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INVESTMENT MANAGERS

WHITE PAPER

Investing for European sovereignty

September 2025

PREFACE

Sovereignty, an outdated word for an ongoing challenge

PAUL DE LEUSSE,
Chairman, Sienna Investment Managers

For a long time, campaigning for greater sovereignty was taboo, synonymous with looking inwards in an open world. Trying to produce locally seemed economically inefficient. The notion of sovereignty has suffered from this image, from these economic and moral a priori beliefs. Yet our fellow citizens have always been very attached to the European model, to their social, democratic, economic and environmental model. And they are now aware of the need to defend our independence in a troubled world, our independence in terms of energy, technology, food, health and, of course, defence.

Globalisation has objectively gone too fast, too far. The disruption of certain supply chains has highlighted the fragility this has engendered. Between pressure from public authorities and the search for a new economic rationality, the major European groups are being encouraged to reconstitute local supply chains. At the same time, the European Union needs to change its paradigm, to enable the emergence of solid industrial ecosystems and European champions. The priority given to consumer protection at the expense of creating pan-European groups that can compete on the international stage has proved to be an illusion. This is currently a weakness of the European economy, exacerbated by the fact that the financial, energy and telecommunications sectors have been sidelined from the process of European integration, as Enrico Letta rightly pointed out in his report on the future of the single market*. Behind every large group there are thousands of SMEs and mid-caps, and it is on this base that our independence is based.

From this perspective, the role of financial players, capable of channelling money from institutional and private investors towards innovation capacity and support for sovereignty through SMEs (small- to medium-sized enterprises) and mid-caps is a major one. It is a fact that there is a shortage of public money and the financial sphere accounts for a larger share of the economy than in the past, so it has a role to play. Entrepreneurs must be encouraged to seek financing from unlisted investors, in equity and debt, but also on the stock market, and the resumption of IPOs is crucial from this point of view. For their part, the institutional investors we work with very quickly became aware of the need to commit to sovereignty and the defence industry in particular. In this respect, we must pay tribute to the educational role played by the French Ministries of Economy and Armed Forces, which have succeeded in mobilising all stakeholders, manufacturers, local authorities and financial backers in this direction.

We need to maintain a careful balance between the sovereignty priorities facing us as Europeans. It is also our duty as investors to play a role in speeding up production rates in defence, constructing real autonomy in food and health, developing renewable and nuclear energies, and more generally contributing to the adaptation of our production system, so that it becomes more autonomous and resilient and meets the needs of the people of Europe.

With this in mind, we wanted to bring our contribution to the debate on these issues of sovereignty, by mobilising our experts, as well as a number of eminent figures from the world of finance who agreed to share their experiences and express their convictions. We are very grateful to them.

* *"Much more than a Market" – Enrico Letta (April 2024)*

EDITORIAL

Finance and sovereignty: anotherway to consider responsibility?

PHILIPPE BRASSAC,
Co-chairman of the industry dialogue between representatives of financial institutions and the DTIB, Chairman of Gecina, former Chief Executive Officer of Crédit Agricole SA

At a time when economies and societies are irrevocably intertwined, the goal of 'sovereignty' for France, and for Europe, clearly cannot be self-reliance, or independence that is now definitively beyond the reach of all. The perspective for our European nations must simply be that of maximising capacity for choice in a profoundly interdependent world. In this respect, the term "strategic autonomy" used by the European Union is relevant. Can finance help? Yes, but we shouldn't expect everything from it, because the financial sector remains a means to an end, supporting the economy and businesses, which make the decisions and do the work.

Finance, whose overall role is to connect all savings capacity to the multitude of financing needs, nevertheless has very specific responsibilities. Its task is to ensure that everything that can reasonably be financed is indeed financed, while protecting the security of savers who are directly or indirectly solicited in this way.

But beyond the declarations of intent, a major difficulty is becoming increasingly apparent, and it is no longer reasonable to continue to avoid mentioning it: financial players (like very large companies) have acquired truly international size and coverage, making it less easy to assert patriotism for their home nation. At the very least, shareholder bases have not been approached or structured to take this into account. Over the last thirty years, as world peace has spread, this issue has generally not been on the agenda at shareholders.

But mobilising for sovereignty presupposes, at the very least, an explicit awareness of one's own aims and therefore... of one's "raison d'être". A raison d'être that is not a particular cause freely chosen by managers or the corporate body to give themselves extra soul in communication, to go just a little further than the mere requirement of profitability to which every company is naturally subject... but a raison d'être that responds seriously and rigorously to the question: "In the final analysis, who do we serve and why? To bring what useful benefits? And, increasingly, to meet what needs?"

In this respect, cooperative and mutual banks, which are attached to the territories they serve through their articles of association, have DNA that naturally ties them to the issue of non-financial goals. It is no insult to others to state this objectively. But they are an exception in a world of finance dominated by Anglo-American origins and culture. Finance that is much more attached to the transactional model than to the relational model, to optimisation rather than universality, to serving the few rather than the many. Sovereignty is first and foremost a matter of relationship and usefulness to the Nation as a whole and over time.
For finance, there are a thousand valid reasons for ignoring the fundamental question of the sovereignty of the nation. By arguing, for example, simply and objectively, the appalling complexity and intricacy of the constraints: how can you prioritise the interests of one nation when your shareholder base is international?

How can you take risks to support a particular cause when your regulators are urging you to do the opposite in order to control all types of risk? How do you reconcile geopolitical requirements with the risk to your reputation, the risk of controversy and the criminal risk in the event of your financing going astray?

We don't know how to answer these questions, and it's tempting to plead our objective inability to find the paths of individual responsibility in a world suffocated by collective technocracy. But in the depths of our consciences, there is a fundamental question that we probably all feel the need to answer, the need to reposition ourselves with pride and honour: in an increasingly complex world, who are we really serving? What is our fundamental utility?

It seems to me that after some thirty years of globalisation that is often synonymous with unbridled growth, internationalisation and widespread homogenization, the question of the sovereignty of our nations, the need for our societies to think and protect their future as a collective, brings us all face to face with our real responsibilities, and not just our annual targets.

The dialogue that we are currently conducting between the players in the financial sector and those in defence, marks the return of the collective interest to the heart of the agenda. Sovereignty is everyone's business. Finance will find new fields of action. The women and men involved will find it more meaningful and increasingly a source of legitimate pride.

What if Social and Environmental Responsibility were no longer an added-on responsibility, but a truly integrated one?

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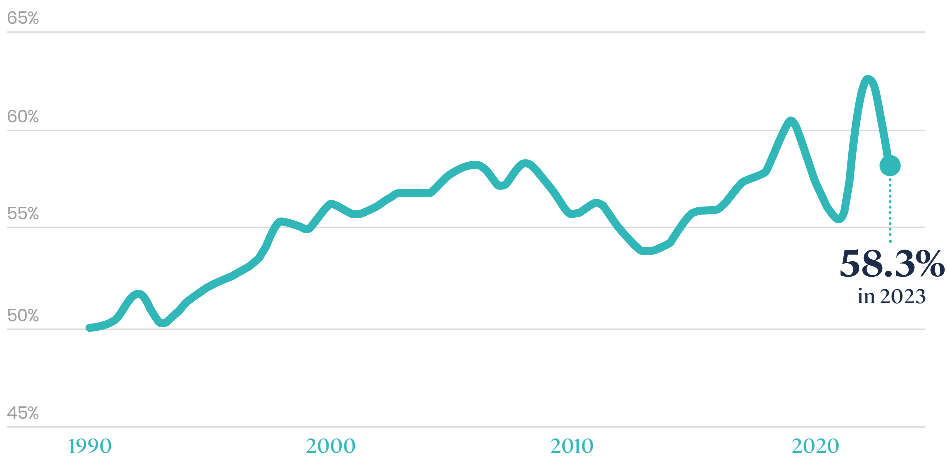
TO KNOW MORE
on our vision of sovereignty

Europe is facing numerous dependencies

The European Union's energy dependency ratio

Energy imports as a proportion of total energy requirements. All energy sources combined (natural gas, oil, lignite, petroleum products, etc.)



Source: European Commission

Defence dependency

56%
of arms purchased by EU countries are from outside the EU

Source: IRIS - France Info (February 2025)

64%
of arms imported by the European countries (NATO members) come from the United States

94%
for Italy

70%
for Germany

17%
for France

Source: Stockholm International Peace Research Institute (SIPRI)

60%
of spending on defence equipment by the EU countries should be carried out within the EU in 2035 (European Defence Strategy target)

Source: European Commission (March 2024)

Technological dependency

+70%
of European company data are hosted on infrastructures outside Europe

Source: European Commission

Health dependency

40%
of medicines marketed in the European Union come from third countries

+60%
of active pharmaceutical ingredients are produced in China and India

Source: European Medicines Agency (EMA)

Critical raw materials dependency

98%
of the EU's rare-earths supply comes from China

Source: European Commission

Food dependency

Dependence on imported inputs is particularly high for:

Animal products
Soya beans and meal are crucially important feed materials for this sub-sector and for poultry and pig farming in particular, and their imports are characterised by the strongest bias towards a few non-European suppliers.

Cereals
They are dependent on imported raw materials and the energy sources needed to produce fertilisers.

Source: European Parliament (Research for the AGRI Committee: The dependence of the EU food system on inputs and their sources)

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“Our challenge is to build a more robust innovation financing ecosystem”

MARJUT FALKSTEDT,
Chief Executive, European Investment Fund (EIF)

What does investment in Europe’s sovereignty look like today - whether in industry, energy or defence? And what are the main obstacles to be overcome?

It’s true that geopolitical instability is forcing us all to think more in terms of sovereignty and autonomy. This means that we need to ensure that we have a strong innovation ecosystem, capable of supporting good ideas from their emergence through to commercialisation and scaling up. This means offering a wide range of financial support, such as venture capital, private equity, bank loans, venture debt, microfinance, private debt and more. To ensure a dynamic innovation ecosystem, we need to cover all needs and offer the right funding, at the right time and in the right proportions. That in itself is a challenge. Another challenge is that the public sector cannot act alone. We must succeed in mobilising private resources to finance these efforts. This is our greatest challenge today.

> *We must succeed in mobilising private resources to finance these efforts. This is our greatest challenge today.*

Around €300 billion in savings leave Europe every year for other countries, mainly for the US economy. Faced with this phenomenon, the EU-27 are committed to finally creating a Capital Markets Union. What are the priority measures in this area?

This is a long-term project for the EU. Naturally, many aspects need to be addressed, from the regulatory framework to language barriers, taxation and investor education. The EIF is actively working to promote a pan-European approach to investment and, in particular, to address the weaknesses of the European ecosystem. And we’re seeing good results, with increased confidence in cross-border investment across the financial ecosystem, and a growing number of funds crossing borders in search of opportunities. In a way, distances within Europe are fading away. I also believe in the great potential of the legal “28th Regime” as a response to the fragmentation of the internal market, which offers good prospects for advancing the Union of capital markets.

The EU is still lagging far behind the United States and China in disruptive technologies such as AI, quantum, etc. What can be done about it? And how is the EIF acting on this front?

Europe cannot be said to be lagging far behind when it comes to innovation. I think our challenge is to build a more robust innovation financing ecosystem, but there’s no shortage of great ideas or promising projects. Just think of Deepl, MistralAI or Helsing - and so many others. We need to look at the entire life cycle of companies. And there are two critical moments in this cycle: one at the start-up stage (the “start-up gap”), and the other at the scale-up stage (the “scale-up gap”). At the EIF, we strive to act in a timely manner, so that brilliant ideas receive the necessary support from their inception through to commercialisation and the growth phase.

Since the beginning of the year and the return of Donald Trump, Member States and the EU have announced additional public investment in defence. To what extent are EIF activities geared towards these sectors?

The EIF - and more broadly the EIB Group - has made significant progress in broadening its scope and is now better positioned to finance start-ups and SMEs in the defence sector.

The EIF has a long history of supporting dual-use technologies, including robotics, unmanned air and ground vehicles, and AI software for military use. In January 2024, we launched a pilot initiative dedicated to defence as part of the InvestEU European budget programme, aimed at mobilising around €500 million for European start-ups developing technologies for military use or for SMEs active in critical supply chains.

Throughout its roll-out, we have observed strong potential among European asset managers to integrate defence into their investment strategies across different asset classes.

Investing in our defence means investing in sovereignty

France and Europe are going through a period of major strategic reshaping. War has broken out again on our continent, hybrid threats are multiplying and technological competition is accelerating. In this context, sovereignty can no longer be an abstract notion: it means our ability to decide, produce, protect and innovate without depending on outside powers. For over sixty years, the French Defence Procurement Agency (Direction Générale de l'Armement) has been working to develop the nation's strategic autonomy. The French Defence Technological Base (DTIB) often described as an 'exception', is the tool being used to achieve this sovereignty. It brings together 4,500 companies, mainly SMEs and mid-caps, which cover the whole of the region and generate almost 220,000 skilled jobs that cannot be relocated. They work for the defence industry, but also have a strong civil sector base: this dual role, combined with their dynamic export business, gives them a unique vitality and resilience.

The defence market offers rare opportunities: the 2024-2030 Military Planning Act earmarks €413 billion for our armed forces, including €10 billion for research and innovation.

On a European scale, the rearmament effort is gathering pace and opening up long-term prospects in space, cyber, artificial intelligence and the seabed.

Private investment playing a key role

In this context, private investment is playing a key role. Investing in defence means investing in security, stability and innovation. It also means supporting an industry in the throes of change: the shift to a 'war economy' means we have to produce faster, better and more cheaply.

It calls for increased productivity, better value sharing and modernisation of the subcontracting chain. Our industry is in the process of making this transition.

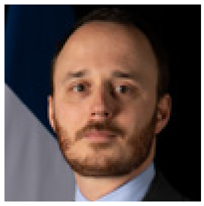
Defence is also one of the most regulated and predictable sectors. Exports are subject to a strict authorisation system, guaranteeing responsibility and reputation. Foreign investment is itself regulated to protect our strategic companies. The compatibility between defence and ESG criteria is thus reaffirmed: security is the condition for any sustainability.

The "Defence Investors Club"

Investing in the DTIB over the long term requires knowledge of the specific features and challenges of the defence sector. This is why, in June 2025, the DGA set up the "Defence Investors Club". It plays a role in supporting the development of investment by private-sector players in the DTIB in line with existing needs. This involves cross-acculturation initiatives, networking for financial players and encouraging them to focus on the major industrial orientations adopted by the Ministry of the Armed Forces. The aim of the investors' club is to bring together French asset management companies wishing to invest in defence.

Investing in sovereignty means taking part in an unprecedented alliance between the State, industry and financial players. The State is at your side, as an investor - through its own funds - and as a trusted third party, guaranteeing a secure, clear and balanced framework. But responsibility is shared: in a war economy, the nation needs the commitment of private capital so that our businesses can grow, innovate and be passed on.

Sovereignty serves the common good. It is forged at the crossroads of political commitment, industrial excellence and entrepreneurial courage. If we do not want this additional expenditure to increase Europe's dependency, we need a strong, innovative and agile French and European DTIB. Investors now have a major, even historic, role to play. By supporting the French DTIB, they are not only financing companies - they are helping to guarantee our country's freedom of decision and the security of its citizens.



BENOÎT LAROCHE DE ROUSSANE,
Director Defence Industry - French Defence Procurement Agency (DGA)

DTIB

All the defence companies that help design and produce equipment for the armed forces

4,500

SMEs & mid-caps (including 1,000 strategic ones)

€30bn

in annual turnover per year

220,000

direct and indirect jobs

#3

world exporter (behind the United States and Russia)

Source: DGA

Defence spending in Europe: unprecedented growth since the end of the Cold War

OLIVIA NOIROT-NÉRIN,
Co-director, Sienna Héphaïstos fund

PHILIPPE ROCA,
Co-director, Sienna Héphaïstos fund

Financing the defence industry, which is also the work of thousands of SMEs and ETIs, now seems to be of the utmost urgency. Faced with the multiplication of crisis management and the distancing of our American ally, European countries have suddenly realised the urgency of taking their defence into their own hands However, the peace dividend has left their armies very weakened! Between 1992 and 2022, the number of tanks was reduced five-fold, from around 19,000 to 4,400, many of which are no longer operational. Their fighter aircraft fell from 3,700 to 1,600 and their submarines from 107 to 57[1]. Due to a lack of equipment, the French land task force could only deploy 20% of its personnel.

Disparities in national commitments

With global military expenditure having increased by 9.4% in 2024 according to the Stockholm International Peace Research Institute (SIPRI), it is no longer possible to remain on the sidelines of this movement. While the eastern-most European countries are already spending 3-4% of their GDP on defence, the others, who initially viewed the former as a slippery slope, are just beginning to increase theirs, with wide disparities.

_ **France :** The Military Planning Act adopted in mid-2023 provides for cumulative expenditure of €413 billion over the period 2024-2030. The budget should therefore gradually rise from €44 billion in 2023 to €68 billion in 2030; the threshold of 2% of GDP was crossed in 2024 (2.06%), with an increase in expenditure of around 6%. This trajectory presupposes that the government has the political and budgetary capacity while the Minister for the Armed Forces has already announced that the defence budget target should be revised to around €100 billion by 2030 (or 3% of GDP). More recently, in July 2025, Emmanuel Macron announced an increase in military spending of €3.5 billion in 2026 and €3 billion in 2027.

_ **Germany :** Germany is in the midst of a "Zeitenwende" (historic turning point), with defence spending of €78 billion in 2024 (2.12% of its GDP), including €20 billion from the special €100 billion fund set up in 2022 to upgrade its equipment. Without even having to finance a nuclear deterrent, the country has taken the lead in Europe in absolute terms. The new coalition wants to make exceptional investments of around €500 billion in defence infrastructure. Thanks to its rigorous budgetary management, the country has given itself the capacity to bring its armies up to standard, which until now have received little attention.

_ **United Kingdom:** The UK, which spends 2.3% of its GDP on defence, aims to reach 2.5% by 2027 and 3% by 2029. In terms of defence, the country is moving significantly closer to Europe.

_ **Other European countries:** In 2024, according to NATO, Italy will have spent only 1.5% of its GDP on defence, although it committed to reaching the 2% target in 2025. Spain's figure is only 1.3%, and it does not seem likely that it will increase its military spending. In contrast, Ukraine allocates 37% of its GDP to its defence against Russian aggression.

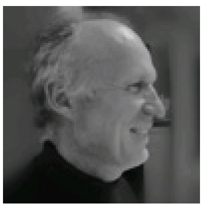
First steps towards a European defence?

The European Commission, gradually extending its prerogatives in the field of defence beyond Article 42-7 of the Treaty on European Union, is endeavouring to catalyse and coordinate the movement to bring the Armed Forces up to standard. A European Defence Agency was created in 2004, chaired since 2009 by the High Representative of the Union for Foreign Affairs and Security Policy. In 2017, the €13 billion European Defence Fund was set up to promote cross-border and interoperable projects involving at least 3 companies from at least 3 different countries. In 2023, the EDIRPA initiative (€300 million) was launched, encouraging the acquisition, by at least 3 Member States, of equipment manufactured mainly in Europe. In response to the Munich speech in February 2025, in which JD Vance "turned the tables" on the American security umbrella, the European Commission launched its "ReArm Europe" programme.

The latter aims to facilitate exceptional investment by EU countries between now and 2030 by relaxing the rules on budget deficits to the tune of €650 billion and by allocating a further €150 billion of common debt accessible on condition that European equipment is purchased (F-35s assembled in Italy can be considered as such).

While there is still a long way to go before all states are in agreement, there has been a transformation in collective European strategic thinking, with nations placing increasing emphasis on greater sovereignty and the coordination of efforts, with a strong focus on new areas of confrontation (space, cyber space, drones, AI, the seabed, missile defence systems, etc.).

WORD FROM



ALEXANDRE CELIER,
CEO, Armisia Group

*"**The awareness is there, but ramping up the production tool can be a challenge because, in this field, the latency period is sometimes significant.** At the moment, it can take 10 years from the time an order for a Rafale is placed to its delivery, and even the first payment from the customer can take years to arrive, or simply be delayed for budgetary reasons. These delays are exacerbated by the bottlenecks within the French defence SMEs & mid-caps ecosystem. All it takes is one "bad apple" in the chain for the whole production process to be curtailed. Providing financial support to smaller manufacturers and reviewing supply chain strategies are key to building a resilient defence industry."*

1. Source: McKinsey

The role of responsible finance in the defence industry is to support its transformation

ALIX FAURE,
Group ESG Director, Sienna Investment Managers

JEAN-MARIE PÉAN,
Head of Responsible Finance - Listed and Hybrid Assets, Sienna Investment Managers

Today, the issue of compatibility between investment in companies in the defence sector and ESG principles applied by asset managers and institutional investors is increasingly being raised with more and more vehemence. At Sienna IM, we are fully on board.

Not hiding behind rigid principles

The European defence industry is facing a striking paradox. While the European Union fears a shortage of weapons and is speeding up production, some institutional investors are still reluctant to invest in the defence industry, despite apparent interest.

At a time when the defence industry is experiencing increased financing needs in response to a surge in orders, it is essential that we adopt a pragmatic approach to responsible investment, while maintaining highly demanding standards. At Sienna IM, this vision is reflected, among other things, in a policy of excluding certain weapons. We refuse to invest in companies involved in biological and chemical weapons, as well as anti-personnel mines and cluster munitions, in accordance with the conventions and treaties signed by France and Italy on controversial weapons. ESG analysis is also carried out to ensure that these companies identify and manage the non-financial issues to which they are exposed.

Issues specific to the sector and common to industrial companies

We are convinced that, like any other sector, the defence industry needs to be supported in its transformation. These companies, too, need to improve their energy efficiency, calculate their carbon footprint, reduce their consumption of resources, promote parity, etc. We analyse them using the same processes as any other industry and, with regard to our listed asset management, we apply a a 'best in class' approach when assessing their practices, their commitments, the risk of controversy and issues specific to the sector, such as business ethics or cybersecurity. It is our responsibility to drive forward practices in the sectors in which we operate. In the non-listed segment, private debt in particular, our requirements are the same as those for listed companies. In addition, we ensure that the companies we finance meet one of the two SDGs (United Nations Sustainable Development Goals) that we want to focus on: SDG 8 (Decent Work and Economic Growth) and SDG 16 (Peace, Justice and Effective Institutions). We are seeking to finance the European industrial base, which is absolutely essential to the achievement of our rearmament targets. These include the 12,000 European SMEs and mid-caps in the BITD, subcontractors to large defence groups, most of which have significant civilian activities. Above all, in France, these companies are identified and validated by the French Defence Procurement Agency (DGA), part of the French Ministry of Defence. So we can be sure that they comply with international treaties and standards.

Institutional investors could change their rules

It is natural that some institutional investors, who have been implementing demanding responsible investment policies for a number of years, may be asking questions. Some of them will have to amend their investment rules, to adapt them to a structural change in the context, to the absolute need to ensure Europe's independence on the economic and defence fronts. An aim that is fully in line with the sustainability objectives of all long-term investors.

The Caisse des Dépôts validates compatibility between ESG rules and the financing of the defence sector

NATHALIE TUBIANA,
Director of Finance and Sustainable Policy, Caisse des Dépôts Group

For the past three years, the Caisse des Dépôts has been working with ESG and defence experts to define a sector-specific policy for financing the defence industry. Nathalie Tubiana, Director of Finance and Sustainable Policy at the Caisse des Dépôts Group, wrote in an article published on agefi.fr, *"the first lesson to be learned from this work is that defence sector financing is compatible with ESG rules, provided that it adopts appropriate exclusion principles supported by international treaties (...) and on condition that the type of weapons financed is limited to those intended to ensure security and to exclude those whose use would contravene the principles of humanitarian rights"* It points out that CDC relied on the guide "ESG and the financing of the defence industry" drawn up by AF2I, which emphasises that financing this sector makes it possible to guarantee the conditions for maintaining security, freedom and democracy in Europe, without which there can be no sustainable development.

Faced with the Trump threat, does Europe have any choice but to assert its energy sovereignty?

PHILIPPE GARREL,
Head of Energy Transition Debt Funds, Sienna Investment Managers

The decisions of climate sceptic President Donald Trump and the shortage of local fossil fuel resources are forcing Europe to speed up its drive towards energy sovereignty and continue a transition that has already begun, but is still in its early stages.
A long-term transition involving the massive scale electrification of applications.

"Drill, Baby, Drill". Donald Trump loves hydrocarbons and he didn't hold back from proclaiming this during his campaign. A "national energy emergency" proclaimed on the first day of his new term, favouring fossil fuels and withdrawing from the Paris Agreement, followed by a "Big Beautiful Bill" hostile to renewable energies, is unquestionably bad news for the planet. What about Europe?

Admittedly, the European Union is still dependent on fossil fuels. Only 10% of the gas consumed in the EU is produced locally, and the EU imports 97% of its oil consumption. However, efforts made in the area of decarbonisation have shown their effectiveness. Coal has virtually disappeared from the energy mix and hydrocarbon consumption is gradually declining.
This is no coincidence, nor is it due to the economic climate. Over the last two decades, Europe has gradually embarked on an energy transition strategy. From the launch of the carbon market in 2005 to the "Green Deal" presented by the Commission in 2019, which aims to achieve carbon neutrality by 2050, decisions taken at European level have been consistent.

Above all, the outbreak of war in Ukraine in February 2022 undoubtedly accelerated awareness of European leaders. While the energy crisis following Russia's invasion of Ukraine highlighted Europe's vulnerability, the EU responded by launching its 'REPowerEU' plan in May 2022, an ambitious document aimed at reducing dependence on Russian gas and oil. A budget of €210 billion has been mobilised to modernise infrastructure and support innovation. It is both a short-term response to the crisis and a strategic lever for ensuring Europe's energy independence. Among the targets set, accelerating the deployment of renewable energies aims to achieve a 45% share of renewable energies in the energy mix by 2030. It is then up to each country to implement its own strategy, depending on its supply capacity, geographical advantages and history (gas, hydroelectric, nuclear, etc.). The application of common objectives on a European scale cannot be part of a uniform process.

In Europe, the climate goals and the strategic goal of independence go hand in hand

If we are to make a success of this energy transition, the key long-term lever will undoubtedly be the massive electrification of energy use. Only effective substitution will enable us to reduce our dependence on fossil fuels. Admittedly, photovoltaic and wind power became the leading sources of electricity generation in Europe in 2022. In 2024, with the addition of hydroelectricity, renewable electricity production reached a record 47% of the energy mix. In France, for example, according to the roadmap set out in the National Low-Carbon Strategy (SNBC), we need to achieve a 40% reduction in energy consumption by 2050, with fossil fuels reduced to virtually zero in the new energy mix. In Germany, renewable energies accounted for 59% of total electricity production in 2024, with wind power contributing 33%, photovoltaics 14% and biomass around 8%. According to the German Climate Plan 2050, the aim is to reduce greenhouse gas emissions by 65% by 2030 compared with 1990 levels, and to achieve carbon neutrality by 2045. There's still a long way to go, and there will be no shortage of obstacles to overcome before the deadline. The geopolitical events of recent months illustrate this point.

Announced at the beginning of March by the European Commission against a backdrop of tension with the new US administration on the subject of the war in Ukraine, the €800 billion defence plan raises the question of resource allocation. Public support for renewable energies could be reduced in favour of priority investments in the defence industry. But this must not detract from the efforts being made in favour of the energy transition, when the climate objective and the strategic goal of independence coincide perfectly for the countries of the European Union. On the other hand, the new geopolitical context requires investors to be more selective in the choice of projects financed, in particular by favouring those that are integrated into the functioning of the market or have already secured their subsidies.

"Biogas has a legitimate place in European energy sovereignty"

AURÉLIEN LUGARDON,
CEO, KEON

Keon is campaigning for "responsible methanisation". What is your commitment to this?
At Keon, we are committed to responsible methanisation, rooted in the local community. This means involving local players - farmers, local authorities, local residents – in the capital and governance of projects. We are also careful to avoid any competition between food crops and energy production: our units give priority to livestock effluents, agricultural residues and intermediate crops. Finally, we are convinced that methanisation can be a lever for agricultural transformation, diversifying crop rotation, reducing the use of synthetic inputs, improving soil fertility management and protecting water resources.

> *With the €40 million raised from Sienna IM, we want to step up the pace.*

Does European energy sovereignty also depend on biogas?
Yes, biogas has a legitimate place in European energy sovereignty. It is a renewable, controllable, locally-produced energy that can be used to decarbonise heating, industry and heavy road and sea transport. It also helps to make us more independent of imported fossil fuels.

You have just raised €40 million from Sienna IM. What are your development ambitions?
With the €40 million raised from Sienna IM, we want to step up the pace. This means industrialising our expertise and developing new projects in France, Europe and Canada, where we have been established for several years. Our ambition is clear: to make biogas a pillar of the energy and agricultural transition.

WORD FROM

BENOÎT DESFORGES,
Partner, Siparex Group, Fonds France Nucléaire

The nuclear sector faces a major challenge in terms of capacity expansion

The nuclear sector is facing a major challenge in terms of increasing its capacity. In a context where the challenges of energy, industrial and defence sovereignty are intensifying, combined with the major challenges of decarbonising the economy, the French nuclear industry is reasserting its strategic role. As the country's third largest industrial sector, it relies on a dense ecosystem of more than 2,000 SMEs and mid-caps spread across the country, all capable of meeting the highest standards. This industrial base is not confined to the nuclear sector: it also includes cutting-edge sectors such as defence, aeronautics and health. The robustness of this entrepreneurial base is a pre-condition for the success of major projects, both nuclear and non-nuclear The sensitive points in this sector are now well identified, as are its critical points. One of the major challenges it faces is increasing its capacity. This involves massive investment in production tools, consolidation issues and talent recruitment. As part of this dynamic, many companies are looking to strengthen their equity capital, often as part of a succession plan. These are two issues that private equity players are tackling head-on. This is the spirit behind the creation of the Fonds France Nucléaire, supported by Siparex. The fund brings together major contractors in the sector - EDF, Orano, Framatome and TechnicAtome - as well as institutional investors keen to make an active contribution to the ambitions of France's industrial and sovereignty policy.

The IEA calls on the EU to step up its investment in electricity networks

In 2024, renewable energies produced 50% of the electricity consumed in the European Union (EU), while fossil fuels accounted for just over 25% (almost half their share ten years ago), according to the International Energy Agency (IEA) in its annual World Energy Investment 2025 report, published in June 2025. Over the last decade, the EU has stepped up its commitment to clean energy, with investments reaching almost $390 billion by 2025. At the same time, annual spending on electricity network infrastructure is expected to exceed $70 billion by 2025, double the amount spent ten years ago. However, these investments in network modernisation are struggling to keep pace with the rapid expansion of low-emission electricity generation, leading to inefficiencies, according to the IEA: long connection queues and difficulties in transporting cheap renewable electricity from the south of the European Union to areas of high demand. The European Union also faces the challenge of further market integration.
Despite significant investment in low-emission technologies, average energy prices in Europe are higher than in other major economies.
The European energy market has also seen significant disparities in spot prices between Member States. These fluctuations are largely attributed to the rapid expansion of renewable energies without any corresponding improvement in storage and network infrastructures, according to the IEA's analysis. It believes that the volatility of electricity prices underlines the need for a more integrated energy system and for substantial investment in grid infrastructure and storage.

Regaining Europe's industrial sovereignty requires all funding methods to be properly coordinated

THIBAULT DE SAINT PRIEST, Secretary General, Sienna Investment Managers

Relocating factories and speeding up production rates are goals on which everyone agrees. Banks, private debt and private equity players all have a key role to play in a context of tight budgets.

The myths of 'lean management' and the factory-less company are dead. They showed their limits as a result of dependence on distant supply chains, the fragility of which has been demonstrated in recent history. There have also been far too many losers, with the loss of blue-collar and managerial jobs creating huge voids in many areas. Labour pools, where millions of people used to live, have atrophied, economic ecosystems have disintegrated and massive amounts of public infrastructure (particularly health) has shut down. The negative impact of certain far-flung relocations is now being reconsidered, and there is now a consensus on the need to reindustrialise and relocate factories.

Colossal needs in response to numerous challenges

The sudden growth in orders and the rapid increase in production rates will be the lot of many companies. Colossal needs are emerging as a matter of urgency in response to the many challenges associated with the energy transition, reindustrialisation, artificial intelligence and internal and external security.

Recent upheavals in the world have exacerbated these problems, and they are occurring in the midst of a budget shortfall. So, we need to mobilise all sources of private capital.

Private Credit solutions derived from the world of CIB

With this in mind, the financing needs of SMEs and mid-caps are multifaceted. These needs are all the more important as the self-financing capacity of French companies, handicapped by heavy costs, is often weakened. The need to strengthen the equity capital of industrial companies is undeniable. Private equity funds can provide an effective remedy. But many of them are reluctant to open up their capital.

The crucial role played by banks in the economy as a whole is clear for all to see. They do their job remarkably well, running very large numbers of bids every year. However, there are situations in the SME & mid-caps world that the banking offer can only imperfectly satisfy, particularly for amounts between €5 million and €50 million when the specificity of the company's financial situation and the complexity of the business plans require so-called "structured" financing. This is particularly the case when cash flow forecasts involve specific covenants and deferred repayment profiles.

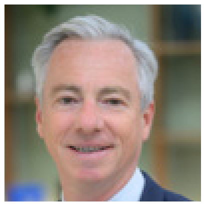
It is against this backdrop that private debt solutions have been developed over the last few years, deploying for the benefit of SMEs and mid-caps the techniques widely used by CIBs for large corporates. These private debt teams are agile and responsive players when it comes to putting together the sophisticated packages that these SMEs and mid-caps sometimes need. Young innovative companies find it easier to turn to venture capital funds, but they can also apply to debt funds, which provide solutions through granular financing (financing of research tax credit, for example).

This financing provides the solutions that businesses are looking for. They also encourage institutional investors and savers to get involved in new themes and societal issues in line with their requirements, even their raison d'être, while accessing investment vehicles offering attractive risk/return ratios. The "retailisation" of private assets, which should also affect defence companies, must of course be accompanied by education. In this respect, financial advisers have an important role to play in educating their customers about the benefits of contributing part of their savings to wealth-creating SMEs and mid-caps.

SMEs & midcaps in the defence industry must not be forgotten

The time has come to rearm Europe and mobilise some €1,000 billion to rebuild a defence capability that is equal to the new challenges. The sums announced as part of the ReArm Europe plan are staggering. However, attention must be paid to the way in which these resources will be disseminated throughout the European industrial base, which is absolutely essential if we are to achieve our rearmament goals. While the major industrial companies in this field are well identified, the essential base of subcontractors is less well known and has not always received the attention it deserves. These so-called 'dual-use' companies often have significant civil activities. They enable the most advanced technologies to be disseminated across a wide range of sectors, and are a driving force in local areas, both in terms of the number and quality of jobs they provide and their technical expertise. The unprecedented increase in their production capacity will require the mobilisation of all the players involved in financing them.

Savings as a pillar of sovereignty: the urgent need to invest, the imperative to go beyond a risk-focused approach to investing



XAVIER COLLOT,
Managing Director – Listed and Hybrid Assets, Sienna Investment Managers

There is a crying need to finance sovereignty. What remains to be done is to convince private investors that investing in this area is both an absolute necessity and a great opportunity.

There is a general awareness among the public that, in the face of the geopolitical upheaval taking shape before their very eyes, Europe and France in particular, are increasingly vulnerable and must assert their sovereignty. Every missed opportunity to invest in our productive base is an implicit decision to cede control of our innovations, our industry and, ultimately, our societal choices to others. Financing the real economy is something that many individual investors have expressed a desire to do in recent years, even if it has only been timidly implemented, with secure investments still the preferred choice. Now, a more ambitious approach can be implemented even more concretely. It is crucial to finance our industry, our energy transition and our defence. Our independence is at stake. All the more so as governments, struggling with their budgetary problems, will be less and less generous. The goal of channelling savings into the business world, into the local, sustainable productive economy, has never made so much sense.

We need to strengthen our SME and mid-caps base, and we also need to create the European champions of tomorrow. Savers need to know how to invest massively in the stock market, in private equity and in private debt. Companies need to open up even more to investors, and even list on the stock exchange. Developing financial education and a certain risk culture will be essential in this respect. The challenge is to bring financing to European companies to ensure their development, and also to increase the ownership of these companies by European investors, in order to keep decision-making centres on the Old Continent.

Optimising savings practices

Today, the use made of European savings is objectively not optimal either for companies seeking financing or for savers looking for income. The guarantee of the capital invested is still all too often the primary criterion. And this is how a small part of the €35 trillion in savings flows into the economy and earns a higher return than the risk-free rate. However, the ageing of the population poses a major challenge in terms of building up savings for retirement, and only by diversifying assets into long-term investments will we be able to meet this challenge.

Products are now available to them. In the wake of the creation of the PEA-PME (SME equity savings plan) and then the Pacte and Green Industry laws in France, the ELTIF regulation at European level, and the SRI, Relance and, more recently, Finance Europe labels, players in the savings sector - asset managers and distributors, Sienna IM and its partners in particular - are putting together ranges of funds that meet these objectives. The range is much broader than it was a decade ago, from thematic European equity funds to private equity funds, venture capital or private debt, all of which have gradually found their way into life insurance policies and pension savings plans.

Changing the way savers think through financial education

Everyone has a role to play, and individuals need to be guided in their choices by mobilised networks, to encourage them to contribute to this movement according to their resources and investment horizons. The savings of Europeans are heavily intermediated, so the role of distributors - banks, insurers and asset management advisers - is central. It must be possible to avoid the sometimes purely financial logic that prevails in certain financial products (EMTNs, synthetic ETFs, etc.). Training for savers, but also for financial advisers, based on content promoting productive investment, listed and unlisted asset products, will contribute to the effectiveness of the approach by changing the way some people still view this investment universe.

It's all about turning good intentions into action. It's not that big a leap from citizen awareness to investor awareness: the aim is not to save more (the savings rate is 18% in France and even 20% in Germany), but to save in a better way, for the benefit of savers themselves, as regards returns and purpose, and for the benefit of European sovereignty, which everyone strongly defends.

Sovereignty, a driver for equity investment

The three objectives of the Draghi report that should guide investments in favour of sovereignty on the equity markets are: closing the innovation gap, combining decarbonisation and competitiveness, and strengthening our security and reducing our strategic dependencies.

TIMOTHÉE MALPHETTES,
Manager of the Sienna Actions Euro Souveraineté fund

"In a geopolitically stable world, we had no reason to worry about increasing our dependency on countries with which we intended to remain friends. However, the foundations on which we have built our model are now being shaken". These two sentences from the Draghi report of September 2024 sum up the challenge of sovereignty and autonomy that we face. Recent events have only confirmed their relevance.

Public mobilisation

Admittedly, the public authorities have already taken matters into their own hands. Announced in March 2025, the European Commission's ReArm Europe plan is a response to the threat of American disengagement. It mobilises up to €800 billion for European defence, including €150 billion in loans to Member States and €650 billion in budgetary exemptions. In France, President Emmanuel Macron announced on 13 July a new "historic" effort, which will increase the defence budget to €64 billion in 2027, twice as much as in 2017. After the coalition led by Friedrich Merz came to power, Germany also decided to revise its Constitution to relax its budgetary rules and launch a €500 billion recovery plan over 12 years. After the Covid crisis, Russia's invasion of Ukraine and the re-election of Donald Trump as President of the United States, these major turning points mark a real awakening. We are witnessing an unprecedented dynamic, which did not exist even five years ago. Europe is finally moving!

But Europe's weak points are still there, and each of us must do what we can to counter them. We need to act now to boost growth and productivity!

A few figures are particularly telling. Only 4 of the world's top 50 technology companies are European. There are around a hundred telephone operators in Europe, compared with just 3 in the United States. This fragmentation results in a lack of investment. And 78% of European military equipment is purchased outside the continent.

Three goals

At Sienna IM, we wish to support this movement by launching the Sienna Actions Euro Souveraineté fund, and by taking on board three goals set out by Mario Draghi: to innovate and close the technological gap with the United States and China, to deploy a joint plan for decarbonisation and competitiveness, and to strengthen our security and reduce dependency.

Far from limiting ourselves to defence, we have structured our strategy around seven key themes: industrial autonomy, technological innovation, energy independence, defence, aeronautics and space, food safety, financing the economy and, finally, what we call strategic assets, for example in healthcare.

Before building our portfolio, we reviewed the 124 listed sub-industries that we had identified. Around half of these, or sixty, were rejected as being of little relevance to sovereignty issues. We have therefore excluded sectors such as insurance, luxury goods, property, food retailing and spirits.

Multi-capitalisation and multi-sector strategy

That said, our approach does not aim to make sovereignty an absolute. The aim remains to outperform our benchmark index. Our experience of thematic management and our fundamental approach enable us to select the companies most closely aligned with our convictions in each theme. We analyse their valuation and growth potential. For example, just because a stock ticks the 'defence box' doesn't mean it will be included in the portfolio.

Our management is also based on a multi-cap strategy, with balanced exposure to large, mid and small caps. We attach great importance to this aspect, because SMEs and mid-caps are often at the origin of the most cutting-edge innovations. Against this backdrop, we are hoping for a return to IPOs, which would enable us to provide direct financing to companies.

We are also counting on a ripple effect. International investors, who appreciate the institutional stability of our continent, are beginning to take a renewed interest in European assets. We are seeing an inflection in inflows to the stock market, as in private equity.

"It is urgent to adopt sovereignty policy in channelling savings"

DELPHINE D'AMARZIT,
CEO Euronext Paris & Member of the Managing Board Euronext NV

What is your assessment of French SME and mid-caps access to capital markets?

Of the 800 companies listed in Paris, 80% are SMEs and mid-caps. The success of this segment is based on the diversity of investors (institutional and retail) and on a suitably adapted regulatory framework, with dedicated markets such as Euronext Growth. It is working: nearly 40% of the SBF120 were SMEs when they were listed. But the momentum is waning, largely due to a shrinking pool of institutional investors. We need to give listed companies a competitive edge. The accumulation of rules and constraints is taking its toll. Rethinking our regulations around two pillars - proportionality and fairness - is a priority.

Are European companies ready to meet the challenges posed by the goal of greater European sovereignty?

To strengthen our autonomy in strategic areas, we need to offer our companies a clear time horizon, sustainable financial resources and the credibility to bring their business ecosystem on board.
This is precisely what the stock market allows, as the only financing tool that separates the time horizon of shareholders from that of the company.
The sectors most represented on the stock market reflect long economic cycles: technology, health and industry account for almost 70% of listed SMEs.
Champions of European sovereignty are popular with investors and enjoy a significant advantage in terms of valuation.

What is Euronext's role in strengthening European sovereignty? How can we redirect savings towards businesses?

68% of European equity savings are invested outside the EU, which just doesn't make sense. There is an urgent need to adopt a policy of sovereignty when orienting savings and to give an advantage to funds investing primarily in Europe.
Euronext's European model guarantees a market infrastructure that is large, deep and competitive enough to attract global savings.
Business-friendly capital markets are an essential lever for economic prosperity. They contribute to a better allocation of resources, strengthening both economic growth and the resilience of our social model.

"French Assurance-Vie can play a key role in financing sovereignty"

ANAÏD CHAHINIAN,
Chief Executive Officer, Spirica

What do investors think about sovereignty as the basis for an investment case?

Investors see European sovereignty as a strategic response to Europe's current challenges. Recent crises have accelerated this awareness: energy, defence, technology, industry and security of supply are now seen as essential pillars of European autonomy. In this context, the French Assurance-Vie savings scheme can play a key role through two levers: on the one hand, euro funds, which have historically been an essential vehicle for institutional financing - whether of sovereign debt or strategic sectors; and on the other, unit-linked policies, which enable savers to invest directly in European companies or specialist funds.

Are private individuals now keen to invest in defence?

In recent months, we have seen a growing interest in this sector. Long the preserve of institutional investors, some private individuals now see this as a sector undergoing a transformation, combining technological innovation with increased public support, and therefore offering attractive prospects for long-term returns. At the same time, other sectors that contribute to European sovereignty are also attracting investor interest, which is why Spirica has structured a range of units of account covering different investment themes, to provide the best possible support to our partners and clients and meeting the needs of as many people as possible.

Sienna
INVESTMENT MANAGERS

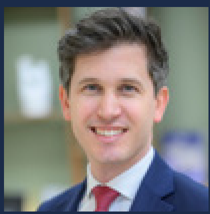
To know more on our vision of sovereignty

Over **€40bn***
in assets under management

Over **90%***
assets classified article 8 or 9 (SFDR eligible scope)

8
countries

YOUR CONTACTS



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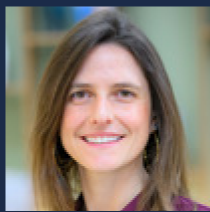

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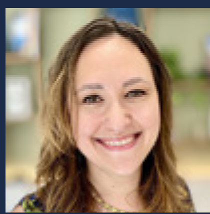

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September 2025

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