



ENERGY TRANSITION : INTEGRATING ESG CRITERIA

INTEGRATING ESG ISSUES INTO
FINANCIAL ANALYSIS BECOMES
CRUCIAL

ARIANA PHARMA REVOLUTIONISES
CLINICAL TRIALS WITH AI

TOOSLA GREATLY INCREASES ITS
PREMIUM CAR FLEET

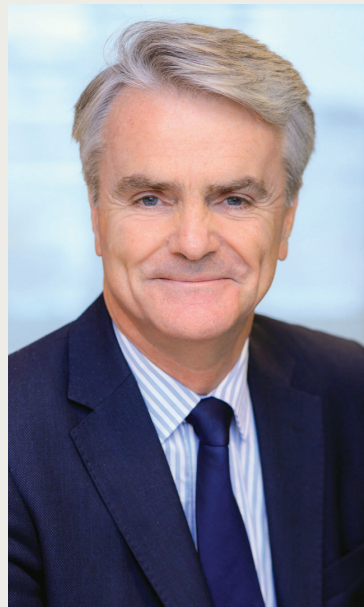
**FINANCING THE ENERGY
TRANSITION:** NATURALLY ESG-
ORIENTED, THE SECTOR
IS TURNING PROMISE INTO PRACTICE

ARE **OFFICE ASSETS** STILL WORTH
FINANCING?

THE LOCAL PUBLIC SECTOR, A KEY
PLAYER FOR THE RECOVERY

–L'ÉDITO

THE ISSUE OF SUSTAINABLE DEVELOPMENT IS ONE OF THE PANDEMIC'S BIG WINNERS



crédit : Acofi / Ph. Zamora

Thibault de Saint Priest
Chairman & CEO of Acofi Gestion

« Directly financing the economy is a powerful lever for supporting transition towards sustainability. »

If there is any silver lining to the health crisis that has pummelled the world for over a year, it is the powerful acceleration of support for sustainable development. Under pressure from public opinion and governments alike, the ecological and environmental transformation of our economies, far from slowing down, is actually taking off, changing behaviours, disrupting business models, affecting the value of companies and creating new, hitherto unsuspected, opportunities.

The financial system is fully committed to supporting entrepreneurs in this inexorable shift. By increasingly making their participation in fund launches conditional on active consideration of ESG or impact investment criteria, investors are one of the powerful drivers of this acceleration in the realm of asset management.

Far from stalling due to fallout from the health crisis, European and national regulatory tendencies are channelling and amplifying the transformation currently underway. The European Commission, which unveiled its European Green Deal on 11 December 2019, launched a wide-ranging consultation on sustainable finance strategy in April 2020.

Following on the two major European level 1 texts, namely the Disclosure Regulation, released 9 December 2019, and the Taxonomy Regulation, published 18 June 2020, consultations on the draft Delegated Acts are ongoing.

Meanwhile, in France, the Autorité des Marchés Financiers -AMF- has continued and accelerated the process of revising its sustainable development doctrine. In parallel, Article 29 of the Energy and Climate Law has extended the obligations previously enshrined in Article 173 of the LTECV Law and reinforced certain provisions of the Disclosure Regulation.

All these texts impose new transparency requirements on both funds and their corresponding asset management companies as regards how they communicate on ESG characteristics and contributions to sustainable development objectives, in addition to increasing reporting obligations.

Directly financing the economy is Acofi Gestion's core business, and a powerful lever for supporting transition towards sustainability. As part of the company's commitment to sustainable development, Acofi Gestion has adopted its own approach, based on impact. This consists, on the investment end, of applying positive sanctions in the form of margin reductions granted to borrowers that meet concrete commitments and, at the fund level, of docking a manager's remuneration if impact financing does not represent a significant proportion of the portfolio by the end of deployment.

While we may not immediately see the effects of more stringent regulations or of the many initiatives coming from growing numbers of economic participants, postponing the transformations is simply not an option. This is a huge challenge for society that citizens, states and businesses must meet together. Only at this price can we bring about a more sustainable world for the benefit of future generations.

Integrating ESG issues into financial analysis becomes crucial

ARNAUD FRASLIN, HEAD OF RESEARCH, MARKETING AND COMMUNICATION

The exogenous shock linked to the Covid-19 pandemic has highlighted the vulnerability of economic players to various and often poorly assessed extra-financial risks, and thus the need for better indicators and frameworks for analysis.

The global sanitary crisis that began in the first quarter of 2020 and the aggressive measures taken by governments to curb the spread of the pandemic have trained a spotlight on previously neglected risks and challenged the operations and governance of economic actors. Keeping supply chains fluid in the manufacturing industry and organising flexible work at service companies are examples.

Quality data and standardised indicators are lacking

While companies have made progress providing extra-financial indicators, particularly the largest firms, there remain significant obstacles to digital analysis, as data is lacking in reliability, homogeneity and quantity, particularly for medium-sized borrowers. In its July 2020 survey on the importance of ESG (Environmental, Social and Governance) criteria for institutional investors, BNP Paribas noted that a lack of standardised measures, combined with the lack of available data, is the main obstacle to incorporating ESG factors into analysis.

Several initiatives have emerged in recent years aimed at developing standardised indicators and extra-financial benchmarks. In France, a report submitted in June 2019 to the Ministry of the Economy and Finance by Patrick de Cambourg, Chairman of the French Accounting Standards Authority, aims to make extra-financial information 'a practical tool for spearheading companies' environmental, energy and inclusive transition'.

Supplementing numerical indicators with qualitative data

The effective implementation of such benchmarks and their application by mid-market players will take time. The unprecedented and unpredictable nature of the current crisis makes it doubly



important to develop broader, more holistic risk analysis grids from a qualitative perspective, i.e. using criteria not based on numerical indicators.

In this respect, the guide recently published by the French Society of Financial Analysts (Covid-19: analysts' expectations of extra-financial reporting, Jan. 2021) offers useful recommendations to help companies improve their disclosures, thereby giving investors the means to better assess the sustainability of their business models, with information that complements the many quantitative indicators that remain fragmentary.

Regular exchanges with representatives from companies are essential to determine how much attention is paid to these issues and the degree of implementation measures achieved.

Such dialogue also serves to mark the strong and growing interest of institutional investors in the risks and opportunities offered by extra-financial issues.

Encouraging borrowers to improve their extra-financial performance

In addition to dialogue, financiers are in a position to encourage companies to make progress on environmental and social fronts in granting new loans. Energy savings and job creation are examples. Borrowers' strong commitment in the case of 'impact' financing allows investors to foster a long-term process of improvement. This mechanism, which can be defined using precise and monitored long-term commitments, incentives defined ex ante, and monitoring over time by independent third-party experts, lends credibility to the approach amongst stakeholders. ●

Ariana Pharma revolutionises clinical trials with AI

Financed by the Predirec Innovation 2020 fund, the medtech presents itself as a 'digital health company'. It aims to rethink clinical trials for drug development by applying artificial intelligence (AI) and data mining technologies.



Ariana Pharma was founded in 2003 by Mohammad Afshar, a biochemistry PhD who had noticed that drug efficacy was very inconsistent due to the way conventional clinical trials work.

Clinical trials can be roughly divided into three main phases, the last of which consists of measuring the molecule's efficacy in a sample of people. The heterogeneity of this sample makes the results of trials unreliable, regularly leading to failure. In this context, Ariana Pharma seeks to define the representative sample of the sub-population that can potentially benefit most from a given treatment, in order to select the right people for each clinical trial.

Use of AI in the analysis of a medical database

Thanks to its KEM (Knowledge Extraction Management) platform and its use of AI on a very comprehensive database, Ariana Pharma defines a smaller, more targeted sample of patients for testing. 'The idea', explains Dr Afshar, 'is to collect the data that characterises the patients on whom we want to test the drug molecule in the most precise and granular way possible. We are interested in the classic characteristics such as age, medical history and clinical characteristics, as well as genetic data such as DNA, RNA and intestinal microbiota'.

The AI applied by Ariana Pharma to this data makes it possible to generate all the coherent hypotheses and to 'organise this

« Ariana Pharma's partners improve the prospects of a successful clinical trial and can reduce the time required for drug approval by health authorities »

combinatorial space', to identify those patients poised to most benefit from a new drug. The start-up can thus customise the generic approach to clinical testing, effectively industrialising a 'precision medicine' approach.

'By testing all the hypotheses all at once, our method allows us to systematically understand why certain characteristics, particularly genetic markers, work better than others', explains Dr Afshar. This work is regularly enriched by integrating data from the clinical experience of the doctors and researchers involved.

Better targeting of patients by pharmaceutical companies

Ariana Pharma's partners improve the prospects of a successful clinical trial and can reduce the time required for drug approval by health authorities.

Ariana Pharma initially designed a business model based on the commercialisation of software on a SaaS model. This has gradually evolved into a partnership model, in which the start-up charges access costs plus success fees if the drug is validated.

'Such a model allows us to ensure a long-term collaboration with companies developing therapies', explains Dr Afshar, 'and our partner benefits from our platform as well as our expertise in the design and analysis of the clinical trial'.

Ariana Pharma works with pharmaceutical and biotech companies developing therapeutics. Most of its revenues come from the United States, where the start-up has been working with the Food and Drug Administration (FDA) since 2014, providing technical support.

Long-term development supported by private and public capital

Since its creation, Ariana Pharma received support from private and public shareholders, including the Pasteur Institute, which remains a shareholder.

Today, the company has three main sources of funding: turnover from partnerships, public aid (subsidies and repayable advances), and the French Research Tax Credit. ●



Toosla greatly increases its premium car fleet

The French start-up, which specialises in 100% digital car rental, was able to grow from 50 to 300 vehicles thanks to the support of Acofi Gestion.



Éric Poncin
Co-founder and Chairman-CEO of Toosla

Toosla is seriously hitting the gas on its development. Founded in 2016 by Éric Poncin and several partners—including Jean-François Boucher, former Chairman of do-it-yourself retailer Mr Bricolage—the young digital platform for premium car rental recently gained on the financial support of Acofi Gestion in its quest to scale up. In autumn 2019, the management company, through the Predirec ABL-2 fund, granted debt financing to the start-up to support its growth plans. 'This operation has enabled us to grow', says Mr Poncin, co-founder and CEO of Toosla. 'At the time of our first exchanges with Acofi, our fleet consisted of about 50 cars. Today it has grown to 300 vehicles. This operation has therefore enabled us to take a number of major steps in our development. Better still, this financing has given us greater credibility with car manufacturers'.

In concrete terms, Acofi's teams offered Toosla financing through bond issues, providing a flexibility the start-up was unable to find in more traditional financing methods. 'At the beginning of our history, we financed our cars in a very traditional way, via leases, corporate financing or by drawing on our own funds', explains Mr Poncin. 'But the limits of traditional financing quickly became obvious. So, we

had to find alternative financing that would enable us to be autonomous in our financing and, above all, to further pursue our development'.

Revolutionising urban mobility

This recent financing should above all enable Toosla to realise its ambition: disrupting traditional car rental and revolutionising urban mobility services. Through its 7 stations, essentially located in Paris, Toosla presents itself as a 100% digital rental service that allows users to do without a traditional rental agency. 'Our registration, user account validation, and document verification and control process is entirely digital and is done through our mobile application', explains Mr Poncin. 'Even the car key is digitalised: the smartphone connects to the vehicle and can open the doors and start the car. The customer is therefore completely autonomous.' Toosla is mainly geared towards demanding urbanites who are looking for a top-of-the-line service and want to be able to rent a car 24 hours a day, 7 days a week without any constraints. And to satisfy this clientele, Toosla has chosen to offer only premium brand cars, namely BMW, Mercedes and, more recently, Tesla. 'We are targeting customers who no longer have a car, who are moving from owning to just using a car, and who use a car for personal or professional travel outside Paris', says Mr Poncin.

Going international

More than four years after its launch, success seems the appropriate term. Better still, while the health crisis caused by the Covid-19 pandemic has seriously shaken a large number of traditional car rental companies, the start-up has managed to withstand the shock. 'This crisis has slowed down our development, since our ambition was to double our turnover in 2020', concedes Mr Poncin. 'However, it has not been as catastrophic as for some other rental companies. Last year, our turnover increased by 30% in a market that was down 70%. This resilience is largely due to the simplicity of our service and our model, which allows us to do without an agency at a time when everyone is trying to limit social interactions. So our business model is holding up well.' Above all, the crisis has not toppled Toosla's development ambitions, and the company is now looking to the international market. 'We are interested in cities that are fairly close to Paris in terms of their behavioural trends, urban policies and their fight against global warming, such as Madrid, Milan, Rome and Berlin', says Mr Poncin. 'Our future lies more in the international than the national arena.' And insofar as Acofi Gestion knows no national limits to its financing operations, 'we intend to rely on them to continue the development of our fleet in France but also internationally', concludes Mr Poncin. ●

Financing the energy transition: naturally ESG-oriented, the sector is turning promise into practice

MATHILDE REYNES, ANALYST
DIMITRI RICARDO, FUND MANAGER ASSISTANT

Environmental, social and governance issues have become paramount in capital allocation decisions. To this end, there now exists a complete framework of measures and labels for certifying that ESG imperatives are taken into account. The entire energy transition sector, from asset management companies to sponsors, is adapting to the new system in order to best meet investors' expectations.

The importance of ESG issues

Widespread awareness of the climate challenges facing the planet has resulted in numerous actions on a global scale. The Kyoto Protocol, which was signed in 1997 and came into force in 2005, was one of the first initiatives to reduce greenhouse gas emissions.

The Paris Agreement, signed at COP21 in 2015 by more than 120 countries, demonstrates a shared commitment to tackle climate change and scale up the investments needed for a sustainable, low-carbon future. The central objective of the agreement is to keep the global temperature increase below 2°C, as compared to the pre-industrial era. The climate and environmental emergency declared by the European Parliament in November 2020 is a reminder that time is running out and that accelerating the energy transition is a priority. Financial actors have a major role to play in building a more sustainable economy and in helping to achieve this objective.

Alongside environmental issues, social and governance concerns have also become increasingly important. The Principles for Responsible Investment (PRI), launched by the United Nations (UN) in 2006, are part of this movement. Investor signatories to the PRI are committed to integrating environmental, social and governance (ESG) issues into their portfolio management. By the end of 2020, more than 3,000 investors, including many asset management companies, had signed the PRI.

THE KEY SDGS OF THE ENERGY TRANSITION



The 17 Sustainable Development Goals (SDGs) defined by the UN complete the approach. In financing the energy transition, 4 SDGs appear to be inseparable from its progress.

Faced with this changing mindset, asset management companies must adapt in order to offer strategies in line with investors' expectations. This is particularly important in the field of infrastructure. For example, in its 2020 Sustainable Finance report, the OECD points out that 'the growth of institutional investment in infrastructure in recent years has been accompanied by an increased effort to apply ESG considerations from other portfolio investments to infrastructure assets'. A Linklaters survey of 302 European infrastructure managers also reveals that among the factors considered by managers, 'ESG credentials and transparency rank joint-second place (32%), after growth potential (36%)'.

Recognising funds' commitment with labels

To ensure that management companies take ESG considerations into account, and in particular to avoid greenwashing, the French government has established two labels: the SRI label (Socially Responsible Investment) and the Greenfin label (originally TEEC, Energy and Ecological Transition for the Climate). Both seek to 'channel a portion of savings into financing for the energy transition and sustainable development'. The label is awarded by independent companies, such as Novethic, EY and Afnor. SRI-labelled funds must demonstrate that extra-financial elements are systematically taken into account in their

THE GREENFIN LABEL

Created by the French Ministry of Ecological Transition, the Greenfin label guarantees the green quality of investment funds and is aimed at financial players who act for the common good through transparent and sustainable practices. The label has the particularity of excluding funds that invest in companies operating in the nuclear and fossil fuel sectors. Funds applying for the label must actively monitor environmental, social and governance controversies and show the impact these have on the construction and life of the portfolio. They must describe this ESG monitoring and management process and the resources they rely on to do so.

investment decisions. The Greenfin label's criteria are more demanding (see Greenfin box).

At the end of 2019, 6% of French funds had earned the SRI label, with total assets of €136 billion. Meanwhile, only 36 funds were awarded a Greenfin label, representing 1% of French funds and total assets of €12 billion. At end 2020, 55 funds (+53%) were Greenfin certified, with total assets under management of €17 billion (+42%). These labels enhance the visibility and credibility of funds that are committed to sustainable development. Certification by independent experts and compliance with investors' environmental preferences make them more attractive. Ultimately, this results in subscription rates that are higher than the market average. Thus, between 2017 and 2019, French funds with the SRI label posted high subscription rates of between 5% and 10%. Over the same period, French funds as a whole experienced net outflows.

From funds to sponsors: a shared commitment

The green infrastructure sector is powering up as investors increasingly consider sustainability issues in their capital allocation choices. The increase in investments is significant. According to Novethic, this category reached €9.9 billion in 2019—€3 billion more than in 2018—invested either directly or through funds. Some of the assets held in these funds are Greenfin certified, representing around €700 million in total.

As the entire industry gears up to promote ESG best practices, sponsor companies have come on board as well. This is notably



the case of Voltalia, an energy producer and service provider in the production of renewable energy on an international scale. Voltalia is one of the most mature counterparties in the debt portfolio of Acofi's energy transition funds. Marine Jacquier, the group's Sustainability Manager, presented Voltalia's commitments to us in an interview in November 2020: 'In 2020, we actually included our purpose in our articles of association, "Improving the global environment by promoting local development." We have gradually formalised a CSR roadmap that is explicitly aligned with the SDGs and the expectations of all our stakeholders'. As part of this, the group has developed a CSR team of four people.

Ms Jacquier also pointed out that extra-financial performance has a growing importance that in no way detracts from the objective of profitability: 'It is increasingly expected by the investors and development banks that finance the projects we develop

or build, as well as by our clients. They are highly demanding, particularly with regard to environmental impact studies for projects and consultation of stakeholders on the ground.' Voltalia is currently considering implementation and monitoring of performance indicators to assess the link between CSR and financial performance.

Taking ESG issues into account has become essential for fund managers, especially in the field of energy transition. Several management companies, including Acofi, have made strong commitments, recognised by the Greenfin label, to meet the expectations of investors and savers. Sponsor companies have followed suit, as shown by the example of Voltalia. Ever more financial players are committing to promoting an ESG policy and following up, but there is still much room for improvement. Entities that doing pioneering work, such as Acofi via its energy transition funds, are crucial to raising awareness and achieving concrete results throughout the sector. ●

ACOFI'S COMMITMENTS

Acofi's Energy Transition funds have been awarded the Greenfin label, were created for investors who wish to support the Energy Transition and contribute to fighting climate change. A full 100% of the assets of each fund are invested in companies at least 50% of whose turnover contributes to the environmental and energy transition. In accordance with the perimeter defined by the Greenfin label and with a view to promoting SDG 13, Acofi's funds exclude sectors that hinder the fight against climate change. ESG due diligence is carried out before each investment to assess the ESG maturity of the sponsor company and to verify that the project meets environmental standards. This involves sending an ESG questionnaire to each sponsor, conducting environmental impact studies of each project and measuring impact indicators (households supplied with clean energy, tonnage of CO2 avoided as a function of the electricity produced, etc.). The inclusion of ESG clauses in contracts raises awareness among counterparties and encourages the development of a responsible approach. Each sponsor commits to annual disclosures on extra-financial issues (environment, human resources, governance, etc.) to the management team. Impact indicators are monitored throughout the life of the loan. Each indicator is linked to one of the four SDGs targeted by the Acofi funds. Any ESG controversies are also monitored by the management team and, if necessary, addressed by the Risk Committee.

Are office assets still worth financing?

CHRISTOPHE MURCIANI, DIRECTEUR DES FONDS DE PRÊTS IMMOBILIERS

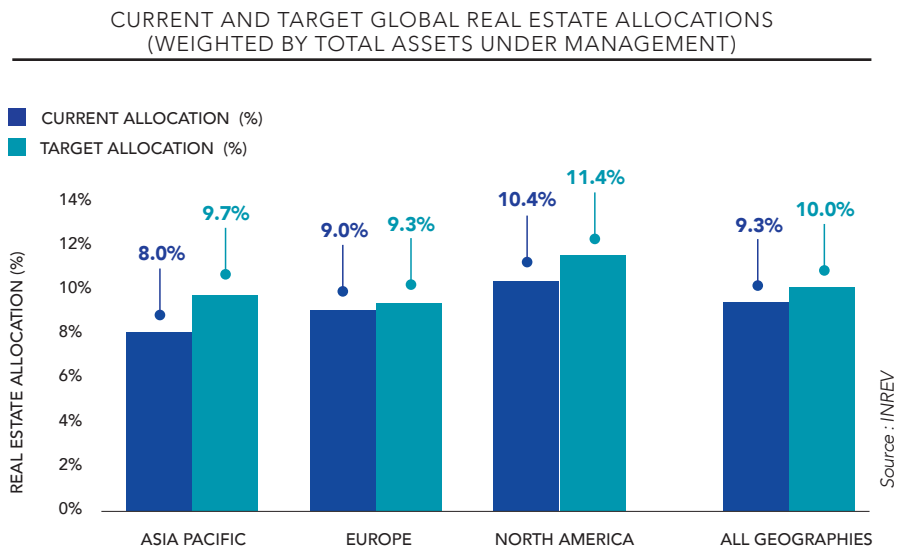
For the past year, we have been fighting an unprecedented health crisis that is profoundly transforming our work habits. Is the 'office' bound to fade into memory, or will we succeed in reinventing our workspaces with a view to ensuring the sustainability of existing stock?

'Without real human contact, the main attraction of life disappears; most intellectual values disappear; most reasons to live are missing.' So says Isaac Asimov's protagonist Elijah Baley in *The Naked Sun*, published in 1957.

According to him, having teammates in the same workspace supersedes the efficiency and resilience of even the best remote and sanitised organisations. As 2021 gets rolling, we have now gathered experience of three distinct and complementary organised work practices. A period where everyone was in the office (pre-pandemic), a period where everyone worked remotely (during the lockdown) and a hybrid period where some are in situ and some are working from elsewhere. We can therefore begin to take stock and sketch (even glimpse) what may become of our workspaces going forward.

When a team is physically dispersed, the tools of remote working are still needed and meeting rooms must be dedicated to video-conferencing... Moreover, the majority of employee surveys to date highlight a preference (a 'desire' leadership should be thrilled about) for returning to the office to resume, not business as usual because, after all, economic slowdown is a reality (the European Commission anticipates 9.4% unemployment at the end of 2021 compared to 7.5% at present), but to go about 'their usual business'.

However, experts differ widely on the future net absorption of office space. Based on surveys of companies and employees, the Institut de l'Épargne Immobilière et Foncière (IEIF) predicts a permanent decline of 11% in demand for the Paris region in their middle scenario, while the investment director of Swedish pension fund AP1 does not see a paradigm shift in current developments. In its annual survey of investment projections, The European Association for Investors in Non-Listed Real



Estate Vehicles (INREV) reports that a majority of respondents wish to maintain the course of a higher allocation to real estate from 9.3% to 10.0%. All sources of capital together, the portion dedicated to Value-add assets in Europe is considerable (40% of intentions). The market values of this risk profile are expected to fall by no more than 5 to 10%. For the first time, Germany and Paris are ahead of London as prime locations. Some 65 billion euros are poised to flow into real estate equity in Europe: taking leverage into account, we are looking at almost double this amount in terms of AuM.

Others are placing similar wagers on the promise of real estate investment: Tishman Speyer, which has been a net seller in Paris for the past three years, is now clearly a buyer—exclusively of Value-add assets (Espace Lumière in Boulogne-Billancourt, plus the Tour Cristal and Carré St Germain in Paris). A number of handsome buildings were sold by BNP Paribas at the beginning of the year in anticipation of heavy

restructuring. At the other end of the risk spectrum, the German investor Union Investment has made acquisitions with a Core profile in Europe amounting to 4 billion euros, compared to 10 million euros in disposals. Even in the hotel sector, which has been harder hit by the health crisis than other asset classes, many funds were raised in the summer of 2020, and transaction values are holding steady. JLL reports that city centre hotels in the US continue to trade at high prices. In Paris, several instances of transactions at €1.2 million per room in high-end hotels signal a similar resilience, and 60% of investors surveyed by Christie & Co. indicate that they see positive signs for the sector.

A growing contingent of investors specialised in office space is also looking to diversify. Hines is entering social housing and last mile logistics, Tristan is adding logistics and hospitality to its offerings, and Canadian Oxford Properties is acquiring the logistics specialist M7. These players are reacting to the contrasting trends in



volumes invested by asset class in Europe. We've seen a 66% decline in offices, but a 13% increase in healthcare assets, 7% in logistics and a 6% bump in housing, illustrating the classic British 'sheds, beds, meds' triptych.

On the financing side, INREV respondents claim they are under-allocated, which bodes well for fundraising. Many specialists are expanding their offerings, adding high yield to their senior proposition or vice versa (Apollo, LaSalle, CoreState, M&G, etc.) meaning borrowers can access alternative lenders across the risk spectrum. For their part, traditional banks are retrenching to their existing clientele and to asset classes considered reassuring: logistics and residential (including sub-categories such as co-living, student dorms and serviced apartments), and new office buildings with fixed long-term leases (Nestlé headquarters in Issy-les-Moulineaux). Economic risk aversion and the capital requirements incurred by empty buildings are deterring banks from financing unfinished development or major restructuring.

Meanwhile, pressure on owners from leaseholders (and the latter's employees) to own sustainable assets and meet a wide range of environmental and social criteria is increasing. The relative aversion of

« Debt funds that can generate their own bilateral credit assets offer a solution suited to the circumstances. »

traditional lenders for property refurbishment may slow down renovation of stock, even in prime locations.

All in all, between listed real estate companies and those investors under-allocated in real estate who want more control over their properties—as the increase in club deals at the expense of discretionary funds attests—debt funds capable of producing their own bilateral loans offer a solution suited to the circumstances. The need to renovate ageing stock, not only in Ile-de-France but throughout the eurozone's major real estate regions (Germany, the Netherlands, Italy, Spain), calls for financing flows on a scale that traditional banks will be hard pressed to provides.

As is often the case when a market consolidates or begins to decline, careful

selection makes it possible to build a balanced portfolio by identifying the best assets, without excluding any particular type of property, borrower or risk profile a priori. Coupling this with a specific strategy for supporting the improvement of buildings will have an even greater impact. This results in higher quality properties that are less risky insofar as their sustainability features will attract more tenants and make them more liquid on resale.

The issue of office use and net absorption in a tertiary economy is obviously not resolved, and the desire to 'disrupt things' put forward last spring as 'nothing will ever be the same again' should be taken with a grain of salt. The pendulum may find its equilibrium in the use of collaborative spaces whose capacity exceeds the current organisation of our work environment.

In addition to Asimov, perhaps traditional African wisdom can enlighten us: 'alone we go faster, together we go further'. ●



crédit: Enoé

Acofi Gestion strengthens financial support to energy transition players

The Predirec EnR 2030 fund has concluded a third financing transaction for the benefit of Apex Energies, comprised of short-term debt on a portfolio of 21 MWp. Predirec EnR 2030 has been working with energy transition players for many years, financing 1,925 photovoltaic, wind and hydro power plants that produce more than 742 MW annually. This transaction marks the end of the deployment for Predirec EnR 2030.

Predirec Innovation funds have crossed the half billion euros mark in funding

Neftys and Acofi Gestion have been partners since 2015, supporting 577 companies with a total of €542 million in financing of Research Tax Credits (RTC). The financed companies are located throughout France and cover more than 32 areas of R&D. Thanks to PREFICIR®, innovative SMEs can secure and accelerate their R&D investments by prefinancing their RTC in the form of an immediate cash advance. This success places Neftys at the forefront of fintechs dedicated to financing SMEs in France and enriches Acofi Gestion's expertise as a manager of corporate loan funds.

Launch of France's government-backed subordinated loan and bond scheme

On 4 March 2021, the French Minister of the Economy, Finance and Recovery announced the roll-out of this scheme, the first of its kind in Europe: a partial public guarantee covering a financing envelope of €20 billion, including €14 billion for Equity loans with State Support (PPSE), accessible from April, and €6 billion for Subordinated Bonds with State Support (OSSE, known as 'Recovery Bonds'). These instruments will support French SMEs and mid-market companies and will have a term of eight years, with a four-year grace period.

The Disclosure Regulation and Article 29 of the Energy and Climate Law enter into force

The EU Disclosure Regulation, published on 9 December 2019, sets out conditions under which investors must explain how they integrate sustainability risks into their decisions and measure any negative environmental impacts, as well as the characteristics of any financial products they present as sustainable. Some of the text's provisions came into force on 10 March 2021. Since that date, funds under management must be ranked according to increasing ambition.

Meanwhile, Article 29 of France's Energy and Climate Law extends the obligations previously defined by Article 173 of the Law on Energy Transition for Green Growth of August 2015 and reinforces certain provisions set out in the Disclosure Regulation, in particular the inclusion of biodiversity in sustainability risk policies and in statements of extra-financial performance.

Real estate: Acofi Gestion closes first impact loan facility

A pioneer in impact financing in France, Acofi Gestion has completed a €30 million financing transaction backed by a portfolio of six urban logistics assets acquired by Valor Real Estate Partners (Valor). This is the third round of financing the funds managed by Acofi Gestion have extended to Valor, which specializes in last-mile logistics. The loan granted by Acofi Gestion includes environmental impact criteria anchored in a concrete list of actions. These belong to four main themes relevant to the real estate sector and aligned with the United Nations Sustainable Development Goals (SDGs), namely Energy, Water, Waste and Greenhouse Gases.

The local public sector, a key player for the recovery

STANISLAS BOUTMY, FUND MANAGER - PUBLIC SECTOR

Through their broad range of activities, French public authorities play a major role in financing the real economy, to the benefit of public and private players.

The regions, departments, inter-municipalities, cities and their various satellites are key players in France's public investment landscape. As representatives of the local public interest, municipal authorities are, by nature, present throughout the territory. From a political perspective, following on successive waves of decentralisation, they are, in fact, the territory. Each level of government has areas in which these actors intervene alone or, more often, in partnership. These responsibilities are often inherited from the central State (high schools, national roads, etc.), and sometimes designed locally. The inter-municipal unions for electrification, for instance, were created at the beginning of the 20th century, and today some public utilities locally are undertaking renewable energy production.

Local investment

A local authority that directly oversees an activity—and therefore related investment projects—will carry out the construction of facilities, high schools, regional trains, colleges, electric bus lines, water treatment plants, sewage networks, the development of zoned areas, the renovation and construction of public buildings, multi-purpose halls, social housing, etc. When the local authority is not itself the project owner, it may participate by financing projects. This is often the case in the field of services for those with disabilities. There are also various possibilities for contracting with the private sector. The field of local investment is by nature vast. So too are the ways in which projects are financed.

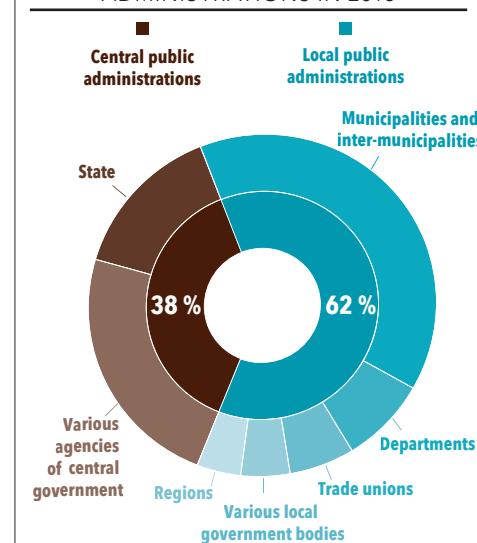
First among them is the self-financing that a community generates from current operations. Next come co-financing and subsidies that a local authority secures from other local authorities, the central State or even the European Union and, more rarely, from the private sector. And lastly, debt is a reliable means, justified by the lifespan of the equipment and the value creation involved.

The figure to the right presents gross fixed capital formation (GFCF) in the national accounts published by the INSEE for 2018 and illustrates the predominant share contributed by the local public sector. It also highlights the importance of the 'community unit', consisting of municipalities and inter-municipalities. Over a short period, since 2009, we see that the local share is 62% of French public GFCF.¹ In 2018, direct investment by the State was €10.9 billion, i.e. 15% of the €74.4 billion poured into public investment. Such investments generally are concentrated on defence spending, security, justice and health. They can also be supplemented by those made by various central administration bodies, such as the CEA,² universities, various agencies, etc.

Local investments drive national growth

Whereas local authorities or agencies often lead the charge on investments, the State, which is often the first to finance them, serves as a facilitator. And under the post-Covid recovery plan, it also seeks to be an accelerator. Following publication of the ordinances and finance laws governing these resources, notes for implementation were also circulated. In these, while prefects are encouraged to channel public funds into projects that fall within the scope of certain themes (thermal renovation,

DISTRIBUTION OF INVESTMENT EXPENDITURES OF THE PUBLIC ADMINISTRATIONS IN 2018



city-centre projects, works of art, etc.), the emphasis is on projects that can begin work as soon as possible 'in the weeks or, failing that, in the months following notification of the subsidy, in view to supporting the local economy.' Outside of measures specific to the recovery plan, some subsidies are over-endowed. The DSIL, intended to support local investment, has increased from €576 million to €1,576 million, for instance, and other funds are being deployed faster slower than they should... Unlike large state programmes that spread over decades, the local public sector is the realm of the real economy, where allocated funding is quickly put to work, providing infrastructure for the benefit of all, public and private, in the form of facilities that have naturally beneficial social impact. ●

1. Other methods of calculation arrive at 70% to 80%, but are based on different data. The INSEE data used allows for homogeneous historical comparisons.
2. CEA = Commissariat à l'énergie atomique et aux énergies alternatives, an organisation promoting scientific research.

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