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AND RECOMMENDATIONS



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GOOD NEWS FOR SUSTAINABILITY IN EUROPE, WITH CLARITY UNTIL 2030

In these times of uncertainty, with the war still raging in Ukraine, general elections in France, the increasingly strained relationship between the US and China, and tensions around the upcoming US Presidential election... citizens tend to focus on bad news and on the near-term.

But let's take a step back. The European elections held in June led to a majority formed by the three historical political groups – Christian Democrats, Centrists and Social Democrats. These parties had already played important roles in all decisions made regarding sustainable development during the Parliament's previous term.

One can therefore expect stability and visibility on the main policy guidelines supporting the transition towards a lower carbon economy up until 2030. After 2030, some arbitrage decisions may be made, such as delaying the European ban on the sale of new thermal vehicles from 2035, but the general momentum will remain unchanged.

Some may feel sorry and concerned about the potential absence of green parties from this new European coalition. But in any event, we can hope for more pragmatism in sustainability-related regulatory decisions after the raft of legislation passed in recent years which led to great complexity and uncertainties. Companies and investors are rightly calling for more clarity and visibility. Simplicity and strong convictions can go hand in hand.

Until then, let's look forward to the 2024 Olympics that about to kick off in Paris. We shall discuss the sustainability efforts made by the organisers; these are perfectible, of course, but nonetheless, the carbon impact of these games has been reduced by half compared to London, Rio or Tokyo. We shall end on two other positive developments, looking at the potential of regenerative farming in Canada and unveiling our new climate objectives, now that we have joined the Net Zero Asset Management (NZAM).

Please note that this editorial was not written using artificial intelligence/ Chat GPT! We wish you a pleasant read.

GREEN OLYMPICS, DREAM OR REALITY?

The Paris Olympic Games were set out to be an ambitious showcase for progress in the area of sustainability. After several cities withdrew from the race (Hamburg, Rome, Boston...), the fact that Paris was promoting games aligned with the Paris Agreement - with 95 per cent of the competition venues either pre-existing or temporary - contributed to France being selected as the ideal candidate¹. In 2021, the organisers had promised Olympic Games with ambitious ESG objectives and “a positive environmental contribution”. These pledges were largely aligned with those put forward by the WWF², including 100% renewable energy, 100% organic food, and full access to public transport³.

However, three years down the road, the project appears to have lost some of its sheen. The positive environmental impact is no longer on the agenda. The objective now is to cut emissions by 55% compared to the London Olympics. These new games should generate 1.58 million TeqCO₂ - half the emissions of Rio and London⁴, but nevertheless equivalent to the emissions of 150,000 French citizens for a year⁵.



Experts have also pointed a finger at the limitations of the calculations and the absence of key categories, such as emissions linked to merchandising or spectator travel. The International Olympic Committee has announced that emissions will be compensated by funding the Great Green Wall for the Sahel and Sahara Initiative, a solution deemed acceptable by several specialists, who nevertheless argued that this cannot earn the games a “sustainable” status⁶.

The infrastructure itself is also raising questions. The surfing judges' tower in Tahiti, initially planned to be built from aluminium, illustrates the tensions between environmental requirements and the needs of the competition⁷, with a direct impact on the reef lagoon despite the revision of the project. The impacts of the Olympic Games extend further than financial or environmental issues; they also touch upon social aspects, such as the requisitioned student accommodation to house the event's personnel. The risks are known based on the experience of earlier games and notably Rio, which despite ambitious sustainability promises and major progress (LED, waste management...) also had their failings, including soaring air and water pollution⁸.

Torn between opportunities and risks, and despite growing awareness and some genuine progress, the organisation of “green” Olympic Games is still not a reality. There are growing calls to rethink the model entirely, drawing inspiration from the Tokyo games that were held during the lockdown. Limiting the number of spectators by decentralising sporting events according to the available infrastructure has emerged as an increasingly popular solution, that could create truly sustainable Olympics and maybe prevent climate change from sweeping in ‘Ciltius, Altius, Fortius’...

1. Helios, *Quel impact ont les JO de Paris 2024 sur l'environnement ?*, 2023.

2. World Wildlife Fund, *Paris 2024, premiers Jeux alignés avec les objectifs de l'Accord de Paris*, 2024.

3. WWF, *Paris 2024, les recommandations du WWF pour les premiers jeux alignés avec l'accord de Paris*, 2016.

4. Reporterre, *Les JO 2024 pollueront plus que prévu*, 2023.

5. Novethic, *À 100 jours de l'ouverture, l'impact climatique insoutenable » des JO de Paris 2024 pointé du doigt*, 2024

6. Euronews, *JO 2024 : la promesse des Jeux « verts » ne convainc pas les experts*, 2023.

7. Libération, *Surf aux JO 2024, à Tahiti, une tour des juges allégée face à la polémique*, 2023.

8. Edie, *Rio 2016 Olympics: How sustainable is the greatest show on Earth?*, 2016.

ADVANCING REGENERATIVE AGRICULTURE IN CANADA:

BARRIERS, ENABLERS, AND RECOMMENDATIONS

Agriculture plays a vital role in the Canadian economy, contributing over CAD 143.8 bn annually to the country's gross domestic product. Environmental concerns are growing as agriculture relies heavily on the natural environment. While climate change negatively affects the agricultural sector, industrial farming, in turn, fuels climate change. Its practices disrupt natural flows, reduce biodiversity, water and soil health. In the long term, this translates into a drop in agricultural productivity that could compromise the satisfaction of the needs of future generations. Farmers face increasing pressure to produce sustainable products, lower carbon emissions, and engage in ecosystem regeneration rather than degradation or merely conservation. To ensure the needs of the present are not met at the expense of future generations, regenerative agriculture has emerged as a solution for sustainable land development.

This report takes a systems perspective, identifying the critical actors in the system and the barriers and enablers to the regenerative agriculture transition. It advocates for developing financial infrastructure to incent and support the transition toward sustainable farming.

THE NEED FOR REGENERATIVE AGRICULTURE

Forces such as a growing population, demand for crop-related products, and increased exportation required industrial techniques for agricultural production. The industrialization of farming enabled higher production but, over time, resulted in ecosystem degradation and a decline in productivity. A regenerative agricultural model, on the opposite, creates value through ecosystem regeneration, which leverages nature's goods and services to support agricultural production.

Its implementation requires a thorough understanding of the functions of natural ecosystems, including water, biodiversity and soil health. By taking into account ecosystem health, regenerative agriculture supports the natural processes at work in soils. Soil biodiversity, as evidenced by the presence of micro-

organisms, insects and fungi, is crucial for healthy soil cultivation, water purification, erosion prevention and resilience to extreme weather events. Investing in ecosystem regeneration practices also creates value through carbon sequestration, risk management, land resilience, food security, reduced input costs and yield maintenance. Regenerative agriculture practices could not only conserve, but also enhance existing agricultural ecosystems by developing landscapes that are more resilient.

Despite the value created by regenerative agriculture, many barriers and enablers in the system require attention if we want to shift the agriculture system toward sustainable development.

Regenerative agriculture requires a change in conceptions and practices of agricultural production. It also involves the support of key players including farmers, business leaders, investors, politicians and municipal planners. A systemic change in the sector is required to reduce the impact of the sector on the environment and building a resilient food system.

MULTIPLE PERSPECTIVES FOR A JUST TRANSITION

Multiple perspectives of system actors must be considered, as sustainable development of the agricultural system is more than environmental regeneration and includes social considerations of honoring cultural traditions and ensuring equitable access to land and food production.

Farmers' livelihood depends on the productive capacity of their land. Agricultural production's current business models do not adequately compensate farmers for investment in the long-term health of their land. An essential challenge farmers face is the high costs of transitioning farming practices. Land ownership challenges further disrupt farmer willingness to invest in long-term outcomes on their land. Financial incentives are needed to bridge the transition, overcome lagging incentives, and stabilize the economic livelihood of risk-averse farmers in the transition to regenerative practices.

The government, downstream food companies, and consumers are all interested in regenerative agriculture. For the Canadian Government, advancing a regenerative agriculture transition supports achieving

environmental and climate targets. Downstream food companies have significantly shifted toward sustainability targets and climate change, including science-based targets. A sustainable finance taxonomy for regenerative agriculture could advance downstream activity and direct financial flows toward sustainable farming practices. Consumers, in turn, create demand for sustainably sourced and produced products at the end of the value chain. Some consumers are willing to pay a premium for food produced using regenerative agriculture practices.

Actors such as financiers and insurers are interested in regenerative agriculture from a risk perspective. Threats posed by droughts, floods, pests, and disease in the agriculture sector are risky for financial institutions and insurers; the ecological crises of climate change and biodiversity loss exacerbate these risks. It is in insurers and financiers' interests for farmers to practice more regenerative agriculture. However, those downstream actors rarely support pricing regenerative practices and other required investments.

Land planning introduces an additional perspective as land planning and acquisition practices affect producers and can act as barriers or enablers to incenting regenerative practices. Thus, planners in rural municipalities have a pivotal role to play. To support a system of regenerative practices, land planning should resist the disappearance of farmland, tighten local supply chains, and create communities of practice.

FINANCING THE TRANSITION TO REGENERATIVE AGRICULTURE

Historically, public institutions have financially supported the agriculture industry exposed to significant challenges. However, current financial flows into nature fall short of where they need to be to achieve biodiversity, climate, and land restoration targets. More private capital is required to address the nature-funding gap.

Financial tools like crop insurance, payments for ecosystem services, green bonds, blended finance, and impact bonds can be used to support the transition. While the report calls for the improvement of financial infrastructure to support regenerative agriculture, it goes beyond current financing challenges and considers social and environmental conditions for success.

CONCLUSION

By taking the perspective of various actors across the system, the report demonstrates that shifting to regenerative agriculture is more than just a financing challenge; it requires various other conditions for success, involving the whole value chain.

A first key implication relates to the necessity to clarify “regenerative agriculture” and its role in supporting farming practices. The authors do not intend to give a standard definition, but rather view regenerative agriculture as a systemic paradigm-shift and as a channel to leverage natural ecosystem services to support production.

A second implication is the necessity to account for the value of nature in agricultural production to translate ecosystem services into financial value. Value creation from adopting regenerative practices should be translated into accounting models and externalities must be integrated in investment decisions.

The report also recommends developing an inclusive financial infrastructure in cooperation with the various actors along the value chain. The financial infrastructure must go beyond considering the economic issues, taking into account the need for a just transition.

Finally, there is a need for system-level solutions to create a systems shift, engaging a variety of actors through small actions. The authors call in particular for actors in public policy, planning, financial services, and the agricultural industry to help make change happen.

Obregón J-F., Aguanno M., Brooking M., and Arjaliès D-L., (2023) Advancing Regenerative Agriculture in Canada: Barriers, Enablers, and Recommendations, Western University, <https://ir.lib.uwo.ca/iveypub/66/>

Micheline Aguanno is a Ph.D. candidate at the Ivey Business School at Western University studying in the discipline of management and sustainability. She has researched the topic of conservation finance since joining the program in 2020 and previously worked as a research assistant on the Deshkan Zibi Conservation Impact Bond project. Micheline's dissertation research explores innovation in nature-based markets, with a particular focus on agriculture as a research context.

Dr. Diane-Laure Arjaliès is an Associate Professor (with tenure) belonging to the 'Sustainability,' 'Managerial Accounting and Control,' and 'General Management' groups at the Ivey Business School. She is the Founder and Lead of the Sustainable Finance Lab, an Impact Lab from the Centre for Building Sustainable Value. She is currently leading an extensive research program on conservation finance. Her work in this area has won her several academic, teaching, and professional prizes.

Marek Brooking is a Research Assistant currently pursuing a degree in Political Science. His project aims to integrate Indigenous viewpoints within the framework of sustainability and business. He spent the summer of 2022 in Western University's Indigenous-led Head and Heart Fellowship, where he built a teaching note that helps business students better understand issues surrounding Indigenous land, history, and conservation.

Jean-François Obregón is a Research Fellow focusing on how to scale and finance regenerative agriculture. He was a Lead Analyst (Financials and Real Estate) at Sustainalytics and published articles on investing in the circular economy, deforestation in the Amazon, and insuring natural disaster risks. He is an urban planner whose award-winning graduate Major Research Paper at Toronto Metropolitan University (formerly Ryerson University) described new financial tools for urban parkland acquisition and how to overcome obstacles toward their use.

COVIVIO

Created in 1998, la Foncière des Régions became Covivio in May 2018. This real estate company operates a portfolio of offices (52% of assets), residential property (31%) and hotels (17%). The group is mainly present in Germany (43% of assets), France (33%) and Italy (17%). Note that 97.8% of the properties owned by the group are located less than 5 minutes away from at least one form of public transport and that 95% of the assets are 'green building' certified through HQE¹, BREEAM² or LEED³.

As a signatory of the Global Compact⁴ since 2011, Covivio's approach to sustainability is deep-seated and well structured. Its climate objectives were validated by the SBTi⁵. 24% of the company's revenues and 73% of its investments are already aligned with Europe's green taxonomy. The company currently benefits from the 5-star status assigned by Gresb⁶, an undisputed benchmark for the real estate sector.

On social aspects, the teams are relatively stable with a structural turnover of around 10%. 97% of employees are protected by collective agreements. Training budgets in France have risen to 3.8% of the total payroll and the company conducts an employee satisfaction survey for all staff every year.

In terms of governance, the company complies with the overriding principle for shareholder democracy: one share, one vote. Finally, Covivio can rely on a stable and high-quality management team and on its equally stable set of 'core' shareholders (Delfin, an Italian family holding, Crédit Agricole and Crédit Mutuel) focusing on a long-term vision.

1. HQE – High Environmental Quality – is an approach designed to minimize a building's impact on the environment.

2. BREEAM is a British environmental certification standard issued by BRE (Building Research Establishment).

3. LEED (Leadership in Energy and Environmental Design) certification is a North American environmental certification designed to promote high environmental quality in buildings.

4. Global Compact is a United Nations initiative launched in 2000 to encourage companies around the world to promote the major objectives of the United Nations, in particular the Sustainable Development Goals.

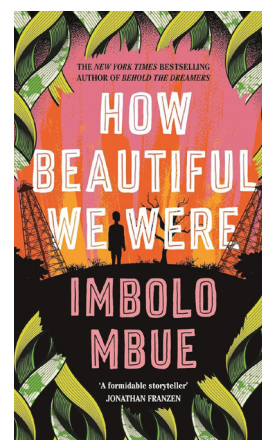
5. Launched in 2015, the Science Based Targets Initiative aims to provide carbon certification to companies committed to combating climate change.

6. GRESB is an independent organization that provides investors with validated ESG performance data to improve business intelligence, sector engagement and decision-making.

The information about the companies cannot be assimilated to an opinion of Edmond de Rothschild Asset Management (France) on the expected evolution of the securities and on the foreseeable evolution of the price of the financial instruments they issue. This information cannot be interpreted as a recommendation to buy or sell such securities.

FICTION CLIMAT FICTION AND/OR REALITY?

Imbolo Mbue, originally from Cameroon and now living in New York, winner of the great Faulkner Award, is now famous in the USA. In 2020, she published her second novel, which can be classified as climate fiction. In "How beautiful we were ?", she tells the story of a fictional village in West Africa called Kosawa. The lives of its inhabitants are turned upside down by the arrival of an oil company. Once peaceful, the village is now faced with land pollution and poisoned water. Thula, a young woman from the village who left to study in the United States, returns to contribute to the fight to preserve the land and community of her origins.



**How beautiful we were
by Imbolo MBUE**

Environment: X2

**Investments in clean energy
are twice as high as those in
fossil fuels.**

Report by the International Energy Agency.

165

**165 million people fell into
poverty between 2020 and
2023, as debt servicing
crowded out spending on
social protection, healthcare
and education.**

United Nations Development Program.

EDRAM ACCELERATES DECARBONISATION OF ITS ASSETS

Edmond de Rothschild Asset Management commits to aligning over 26 billion euros with the 2050 net zero objective.

One year after joining the Net Zero Asset Managers (NZAM)¹ initiative, Edmond de Rothschild Asset Management² has announced that 26 billion euros of its AUM - or 47.5% of in-scope assets⁴ - will be managed in line with the attainment of net zero emissions by 2050.

The initiative is designed to mobilize the asset management industry in driving the transition to "net zero emissions", and enables the implementation of actions and the deployment of ambitious investment strategies that will be required to achieve the net zero emissions goal. It also provides a forum for sharing best practices and overcoming obstacles to aligning investments with this net zero emissions objective.

With this pledge, Edmond de Rothschild has reaffirmed its long-standing conviction that finance has a key role to play in the environmental transition. The company has committed to developing innovative investment solutions addressing environmental and social challenges, while delivering attractive financial returns for its clients.

Edmond de Rothschild AM has set up robust strategies to incorporate environmental, social and governance (ESG) factors into all in-scope investment processes.

AMBITIOUS OBJECTIVES APPLIED TO THE GROUP'S MAIN ASSET CLASSES

Edmond de Rothschild AM has set its own pathway - including interim net zero targets for 2030 - for each of the main asset classes covered by the group:

► Within the in-scope liquid assets managed by Edmond de Rothschild AM, 70% are committed to be aligned with a 50% reduction in carbon intensity by 2030, compared to 2019. These committed liquid assets weigh 15.2 billion euros.

► Regarding its unlisted investment activities (Private Equity, Infrastructure Debt, Real Estate), Edmond de Rothschild has committed to aligning 68% of in-scope assets, weighing a total 10.8 billion euros - or 40% of the total assets committed to net zero.

The goal is to increase the percentage of assets managed in line with the attainment of net zero emissions by 2050, relying on standards relevant to each asset class and approved by the IIGCC group.

So, by joining NZAM, we are helping to protect our assets from the risks of transition; to meet and anticipate regulatory requirements; to meet the growing demand for sustainable investment; to invest in innovative solutions; and finally to protect our reputation for reliability and excellence.

1. The Net Zero Initiative is an international group of over 300 asset managers weighing around 60,000 billion dollars in AUM. Signatories of the initiative have committed to supporting the goal of achieving Net Zero by 2050, consistent with the efforts deployed internationally to contain global warming to 1.5°C.

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