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Compatibility of securities lending and responsible investment strategies

Public studies, academic views, regulatory texts and good practices

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Preamble

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1. Synthese

It is commonly accepted in the financial academic literature[1] that securities lending has an essential role in maintaining healthy and well-functioning capital markets while providing a large number of benefits to asset owners. However, as securities lending is often linked with short selling, its use by funds promoting an Environmental, Social and Governance (ESG) approach or responsible investment may be questioned. The objective of this paper is to summarise the views from public studies, academic research, regulatory texts and good practices on how securities lending can be compliant with a responsible investment strategy.

On one hand, securities lending is viewed by academic authors as a secured way to earn incremental revenues and bolster performance for lenders while at the same time being a useful tool in borrowers' daily operations. In addition, academic papers as well as the International Organisation of Securities Commissions (IOSCO) highlight that securities lending contributes to effective liquidity and price discovery in financial markets, reduces volatility and costs for end-investors and is not detrimental to long-term value. On the other hand, investors are increasingly looking at ways to integrate sustainable considerations in their portfolio strategies and apply responsible approaches. However, although the integration of responsible criteria in investment strategies is becoming mainstream, such approaches seem to preclude the practice of securities lending.

Questions have been raised in this context about how securities lending aligns with responsible investing. Opponents of the practice argue that securities lending activities are not compatible with sustainable investment, shareholder stewardship and long-term engagement. This paper deals with how this commonly used practice impacts sustainable objectives. The extensive literature analysis in this memo shows that there is no evidence which suggests that securities lending could detract from sustainable investment strategies.

Moreover, the **European sustainable and responsible investment (SRI) labels** – which aim at guaranteeing responsible investment quality – **authorise the use of securities lending.** For instance, important SRI labels such as the French and Belgian SRI labels clarify, in their frame of reference, the specific conditions and guidelines for their correct applications. The SRI labels' requirements result in close supervision and selection of counterparties, monitoring borrowers' motivations and repatriation of securities on loan prior to the exercise of lenders' voting rights in order to maintain strong shareholder engagement. **Moreover, the Sustainable Finance Disclosures Regulation (SFDR) applicable since March 2021, which is the most recent regulatory statement on the topic and a major EU Action Plan for sustainable growth regulation, does not provide any specific recommendations regarding securities lending activities.** Public studies support the view that as of today, by creating the right ecosystem for their usage, responsible investors under the SRI etiquette can effectively continue to engage with companies while actively lending their assets.

Public documentation shows that **market participants are committed to implementing a secure framework for developing securities lending activities and have engaged in responsible conduct towards its operations.** Indeed, this framework was designed by market participants with precise procedures regarding investment stewardship, shareholder engagement, ethical conduct regarding transactions and client interactions, while having kept in mind the main purpose of optimising client returns and protection. For instance, some market participants have set up specific rules, such as the ability to recall or restrict loans on particular securities, to ensure that shareholders can vote at the shareholders' meetings or participate in the meticulous assessment of counterparties before the issuance of the loan contract which incorporates CSR & SRI considerations.

In conclusion, label standards do not prohibit the use of securities lending if they are realised under required criteria (i.e. that do not prevent voting rights). Moreover, market participants often secure this activity while incorporating best practices to ensure fair compliance with responsible investment standards.

1 The academic papers upon which this study is based are referenced in the main chapters below.

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2. Introduction

According to statistics from Datalend, the global securities lending industry generated $7.66 billion in revenue for lenders in 2020. This figure represents an 11.6% decrease from the $8.66 billion generated for lenders in 2019 and a 20.7% decrease from the $9.69 billion in record-setting 2018. Indeed, 2018 to 2019 were some of the most active years for market financing and securities lending since the 2008 Global Financial Crisis.[2]

Considering the importance of securities lending in financial markets and the rapid growth of sustainable finance, the industry has raised questions regarding the compatibility between the two. Thus, the purpose of this paper is to present findings from public studies, academic research, regulatory texts and good practices on the securities lending environment and its compatibility with sustainable finance. It will then explore the interaction between securities lending practices and sustainable investing as well as its impact on sustainability objectives.

The global securities lending industry generated $7.66 billion in revenue for lenders in 2020.

3. Securities lending, a component of developed financial markets

Securities lending transactions 'facilitate asset redistribution in financial markets by supporting global capital market activities and trade settlement, and therefore play an important role in managing financial risk.'[3] According to the International Organisation of Securities Commissions (IOSCO), securities lending has existed since the 19th century but started to gain momentum only in the 1960s with the expansion of the interdealer market for loans of equities.[4]

The activity experienced another boost with the growth of dealer intermediation between cash borrowers and lenders. The emergence of new trading strategies, hedging, and arbitrage further increased demand for securities lending operations. According to these academic studies, by increasing the supply of securities, securities lending enhances the worldwide market liquidity and improves price discovery.

Academic literature shows that this **regulated practice contributes to capital market efficiency, enhancing market liquidity and stability while generating additional returns on investments for end-investors**, as developed below.

2 Peter Madigan, BNY Mellon, *Stock Lending: Dispelling the Myths, Aerial View Market Perspective*, 2020

3 Baklanova V., Copeland A. and McCaughrin R., Federal Reserve Bank of New York, Staff Reports, *Reference Guide to U.S. Repo and Securities Lending Markets*, September 2015

4 Technical Committee of the International Organisation of Securities Commissions (IOSCO) and Committee on Payment and Settlement Systems (CPSS), *Securities Lending Transactions: Market Development and Implications,* July 1999

From the lender's point of view, securities lending can be perceived as an investment activity that grants the ability to earn extra income by 'renting' out investments.

A. The motivations that drive securities lending market players

The securities lending market involves a diversity of financial institutions. This section will describe the key participants in this market and detail their reasons for engaging in such transactions, emphasising how securities lending benefits them.

Securities lenders, commonly referred to as beneficial owners, are typically large institutional investors who manage an unlevered or low-levered portfolio of securities. Typical lenders include mutual funds, central banks, sovereign wealth funds, pension funds, endowments, asset managers and insurance companies. They lend out their securities in order to enhance the yield on their investment portfolios. As a study done by the Federal Reserve Bank of New York outlined, 'Historically, securities lending activity has been an ancillary business for lenders and their agents. However, beneficial owners of large, static, unleveraged portfolios, mainly pension funds, increasingly cite securities lending as an important income-enhancing strategy.' [5] The incremental revenue not only provides fund investors with additional returns on their long-term savings, but also helps defined-benefit pension plans to lower their deficits.[6]

From the lender's point of view, securities lending can be perceived as an investment activity that grants the ability to earn extra income by 'renting' out investments. Some argue that the major benefit for the securities lender is the ability to earn additional income through the fee charged to the borrower of the security. This additional income can help offset expenses associated with the management of the portfolio, such as paying a custodian to safeguard and administer the assets. As asset managers are looking at ways of minimising expenses, some of them consider that securities lending can be organised as a low-risk and secure practice to generate additional returns on investments for end-investors under the condition of proper loan collateralisation and effective corporate action management. That is why investors such as those in mutual funds maintain a significant presence in the securities lending market as a way to earn incremental revenues and bolster performance.[7]

As Gene D'Avolio highlighted in his paper 'The market for borrowing stock', security borrowers are an 'eclectic group'.[8] Securities borrowers are typically large financial institutions such as banks who often act as a 'principal intermediary', meaning that they borrow securities on behalf of smaller financial institutions such as hedge fund firms, who rank among the largest securities borrowers and have access to the pool of lendable securities mainly through their prime brokers.[9]

Sometimes a security is only needed temporarily, whether for just one day or a few weeks. In this case, it is often seen as cheaper, quicker and less risky to borrow a security than to outright buy it. There are many reasons for holding securities temporarily (market making, trade settlement, collateral optimisation, trading strategies, financing). Furthermore, the execution of numerous trading strategies relies on the ability of the trader to borrow securities. Some of the reasons why institutions borrow securities are presented below.

5 ,9 Baklanova V., Copeland A. and McCaughrin R., Federal Reserve Bank of New York, Staff Reports, *Reference Guide to U.S. Repo and Securities Lending Markets,* September 2015

6 Pozsar Z., *Shadow Banking: The Money View,* July 2014

7 Stephen H. Bier and Erica Temel, The Investment Lawyer, *Recent Developments in the Securities Lending and Repo Market*s, January 2013

8 D'Avolio G., *The market for borrowing stock*, Harvard University, 2002

B. Contributions of securities lending to the functioning of financial markets

As the European Central Bank (ECB) outlines, the aim of 'securities lending is to help the financial markets keep functioning smoothly'.[10] First, the ECB shows that securities lending contributes to capital market efficiency by enhancing market liquidity and stability. Liquidity, defined as the ease with which an asset can be sold or bought, is commonly proxied for by the bid-ask spread (or market maker spread). In the case of illiquid markets, bid-ask spreads are wider and lead to costlier trades.

In its most recent report, released in March 2021, 'Framing securities lending for the sustainability era', the International Securities Lending Association (ISLA) reaffirmed the contributions of this market concept to financial markets, saying that 'securities lending and the related practice of short selling play an important role in capital markets', and outlined that securities lending has long been 'used as a means of meeting settlement and collateral requirements, as well as providing vital liquidity and efficiency to secondary markets. It also promotes price discovery and market making, as well as facilitating important hedging and investment strategies, such as short selling and arbitrage'.[11]

McGill and Patel, in their academic paper 'Securities Financing & Lending', proved the need for securities lending in financial markets. They explained that 'securities lending provides liquidity to the equity, bond and money markets, placing it at the heart of today's financial system. The increase in liquidity reduces the cost of trading, thereby increasing market efficiency and benefiting all.' [12]

This point of view was already developed by Hodge, Dive, Jones and Purchase in their research paper 'Developments in the global securities lending market', published in September 2011. They outlined that 'Securities lending can improve market liquidity, potentially reducing the cost of trading and increasing market efficiency. This enables better price discovery and can reduce price volatility, which can facilitate financial institutions and non-financial companies in raising funding and capital and also helps investors to buy and sell securities.' [13] In addition, they explained: 'By creating access to securities already outstanding in a market, securities lending has the effect of increasing the total supply of securities available to support activities such as market-making and trade settlement.'

Furthermore, market makers who are continuously looking for securities to buy and sell can enhance market liquidity. Their ability to borrow securities on a continuous and regular basis helps them to meet customer demand for securities. According to the same research above, 'The reduction in securities available for loan in 2008 – alongside capital pressures on banks acting as market makers to reduce their balance sheets and inventories of securities – led to a reduction in market-making activity. This contributed to impaired market liquidity for certain types of securities and exacerbated funding issues for banks and non-financial companies.' Finally, the authors investigated on the role of securities lending in trade settlement transactions and found that '[s]ecurities lending improves the reliability of the trade settlement process as institutions' ability to borrow securities helps to reduce settlement failures. This can enhance market liquidity indirectly, as it contributes to efficient settlement and investor confidence when trading.' As securities lending boosts the total supply of securities available for activities such as market-making and trade settlement, securities lending participates in improving market liquidity and then global market efficiency.

First, the ECB shows that securities lending contributes to capital market efficiency by enhancing market liquidity and stability.

10 European Central Bank, *What is securities lending?*, December 2016

11 ISLA and Allen & Overy, *Framing securities lending for the sustainability era* White paper, March 2021,

12 McGill R. and Patel N., *Securities Financing & Lending*, 2008

13 Hodge R., Dive M., Jones C. and Purchase J., Bank of England, *Developments in the global securities lending market,* LFS , September 2011

The capacity to borrow and lend financial assets is essential to well-functioning capital markets.

The professor Geert Raaijmakers also promoted securities lending as a critical benefit to the smooth functioning of capital markets in the study *Securities Lending and Corporate Governance*, saying that '[s]hares are being "lent" on the financial capital markets on a large scale. This serves to facilitate an efficient clearing and settlement process, but it also used to enable certain investment strategies. From that perspective this so-called practice of securities lending of stock lending has a positive effect. It adds to the efficiency of the financial markets.'[14]

The capacity to borrow and lend financial assets is essential to well-functioning capital markets. Indeed, securities lending is presented by academic studies as essential for market efficiency because it provides liquidity by exchanging assets (efficient trade settlement, financing, trading volume) and also leads to fairer pricing by reducing trading costs (tightening the bid/ask spread).

Loutskina dedicated an academic research on *The role of securitisation in bank liquidity and funding management*. The paper studies the role of securitisation in bank management and her work shows that 'securitisation provides banks with an additional source of funding and makes bank lending less sensitive to cost of funds shocks. By extension, the securitisation weakens the ability of the monetary authority to affect banks' lending activity but makes banks more susceptible to liquidity and funding crisis when the securitisation market is shut down.'[15] Therefore, securities lending helps banks in maintaining their stability by assuring their supply in funding and liquidity.

Moreover, the American Financial Services and Bank holding company State Street Corporation emphasised in its research paper titled *Securities Lending, Liquidity, and Capital Market-Based Finance* the key role of securities lending in enhancing the overall market efficiency.[16] The European Securities and Markets Authority (ESMA) issued also the report *Undue short-term pressure on corporations* in 2019 studying the impact of securities lending and short selling practices and their potential link with short-termism. ESMA affirmed that these practices can be used under certain conditions. The report states: 'ESMA points out that short selling and securities lending are key for price discovery and market liquidity'. The agency dug deeper explaining that 'ESMA is not aware of concrete evidence pointing to a cause-effect connection between these practices and the existence of undue short-term market pressures' and that 'securities lending, if done in a controlled way, is an opportunity to add value for fund investors and [is] compatible with long-term investment strategies'.[17]

As highlighted by academic findings above, securities lending is a key liquidity provision.

C. Contributions of securities lending to the price discovery mechanism and stock price variations

When examining the impact of securities lending on capital markets, studies also focus on price discovery. Price discovery is a critical mechanism in financial markets where the proper price of an asset is established following the incorporation of all available public information.

14 Geert T. M. J. Raaijmakers, *Securities Lending and Corporate Governance, University of Maastricht,* September 2006

15 Elena Loutskina, *The role of securitisation in bank liquidity and funding management,* University of Virginia, 2011

16 State Street Corporation, *Securities Lending, Liquidity, and Capital Market-Based Finance,* September 2008

17 ESMA, *Undue short-term pressure on corporations,* Report (p. 99 and 161), December 2019

An academic paper by Prado and Huszar provides relevant insights on the positive impact of securities lending in the price discovery mechanism. They studied centralised and OTC stock lending in the context of Tokyo Stock Exchange listed stocks from July 2006 to December 2009, and found that 'not only the demand drivers in the two markets are significantly different but also the pricing efficiency implications of the alternative markets are different'. Their research specifically revealed that 'higher OTC stock lending activity is associated with greater pricing efficiency and better liquidity'. According to their study, 'when the OTC market is constrained, it is shown to relax short-sale constraints and improve liquidity'.[18] In addition, the same authors produced another academic paper complementing this point of view, which suggested that 'the centralised and the OTC lending markets complement each other' and that 'stocks with non-trivial short selling from all three alternative lending markets exhibit the highest pricing efficiency, with the lowest skewness, kurtosis and price delays.'[19]

Furthermore, the randomised stock lending experiment of Kaplan, Moskowitz and Sensoy depicting an 'exogenous and sizeable shock to the supply of lendable shares by taking high-loan fee stocks in the manager's portfolio and randomly making available and withholding stocks from the lending market' brought new perspectives on the topic. The authors showed that '[w] hile the supply shocks significantly reduce market lending fees and raise quantities, [there is] no evidence that returns, volatility, skewness, or bid-ask spreads are affected'. The study provides 'novel evidence on the impact of shorting supply and do not indicate any adverse effects on stock prices from securities lending'.[20]

D. Contributions of securities lending to the practice of short selling

Securities lending is often negatively associated with the use of short selling. Short selling, the 'act of borrowing stock to sell with the expectation of price dropping and the intent of buying the stock back to replace at a cheaper price'[21], is perceived by certain categories of market participants as controversial. Short selling is, in fact, a way of 'generating profits from the price of an asset correcting downwards'.[22] This practice is most widely used as a risk mitigation tool, whereas some investors use it to profit from identifying overvalued assets. While short selling is one aspect of the securities lending industry, it is not the main driver. And while short selling surely has its share of critics, it is also considered a crucial market mechanism. Academic studies of the contributions of short selling to liquidity and the price discovery process have been published. This section will summarise the main contributions to the topic that complement those studies that have already been cited above.

Price discovery is a critical mechanism in financial markets where the proper price of an asset is established following the incorporation of all available public information.

18 Huszar Z. R. and Prado M. P., *An analysis of over-the-counter and centralised stock lending markets*, 2019

19 Huszar Z. R. and Prado M. P, *The Role of Alternative Lending Markets for Short Selling: Liquidity, Price Discovery and Market Surveillance,* 2012

20 Kaplan S. N., Moskowitz T. J. and Sensoy B. A., *The Effects of Stock Lending on Security Prices: An Experiment,* April 2013

21 Sharma N., *Impact of short selling in Financial Markets*, Journal of Social Science Research, 2017

22 ISLA, *Securities Lending Market Report,* February 2020

While short selling is one aspect of the securities lending industry, it is not the main driver.

Indeed, in March 2020, the ISLA Council for Sustainable Finance (ICSF) stressed that 'covered short selling is beneficial to financial markets. It is part of the essential market mechanism that facilitates price discovery and liquidity. It also reduces the asymmetry in a market participant's ability to express an opinion on the value of assets.'[23] According to this study, short selling is therefore a part of securities lending's contribution to capital markets.

This point of view was already developed by the IOSCO in a June 2009 report called *Regulation of short selling*. The international body which brings together the world's securities regulators, and which is recognised as the global standard setter for the securities sector, stated that 'short selling plays an important role in the market for a variety of reasons, such as providing more efficient price discovery, mitigating market bubbles, increasing market liquidity, facilitating hedging and other risk management activities.'[24]

Empirical studies found that securities lending and short selling constraints reduce liquidity. Daouk and Charoenrook issued a working paper in 2005 after an investigation on 111 countries. They found that 'when short-selling is possible, aggregate stock returns are less volatile and there is greater liquidity'.[25] Other empirical evidence proved that allowing securities lending and short sales improves market efficiency and quality.[26, 27, 28] In addition, studies of short selling restrictions bring complementary perspectives to the foregoing findings. Alessandro Beber and Marco Pagano concluded that short selling bans '(i) were detrimental for liquidity, particularly for stocks with small capitalisation and no listed options, (ii) slowed price discovery, especially in bear markets and (iii) failed to support prices, except possibly for US financial stocks.'[29] Further academic studies also demonstrated the same conclusion, that financial stocks subject to shorting bans during the 2008 Global Financial Crisis resulted in spreads that were actually two to three times larger than others, while controlling for previous behaviour.[30, 31] Another study indicated that short sellers can even be liquidity providers when spreads are particularly wide by supplying a 'stabilising force in the stock market'.[32] Also, the Federal Reserve Bank of New York found that short selling does not automatically drive down asset prices, but restricting securities lending and short selling could cause reduced liquidity and higher transaction costs for investors.[33, 34, 35]

According to these academic papers, securities lending and short selling help create efficient markets by incorporating negative information into market prices more quickly and then help prevent disruptive price bubbles.

23 ICSF, *Principles for Sustainable securities lending,* March 2020

24 IOSCO, *Regulation of short selling,* Final Report, June 2009

25 Daouk H. and Charoenrook A., *A Study of Market-Wide Short Selling Restrictions*, Working Paper Cornell University, 2005

26 Saffi P. A. and Sigurdsson K., *Price efficiency and short sellingd*, The Review of Financial Studies, University of Cambridge, 2010

27 Bris A., Goetzmann W.N. and Zhu N., *Efficiency and the Bear: Short Sales and Markets Around the World,* The Journal of Finance, 2007

28 Boehmer E. and Wu J., *Short Selling and the Price Discovery Process,* The Review of Financial Studies, Oxford University, 2012

29 Beber A. and Pagano M., *Short-Selling Bans Around the World: Evidence from the 2007-09 Crisisn*, Journal of Finance, February 2013

30 Boehmer E., Jones C.M. and Zhang X., *Shackling Short Sellers: The 2008 Shorting Ba2*, The Review of Financial Studies, 2012

31 Marsh I. and Payne R., *Banning Short Sales and Market Quality: The UK's Experienc6,* Journal of Banking & Finance, 2012

32 Commerton-Forde C., Jones C.M. and Putnins T.J., *Shorting at Close Range: A Tale of Two Type*, Journal of Financial Economics, 2016

33 Federal Reserve Bank of New York, *Market Declines: Is Banning Short Selling the Solution?*, Staff Report n.518, September 2011

34 Federal Reserve Bank of New York, Market Declines: *What Is Accomplished by Banning Short-Selling?,* Paper on Current Issues in Economics and Finance, 2012

35 European Systemic Risk Board, Beber A., Fabbri D., Pagano M. and Simonelli S., *Short selling bans and bank stability,* January 2018, updated in December 2020

In conclusion, working papers from academic and industry perspectives around the world demonstrate that securities lending enhances market efficiency and sustainability. The sources support the argument that an absence of securities lending reduces the quality of the market and that its use significantly enhances the price discovery process, improves market liquidity and reduces spreads. Thus, according to these perspectives, **securities lending improves financial markets efficiency.** The next section will explain how securities lending can play an important role in the transition to a more responsible economy.

In conclusion, working papers from academic and industry perspectives around the world demonstrate that securities lending enhances market efficiency and sustainability.

4. Challenges of securities lending practices in responsible investment strategies

A. Overview of the responsible investment landscape

The concept of responsible and sustainable investment has moved from the side-lines to the mainstream over the past 10 years.[36, 37] Managing environmental, social and governance (ESG) factors is now important to fund managers, as it is increasingly positively linked to significant outperformance[38] and ESG regulations continue to be more prescriptive.[39, 40]

Meanwhile, with the increased international interest in responsible investment approaches, regulators and industry stakeholders have been closely involved in the topic. For instance, the United Nation's Principles for Responsible Investment (UNPRI or PRI) 'welcomed over 500 new signatories from around the world in the 12 months leading up to August 2019, including 69 new asset owners'.[41] The six PRI are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.[42]

As the whole asset management industry and investors steadily focus on responsible investment and sustainability, securities lending is also coming under close scrutiny. The reason behind this is that securities lending may be perceived to be incompatible with ESG investments. In fact, the fundamental question raised here is: **to what extent does securities lending impact long-term sustainability and shareholder commitment?**

The fundamental question raised here is: to what extent does securities lending impact long-term sustainability and shareholder commitment?

36 Cherry Reynard, Global Investor Group, *Progressing the conversation on ESG and securities lending,* Article, 7 June 2019

37 McKinsey & Company, *The ESG premium: New perspectives on value and performance,* February 2020

38 Siobhan Riding, Financial Times, *Majority of ESG funds outperform wider market over 10 years*, June 2020

39 GSIA, *Global Sustainable Investment Review 2018*, Analysis, April 2019

40 Bloomberg Intelligence, *ESG assets may hit $53 trillion by 2025, a third of global AUM,* Research and Analysis, 23 February 2021

41 Louise Fordham, Global Investor Group, *Securities lending and sustainable finance: Addressing misconceptions,* Article, 28 January 2020

42 Principles for Responsible Investment, UNPRI, Website.

With the strong interest of investors in ESG, the subject of how securities lending can coexist with responsible investment practices has recently made the headlines.

For comparison purposes[43], on 71 analysed responsible[44] funds managed by 25 major asset managers, 90% of them allow securities lending for their funds (according to the prospectuses) on all or part of the scope. However, when the prospectus allows securities lending, according to their 2020 annual reports, only 61% of them seem to have really used securities lending. For most of them, these asset managers define for their securities lending activity: (i) a maximum amount (i.e. securities lending cannot exceed a specific weight of portfolio net assets), and (ii) a maximum number of days for the loan contract (without specifying quantitative norms).

Moreover, according to the EY & PASLA survey on ESG in securities lending, 89% of the study respondents said that securities lending may be compatible with ESG principles if certain measures were put in place. Stuart Jones, PASLA's chairman, specified that '[t]here are three core topics that normally come up: proxy voting, collateral and transparency. These cover whether and how asset owners should have their shares returned to them to allow them to vote at AGMs, what collateral they were given in exchange for the shares – in case these did not meet asset owners' ESG requirements – and whether borrowers of shares could lend them on further without informing the owner'.[45]

Likewise, Nicolas J. Firzli, the Director-General at the World Pensions Council (WPC) which is the Paris-based international association of pension funds, argues: 'For many, sustainability (long-term fiduciary stewardship) and securities lending (a short-term activity by design) seem incompatible in the "Age of Fiduciary Capitalism", … but they needn't be. If done properly, securities lending can actually empower pension investors, giving them more effective control over key ESG and fiscal parameters in the chain of ownership – including Annual General Meeting (AGM) voting rights, the cornerstone of corporate governance, and modern risk mitigation (collateral management, transparency).' [46]

With the strong interest of investors in ESG, the subject of how securities lending can coexist with responsible investment practices has recently made the headlines. The simplistic view of incompatibility between securities lending and ESG has naturally appeared. However, Andrew Dyson, the CEO of the ISLA, firmly believes that 'a well-run and prudentially managed securities lending programme can happily run alongside an ESG investment mandate'. As the subject is extremely topical, the Risk Management Association (RMA) wanted to investigate around the intersection of securities lending and ESG principles. That is why it recently published a survey on this issue titled *Complementary, not conflicting: Securities lending and ESG investing coexist* released on October 2020. After RMA conducted interviews with institutional investors and surveyed 44 institutions, it found that the vast majority (95%) believed that securities lending activities could 'coexist with Environmental, Social, and Governance (ESG) principles'. [47]

Clearly, there exists a global willingness to take the subject seriously. The challenges regarding the role of securities lending in the context of responsible investment should be seen through the lens of sustainability. The shift towards a more responsible investment landscape and change in investor sentiments indicates that securities lending markets need to respond to these tendencies developing creative, timely and disruptive solutions to support their implementation. The key here lies in the ability to execute the lending programme efficiently without sacrificing the implementation of ESG policies.

43 You can find in Appendix 3 all information regarding this analysis and especially the list of analysed funds.

44 SRI-labelled funds or classified as SFDR art. 8 funds.

45 EY & PASLA, *ESG in securities lending*, April 2020.

46 Louise Fordham, Global Investor Group, *Securities lending and sustainable finance: Addressing misconceptions,* Article, 28 January 2020

47, 43 RMA, *Complementary, not conflicting: Securities lending and ESG investing coexist*, White paper, 8 October 2020

B. Conditions of usage in the current environment

The increasing interest in sustainable finance has led to a wide variety of terminologies and practices in the sector, which often make the characteristics of financial products difficult to understand. Therefore, nine dedicated sustainable and responsible investment (SRI) labels have been launched over the past decade in order to specify these characteristics and clarify the large offer of sustainable products. Today, the labels have been awarded to more than 800 European funds on a market regrouping almost 60,000 funds.[48] The labels aim at offering a benchmark for responsible investment practitioners.

While the Eurosif Transparency Codes offer a detailed explanation of how ESG indicators are used to manage a fund, the SRI labels are the base to review and assess the consistency, sincerity and reliability of aspiring funds. The Autorité des Marchés Financiers (AMF), which is the stock market regulator in France, explained: 'The SRI label, for its part, is designed to raise the profile of SRI management in the eyes of savers, and at European level. It assures investors that a fund has indeed developed a methodology for the ESG assessment of issuers and incorporates these criteria in its investment policy.' [49] As more and more labels have emerged in Europe in recent years adopting a large variety of approaches, this analysis will examine how they deal with the question of securities lending practice.

First, the *French SRI Label*, launched by the French Ministry of Finance in 2016 and reviewed in July 2020, specifies the conditions to be met in the case of securities lending, providing for that the fund: '(i) repatriates the securities on loan in order to exercise the voting rights, unless materially impracticable' and '(ii) specifies whether the rules for selecting counterparties include ESG criteria.' [50] **Therefore, analysis of labels' criteria shows that securities lending activity is compatible with a commitment to a responsible investment approach under certain conditions.**

Moreover, the *Belgian Towards Sustainability Label* – created by the Belgian Organisation Febelfin in 2019 [51] – has recently been reviewed to integrate new market developments such as the theme of securities lending. The official text (called Quality Standard), updated and issued in May 2021, now covers the securities lending topic and specifies that:

'(i) The use of securities lending shall not preclude engagement when chosen as a sustainability strategy or when required by the Quality Standard (QS). This means that the lender should get back control over the securities to exercise his voting rights as beneficial owner. Borrowing securities with the purpose of using them to exercise voting rights as borrower is not accepted. Thus, the lenders should have the ability to recall and/or restrict securities for a certain period during the lending programme. (ii) The lender shall have a dialogue with the custodian about the possible integration of sustainability considerations in the securities lending criteria. (iii) The lender shall, on a best effort basis, ensure and monitor that the securities are not used contrary to its own ESG policies and the principles of the QS. The lender shall have credible procedures in place to handle potential conflicts.' [52]

The French SRI Label specifies the conditions to be met in the case of securities lending.

48 Novethic and Caisse des Dépôts, *Overview of European Sustainable Finance Labels,* January 2020

49 AMF, *Report on socially responsible investment in collective investment schemes,* December 2017

50 SRI *Label, France, Frame of reference,* July 2020

51 Febelfin, Towards Sustainability Label, *A Quality Standard for sustainable and socially responsible financial products*, February 2019

52 Febelfin, Towards Sustainability Label, *Revised Towards Sustainability Quality Standard Final criteria,* May 2021

Consequently, according to the Belgian label, securities lending is an acceptable market practice but requires shareholders' stewardship, engagement and close supervision. The fund management should be able to exercise voting rights and monitor the borrower identity and motivations to ensure they are in line with the fund's ESG strategy.[53]

Finally, the *German FNG-Siegel Label*, [54] launched in 2015 and also adopted by Switzerland and Austria, as well as the *Luxembourg Labels LuxFLAG*, [55] created by the Luxembourg Fund Labelling Agency and launched from 2011 to 2016 (Environment, ESG and Climate Finance Labels), **do not specify anything about securities lending in their documentation and criteria.**

To summarise, securities lending is not prohibited by European SRI labels. This kind of transaction can therefore be used in responsible investment strategies, if investors respect the conditions exposed in the labels reference documentation. These guidelines should help asset managers develop the best ESG-friendly principles in every process of their lending programmes.

The diverging criteria to assess the quality of responsible investment approaches exposed by the variety of SRI labels in Europe make it difficult for asset managers to apply multiple funds' label standards, and for investors it creates misunderstandings and complicates comparisons between funds. This problem is expected to be solved thanks to the EU Commission with its High-Level Expert Group (HLEG) on sustainable finance, which created the *EU Taxonomy Regulation* for climate change mitigation, officially published in June 2020. Indeed, the EU Taxonomy is a new regulation as part of the *EU Sustainable Finance Action Plan*, which aims to provide a common, harmonised understanding and technically robust classification system on what business activities are considered environmentally sustainable in order to clearly define what actually constitutes 'green activities'.[56] The regulation requires asset managers to disclose the proportions of their Taxonomy-compliant 'green asset ratios' in funds with sustainability objectives and characteristics.[57] Ultimately, it should reorient capital flows towards lower-emission economic activities that will help decarbonise the economy. In this context, the EU Taxonomy regulation is expected to be used as a 'climate tracking instrument in the NGEU and MFF to align EU funds, and recovery investments, with the goals of the Paris Agreement and to deliver the EU Green Deal'. [58] Indeed, the EU hopes to reach its 2030 climate targets and the ultimate goal of net-zero greenhouse gas emissions by 2050. As the EU Taxonomy defines the minimum criteria that economic activities should comply with in order to be considered environmentally sustainable, it is strongly considered by market participants to be a critical tool that will help issuers, project promoters, investors and other financial market participants to identify sustainable, enabling and transitional economic activities.

The EU Taxonomy is the cornerstone of multiple regulations impacting company reporting, disclosure, bond issuance, labels, engagement rules and benchmarks. The funds are strongly impacted by a new regulation which uses EU taxonomy definitions: the *Sustainable Finance Disclosures Regulation* (SFDR), which is the first EU Action Plan for sustainable growth regulation, applicable from March 10th, 2021. The SFDR objective is presented in Article 1: 'This Regulation lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability‐related information with respect to financial products.' [59] The regulation will help to 'reduce information asymmetries in principal agent relationships with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment.' [60, 61] According to the AMF, asset management companies have the responsibility to 'identify the products falling under Articles 8 and 9 of the SFDR and apply the corresponding transparency requirements provided for in the regulation.' [62, 63]

53 You will find in Appendix 1 & 2 extracts from French SRI label and Febelfin on securities lending.

54 FNG-Siegel Label, *Rules of Procedure 2020 for Sustainable Investment Funds,* March 2020

55 LuxFLAG, Environment, ESG and Climate Finance Labels, *Eligibility Criteria*, 2021

56 EU Commission, *EU Taxonomy for sustainable activities, What the EU is doing to create an EU-wide classification system for sustainable activities,* 2020

57 EU Technical Expert Group on Sustainable Finance, *Taxonomy: Final report of the Technical Expert Group on Sustainable Finance*, March 2020

58 Sweatman P. and Hessenius M., Climate Strategy and Climate & Company, *Applying the EU Taxonomy: Lessons from the Front Line,* 2020

59 SFDR, Official Text, *Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability‐related disclosures in the financial services sector*

60 EY, SFDR: *March 2021 and beyond,* Report, 2020

61 Sweatman P. and Hessenius M., Climate Strategy and Climate & Company, *Applying the EU Taxonomy: Lessons from the Front Line,* 2020

62 AMF, *Implementation of the SFDR regulation for asset management companies as of 10 March 2021,* January 2021

63 Deloitte, *Sustainable Finance Disclosure Regulation: Is the financial industry ready for the Big One?,* An International overview, 2020

Today, the SFDR legislation does not provide any specific information regarding securities lending activities.

According to a recent article on the issue, titled *SFDR: uncertainty lingers as deadline looms* published in March 2021, 'Industry stakeholders are now waiting on the response to a letter sent by several EU authorities to the EU Commission seeking clarification to key terminology that defines what activities fall under the level one disclosure rules of SFDR, which will largely dictate whether lending programmes are brought in-scope of the disclosure requirements.' Furthermore, the article highlighted that for securities lending market participants, there is ambiguity relating to the criteria of SFDR's Article 8, which is intended to enhance transparency on products 'promoting environmental or social characteristics' in pre-contractual disclosures. The ISLA and other securities lending market participants are expecting detailed clarification on the scope of the regulation to see whether 'securities lending is brought into the orbit of SFDR'. [64]

In addition, MiFID II has been valuable for end-investors who benefits from significant improvements in reporting, transparency in pricing and execution of trades. MiFID II aims to reinforce the rules on securities markets by: '(i) ensuring that organised trading takes place on regulated platforms, (ii) introducing rules on algorithmic and high frequency trading, (ii) improving the transparency and oversight of financial markets – including derivatives markets – and addressing some shortcomings in commodity derivatives markets; (iv) enhancing investor protection and improving conduct of business rules as well as conditions for competition in the trading and clearing of financial instruments.' [65]

64 Pugh A., Securities Finance Times, *SFDR: uncertainty lingers as deadline looms,* March 2021

65 EU Commission, *Investment services and regulated markets, Markets in financial instruments directive (MiFID)*

With regard to securities lending and shareholders' meetings, three core topics shall be covered: borrowing to vote, proxy voting and the borrower's intentions during this period.

Securities lending activity is considered as part of the MiFID II scope and should also respect the legislation requirements. Under MiFID II, securities lending should not only provide best execution of transactions but also disclosure of the activity to underlying clients, with a focus on its associated risks. Securities lending activity should deliver greater investor protection and transparency as part of a global common action from the whole financial industry sector. [66]

C. Potential good practices: Stewardship and shareholder engagement and transparency

As mentioned through labels' criteria, one of the most obvious areas of concern for asset owners who want to engage in securities lending consistently with responsible investment values is the question of voting rights. Shareholder engagement is considered by market participants to be a crucial contributor to greater long-term value creation and to create a stronger and more sustainable business foundation. When a security is on loan, the voting rights and entitlements, such as dividends or coupons associated with the security, transfer to the borrower. There are thus three salient areas of voting and securities lending to discuss: borrowing to vote, proxy voting and borrower intentions.

First, market participants often see the passing of voting rights from lender to borrower as a sensitive concern because they are afraid of potential voting manipulation. For instance, to assemble a large voting position, hedge funds or other activist investors could borrow shares immediately prior to a scheduled vote and repay the shares immediately afterward. The practice, referred to as 'empty voting', is generally condemned, even if in fact the practice still goes on because it is not legally binding. The Bank of England's money market code affirms that '[s]ecurities should not be borrowed solely for the purpose of exercising voting rights.' In a case of voting manipulation in 2018, Oasis hedge fund borrowed stock on Premier Foods in order to vote against the company's CEO.[67] The ISLA Council for Sustainable Finance (ICSF) outlines in its Principles for Sustainable Securities Lending (PSSL) that 'borrowing securities for the purpose of using them for their voting rights is not acceptable market practice.' [68] The practice of empty voting has raised prominent corporate governance issues. The authors Hu and Black investigated on this topic in an academic research paper issued in 2006 in which they shed light on the detrimental cases of investors harmful motivations and the birth of the 'empty voting' pattern. [69]

Voting manipulation risk can be mitigated by adopting careful measures and setting securities lending process in order to protect the voting rights. Maintaining the right to recall and restrict any securities at any time ensures that asset owners always engage in shareholder meetings, especially ahead of key AGMs. According to an academic paper written by Aggarwal, Saffi and Sturgess published in 2015, institutional investors who normally make their securities available for lending often restrict lendable supply and/or recall loaned shares prior to the proxy record date to exercise voting rights. Their research showed that 'institutions value their vote and use the proxy process to affect corporate governance'. [70]

66 MiFID II, Official Text, *Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments*

67 BlackRock, *Securities lending viewed through the Sustainability lens, Policy Spotlight,* February 2020

68 ISLA Council for Sustainable Finance (ICSF), *Principles for Sustainable Securities Lending (PSSL),* March 2020

69 Hu H. and Black B., *Empty Voting and Hidden Ownership: Taxonomy, Implications, and Reforms,* University of Texas, 2006

70 Aggarwal R., Saffi P. and Sturgess J., *The Role of Institutional Investors in Voting: Evidence from the Securities Lending Market*, May 2015

This topic is covered in current regulatory guidelines such as UNPRI Guidance on Securities Lending, EFAMA's Stewardship Code and Principles, Global Master Securities Lending Agreement (GMSLA) or the EU directive on Shareholder Rights Directive II. The *UNPRI's Guidance on Securities Lending* recommends that companies outline their approach and announce when, or whether, shares are recalled for voting, and proposes including a precise explanation of the reasons why an organisation has decided against lending their shares.[71] The standard legal agreement for lending outside the U.S., called the *Global Master Securities Lending Agreement 2010 (GMSLA)*, 'prohibits investors from borrowing shares for the primary purpose of voting, by way of a standard warranty from borrowers'. [72] Likewise, an *International Corporate Governance Network's Guidance on Securities Lending* report explains: 'Investors should have a clear policy with respect to lending, especially insofar as it involves voting and/or the refusal to lend under certain circumstances. A lending policy should clearly state, inter alia, the lender's policy with regard to the recall of lent shares for the purpose of voting them. All lending conducted by the institution, or on its behalf, should be pursued in accordance with this stated policy.' [73]

As proxy voting is considered by market participants to be an essential part of shareholder commitment and a direct way to engage with companies, it is critical to implement a lending program that considers responsible investment principles at each stage of the process. Asset owners should then balance the trade-off between voting, following the step of restricting a position or recalling on-loan securities before proxy record dates, and keeping shares on loan in order to generate additional returns.

Another area under research in which securities lending can be made more ESG compatible is to improve transparency. Adopted in September 2020, the Shareholders Rights Directive II (SRD II), which is part of the *European Commission's Corporate Governance Action Plan 2012,* aims to promote longevity and stability in EU Financial Markets. The SRD II offers guidance on how to improve 'shareholders' ability to exercise their rights across multiple markets, whilst utilising technology to enhance communication between firms, intermediaries, and the shareholders'. Transparency is a core subject when studying compatibility between securities lending and responsible investment. Transparency is essential for end investors: asset managers should give them access to funds' securities lending and let them decide if they are willing to invest in a fund that pursues such practices. This is the mindset promoted by Eurosif. In order to promote long-term vision and transparency, in May 2008 Eurosif created the *European SRI Transparency Code,* which aims to improve the accountability and clarity of SRI practices for European Investors. The asset manager signatories of the code are encouraged to be open and honest and disclose appropriate, accurate and timely information to allow shareholders to fully understand the SRI fund's policies and practices.[74]

Transparency is a core subject when studying compatibility between securities lending and responsible investment.

71 UNPRI, *Guidance on Securities Lending, Developing an active ownership policy,* 27 February 2018

72 RMA, *Complementary, not conflicting: Securities lending and ESG investing coexist,* White paper, 8 October 2020

73 ICGN, *Securities Lending Code of Best Practice,* 2007

74 Eurosif, *Introduction to the European SRI Transparency Code, May 2008*

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5. Good practices / Best initiatives provided by market participants

As shown above in the academic literature, the objective of the use of securities lending is to optimise the positions in asset portfolios and to provide an additional source of performance through income generation while managing associated risks. Therefore, in order to make securities lending and responsible investment compatible, market participants have set up several initiatives, including the following.

i. Stewardship and Engagement:
The protection of voting rights is incorporated in the securities lending process in order to respect each asset management company's responsible investment approach. Thus, securities loans are designed to be callable. The on-loan shares can be recalled at any time within 24 to 48 hours. This allows responsible portfolio to recall or restrict loans on particular securities to ensure that shareholders could vote at the AGMs. Such a solution implies monitoring the record dates and AGMs to guarantee that the securities are back in time to vote. Moreover, it could be relevant and reassuring to issue a fair *Tax Policy* regarding securities lending activities and operations across Europe. For instance, such a policy could state that securities cannot be borrowed in France for a period shorter than 45 days. It could also prevent counterparties from borrowing only for dividends.

ii. Counterparty Selection:
Knowing and understanding the identity, nature and purpose of the borrower is an important stage in a securities lending transaction in order to reduce the risk of a rogue trader or unethical counterparty. Addressing this challenge, some market participants have developed powerful risk mitigation tools to make the practice efficient and low-risk. First, they could develop an internal ratings system on counterparties to ensure they fit certain ethical/responsible criteria as required by a responsible investment approach. Counterparties could be carefully selected following a precise internal process that, for example, considers the counterparties' annual score (also potentially included in the best selection process).

iii. Sustainable responsibility:
Some market participants have created a detailed questionnaire sent to counterparties to evaluate brokers' and counterparties' approaches to integrating ESG and sustainable development considerations into their practices. Such due diligence allows them to correctly organise securities lending operations by guaranteeing the quality and ethical profiles of counterparties and thoroughly examining the collateral received.

To make securities lending and responsible investment compatible, some market participants have set up several initiatives.

iv. Transparency: It seems to be crucial for market participants to guarantee the traceability of trade flows and ensure fluidity in the circulation of information during the securities lending transaction (especially for responsible funds managers). That is why some market participants have set up systems enabling stakeholders (i.e. funds managers) to have transparent information on initiated securities lending operations with a real-time view of the transactions (e.g. asset loaned, at what level, the corresponding Markit level, etc.).

v. Secure ecosystem: Market participants have set up a solid legal and compliance framework in order to minimise the risks of its securities lending operations. Securities lending transactions are usually documented using a negotiated standard form document. Two main standard agreements govern the international securities lending and repo industry to secure the transactions it operates in securities lending and repos markets: the *Global Master Securities Lending Agreement (GMSLA)* [75] and the *Global Master Repurchase Agreement (GMRA)* [76]. Using secured and standard agreements are crucial to minimise legal risks in repo and securities lending transactions and clearly set out the rights and obligations of the counterparties during the life of the transaction and in the event of a problem, such as a default by one of the parties. As mentioned above, specific procedures could be developed to clarify the process to follow, regarding, for instance, MiFID II requirements on Best Execution and Best Selection.

75 ISLA, *Global Master Securities Lending Agreement (GMSLA),GMSLA Standard Agreement,* 2010

76 ICMA, *Global Master Repurchase Agreement (GMRA), GMRA Standard Agreement,* 2011

6. Conclusion

As reflected by the extensive literature review and empirical evidence collected, securities lending improves market efficiency by enhancing liquidity and the price discovery mechanism. Academic studies overall indicate that restrictions on securities lending can lead to higher volatility and overpricing. Therefore, securities lending reduces spreads, boosts market liquidity, and reduces volatility. Consequently, securities lending contributes to market stability and then global efficiency in capital markets.

The literature indicates that securities lending seems to be a mature and robust market activity that has persisted through macroeconomic events such as credit shocks, the sovereign bond crisis and more recently the COVID-19 pandemic. In addition, securities lending is now highly regulated and transparent and will continue to be with future regulations such as SFDR. Designing resilient securities lending markets involves the contributions of all stakeholders: lenders, intermediaries and regulators. At a macro level, banning securities lending could be detrimental to the stability of markets.

According to academic literature and public studies and considering some of the requirements provided through labels or regulations, securities lending and responsible investing can be compatible and develop in harmony provided that certain good practices are put in place. As supported by the analysis above, securities lending and responsible investing can complement each other when securities lending programmes are designed to incorporate sustainable considerations with specific processes and controls in place. For example, when securities lending activities are designed properly, they develop a sustainability path for securities lending – with strong engagement in transparency and long-termism – while securing the protection of the end investors.

In conclusion, label standards do not prohibit the use of securities lending if they are realised under required criteria (i.e. that do not prevent voting rights). In fact, some market participants secure this activity by incorporating good practices to ensure compliance with responsible investment standards.

Securities lending and responsible investing can be compatible and develop in harmony provided that certain good practices are put in place.

7. Appendices

Appendix 1

Extracts from the French SRI Label, Frame of reference, published on 23 July 2020

Critère 3.2 (pages 11 et 12) :

« b) Si le fonds pratique le prêt/emprunt de titres, il :

i. Rapatrie les titres afin d'exercer les droits de vote, sauf impossibilité matérielle ;

ii. Précise si les règles de sélection des contreparties intègrent des critères ESG.

c) Le fonds ne peut détenir de position courte sur un actif sélectionné comme ESG suivant sa propre méthode de sélection ESG des actifs. Une position courte s'entend comme vente à découvert, vente à terme ferme sans détention de l'actif au comptant, achat d'option de vente ou vente d'option d'achat sans détention de l'actif au comptant. Une position courte s'entend aussi comme l'acquisition d'un instrument financier produisant le même effet. En application des critères ci-dessus définis, le fonds respecte les prescriptions définies dans l'annexe 4. »

Appendix 2

Extracts from Febelfin, Frame of reference, published on 31 May 2021

2.2 Securities lending (page 14)

'Criteria

The use of securities lending shall not preclude engagement when chosen as a sustainability strategy or when required by the QS. This means that the lender should get back control over the securities to exercise his voting rights as beneficial owner. Borrowing securities with the purpose of using them to exercise voting rights as borrower is not accepted. Thus, the lenders should have the ability to recall and/or restrict securities for a certain period during the lending program.

The lender shall have a dialogue with the custodian about the possible integration of sustainability considerations in the securities lending criteria.

The lender shall, on a best effort basis, ensure and monitor that the securities are not used contrary to its own ESG policies and the principles of the QS. The lender shall have credible procedures in place to handle potential conflicts.'

Appendix 3

Examples of prospectuses published by SRI funds

Based on publicly published documentation (prospectuses and annual reports), 68 SRI-labelled or art. 8 SFDR classified funds managed by 25 major asset managers were examined.

List of analysed funds (next pages):

SGP	Funds
AG2R La Mondiale Gestion d'actifs	ALM Actions Zone Euro ISR
AllianceBernstein	AB American Growth Portfolio
AllianceBernstein	AB Select US Equity Portfolio
AllianceBernstein	AB SICAV I Low Volatility Equity Port
AllianceBernstein	AB SICAV I Stbl Glbl Tmtc Prflio
Allianz GI	Allianz Europe Equity Growth
Allianz GI	Allianz Best Styles US Equity
Amundi	Amundi Fds Euroland Equity
Amundi	Amundi IS Amundi MSCI USA SRI
Amundi	Amundi Fds European Equity Value
Amundi	Amundi Fds Pioneer US Equity Fdmtl Gr
Amundi	Amundi Fds US Pioneer Fund
Amundi	Amundi IS Amundi MSCI Europe SRI
Amundi	Amundi MSCI EMU ESG Leaders Select
Amundi	AMUNDI ACTIONS EUROPE ISR
Amundi	AMUNDI ACTIONS FRANCE ISR
Amundi	AMUNDI VALEURS DURABLES
Amundi	AMUNDI ULTRA SHORT TERM BOND SRI
Aviva Investors	Afer Actions Euro ISR
AXA IM	AXA IM EURO SELECTION
AXA IM	AXA EURO VALEURS RESPONSABLES
AXA IM	LABEL EURO OBLIGATIONS
AXA IM	LABEL EUROPE ACTIONS
BNPP AM	BNP Paribas Easy MSCI USA SRI S 5% Cpd
BNPP AM	BNP PARIBAS EURO VALEURS DURABLES
BNPP AM	BNP PARIBAS AQUA
BNPP AM	AGIPI MONDE DURABLE
BNPP AM	BNP PARIBAS ACTIONS PATRIMOINE RESPONSABLE
CPR AM	LCL Compensation Carbone Action Monde
CPR AM	LCL Compensation Carbone Multi-Stratégie
CPR AM	CPR Euroland ESG
CPR AM	CPR USA ESG
CPR AM	CARAC Actions Euro
CPR AM	CPR Actions France ESG
CPR AM	CPR Invest – Social Impact
CPR AM	CPR Invest – Global Silver Age

SGP	Funds
CPR AM	CPR Global Silver Age
CPR AM	CPR Invest - Food for Generations
Eurizon AM	Eurizon Equity USA
Fidelity International	Fidelity European Growth Fund
Fidelity International	Fidelity European Dynamic Growth Fund
Fidelity International	Fidelity World Fund
Fundsmith	Fundsmith SICAV - Fundsmith Equity Fund
Goldman Sachs	GS Global CORE® Equity Portfolio
Goldman Sachs	GS Global Millennials Equity Portfolio
JP Morgan	JPM US Value Fund
JP Morgan	JPM US Select Equity Fund
JP Morgan	JPM America Equity Fund
JP Morgan	JPM US Select Equity Plus Fund
JP Morgan	JPM Global Focus Fund
LBP AM	LBPAM ISR ACTIONS EURO
LBP AM	LBPAM SRI HUMAN RIGHTS
LBP AM	LBPAM ISR ACTIONS FOCUS EUROPE
LBP AM	LBPAM ISR ACTIONS HORIZON
Lombard Odier	LO Funds Generation Global
Mirova	Mirova Global Sustainable Equity Fund
NN Investment Partners	NN (L) Global Sustainable Equity
Nordea	Nordea 2 - Global Sust Enh Eq
Nordea	Nordea 1 - Global Stable Equity Fund
Ostrum	OSTRUM ISR 12-18 MOIS
RBC Global Asset Management	RBC Fds (Lux) Global Equity Focus
Robeco	Robeco Global Consumer Trends
Schroders	Schroder ISF EURO Equity
State Street GA	State Street World ESG Scrn Idx Eq Fd
UBS	UBS (Lux) FS MSCI World SRI
UBS	UBS (Lux) FS MSCI EMU SRI
Wellington Management	Wellington Global Quality Growth Fund
Wellington Management	Wellington US Research Equity Fund

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