LuxFLAG Sustainable Investment Week 2020

Putting sustainability at the forefront of finance

12 Oct. 2020 - 16 Oct. 2020

CONFERENCE REPORT

www.luxflag.org

#LSIW20

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Putting sustainability at the forefront of finance

12 Oct. 2020 - 16 Oct. 2020

5 DAYS

22 EVENTS

64 SPEAKERS

51 COUNTRIES REACHED

1000+ PARTICIPANTS

Locations of registered attendees:

A WORD FROM LUXFLAG

LUXFLAG
Supporting Sustainable Finance

Sachin Vankalas
General Manager, LuxFLAG

Denise Voss
Chairwoman, LuxFLAG

The objective of the LuxFLAG Sustainable Investment Week (#LSIW) was to raise awareness of sustainable finance through a series of events and to further the LuxFLAG's mission of supporting sustainable finance Europe and internationally.

#LSIW was originally launched as a platform where LuxFLAG's members and partners could showcase their commitment and concrete actions in the field and provide participants with an international platform for education and experience-sharing.

The 2020 edition became entirely digital, with 22 stand-alone events, presented by over 60 speakers and experts. Spread over five days this year, #LSIW20 focused on a wide range of topics, ranging from Climate Finance, Environment, Social and Governance (ESG) to impact investing, the Sustainable Development Goals (SDGs) and the global impact of COVID-19.

Financial professionals attending the event series were provided with current insights from the field of sustainable finance and gained important knowledge of other market practices, in addition to policy developments.

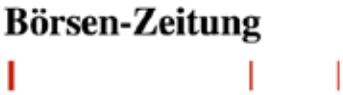
In addition to going digital, #LSIW20 also became international. Speakers from across Europe and the United States actively participated in panel discussions and attendees from across the globe, joining from Africa, Asia and South America, dialed in and joined the conversation. We are delighted to have been able to invite an international audience to participate in this year's edition and trust that all have benefitted greatly from the insights shared by our panels and experts.

We would like to express our gratitude to each of the 1000+ attendees and credit the success of #LSIW20 to the great involvement and valuable support of our partners, hosts and media partners.

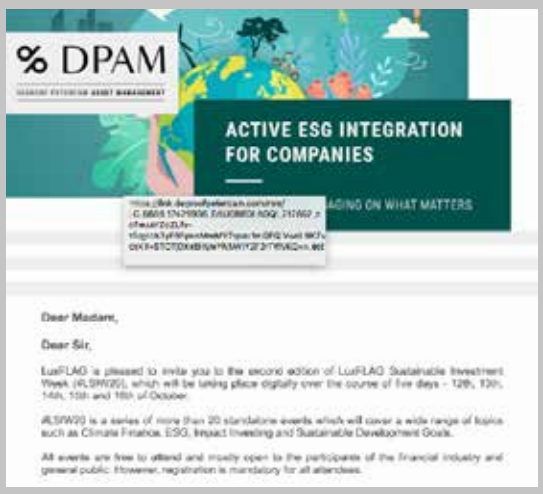
PARTICIPATING HOSTS

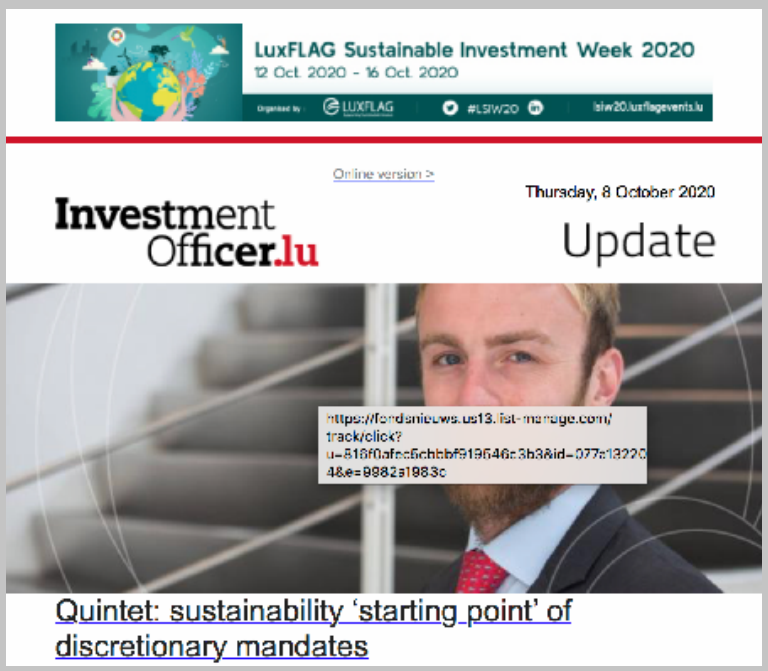
INSTITUTIONAL PARTNERS

MEDIA PARTNERS

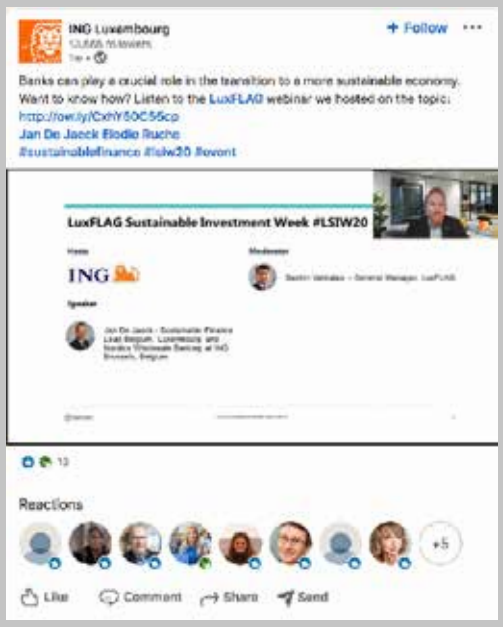


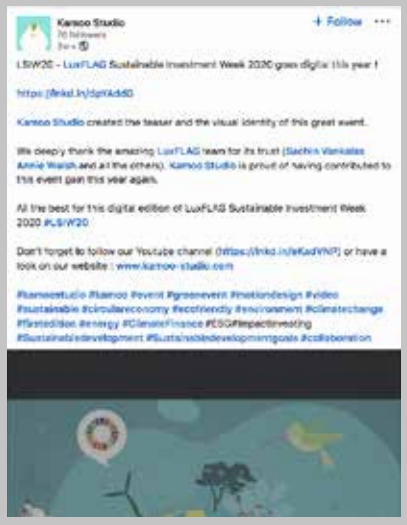
LSIW 2020 IN THE PRESS

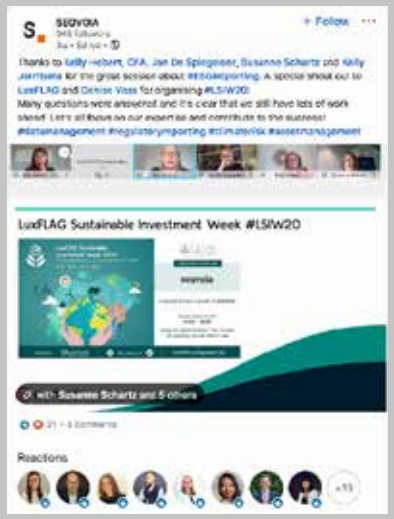


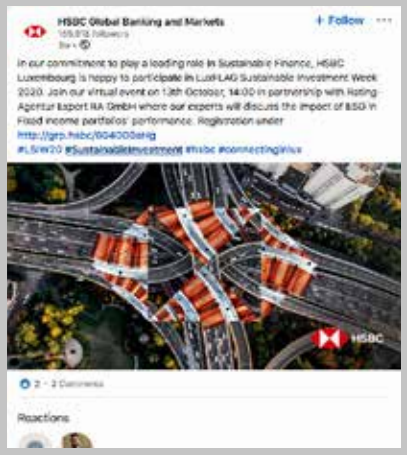


LSIW 2020 ON SOCIAL MEDIA









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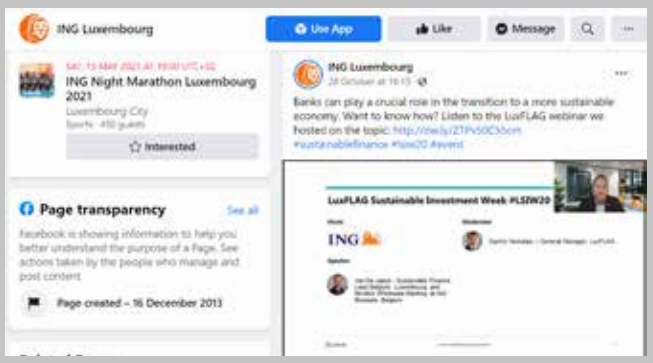
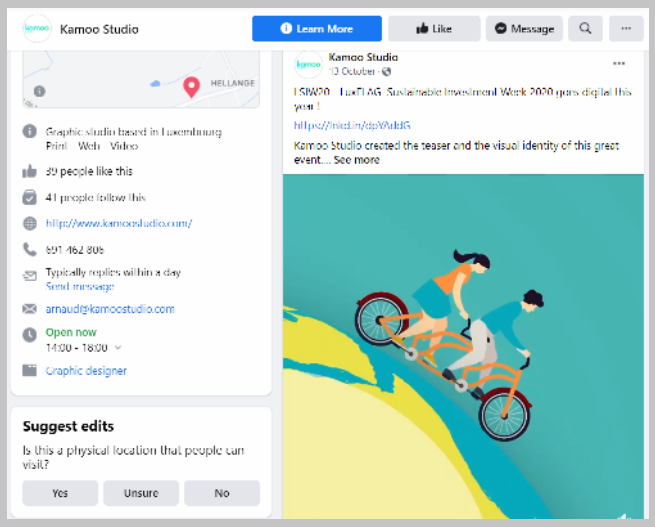


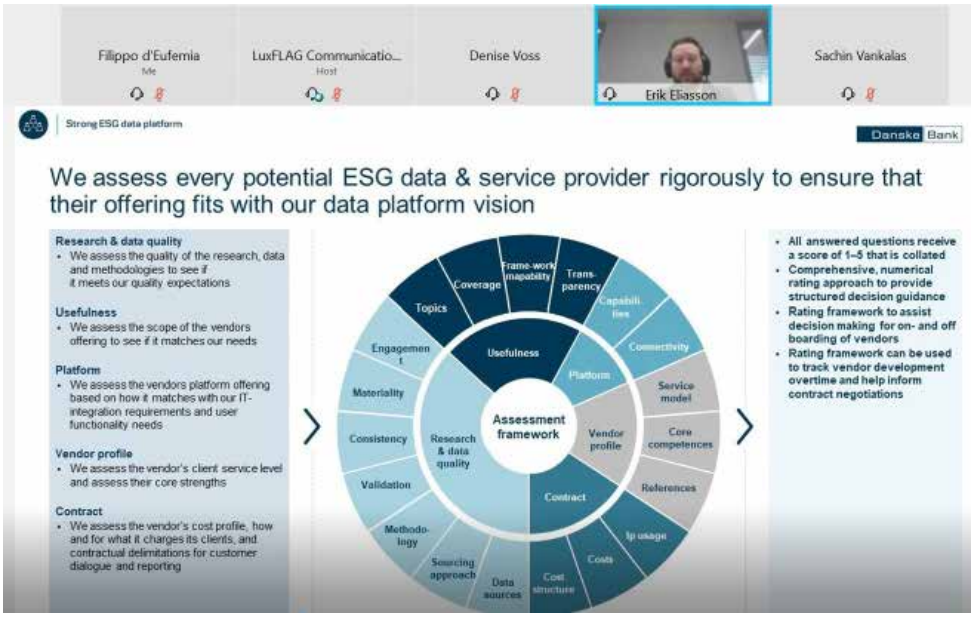


DAY 1 – 12TH OCTOBER

IS THERE A HOLY GRAIL OF SUSTAINABLE INVESTING THAT WILL HELP US SOLVE 'THE BIG ISSUES'?

Danske Invest

HOST	Danske Invest
SPEAKERS	Erik Eliasson - Head of Sustainable Investment



LuxFLAG Sustainable Investment Week 2020 #LSIW20, opened with a presentation by Erik Eliasson, Head of Sustainable Investment at Danske Bank and member of the Asset Management Leadership team. Eliasson leads the work of sustainability, ESG integration and active ownership across Danske Bank's investment processes, products, and advisory.

Eliasson outlined Danske Bank's sustainable investment approach; made up of four main components, with which the final aim is to make better-informed investment decisions by addressing issues of risk, problems, and dilemmas, and influencing portfolio companies through active dialogue to contribute to a positive outcome.

The four components involve a process that begins by integrating ESG into the investment decisions using an internal ESG data platform, called mDASH, which enables the investment teams to integrate ESG systematically. The mDASH framework leverages leading ESG standards and is powered by multiple data sources, combining financial materiality and raw data to form a transparent ESG score, called the mDASH score. mDASH addresses the ESG data challenge by mapping traceable raw data to financially material ESG topics and scoring companies with full transparency.

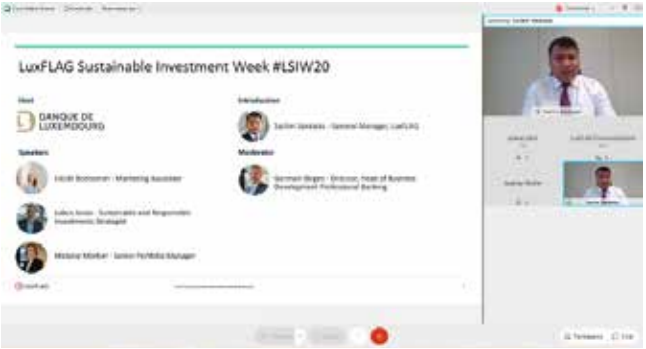
Eliasson shared Danske Bank's experience in selecting ESG data vendors, following a rigourous assessment process.

According to Eliasson, several forces are affecting the ESG data industry: consolidation, big data and AI driven research, new types of players and regulation.

"What you need for ESG integration is a strong ESG data platform, to focus on materiality and a bottom up process" - Eliasson

FINANCE DURABLE: CHOIX OU NECESSITÉ?

HOST	Banque de Luxembourg
SPEAKERS	Cécile Bonnomet - Marketing Associate Julien Jonas - Sustainable and Responsible Investments Strategist Melanie Mortier - Senior Portfolio Manager
MODERATOR	Germain Birgen - Director, Head of Business Development Professional Banking



The second session was a panel discussion hosted by Banque de Luxembourg, addressing the question "Sustainable Finance: choice or necessity?" The session was hosted in French, moderated by Germain Birgen, Director, Head of Business Development Professional Banking and a speaker panel including Cécile Bonnomet, Marketing Associate, Julien Jonas, Sustainable and Responsible Investments Strategist and Melanie Mortier, Senior Portfolio Manager.

The question of choice or necessity is not new and is frequently addressed in finance today. Europe is aiming to be climate-neutral by 2050, with transparent regulations for investors. There is no choice, it is a necessity, and information sharing is important as all managers in Europe will be impacted.

The panel discussed shifts in ESG, which have included the shift in focus from the "E", to "S", as a result of natural disasters, climate change movement and the Covid-19 pandemic, whereas "G" will continue to play an important role in investment decisions.

Other shifts include the move from exclusions to a more positive approach introduced by ESG as measureable impact has taken priority. Green bonds finance environment-related projects and Microfinance has a positive impact on rural populations, agriculture, small businesses and on women in particular.

Impact can be linked to a company's size; unlike larger companies where direct communication may be limited, smaller companies allow for a greater impactby enabling a closer contact.

The panel addressed the increasing interest and the emergence of Best-In-Class. Private equity is also growing in SRI. There is demand from investors and private banks. The COVID-19 crisis has shown that traditional funds "took off" and ESG funds "collected". Asset managers are more aware and the Banque de Luxembourg confirmed that they are now seeing more and more questions on ESG:

ADOPTING A SUSTAINABLE AND RESPONSIBLE INVESTMENT APPROACH IN CREDIT PORTFOLIOS IT DOESN'T COST PERFORMANCE, IT CAN ENHANCE IT

AberdeenStandard Investments

HOST	Aberdeen Standard Investments
SPEAKERS	Adam Dmochowski - Investment Specialist, Fixed Income
MODERATOR	Christophe Palumbo - Head of Business Development Belgium & Luxembourg

Christophe Palumbo, Head of Business Development for Belgium and Luxembourg moderated the next session hosted by Aberdeen Standard Investments (ASI), and introduced Adam Dmochowski, Investment Specialist, Fixed Income as the main speaker of the session.

Palumbo opened the session by emphasizing that "sustainability is a big topic on the agenda at Aberdeen Standard Investments (ASI). We think that nowadays investors do not need to choose anymore between ESG goals and delivering financial returns, these elements can be quite complementary and even enhance performance."

Dmochowski gave an update on where we are in the economic cycle, observing that "we believe we are entering in the repair stage".

According to Dmochowski, there are a couple of key themes investors think about when considering ESG and the sentiment towards those themes. Generally a more positive sentiment is shown towards research integration and engagement, as exclusions are more of a grey area and can be "quite heterogeneous, quite personal to every investor".

Dmochowski continued the session, focused on the Sustainable and Responsible Investment approach used at Aberdeen Standard Investments, outlining the key principles and investment process.

Following this process, the client outcome is "a portfolio that integrates ESG into every step of the investment process, engages with companies to drive higher standards and generates long-term competitive financial returns in a sustainable way."

"By integrating ESG, it can help build a more complete picture of the risks and opportunities that a company is facing and therefore our analysts are expected to factor in ESG when making an overall recommendation and the reason we do this is that ESG can be financially material" - Dmochowski

SDGS FOCUSED INVESTMENT STRATEGIES

GreenEthica

HOST	GreenEthica
SPEAKERS	Simon Bond - Fund Manager and Director of RI Portfolio Management, Columbia Threadneedle Investments EMEA APAC Léa Dunand-Chatellet – Director, DNCA Jacob Grapengiesser - Partner & Head of Eastern Europe, East Capital
MODERATOR	Charles Lamoulen - Conducting Officer Head of Portfolio Management, FIA Asset Management

TThe first afternoon session was hosted by GreenEthica, a panel discussion around how funds contribute to achieving the SDGs, moderated by Charles Lamoulen, Conducting Officer and Head of Portfolio Management at FIA Asset Management. The panel was made up of experts Simon Bond, Fund Manager and Director of RI Portfolio at Columbia Threadneedle Investments EMEA APAC, Léa Dunand-Chatellet, Director of DNCA and Jacob Grapengiesser, Partner and Head of Eastern Europe at East Capital.

Lamoulen opened the session by defining the 17 development goals, claiming the "SDGs will become the measuring tool to assess the sustainability of your investments"

The panelists each described the integration of the SDGs into their investment processes, as well as mapping outcomes to the SDGs.

The panelists approached the discussion from diverse perspectives, Dunand-Chatellet highlighting examples of equities and corporate bonds, Bond drew on particulars affecting the bond market, and Grapengiesser provided an asset management perspective. In concluding statements, Dunand-Chatellet outlined the impacts of the new regulation, Bond emphasized a need for strong standards on reporting, with particular reference to "rainbow-washing" and Grapengiesser supported the need for better frameworks, for better evaluation against the SDGs.

"We reject the idea that you need to sacrifice financial returns in order to do good for the environment and for society" – Bond

INVESTING IN FUTURE CONNECTIVITY

HOST	Fidelity International
SPEAKERS	Jon Guinness - Portfolio Manager of the FF-Global Communication Fund and TMT sector analyst Sumant Wahi - Portfolio Manager of the FF-Global Communication Fund and TMT sector analyst

Fidelity International hosted the last session of the first day of #LSIW20 with presentations by Jon Guinness and Sumant Wahi, Portfolio Managers of the FF-Global Communication Fund and TMT sector analysts.

Wahi described Fidelity's approach to sustainability as holistic and "different from other asset managers". A bottom up sustainability analysis approach, in which a review of companies is not only based on traditional fundamental analyses, but also looking beyond, for better understanding of the key risks affecting companies when preforming their activities. He insisted that a sustainable longer term business model lowers the cost of capital and is beneficial for the company.

Guinness addressed the key issues of sustainability in the tech industry, focusing particularly on digital ethics, which includes misinformation, privacy, online fraud and online welfare.

Guinness insisted that "it is very important for investors to have a sustainability approach to digital ethics and to engage with companies on all these key issues to make sure that they always do the right thing."

Consumer and business activities are moving from offline to online and from online to mobile. This is leading to innovation and disruption across multiple industries. Communication is becoming cheaper and faster and is impacting all sectors.

The discussion addressed the regulation of Big Tech, as a result of pressure for more regulation as tech is becoming systemically important. Technology is very under regulated relative to other industries, as they are supranational and the sector is moving at a fast pace.

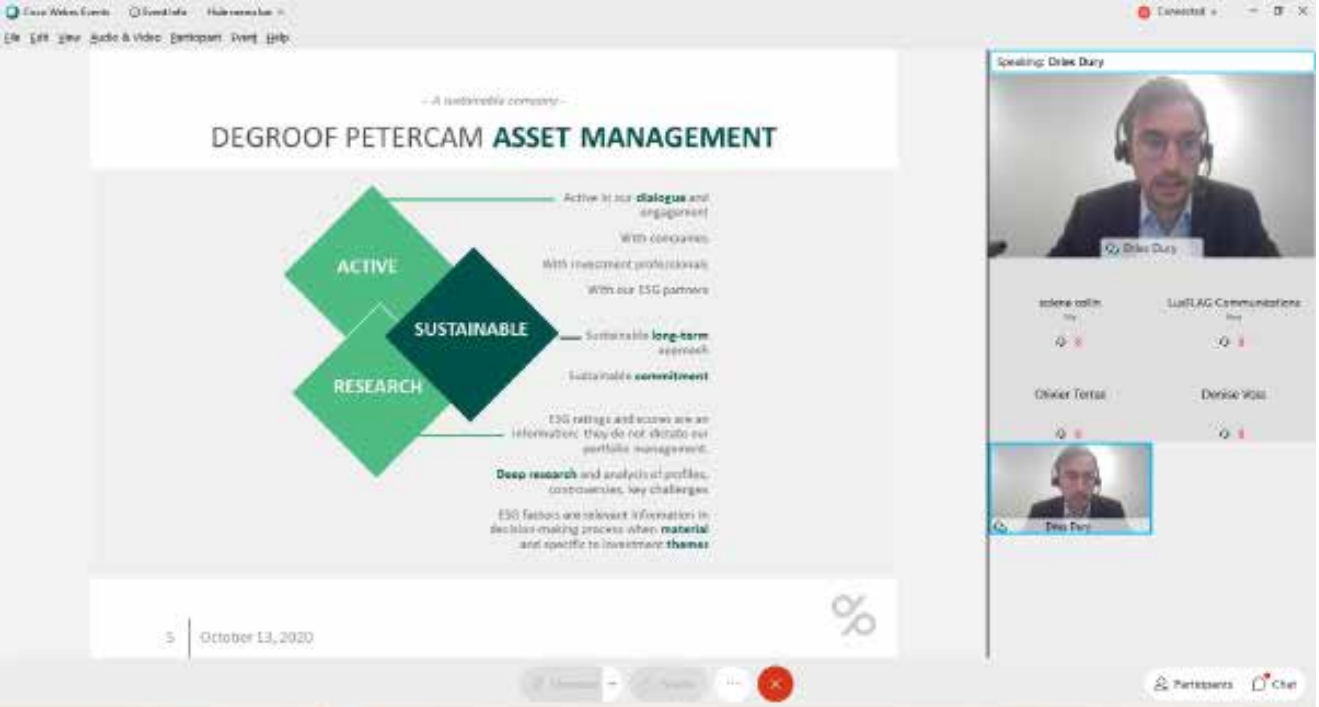
The presentation concluded on the topic of navigating geopolitics, using the example of 5G as the driver of the US-China tech trade war.

DAY 2 – 13TH OCTOBER

ACTIVE ESG INTEGRATION FOR COMPANIES, MEASURING & ENGAGING ON WHAT MATTERS

DPAM
DEGROOF PETERCAM ASSET MANAGEMENT

HOST	DPAM
SPEAKERS	Dries Dury - Fund Manager International & Sustainable Equities Olivier Terras - Country Head Luxembourg - Institutional Asset Management - Sales International



The second day began with a presentation by Degroof Petercam Asset Management, with a welcome by Olivier Terras, Country Head for Luxembourg, Institutional Asset Management and International Sales and he introduced the session's main speaker Dries Dury, Fund Manager, International and Sustainable Equities in Brussels.

Dury presented DPAM's mission and three main building blocks, which are "to be active, sustainable and research driven" and the importance that these blocks should overlap. According to Dury, ESG analysis helps improve performance and the quality of ESG analysis is increasing thanks to competition. He added, however, that ESG ratings are too dependent on companies' disclosure.

Dury addressed the topics of active ESG integration, the screening process and exclusions approaches taken by DPAM, drawing on practical examples and case studies, with a particular emphasis on how DPAM engages with companies.

"As a financial intermediary, we have a fiduciary duty towards our customers but also towards other stakeholders to be a responsible investor [...] for me one of the most tangible things you can do is to go and talk to people, go and raise questions."

Similar to the donation made during LSIW19 based on their participation, Terras announced that DPAM would repeat the initiative, for which they selected the NGO, Ocean Clean-up.

CLIMATE EMERGENCY: FINANCING A LOW-CARBON TRANSITION

TIKEHAU CAPITAL

HOST	Tikehau
SPEAKERS	Pierre Abadie - Co-Head of Tikehau Capital Energy Transition Practice Bart Mathijssen - Benelux Business Development

Tikehau Capital hosted the second session of the day, with introduction remarks by Bart Mathijssen, Benelux Business Development. Pierre Abadie, Co-Head of Tikehau Capital Energy Transition Practice, led the presentation by addressing the need to finance a low-carbon transition, as well as how energy transition can accelerate the COVID recovery.

Using a series of illustrations, Abadie pointed out that we are facing three successive tsunamis: a COVID wave, a huge recession, followed by the climate change wave.

Addressing the state of the current global pandemic, Abadie observed that we have changed the way the world works, "COVID has shown that there is a limit to globalization". There is a "true need" for a resilient socioeconomic system, as COVID has triggered the need for relocalization. Energy transition will play a key role in the relocalization process, along with automation and digitalization.

Abadie shared data gathered from the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA). "Finance might be the only industry capable of making the shift in the timeframe that we have." "There is a fantastic opportunity available right now, where there is still time to act."

Addressing the relevance of ESG, Abadie described ESG as a "framework and good governance practice", but "If you don't do ESG, today you are dead!"

ECONOMIC TRANSFORMATION: SUSTAINABILITY MEANS FUTURE VIABILITY

Union Investment

HOST	Union Investment
SPEAKERS	Jonas Weisbach - ESG Analyst Maria Löwenbrück – Executive Board Member

The third session of the day was hosted by Union Investment Luxembourg, with a welcome introduction by Maria Löwenbrück, Executive Board Member, before handing over to ESG Analyst, Jonas Weisbach.

Economic transformation was the central theme of the session and how sustainability will shape future viability. Weisbach highlighted the importance of creating a sustainable future, investing not only in companies that are already sustainable today. Sustainability always means future viability, and future viability requires transformation. Transformation is a continuous process.

Weisbach added that is important to be with companies along the process and identify those that are on a credible path to a sustainable business model. Credibility is achieved through exclusion and selection.

Credible transformation is achieved through research and engagement, by asking the right questions and by questioning goal setting. The end goal is to reach performance and positive impact.

According to Weisbach, the fundamental principles of transformation analysis are to "look ahead", "look at the details" and to take balanced action. It is important to exercise qualitative judgement, alongside gathering quantitative data from different providers.

THE IMPACT OF ESG INTEGRATION IN FIXED INCOME PORTFOLIOS' PERFORMANCE

HOST	HSBC and RAEX
SPEAKERS	Svetlana Grishankova - Managing director at Rating-Agentur Expert RA GmbH Maria-Laura Hartpence - Head of Fixed Income Quantitative Research at HSBC Global Asset Management Rachida Mourahib - Head of Fixed Income ESG and Green Research, Credit Research at HSBC Global Asset Management
MODERATOR	Niccolo Polli - CEO HSBC Luxembourg

Rating-Agentur Expert RA GmbH (RAEX) and HSBC joined forces to host their session on the impact of ESG in fixed income portfolios, moderated by Niccolo Polli, CEO at HSBC Luxembourg and speakers Svetlana Grishankova, Managing director at RAEX, Maria-Laura Hartpence, Head of Fixed Income and Quantitative Research at HSBC Global Asset Management and Rachida Mourahib, Head of Fixed Income ESG and Green Research, Credit Research at HSBC Global Asset Management.

In his opening remarks, Polli shared HSBC's bold ambitions to achieve net zero by 2030, targeting their own operations and working with their supply chain.

Mourahib outlined HSBC's global process of enhancing ESG integration and addressed the evolving landscape of risks, confirming climate change as the number long-term investment risk.

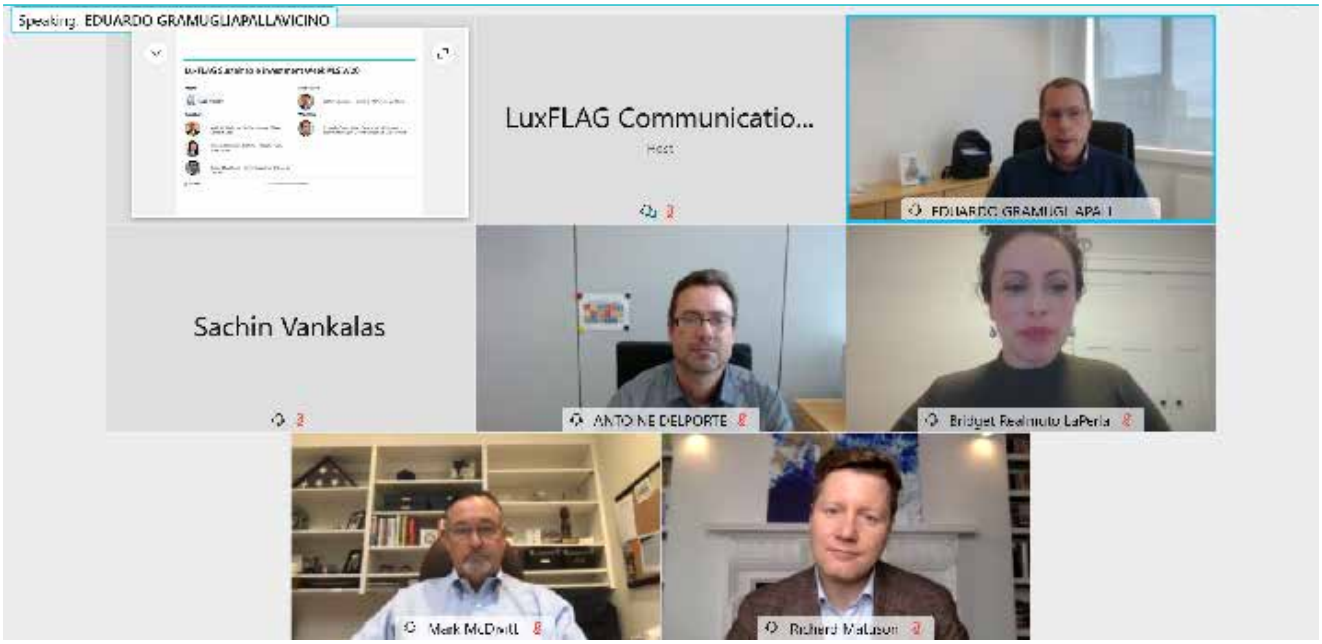
Mourahib shared findings from HSBC backtests, with which the objective was to assess the link between ESG scores and corporate and sovereigns' bond performance. Hartpence expanded on the methodologies used, which included an investigation into the link that exists between the quality of ESG quality of bonds and their performance in quantitative terms.

Summarising the findings, Hartpence said that it is too early to have a conclusion due to short data history but the results show that added ESG factors "didn't harm value and in various cases, it added value".

Grishankova shared practical examples of ESG impact on the CIS markets, by providing an overview of sustainability practices within the CIS and Black Sea region, ESG assessment of Russian indices and highlighted examples of ESG assessment in the Russian oil and gas sector.

PORTFOLIO DECARBONIZATION – THOUGHT LEADERSHIP AROUND CARBON MANAGEMENT, MEASUREMENT AND MONETIZATION

HOST	State Street
SPEAKERS	Mark McDivitt - Chief Operating Officer, Context Labs Bridget Realmuto LaPerla - Head of ESG research, State Street Richard Mattison - Chief Executive Officer at Trucos
MODERATOR	Eduardo Gramuglia - Senior Vice President - Branch Manager, Country Head at State Street



State Street concluded day 2 of #LSIW20 with a panel discussion on thought leadership around carbon management, measurement and monetization. Opening remarks were made by Eduardo Gramuglia, Senior Vice President, Branch Manager, Country Head at State Street.

Antoine Delporte, ESG Product Lead EMEA at State Street, laid the foundation for the discussion, by drawing on an example of the dramatic effects of climate change.

Bridget Realmuto La Perla, Head of ESG at State Street addressed the topic of decarbonization, referring to two research papers "Decarbonization factors" (2019) and "Decarbonizing everything" (2020).

Richard Mattison, Chief Executive Officer at Trucost, claimed that "By best estimate, the physical impact of climate risks, the cost of those would far outweigh the cost of the transition to a low-carbon economy." Mattison acknowledged the increase in available carbon emission data but insisted we need to be more forward-looking. Part of the challenge in achieving net zero commitments is around data.

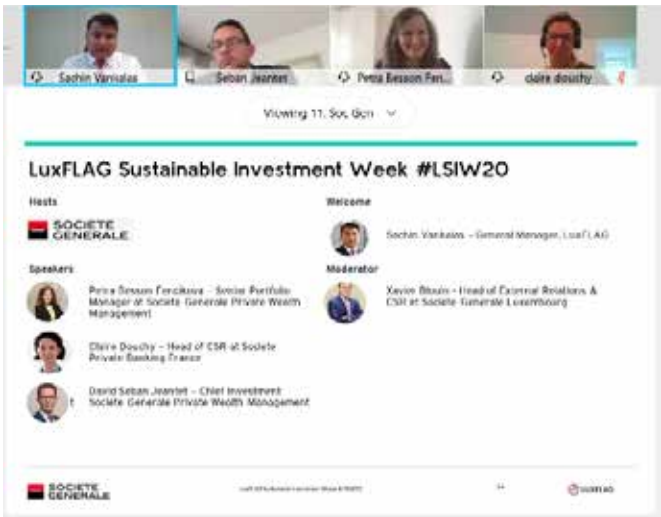
Mark McDivitt, Chief Operating Officer at Context Labs, addressed the price of carbon emissions in the EU, and if "Environmental attributes" can be considered as a new asset class to an asset allocation strategy.

McDivitt observed that companies are under increasing pressure from investors and regulators to acquire a carbon footprint, "scrambling to better quantify their impact on the environment, demonstrating that they are not only aware of their impact but that they are trying to do something about it."

DAY 3 - 14TH OCTOBER

CLIMATE ACTION AS AN IMPACT AND INVESTMENT THEME

HOST	Société Générale
SPEAKERS	Petra Besson Fencikova – Senior Portfolio Manager at Societe Generale Private Wealth Management Claire Douchy – Head of CSR at Societe Generale Private Banking France David Seban Jeantet – Chief Investment Officer at Societe Generale Private Wealth Management
MODERATOR	Xavier Blouin - Head of External Relations & CSR at Societe Generale Luxembourg



The first session of the day 3 of #LSIW was hosted by Société Générale (SocGen) and moderated by Xavier Blouin, Head of External Relations and CSR at Société Générale Luxembourg, with presentations by Petra Besson Fencikova, Senior Portfolio Manager at Société Générale Private Wealth Management, Claire Douchy, Head of CSR at Societe Generale Private Banking France and David Seban Jeantet, Chief Investment Officer at Société Générale Private Wealth Management.

Douchy shared statistics of the growing interest in responsible investment and accelerated growth of carbon emissions, as well as SocGen's commitments as a leading financial player, and the bank's solutions for investors to fight climate change.

Fencikova explained the process of counting carbon emissions, using a 3-scope process for measurement, which makes up the carbon footprint of a company. She added that renewable energy is rising but not sufficiently, as electricity production needs a disruption.

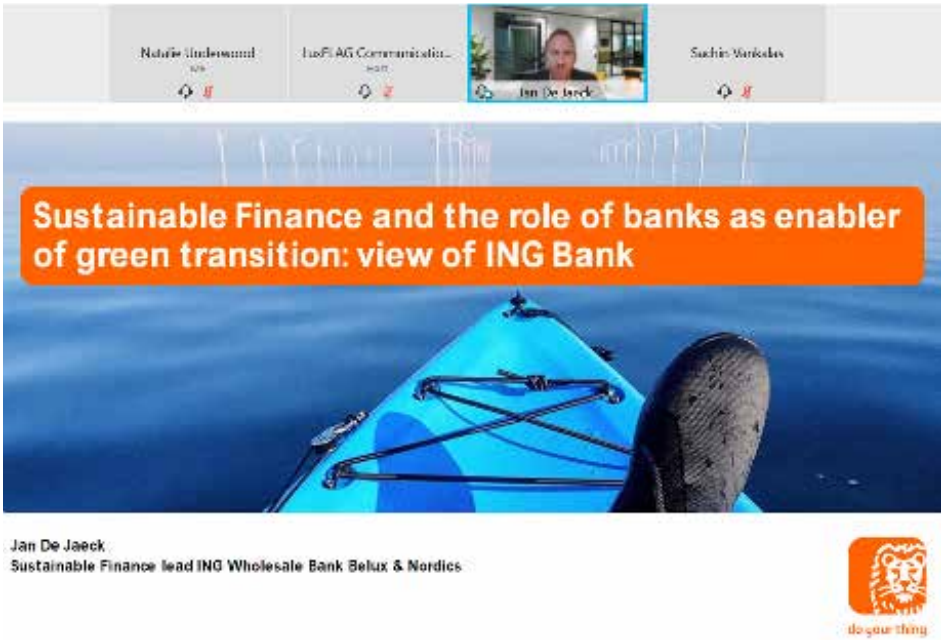
Seban Jeantet continued the topic of climate disruption, identifying the risks and opportunities, including new niche markets and ways of doing business. With renewables slowly on the rise, disruption is already on the way.

Fencikova described the pathway to 1, 5° portfolio, constructing and measuring the impact of a portfolio. She outlined SocGen's preference for a "forward-looking approach, one that we can call a climate action. A climate action where you invest in companies developing sustainable solutions to tackle climate change."

Seban Jeantet concluded the presentation by identifying 3 merits of thematic investment to green alpha: higher growth visibility, decrease portfolio risk, make a positive impact.

SUSTAINABLE FINANCE AND THE ROLE OF BANKS AS ENABLERS OF GREEN TRANSITION: VIEW OF ING BANK

HOST	ING
SPEAKERS	Jan De Jaeck - Sustainable Finance Lead Belgium, Luxembourg and Nordics Wholesale Banking at ING Brussels, Belgium



ING hosted the second session with a focus on the role of banks as enablers of green transition, presented from the view of ING Bank by Jan De Jaeck, Sustainable Finance Lead Belgium, Luxembourg and Nordics Wholesale Banking at ING in Brussels.

De Jaeck opened with ING's guidance statement, in which ING outlines its belief that "transition towards a more sustainable economy can be supported through our balance sheet commitments by financing change" and "Being sustainable is not just reducing our own impact, it's in all the choices we make – as a lender, as an investor and through the services we offer our customers."

He proceeded to share the climate challenges we face, which have an environmental, social and economic impact and stressed that these risks are becoming exponential.

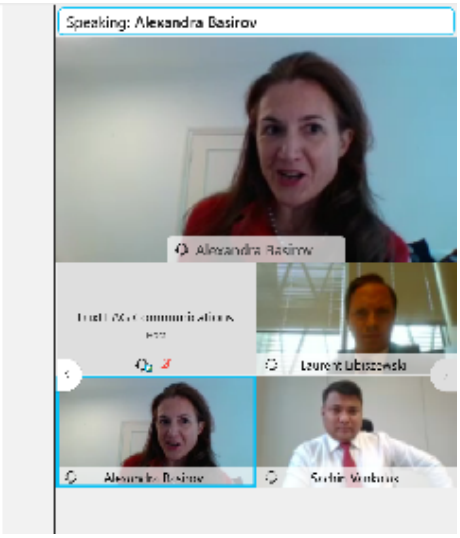
ING's belief is that society expects governments, the corporate sector and financial institutions to help solve climate challenges, through innovation, technology, and through cooperation.

De Jaeck outlined ING's commitments and sustainability direction, which is focused on two areas: climate action and financial health. The role of a bank is to finance change and have a big impact with the portfolio and assets they have and through the loans they offer. The TERRA approach is a collaborative initiative.

There are a lot of projects have to be funded and a bank can help with green financing. The EU taxonomy will have an important impact on companies and drive the market forward for green funding, as companies will have to disclose the percentage of green revenue.

CLIMATE CHANGE, COVID-19 AND THE POST-PANDEMIC ROLE OF BANKS

HOST	BNP Paribas
SPEAKERS	Alexandra Basirov - Global Head of Sustainable Finance, Corporate & Institutional Banking at BNP Paribas Laurent Libiszewski - Global Head of Debt Products & Solutions at BNP Paribas Securities Services



For their #LSIW20 hosted session, BNP Paribas chose to address climate change, Covid-19 and the post-pandemic role of banks. The session was hosted by speakers Alexandra Basirov, Global Head of Sustainable Finance, Corporate & Institutional Banking at BNP Paribas and Laurent Libiszewski, Global Head of Debt Products & Solutions at BNP Paribas Securities Services.

The presentation was divided into three main sections:

1. Evolution of ESG in a post-COVID world;
2. What is BNP doing to meet for example the Paris agreement?
3. Evolution of the Sustainable Bond market;

The discussion centered around the direct impact of COVID-19 on business models, the increased importance of ESG and the accelerated need to understand social risks, by putting S in the spotlight.

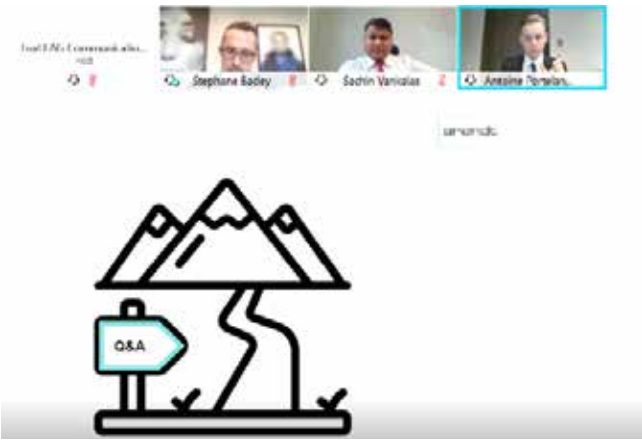
The financial sector and banks have a critical role to play and by signing the principles for responsible banking, which provides a framework for a sustainable banking system, it helps the industry to demonstrate how it makes a positive contribution, by using the SDGs and Paris Agreement as guiding principles.

There is a lot of work and transition to be done. Policies can help accelerate a bank's support of energy transition, by preventing investment in controversial sectors and businesses.

BNP Luxembourg is the leading listing agent within sustainable bonds on the Luxembourg Green Exchange, which is a key component for the bank as part of their "forward" strategy.

EUROPEAN REGULATION AROUND SUSTAINABLE FINANCE

HOST	Arendt
SPEAKERS	Stéphane Badey - Partner Antoine Portelange - Associate



Arendt addressed the European regulation around sustainable finance, presented by Arendt Partner, Stéphane Badey and Arendt Associate, Antoine Portelange.

The focus of the session was the Disclosure Requirements (SFDR), the regulation which will come to effect in March 2021.

The areas include:

- Key concepts: ESG/Sustainability factors, ESG/Sustainability risks, ESG/Sustainability objective and adverse impacts on sustainability factors.
- Key actions of the EU Action Plan, including the potential amendment of the AIFMD and UCITS Directive.
- The road ahead for the regulatory changes with key dates and possible adverse impacts.
- Disclosure requirements (Regulation EU 2019/2088). The requirement of integration of sustainability risks in the investment decision making or investment advice process.
- Classification and disclosure requirements for Article 8 and Article 9.
- RTS (regulatory technical standards) will detail how information should be disclosed. Templates are not available yet. The EU is working on producing the 2nd round of RTS.
- Taxonomy alignment (1st round) and periodic disclosures, in addition to principle adverse effects (a template from the draft RTS).
- The end of the road will be December 2023 for SFDR and taxonomy alignment. Expectations are high for the 2nd draft of RTS.
- Publication of the RTS is necessary for the implementation of the Level 1. Delay of the publication of RTS will incur challenges for the industry. The draft RTS can be used for the implementation of the Level 1.
- The first step is the classification of the products, which is an ongoing process and challenge.

TOWARDS A MORE CIRCULAR WORLD

CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

HOST	Candriam
SPEAKERS	Nicolas Deltour - Head of Client Management Fundamental Equity

The last session of day 3 of #LSIW20 was hosted by Candriam, a focus on a circular world, presented by Nicolas Deltour, Head of Client Management Fundamental Equity

Deltour began his presentation with a definition of circular and linear economies. The circular economy described an economic system that is restorative-regenerative by design.

In 2020, the world is currently 8.6% circular. The opportunity of the circular economy is presented as a USD 4.5 trillion conversion of the world's remaining 91,4% linear portion of economy by 2030.

The two types of circular companies include Transformers, traditional companies who transform their value chain to become more circular, and Enablers, companies that enable others to become more circular. Opportunities for collaboration can occur between enablers and transformers. Circular Transformers transform their own value chain to become more circular, using recycled renewable resources to create a recoverable product. Sports shoes are a key example.

Deltour outlined the 4 R's: recycle, replace, repurpose and rationalize.

Candriam build their portfolio based on 3 building blocks, however a company needs to meet a set of 5 criteria, in order to be considered eligible. According to Deltour, "we want companies that are providing solutions for a more circular world but also companies that will remain profitable and grow and bring performance to the investor."

DAY 4 – 15TH OCTOBER

SUSTAINABLE DATA: WHICH CONCRETE ROLE FOR EACH PLAYER OF THE LUX ECOSYSTEM?

HOST	Luxembourg Stock Exchange
WELCOME	Julie Becker - Deputy CEO of LuxSE and Founder of LGX at LuxSE
SPEAKERS	Carlo Houblie - Commercial Director, role of credibility and transparency of LGX at LGX Sandra Crowl - Stewardship Director in charge of Responsible Investment Committee at Carmignac Antoine Delporte – ESG product lead for EMEA - Global Services at State Street James Purcell - Group Head of ESG at Quintet Private Bank
MODERATOR	Laetitia Hamon - Head of Sustainable Finance at Luxembourg Stock Exchange

The fourth day of #LSIW20, started with a panel discussion around sustainable data, hosted by the Luxembourg Stock Exchange (LuxSE).

Welcome remarks were made by Julie Becker, Deputy CEO of LuxSE and Founder of LGX at LuxSE, who introduced the session's four panelists Carlo Houblie, Commercial Director, role of credibility and transparency of LGX at LGX, Sandra Crowl, Stewardship Director in charge of Responsible Investment Committee at Carmignac, Antoine Delporte, ESG product lead for EMEA - Global Services at State Street and James Purcell, Group Head of ESG at Quintet Private Bank. Laetitia Hamon, Head of Sustainable Finance at Luxembourg Stock Exchange acted as moderator throughout.

The panelists addressed questions about:

- Is there more or less ESG data available?
- The data is available, is it meaningful to end investors?
- Sustainable finance is in everyone's DNA, but is there education?
- The SFDR are European regulation: would each European country would have the same understating of the regulation?
- Map ESG rating: who could do it and how it could be done?
- We are all convinced that ESG data is worth trying. Why should we all work into this direction then?

Takeaways from the discussion include the need for ESG data, particularly with regards to the new regulation, the dependency of the industry on the approaches and interpretation of the rating agencies.

"Data can be meaningful and future data will need to be available, reliable, structured and centralised." - Harmon

There is an urgency to get legal, as compliance and technical teams prepare for March 2021.

"ESG is the new gold, but it is worthless if you don't do anything with it." – Delporte

SUSTAINABLE FINANCE - FUND SCOPING (ESG VS SUSTAINABILITY) - ARE YOUR FUNDS READY FOR THE MARCH 2021 DEADLINE?

HOST PwC

SPEAKERS Nathalie Dogniez - Partner
Melek Sahinoglu - Director in the Regulatory Compliance Advisory Services department

PwC hosted the second session of the day with presentations by PwC Partner, Nathalie Dogniez and Melek Sahinoglu, Director in the Regulatory Compliance Advisory Services department, on the upcoming regulation changes.

Dogniez presented the Implementation of the EU Sustainable Finance Action Plan, which will be leveraged by the Sustainable Finance Disclosure Regulation (SFDR) and implemented in March 2021.

The presentation addressed the changes to the regulatory framework, Taxonomy regulation, Disclosure regulation, as well as additional measurements and initiatives.

The immediate change will be the SFDR regulation. The industry will follow a 2-step implementation process; Level 1 will be implemented by March 2021, whereas the implementation of Level 2 will be delayed until the industry is ready. The SFDR will apply to all financial products, all financial market participants and financial advisors.

The speakers addressed the importance of strategic implementation of the Action Plan and the critical need for reporting, as well looking at this exercise as an opportunity to differentiate products and analyze how good the ESG process is.

The 3 main categories of products are: Article 6 (Normal products), Article 8 (Products that promote environmental or social characteristics) and Article 9 (Sustainable investments).

The implementation of the Regulatory Technical Standards (RTS) was also covered and the implementation of RTS will probably be delayed until January 2022.

The presentation concluded by saying that disclosures with or without the RTS will be a challenge. Asset managers will need to identify and classify their products, adopt the relevant processes and proceed with disclosure and fund documentations.

THE S IN ESG: MEASUERING THE IMPACTS OF SOCIAL INVESTMENTS

LUXEMBOURG INSTITUTE OF SCIENCE AND TECHNOLOGY | LIST

HOST	LIST
SPEAKERS	Dorothée Baumann-Pauly - Director at Geneva Center for Business and Human Rights Claudia Hitaj - R&T Associate at Luxembourg Institute of Science & Technology Charles Muller - Independent Director / Avocat Honoraire at Etude Charles Muller

The third session hosted by the Luxembourg Institute of Science and Technology (LIST), provided an insightful panel discussion on the impacts of social investments and how to measure them. Dorothée Baumann-Pauly, Director at the Geneva Center for Business and Human Rights, Claudia Hitaj, R&T Associate at Luxembourg Institute of Science & Technology and Independent Director and Avocat Honoraire Charles Muller, made up the panel for the session.

Hitaj took on the role of moderator and posed questions on topics including the integration of human rights during the current COVID-19 pandemic and measurement with particular focus on key indicators. The discussion also addressed the lack of available data and lack of trust for investors of third party data.

Baumann-Pauly observed that the human rights component should be falling under the "S" of ESG. Findings of a study suggest that investors are currently underserved under S and that most information is available for E and G. Indicators under the S are currently evaluating companies' efforts, rather than the effects.

Baumann –Pauly claimed that the "pandemic has changed the calculations done by the companies in the context of their supply chains" and companies are moving away from a transactional business model. She shared examples from the garments, agricultural and cobalt industries.

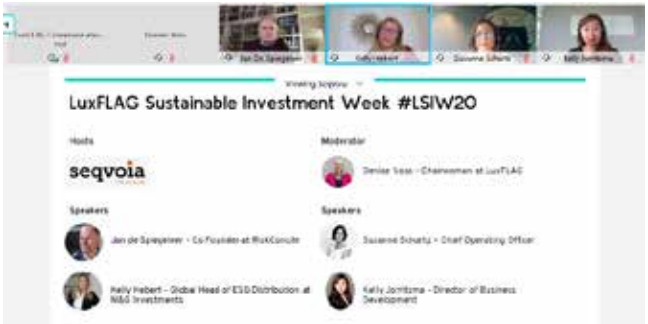
Muller addressed legal standards and the upcoming regulation and claimed "the legal side is taking momentum". He also commented that the disclosure regulation contains an element of quantification. EU regulators are trying to define the quantitative indicators.

"One of the milestones of sustainability in Luxembourg was the creation of LuxFLAG. It was the first time that the industry itself decided to do something, because LuxFLAG is a joint venture between the state and industry". – Muller

ALONG ESG IMPLEMENTATION – LET'S ANSWER THE QUESTIONS YOU ARE AFRAID TO ASK

seqvoia
tech for funds

HOST	Seqvoia
SPEAKERS	Jan de Spiegeleer - Co Founder at RiskConcile Kelly Hebert - Global Head of ESG Distribution at M&G Investments Susanne Shartz – Chief Operating Officer Kelly Jorritsma - Director of Business Development



For the topic of their session, Seqvoia addressed ESG implementation and "the questions you are afraid to ask". The speakers included, Jan de Spiegeleer, Co Founder at RiskConcile, Kelly Hebert, Global Head of ESG Distribution at M&G Investments, Susanne Shartz, Chief Operating Officer and Kelly Jorritsma, Director of Business Development

The focus for the discussion centered around the upcoming ESG disclosures and Climate-Stress Tests, identifying the possible impact of physical or transition risks on an investment fund.

Data was a key theme and is a central challenge within the Asset Management industry, very prominent within ESG and ESG reporting. There is a great complexity in creating, analysing and holding data. The question of reliability on data is central to the success of the SFDR.

Another focus was how climate change is putting our world at risk. To change this trend, government and regulators want to reorient capital flow towards sustainability goals with more transparency. To do this, they demand that all financial services consider ESG issues in their investment decisions.

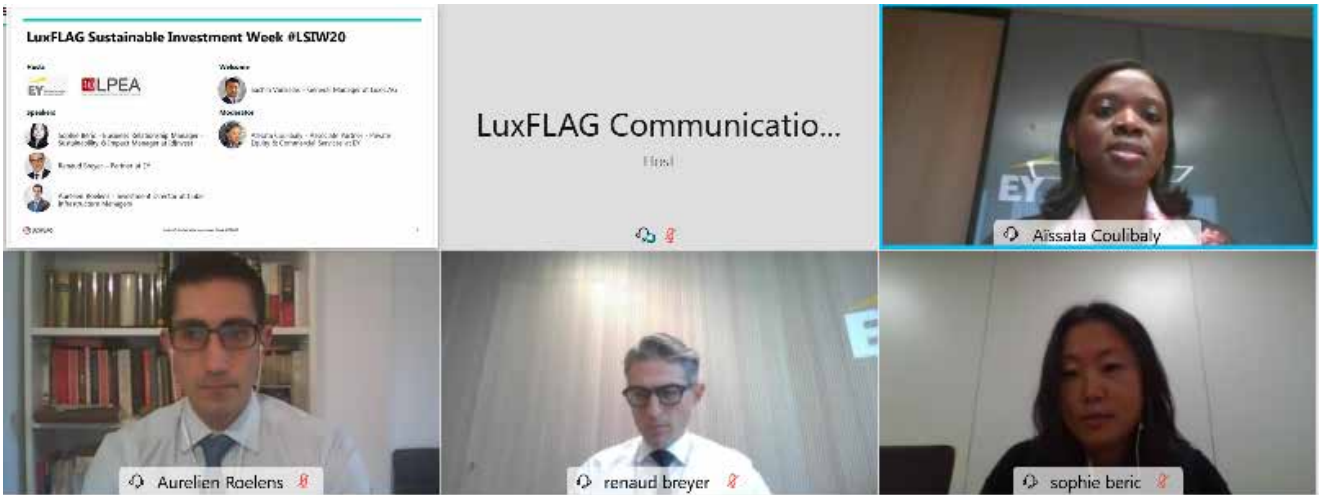
Counting down to March 2021, the key requirements of the regulator were outlined with relation to Entity and Products. Even if the length of the agenda is short, there remain many challenges.

Despite the absence of the final RTS, final update of the NFDR and complete draft of the Taxonomy, steps and decisions can be taken on the integration of sustainability risks and adverse impacts, updates of remuneration policies and recommended risk management practices.

According to Kelly Hebert, despite the current challenges, there are also opportunities. It is very important to find a way to grow the ESG world sustainably and successfully and that will come with a framework which offers reliability and some sort of standard data to avoid green washing.

ESG MAINSTREAMING IN PRIVATE EQUITY: SAFE HAVEN OR BURDEN?

HOST	EY LPEA
SPEAKERS	Sophie Béric - Business Relationship Manager - Sustainability & Impact Manager at IdInvest Renaud Breyer – Partner at EY Aurélien Roelens - Investment Director at Cube Infrastructure Managers
MODERATOR	Aïssata Coulibaly - Associate Partner - Private Equity & Commercial Services at EY



The fourth session was co-hosted by EY and LPEA, moderated by Aïssata Coulibaly, Associate Partner, Private Equity & Commercial Services at EY and a panel of three speakers Sophie Béric, Business Relationship Manager, Sustainability & Impact Manager at IdInvest, Renaud Breyer, Partner at EY and Aurélien Roelens, Investment Director at Cube Infrastructure Managers.

The panel addressed ESG strategies, data issues, as well as the TCFD framework / EU taxonomy related impact.

Adopting the right managerial approach, setting ambitions and defining the strategy will be the key, in addition to deploying on a manager and product level.

In infrastructure markets, most will continue to integrate ESG considerations within the cycle as a whole. This trend can be seen in the mission statements of some players, which is not typical for some management companies.

An important pillar for ESG integration is the onboarding of the investment team. Often, financial and non-financial analyses are separated and reconciled at a later stage.

Non-financial reporting can fall under different functions within companies. Production of reports remains unclear and a difficult exercise for managers at present.

ESG factors consideration during only the investment screening/decision stage is not sufficient.

ESG data limitation is one of the most important challenges for the sector.

Intentionality and transparency are important due to frequent greenwashing. and for transparency for investors. The regulatory framework sometimes can be detailed and technical and deter many from getting on board.

It is important to get started and not to be afraid of the regulation. ESG requires different skills and people within an organization.

HOW CAN WE ACCELERATE FINANCING FOR SDGS

HOST	LuxFLAG, Luxembourg Government, UNDP
SPEAKERS	Carole Dieschbourg - Minister for the Environment, Climate and Sustainable Development at The Luxembourg Government Franz Fayot - Minister for Development Cooperation and Humanitarian Affairs at The Luxembourg Government Tom Beloe - United Nations Development Programme Christopher Marc Lilyblad - United Nations Development Programme Carlo Hein – Co-Founder and Chairman of Ramborn Cider Co. and Director of Becolux Gabriel Boisante - Entrpreneur

The closing event of the day was hosted by LSIW's principle host, LuxFLAG, with a two-part session. The first session included keynote speeches by Carole Dieschbourg, Minister for the Environment, Climate and Sustainable Development and Franz Fayot, Minister for Development Cooperation and Humanitarian Affairs at The Luxembourg Government, followed by presentations by representatives of the United Nations Development Programme, Tom Beloe and Christopher Marc Lilyblad, Country Representative for Cabo Verde.

Based at the UNDP Finance Sector Hub in New York, Beloe introduced UNDP is an organization with a mandate to help countries deliver on the SDGs. The UNDP works across 171 countries and "our asset is our country presence and our country engagement". Beloe described the UNDP's approach to SDG finance as a systemic one and outlined engagement. "Our approach is to put the Sustainable Development Goals at the heart of the financial system." Representing the UNDP in Cabo Verde, Lilyblad presented sustainable finance and the blue economy as the principal SDG accelerators in the region.

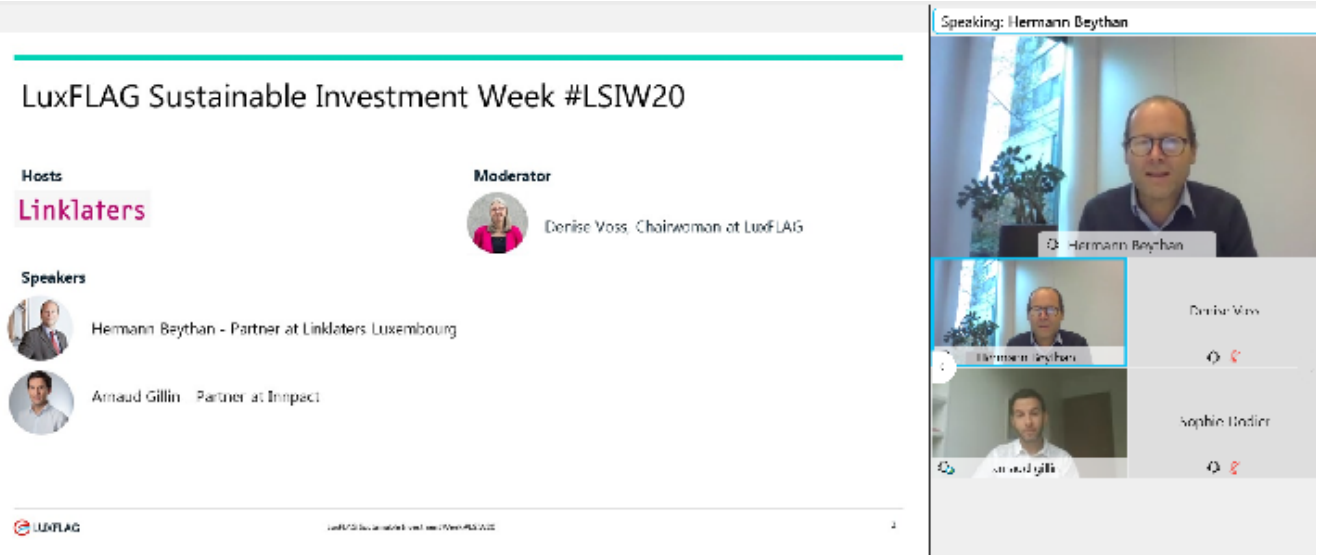
The second session opened with a presention by Carlo Hein, Director of Becolux and Co-Founder and Chairman of Ramborn Cider Co., Luxembourg's first cider producer, on what it means to produce a product, the impact of that product, Ramborn's challenges and B Corp as an assessement tool. Gabriel Boisante, Entrepreneur within Luxembourg's hospitality sector, identified sustainability topics, with examples from today's restaurants and bars. Boisante outlined the sectors' ambitions for the future and stressed the ongoing progress and importance of tackling plastic and waste management, packaging, innovative approaches to change management and "the need to support local actors."

DAY 5 – 16TH OCTOBER

COVID-19 AND IMPACT FINANCING FOR DEVELOPING COUNTRIES

Linklaters

HOST	Linklaters
SPEAKERS	Hermann Beythan - Partner at Linklaters Luxembourg Arnaud Gillin - Partner at Innpact



The final session on the morning of day 5 of #LSIW20, was hosted by Linklaters Luxembourg, on the topic of COVID-19 and impact financing for developing countries.

The session's two speakers were Hermann Beythan, Partner at Linklaters Luxembourg and Arnaud Gillin, Partner at Innpact.

Gillin introduced Innpact, an advisor for impact investment structures and supporting the emergence of new investment advisors. He shared Innpact's view on the "need for new actors" with expertise in the industry.

The speakers discussed the definition of impact investing, defining it as "investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return." They addressed the relationship between mainstream investing, impact investing and philanthropy.

The presentation addressed further topics including: impact financing compared with ESG, reporting and actions taken in fund management, impact financing compared with ESG, developing countries and COVID-19, where to invest to respond to the COVID situation and the tools for impact investing.

Beythan summarised the "the objective is to make the world better. This is extremely important that we keep this in our ears, in our hearts and in our minds."

THANK YOU

We would like to take this opportunity to thank all our participating hosts, partners and media partners, and all the participants, who kindly took the time to attend the LuxFLAG Sustainable Investment Week 2020.

We look forward to welcoming you at #LSIW21.

LUXFLAG
Supporting Sustainable Finan ce

Luxembourg Finance Labelling Agency (LuxFLAG)
12, Rue Erasme
L-1468 Luxembourg

Tel: 22 30 26 1
Fax: +352 22 30 93

Email: info@luxflag.org