

BRINGING BACK **PERSPECTIVE TO** ENTREPRENEURIAL COMPANIES


Stratégie & Prospective durables



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Geneviève Férone-Creuzet is a pioneer in the field of SRI (Socially Responsible Investment) as well as a specialist in CSR and sustainable cities.

Having previously served as a partner in an economic intelligence consultancy based in San Francisco, she founded ARESE, the first French agency dedicated to the extra-financial rating of listed companies.

In 2006, she was appointed Director, Sustainable Development and Member of the Executive Committee for the Eiffage Group and launched Phosphore, a research laboratory focused on sustainable urban development.

In 2008, she was appointed Director, Sustainable Development for the Veolia Environnement Group.

She also chairs Casabee, the Consultancy and Prospective Studies firm.

The SPICE acronym stands for Sustainable Performance in Challenging Environments. What main challenges does an investor need to address to generate sustainable returns, while respecting stakeholders' interests?

Times are changing and people are becoming increasingly aware of environmental issues and the importance of sharing knowledge and common resources. At the same time, expectations are sometimes contradictory, as we are torn between the need for security due to growing job instability and the rising independence observed in career paths.

Increasing demand for **transparency** and **co-building** and new questions raised over **social utility** are **colliding with the old fossil economic model** based on mass consumer spending and volume driven savings. The risks of disruption are real.

The seats of institutional power, including companies, are shifting. Managerial cultures are becoming increasingly horizontal due to pressure from the new "digital native" generations. **The threat of climate change** is tangible **for investors** who are justifiably wondering about **the carbon impact of their portfolios**.

The fundamental SPICE analysis process applied to all companies that Sycomore AM is invested in covers financial and extra-financial aspects and pays particular attention to the company's stakeholders. How do you view this approach?

If we are happy to step back and question the relevance of converging financial and extra-financial aspects, then the real question should be: **why is this not already the case?**

We behave as if one should take for granted that two apparently incompatible strains of thought should develop independently: "responsible investment" on

the one hand and "irresponsible investment" on the other. This may be the sign of the deep-seated misunderstanding that extra-financial considerations are not "economic" factors.

Admittedly, all social and environmental issues cannot be monetised; they require more of a qualitative approach. However they remain important for a company's economic performance.

The companies in which we invest to grow our capital do not operate in outer space, disconnected from their stakeholders – including those active in B to B segments that are largely unheard of by the general public.

Therefore, **widening our scope when assessing a company's performance seems pertinent; this approach provides some perspective on entrepreneurial strategies** and looks beyond the strictly financial criteria, which although homogenous and simple to manage, also have their limits.

Consequently, the extra-financial screens that are applied to the investment process help to limit risks and enhance our analysis and understanding of corporate fundamentals, as long as the research **is driven by a thorough and robust methodology**.

What main changes do you see happening in the field of responsible investment over the next five years?

We could imagine emerging from the regulatory rut, which has neither perspective nor life, avoiding the temptation of cosmetic and do-gooding marketing, or promoting our ideas in shareholder meetings and inspiring resolutions to be put forward by engaged investors.

But mostly, we should hope that responsible investing becomes the only way to invest. Ideally, it is urgent to recover the spirit of innovation and disruption that marked the launch of the first responsible funds.

Is responsible investment set to become the new investment “standard”? If so, how long will the process take?

There are some prerequisites for this trend to materialise in the mid-term – and these could go as far as calling into question both the way capital markets operate and how investors behave. For a start, **responsible investing will have to improve its credibility**. This involves strengthening the research capabilities and improving methodologies, **working towards the convergence of models and attracting the best talents**. Second, it will require breaking down the culture of quarterly corporate earnings publications, which is in total contradiction with the long-term approach that is fundamental when addressing the challenges companies are facing today. Unfortunately, under pressure from investors, many companies are persisting with these practices which undermine their ability to invest for the future. They tire themselves out trying to explain why their Earnings per Share slipped by a few cents despite a positive outlook. Investors should be able to **see beyond these annual reports** that are excessively backward looking and that fail to focus on long-term strategies. Yet it is these long-term choices that will give an indication as to how a company will address the challenges of disruptive technology or climate change for instance.

THERE IS NO DOUBT THAT IN THE FUTURE, ENVIRONMENTAL, SOCIAL OR GOVERNANCE ISSUES WILL HAVE A TANGIBLE AND QUANTIFIABLE FINANCIAL IMPACT.

But this will involve **giving “the product a chance”**. Carbon finance could help drive this trend. However the sheer size of the challenge means that the road to maturity will be a long and bumpy one...

Do you have recommendations for Sycomore AM that could help us reach our objective of “humanising investment”?

I believe that the complexity of financial tools, designed to serve the needs of predatory capitalism, has probably gone too far. Nevertheless if many share this observation, few concrete initiatives have helped improve the equilibrium **in favour of a type of finance that serves people and their needs**. At Sycomore AM, the course is set and the intentions are clear. The launch of dedicated funds that put **people or the environment at the heart of your investment strategies** confirms this commitment. The difficulty lies in reconciling the high standards of research needed when assessing each company, with having to take into account the singularity of each entrepreneurial story. Showing by example and engaging all teams is, I believe, the best way to inspire, move forwards and drive change.

To conclude, the issue of “humanisation” reminds me of a personal anecdote which I would like to share with you. In 1996, I met Sister Nicole Reille, the treasurer of the Notre Dame congregation, who had taken an incredibly bold decision – she created a socially responsible pension fund. Essentially, this involved selling a few real estate assets and investing the proceeds in a fund that would pay out a pension to the members of the congregation. However there was no way that Sister Nicole, nor her congregation, would invest any old how just in the name of short-term financial interest. When I talked to her about my project of launching an extra-financial rating agency, she was hugely enthusiastic: **“finally, you will help us invest in companies that respect the dignity of men and women at work”**.