positive social or environmental impact you hope to generate through a socially responsible investment strategy?
4- How do you measure the impact of a socially responsible investment?
5- Can you give us a concrete example of a socially responsible investment that has had a positive impact on society or the environment?

On the understanding of impact investing:

1- How would you define impact investing and how do you think it differs from socially responsible investment?
2- Do you think that there is a kind of nuance between impact investing and socially responsible investing?

On SFDR:

1. Under Article 9, In Article 9, we classify just products that have a positive impact?

On transparency:

1- How do you communicate about your investments and their impact on society or the environment?
2- How do you ensure that your investments and their impact are transparent to your clients and partners?
3- How do you justify investments that may not have a real positive impact on society or the environment?

On challenges and opportunities:

1- What are the main challenges you face when implementing your socially responsible investment strategy?
2- What opportunities do you see in the development of socially responsible investment in the future?

Executive summary:

The thesis concludes that a comprehensive study is necessary to determine the extent to which Socially Responsible Investment (SRI) contributes to positive impact and environmental outcomes. With questions about "greenwashing" and the need for transparency, the difficulty of determining SRI's true impact is brought to light. Participants in the qualitative research indicated confidence regarding the positive outcomes of SRI, highlighting how crucial it is to define sustainable finance accurately. However, the discrepancy between participant views and the literature highlights the need for more study to offer a thorough and impartial assessment of SRI's effect.

Transparency emerges as a central theme in the discussions on SRI. Participants in the qualitative research emphasized the need of establishing specific objectives and providing proof of a true effect. Simply stating that you have had a positive impact is not enough; investors need to back up their claims with accurate reporting. This focus on transparency reflects the rising expectation of enterprises operating in the sustainable finance sector for accountability and responsible behavior. Businesses may reduce the dangers of greenwashing and foster stakeholder confidence by upholding transparency standards.

The role of asset managers in driving real change through SRI is highlighted. Beyond making investments in companies, asset managers can utilize their influence by actively participating in voting during annual general meetings (AGMs) and engaging with companies. This active engagement allows asset managers to advocate for sustainable practices, pushing companies to adopt responsible actions. The study emphasizes the potential of asset managers to make a tangible difference in social and environmental outcomes through their active involvement. By leveraging their power and influence, asset managers can contribute to the transformation of sustainable practices in the economy.

The "8 plus" approach allows more flexibility, although more uniformity is needed. While acknowledging both SRI and impact investing's inclusion inside legislative frameworks, it is essential to make a distinction between the two. To assess the real impact of SRI objectively and meticulously, further study is required.

Keywords: Sustainable finance, Impact investing, socially responsible investment, Sustainable Finance Disclosure Regulation, EU Taxonomy, Reporting, transparency.

Word Count: 27129 (Appendices excluded).