



LuxFLAG Sustainable Investment Week 2021

Putting sustainability at the forefront of
finance

11 Oct. 2021 – 15 Oct. 2021

CONFERENCE REPORT



www.luxflag.org

[#LSIW21](https://twitter.com/LSIW21)



5
DAYS

22
EVENTS

64
SPEAKERS

51
COUNTRIES
REACHED

1000+
PARTICIPANTS

LuxFLAG SUSTAINABLE INVESTMENT WEEK 2021

Putting sustainability at the forefront of finance

11th until 15th October 2021 Luxembourg



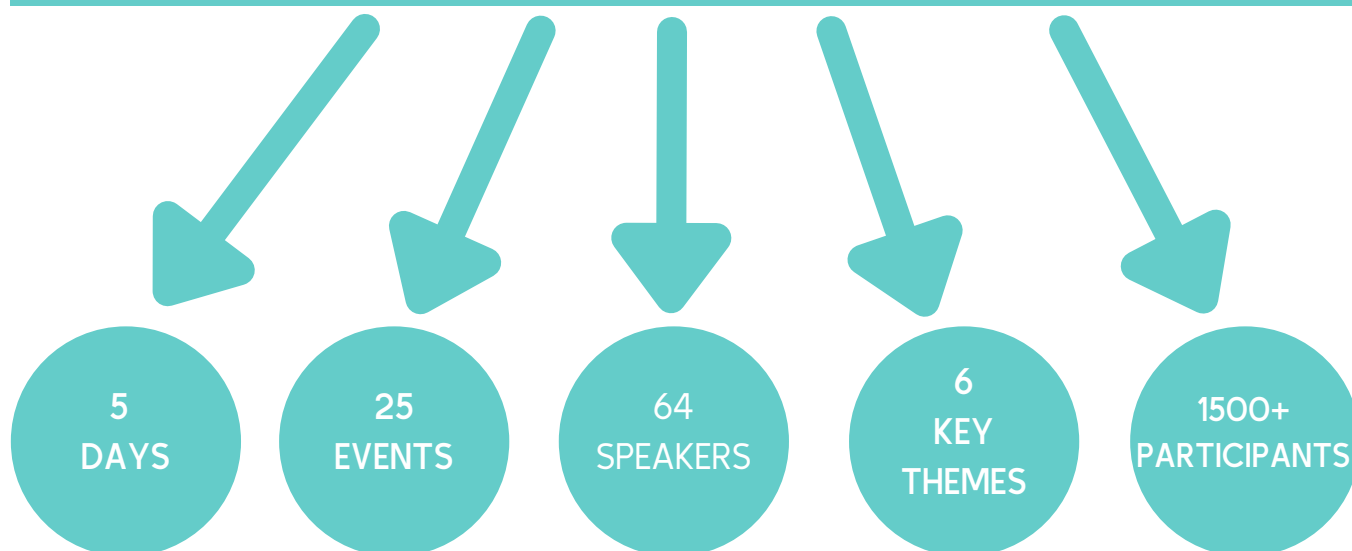
ALLEN & OVERY



KEY THEMES



- Sustainable Finance
- ESG
- Impact Investing
- SFDR and EU Taxonomy
- Blended Finance
- Climate Change Finance





Denise Voss
Chairwoman, LuxFLAG

The LuxFLAG Sustainable Investment Week (#LSIW) exists to raise awareness of sustainable finance by hosting a series of events that collectively strengthen LuxFLAG's mission to support sustainable finance across Europe and globally.

#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.

Fundamental to the success of #LSIW was the work of Sachin Vankalas, the late General Manager of LuxFLAG. As a tireless supporter of sustainable finance he really exemplified LuxFLAG with his passion, ambition, and drive to move to a sustainable future.

It is off the back of that passion that the scope of #LSIW has continued to grow. In its third iteration, #LSIW21, it attracted over 1,500 attendees across the week, spread across a record 25 sessions covering the latest trends and more pressing issues in sustainable finance.

#LSIW21 continued to ensure sharing of best practices, to advance towards the goal of making all finance sustainable, and to help find solutions to current environmental and social challenges.

Despite being forced by the pandemic to take a predominantly digital format for the second year running, the week saw both speakers and delegates participate from locations around the globe, making this a truly international event.

Thanks go out to the involvement and valuable support of all our partners, hosts and media partners, that made #LSIW21 such a success.

LuxFLAG is already looking forward to welcoming you as guest, speaker, partner, host and / or media partner to its fourth edition of #LSIW 17th to 20th October 2022. More details to follow shortly.

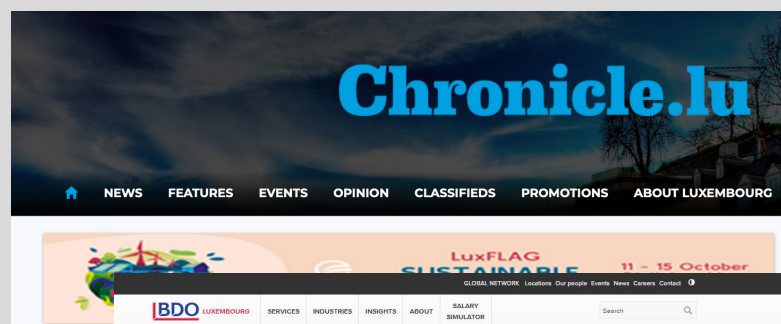
Review and share

To catch up on #LSIW21 and view sessions from across the week, visit LuxFLAG's [YouTube channel](#).

Additional insights are available through LuxFLAG's social network presence. Click to view our latest posts.



LSIW 2021 IN THE PRESS



BDO Luxembourg at the LuxFLAG Sustainable Investment Week 2021



LuxFLAG Sustainable Investment Week

Tuesday, 12 October 2021 00:00 - Friday, 15 October 2021 00:00

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Details: The third edition of the LuxFLAG Sustainable Investment Week (#LSIW21) is taking place digitally and / or in person in Luxembourg from 12 to 15 October 2021.

#LSIW21 is a series of standalone events which will cover a wide range of topics such as climate finance, environmental, social and corporate governance (ESG), impact investing and sustainable development goals.

All events are free to attend and



WEBINAR - STRATEGY & OPERATIONS

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MONDAY 11.10.2021

Luxflag Sustainable Investment Week



| Luxflag Sustainable Investment Week Thongkuk7824/Shutterstock

The third edition of the event will take place online for five days and is organised by LuxFLAG.

The topics to be discussed throughout the event are spread across several areas including climate finance, ESG, impact investing and the sustainable development goals (SDGs).

Discussions will also feature LuxFLAG's Associate Members on several days including Allen & Overy on ESG, sustainability and the future of pensions, BNP Paribas Securities Services on blended finance, and many others.

On the final day of the event, a physical session is envisaged by the organisers. The event is free for all participants.

Registration and more information.

AUTOREN | PARTNER | ARCHIV | THEMEN



Newsletter Autor werden



LUNDI 11.10.2021

Le contenu ci-dessous est exclusivement disponible en anglais.

Luxflag Sustainable Investment Week 2021



lundi 11 octobre 2021
08:00 à vendredi 15 octobre 2021
11:30

Online and multiple locations in Luxembourg

Langue(s) de l'événement: English

Luxflag's flagship annual event has the tagline "putting sustainability at the forefront of finance".

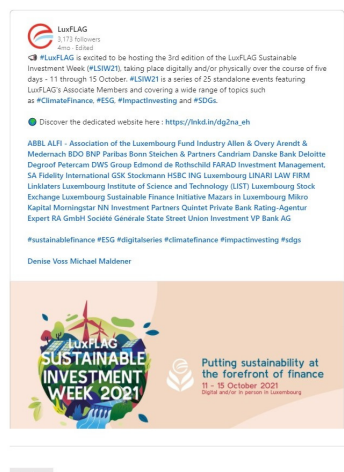
There will be panels and presentations on a wide range of sustainable finance topics, including climate finance, ESG, impact investing and sustainable development goals.

Speakers include Petra Besson Fencikova of Société Générale, Codrina Constantinescu of Allen & Overy, Rick Lacaille of State Street, Luc Neuberg of the Luxembourg Association for Risk Management (Alrim), Aurelien Roelens of Cofe Infrastructure Managers, Irina Stolarova of GSK Stockmann, Serge Weyland of Edmond de Rothschild, among others.

Luxflag is an industry- and government-backed organisation that verifies fund firms' responsible investing claims.

Some sessions will be held online and some sessions will be held in sponsors' offices. Check the agenda for details.

More information and registration



FONDSTREND



LSIW 2021 ON SOCIAL MEDIA



@SriEvent 227 abonnés · 5 j ·

Partnership Announcement

Extremely delighted and proud to announce the @SriEvent is Twitter Medi Partner of #LSIW21 Sustainable Investment Week 2021 (11-15 October 20) By LuxFLAG <https://bit.ly/2XYng96>

#sustainablefinance #sri #esg #greenfinance #greenbonds #impinv #climatefinance #responsibleinvestment

Voir la traduction



Deloitte Luxembourg @DeloitteLU · Oct 1, 2021

Excited to be taking part in @LuxFLAG's #SustainableInvestment week! Join our session on 13 October to learn more about the #ESG landscape's challenges and opportunities. Sign up here: deloitte.tt/39ORApw



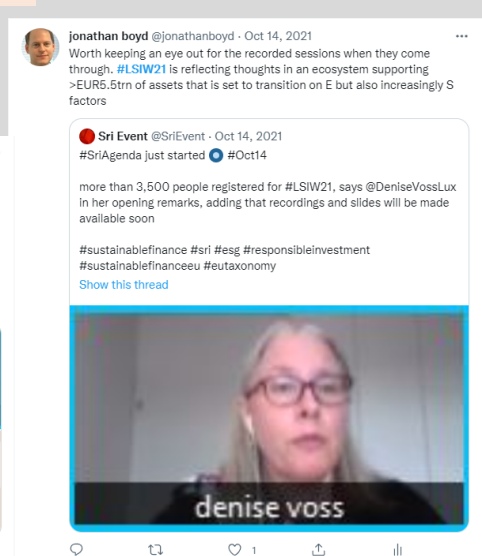
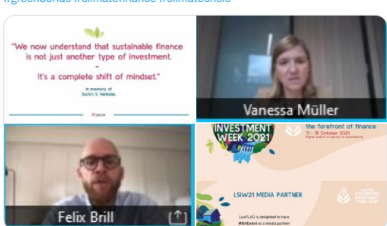
Sri Event @SriEvent · Oct 18, 2021

ICYMI - happened from #Oct11-#Oct15:

#LSIW21 - @LuxFLAG Sustainable Investment Week 2021

tweet-recap with the highlights of the week mondosri.wordpress.com/srievent/lsiw21

#sustainablefinance #sri #esg #responsibleinvestment #greenfinance #greenbonds #climatefinance #climatecrisis



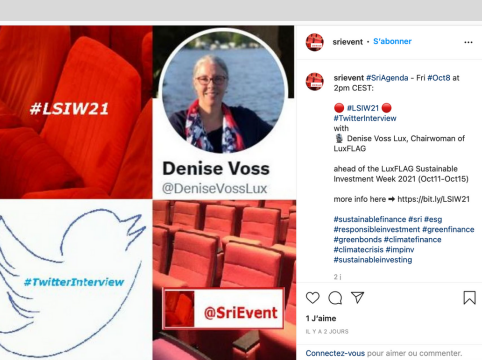
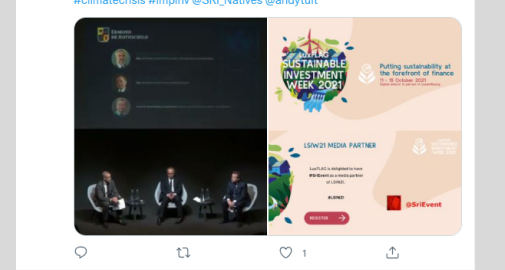
Sri Event @SriEvent · Oct 22, 2021

ICYMI - happened last week:

#LSIW21 - @LuxFLAG #SustainableInvestment Week

tweet-recap with the highlights of the week mondosri.wordpress.com/srievent/lsiw21

#sustainablefinance #sri #esg #responsibleinvestment #climatefinance #climatecrisis #impinv @SRI_Natives @andytult



srievent · S'abonner

srievent Partnership Announcement

@srievent is extremely delighted and proud to be once again, as in 2020, Twitter Media Partner of #LSIW21 the LuxFLAG's Sustainable Investment Week 2021 taking place from 11-15 October 2021

more info here → <https://bit.ly/LSIW21>

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- [Fidelity International – Financing Climate Change: What is the role of asset managers?](#)
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DAY 1 – 11TH OCTOBER

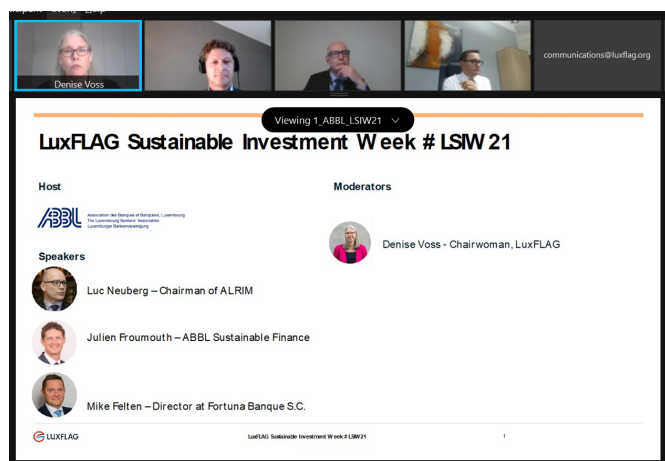
GET PREPARED TO MANAGE ESG-RELATED RISKS



HOST ABBL

SPEAKERS
Luc Neuberg – Chairman of ALRiM
Julien Froumoult – ABBL Sustainable Finance Adviser
Mike Felten – Director at Fortuna Banque S.C.

MODERATOR Denise Voss – Chairwoman, LuxFLAG



The LuxFLAG Sustainable Investment Week 2021 #LSW21 opened with a panel hosted by ABBL, The Luxembourg Bankers' Association.

Moderated by Denise Voss, Chairwoman, LuxFLAG, the panelists engaged in a wide-ranging discussion around management of climate and ESG-related risks, and how to get stakeholders such as banks and their clients sufficiently prepared

Julien Froumoult, ABBL Sustainable Finance Adviser noted that the industry must respond to demands for sustainable finance - driven by regulatory responses to climate change and policy objectives such as the European Green Deal.

“Further work remains, especially on methodology, methodological and quantitative issues to properly assess how climate change risks will impact the financial system before these risks can be properly incorporated into banks' regulatory framework.”

Mike Felten, Director at Fortuna Banque S.C., said that

the role of banks in the transition was a very interesting question. From his perspective it seems many are still financing activities or sectors which are not sustainable, which are not green yet, implying "we are just at the beginning."

Banks' transition towards sustainable finance needs to move in step with other stakeholders, such as clients, but not so slowly that regulators feel a need to step in. This makes client education a priority, as it should make the transition smoother, he suggested.

Luc Neuberg, Chairman of ALRiM, the Luxembourg Association for Risk Management, followed on by stressing financial institutions such as banks should not only react but also be proactive. Observable impact is needed, and the financial sector must be prepared to assess the risk of exposure to ESG risks but also improve its own contribution to sustainability.

Data and ESG risk modelling came in scope of the debate. Financial institutions need to maintain profitability amid the risk of further regulatory and supervisory pressure. Collaborative action and clear commitments from all stakeholders to work together can accelerate the transition, bridge data gaps and define the application of solutions.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/YA8heDobABU>

If you wish to receive the slides, please contact:
communications@luxflag.org

DAY 1 – 11TH OCTOBER

ESG, SUSTAINABILITY AND THE FUTURE OF PENSIONS

ALLEN & OVERY

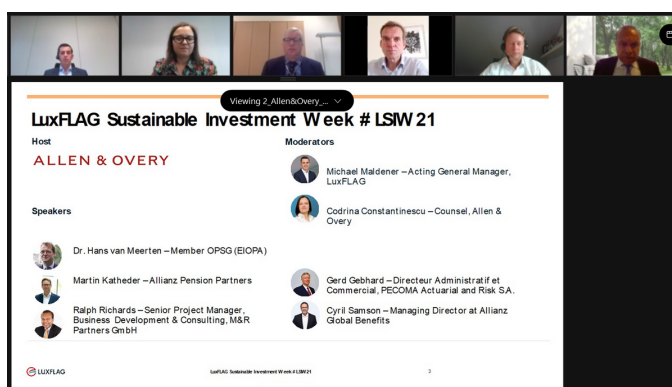
HOST Allen & Overy

SPEAKERS

Gerd Gebhard – Directeur Administratif et Commercial, PECOMA Actuarial and Risk S.A.
Ralph Richards – Senior Project Manager, Business Development & Consulting, M&R Partners GmbH
Dr Hans van Meerten – Member, Occupational Pensions Stakeholder Group, OPSG (EIOPA)
Martin Katheder – Allianz Pension Partners
Cyril Samson – Managing Director at Allianz Global Benefits

MODERATORS

Michael Maldener – Acting General Manager, LuxFLAG
Codrina Constantinescu – Counsel, Allen & Overy



Through a panel discussion that at times was highly technical, this session saw the role and impact of ESG and sustainability in the area of long term savings - pensions - come under scrutiny.

Key areas addressed included the SFDR and EU Taxonomy as they influence pension funds and product offerings; new investment options for pension funds taking into account SFDR and Taxonomy criteria; the impact of ESG on liabilities of pension funds; and the role of the Pan-European Personal Pension Product (PEPP) and potential ESG considerations.

“I think the first finding is that ESG has already arrived in the world of pension funds,” said Gerd Gebhard, Directeur Administratif et Commercial, PECOMA Actuarial and Risk S.A., adding that he envisaged three key questions: “Is ESG investment compatible with the purpose of pension funds? What impact does ESG have on returns? And is ESG a useful concept for investments?”

Martin Katheder, Allianz Pension Partners, speaking from the product provider angle, put it simply: “We think that ESG matters, and it's a factor in investments. And the

business rationale behind this is quite simply because it might affect returns.”

Dr Hans van Meerten, Member, OPSG (EIOPA) noted the challenge of interpreting and implementing different regulatory requirements, such as the differences between Institutions for Occupational Retirement Provision (IORP) and PEPP when it comes to considering ESG in investment policy.

The uncertainty of change brought about by ESG and sustainability considerations was picked up by Ralph Richards, Senior Project Manager, Business Development & Consulting, M&R Partners GmbH, who noted the need to ensure the end beneficiaries understand what is happening; requiring more transparency disclosure in areas such as costs as the industry heads into the EU's Sustainable Finance Disclosure Regulation world.

Codrina Constantinescu, Counsel, Allen & Overy, added that orientation towards Article 8 or 9 funds in the first year of SFDR was an important marker for how seriously fund providers operating in the pensions space were taking SFDR and the Taxonomy.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/l-gbkWJWS3Y>

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DAY 1 – 11TH OCTOBER

BLENDED FINANCE & PRIVATE EQUITY: THE SUSTAINABLE DEVELOPMENT REVOLUTION

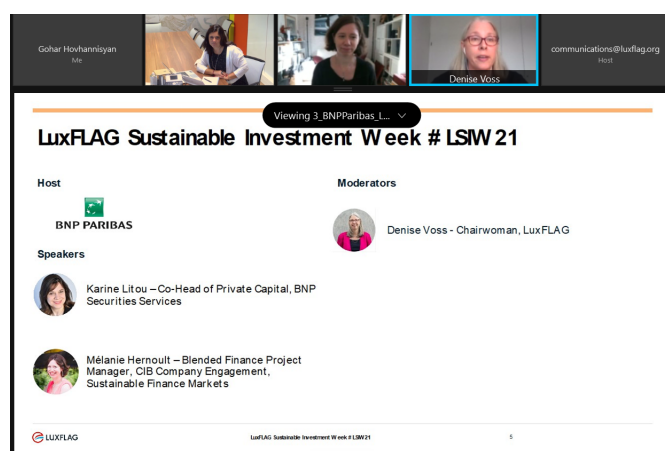


BNP PARIBAS

HOST BNP Paribas Securities

SPEAKERS Karine Litou – Co-Head of Private Capital, BNP Paribas Securities Services
Mélanie Hernoult – BNP Paribas, CIB Company Engagement, Blended Finance Project Manager

MODERATOR Denise Voss – Chairwoman, LuxFLAG



For those unfamiliar with the term ‘blended finance’, Mélanie Hernoult, BNP Paribas, CIB Company Engagement, Blended Finance Project Manager, started this session by addressing the definition as "the strategic use of public and philanthropic funds to mobilise private capital flows in order to achieve sustainable development in emerging markets."

It is important to recognise that it is not a financial product, she added. It is not a bond or a loan. It is a structuring approach that brings together public and private investors.

The challenge is bringing together these different actors “to attain one common objective and respecting all the constraints of each partners,” she said.

The approach can be adapted to different projects and sectors, and across an entire project life cycle. Using this approach helps plug the estimated \$2.5 trillion investment gap regarding UN Sustainable Development Goals, which cannot be financed by either public or philanthropic funds on their own.

The objective of mobilising more private capital in the process involves asset classes such as private equity and debt, infrastructure, and natural resources, added Karine Litou, Co-Head of Private Capital, BNP Paribas Securities Services.

These tend to be accessed through closed ended funds that are not publicly traded. Investors tend to be institutions, insurers, sovereign wealth funds, pension funds and high net worth individuals.

The timeframes can be long, up to 30 years, especially in infrastructure, which has experienced a strong trend of investor interest, Litou noted. This is linked to interest in ESG strategies, where infrastructure is seen as a type of impact investment - whether climate impact or social impact.

As these involve private investments, the fund structuring approach can be bespoke and complex, similarly the legal structuring resulting from the combination of various considerations.

There are also key stakeholders to consider when setting up, including limited partnerships, limited partners, general partners and alternative investment fund managers, Litou acknowledged.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/MOQ627NIHos>

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DAY 1 – 11TH OCTOBER

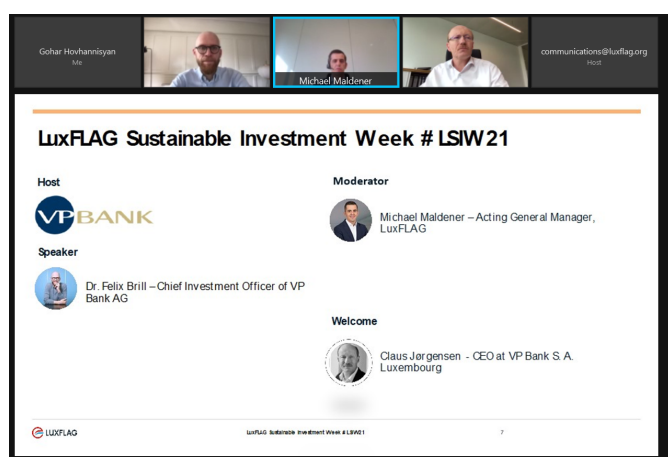
INVESTING FOR CHANGE.
SUSTAINABILITY IS KEY!



HOST VP Bank

SPEAKERS Claus Jørgensen – CEO at VP Bank S.A. Luxembourg
Dr Felix Brill – Chief Investment Officer of VP Bank AG

MODERATOR Michael Maldener – Acting General Manager, LuxFLAG



Referencing Morningstar's figure that over \$300bn in new investments were made into sustainable investment funds through 2020, this session saw Claus Jørgensen, CEO at VP Bank S.A. Luxembourg and Dr Felix Brill, CIO and President of the Sustainability Board of VP Bank, discuss moves towards integrating ESG into the investment process as a lead to better decision making.

The bank has sought to actively bring about positive change through sustainable investing, leading to the development of a sustainability assessment methodology to guide investments.

Sustainability risks and opportunities are integrated into all investment decisions. Thematic investing identifies topics and the companies responding to social and environmental changes in significant ways. Sustainability cannot be thought of as a 'product', but as part of generating credibility, while the context of discussions with investors has shifted, noted Brill.

"There's now the awareness that if you do it correctly

if you do it right, taking into account ESG or more broadly speaking sustainability criteria, it can also be a very good risk indicator, additional risk management layer."

"It's no longer the perception that it's either sustainability or performance, you can now demonstrate also empirically, that this actually can be quite quite a positive link. Or at least you could state that there is not necessarily a loss for performance."

This shift has moved the focus from just avoiding downsides, of ignoring sustainability, to one of actively seeking out the opportunities facing companies, Brill added.

Recognising sustainability from the entity's perspective alone is not enough. Over the past two years, there was an extensive engagement process, including workshops, with many key stakeholders, including clients, employees and the foundations that are the anchor investors in VP Bank.

Jørgensen noted the particular ownership structure to VP Bank, in which three Liechtenstein 'stiftung' controls some 60% of the voting rights in the Swiss listed business. All three have a focus on charity.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/nePFqogBf2I>

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DAY 1 – 11TH OCTOBER

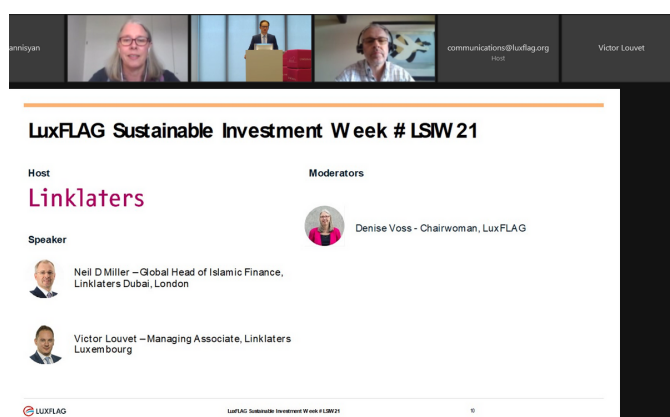
ISLAMIC FINANCE AND IMPACT FINANCING

Linklaters

HOST Linklaters

SPEAKERS Neil D Miller – Global Head of Islamic Finance, Linklaters Dubai, London
Victor Louvet – Managing Associate, Linklaters Luxembourg

MODERATOR Denise Voss – Chairwoman, LuxFLAG



There is growth in Islamic finance products being domiciled in Luxembourg, at the same time as an increasing push towards impact financing encouraged by EU regulatory developments.

This session provided insight into how the overlap between these two areas may be growing, particularly as interpreters of principles of Islamic finance rules increasingly broaden the scope to incorporate sustainability objectives.

Neil D Miller, Global Head of Islamic Finance, Linklaters Dubai, London and colleague Victor Louvet, Managing Associate, Linklaters Luxembourg, noted how principles of Islamic finance traditionally led to certain types of products and services, but how this is being influenced by the broader sustainability agenda

Elsewhere, Islamic products are based on a model that mobilises surplus capital in an economy “but in which the entrepreneur should not be entitled to a guaranteed profit - implicit in the case of an interest bearing loans - but only share in the profits if

there are any, or the losses of the venture.”

The challenge when designing Sharia compliant products is that despite the principles, their application varies between Islamic scholars, between institutions and even between countries.

The situation is changing with, say, governments across the Muslim world increasingly recognising UN Sustainable Development Goals, and with this being reflected in developments in their own financial and regulatory systems, also recognising that climate change is a reality that can no longer be ignored.

On the question about the degree to which principles of Islamic finance align with the EU’s regulatory framework, the answers is both “yes and no”.

This is because while the overall approach of Islamic financial services industry has always been to encourage the socially beneficial management of surplus capital, the interpretation referred to tend to be far less specific than the interpretations laid out around EU law dealing with ESG and impact investing.

Governments using the language of UN SDGs therefore becomes a key kick-off point on the EU Taxonomy.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/F9X1qtH9JGI>

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DAY 1 – 11TH OCTOBER

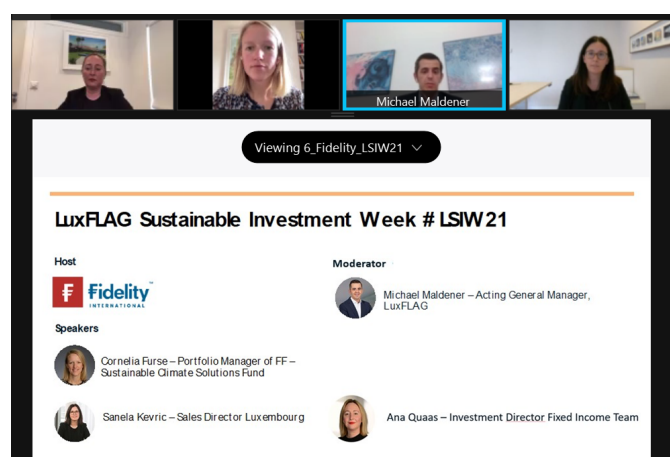
FINANCING CLIMATE CHANGE: WHAT IS THE ROLE OF ASSET MANAGERS?



HOST Fidelity International

SPEAKERS Cornelia Furse – Portfolio Manager of FF – Sustainable Climate Solutions Fund
Ana Quaas – Investment Director Fixed Income Team
Sanela Kevric – Sales Director Luxembourg

MODERATOR Michael Maldener – Acting General Manager LuxFLAG



In the session hosted by Fidelity International, presentations were put forward by Cornelia Furse and Ana Quaas - respectively Portfolio Manager and Investment Director - outlining their insights into the role that equity and fixed income asset classes can play in combatting the downsides of climate change, but also outlining how the transition to a low carbon economy represents a huge opportunity for investors.

Sanela Kevric, Sales Director, set the scene by noting the pace of climate change - averaging 0.3 degrees per decade over the past 40 years - and hence Fidelity International's own three objectives, including: managing investment portfolios in line with net zero by 2050; focusing on how to reduce emissions in the real economy; and thirdly achieving net zero in operational carbon emissions by 2040.

Furse outlined the scale of decarbonisation required. Without action, on current trends the world's food supply would wither by up to 25%, with more than 1 billion people exposed to lethal heat waves, and disappearance of 40% of permafrost by 2100.

The world is mobilising to transition, but it is a great challenge. For example, renewables must shift from some 9% to 60% of power output within a certain time period. However, this is also exciting for investors, with a multi-decade transition to ponder, she noted.

Quaas added figures to the megatrend opportunity, with the likes of the OECD calculating multi-trillion dollar investments being required annually to 2030 to achieve transition goals across areas such as energy, transport, construction and water infrastructure.

This, therefore, makes it an investment story in the fixed income space too, especially as "credit is an area of the market that has a key impact on corporate health and behaviour".

Global bond markets represented \$124trn outstanding at the end of 2020, while policy support continues to grow around green, blue or other labelled bonds. Overall, however, investors need to be aware of the sheer size of the ongoing investment opportunity that decarbonisation represents ongoing, Quaas stressed.

Assessing opportunities requires adherence to fundamental research, ESG practices, and integrating climate considerations in the investment process.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/41SWH-Ock9I>

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DAY 1 – 11TH OCTOBER

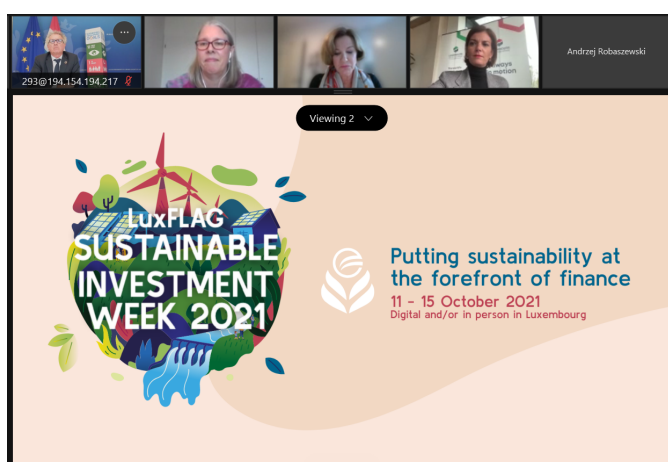
ECA SPECIAL REPORT ON SUSTAINABLE FINANCE



HOST LuxFLAG & European Court of Auditors

SPEAKERS H.E. Pierre Gramegna – Luxembourg Minister of Finance
Julie Becker – CEO, Luxembourg Stock Exchange
Eva Lindström – Member of the European Court of Auditors

MODERATOR Denise Voss, – Chairwoman, LuxFLAG



In this special session, Eva Lindström, Member of the European Court of Auditors, discussed findings of the Court's report highlighting the need for more consistent action across the EU in order to ensure sustainability ongoing.

For the European Commission (EC) this means more consistent criteria when determining the sustainability of EU budget investments, and better targeted efforts to generate sustainable investment opportunities.

Achieving 2050 net zero emission targets in Europe is estimated to cost some €1 trillion annually - excluding the cost of adapting to climate change. EU spending of some €200 billion annually until 2027 is not enough. The investment gap must be filled by private and institutional capital, Lindström noted, which explains the report's review of three key areas: the EC's Sustainable Finance Action Plan (SFAP), the role of the European Investment Bank (EIB), and the EU budget's contribution to climate objectives.

The report found that the SFAP is necessary, but does

not address all key issues, such as insufficiency around carbon pricing. And while the EIB plays an important role, the European Fund for Strategic Investments is failing to focus sufficiently on sustainable investments. The EU budget may be planning for climate action, but lacks consistent science based criteria to avoid significant harm to the environment, such as not applying the 'do no significant harm' principle to agriculture.

Lindström highlighted the report's conclusion that more consistent EU action is needed to redirect private and public finance towards sustainable investments.

Pierre Gramegna, then Luxembourg Minister of Finance, repeated the need to mobilise capital, but with an understanding of its purpose, including addressing adaption rather than just mitigation. The multi-lateral institutional debate has shifted its reference to 'climate crisis' rather than 'climate change', he noted.

Julie Becker, CEO, Luxembourg Stock Exchange, noted the role of carbon pricing, but said this must be linked to regulatory developments on energy efficiency.

Both Gramegna and Becker acknowledged the key role of adequate auditing to ensure that standards are met to encourage the transition.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/g10InmkCfaq>

If you wish to receive the slides, please contact:
communications@luxflag.org

DAY 2 – 12TH OCTOBER

HOW ARE REGULATIONS AND SCIENTIFIC ADVANCES CHANGING IMPACT MEASUREMENT?

LUXEMBOURG
INSTITUTE OF SCIENCE
AND TECHNOLOGY



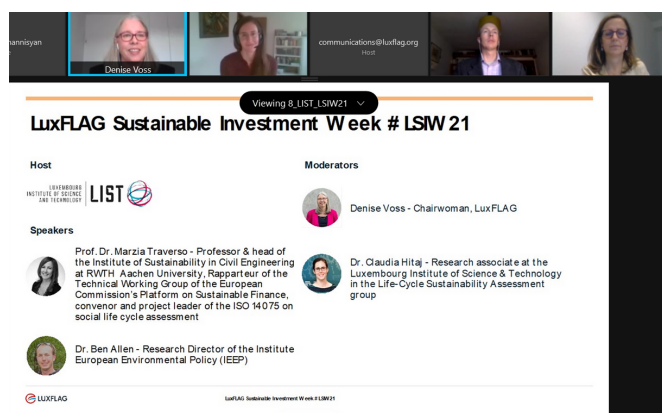
HOST Luxembourg Institute of Science and Technology

SPEAKERS

Prof. Dr. Marzia Traverso – Professor & Head, Institute of Sustainability in Civil Engineering
RWTH Aachen University
Dr. Ben Allen – Research Director, Institute for European Environmental Policy (IEEP)

MODERATORS

Denise Voss – Chairwoman, LuxFLAG
Dr. Claudia Hitaj – Research Associate, Luxembourg Institute of Science & Technology



This session explored the topic of impact measurement from both the regulatory and scientific angle, discussing how impact measurement is likely to change in the current policy environment and how advances in life cycle assessment and environmental and social impact assessment in general can be applied to sustainable finance.

Prof. Dr. Marzia Traverso of RWTH Aachen University noted the size of the technical working group involved with developing the Taxonomy, which she defined as “a list of economic activities that are considered environmentally sustainable for investment purposes.”

In turn, this means “the main objective of the of the Taxonomy is really reorienting capital flows.”

Regarding entities' ability to align with it, Traverso noted that it can be tested against four basic requirements combined: does it contribute substantially to at least one of the six environmental objectives outlined (climate change mitigation, climate change adaption, sustainable use and protection of water and marine resources, transition to a circular economy

pollution prevention and control, protection and restoration of biodiversity and ecosystems), plus, does not significantly harm any of the other five objectives plus, it complies with minimum safeguards, plus, it complies with a set of technical screening criteria.

However, it is important to note what the Taxonomy is not, Traverso stressed; for example, it is not a rating of the ‘greenness’ of companies.

Dr. Ben Allen of the IEEP outlined the challenges in defining relevant thresholds across different economic activities, where there are no clear targets such as exists for climate, where international targets prevail.

This necessitates research into questions - such as what does ‘substantial contribution’ look like? - and to apply the research across many economic activities, from agriculture, to manufacturing, to tourism.

Identifying thresholds is necessary to define objectives for influencing capital flows.

Both Traverso and Allen touched on development of the Social Life Cycle Assessment, suggesting that it will take time to reach the same level of development as the environmental Taxonomy.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/B-ppPJJaOGKA>

If you wish to receive the slides, please contact:
communications@luxflag.org

DAY 2 – 12TH OCTOBER

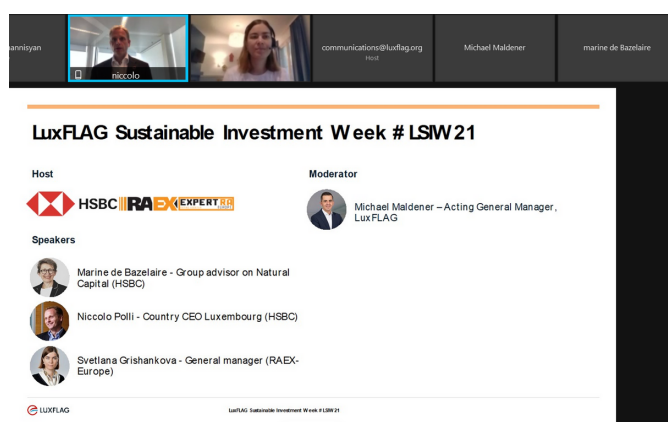
NATURAL CAPITAL



HOST HSBC & Rating-Agentur Expert RA (RAEX-Europe)

SPEAKERS Marine de Bazelaire – Group Advisor on Natural Capital – HSBC
Niccolo Polli – Country CEO Luxembourg – HSBC
Svetlana Grishankova – General Manager – RAEX-Europe

MODERATOR Michael Maldener – Acting General Manager, LuxFLAG



This session delved into natural capital, defined as the world stock of natural resources, including geology, soil, forests, air, rivers, water, and all living organisms.

And given the fundamental importance of natural capital in mitigating climate change, it has become a burgeoning area for the finance industry and investors to appreciate, noted Niccolo Polli, Country CEO Luxembourg, HSBC.

Where previously no value was placed on natural capital such as water catchment, erosion control and pollination by insects, recognition has dawned that these are essential to the sustainability of the economy, and a value needs to be placed on them.

“I think no strategy now can be considered complete without considering natural capital, both in terms of climate change mitigation, carbon capture, and just in terms of the sustainability of living organisms on Earth,” Polli said.

Svetlana Grishankova, General Manager, RAEX-Europe

noted that natural capital is on the decline. In the 1992-2014 period the global stock of natural capital including carbon-storing soils, clean water and fisheries declined by some 40%. If this continued, it would breach the concept of sustainability itself.

World Bank research suggests low income countries rely on natural capital for 47% of their wealth. Thus two of the UN Sustainable Development Goals are undermined; no poverty and zero hunger are more difficult to achieve where natural capital is declining.

Responses need to come from all stakeholders in reaction to the trend, including sovereign bond issuers and governments, investors, international financial institutions and researchers. Credit rating agencies such as RAEX need to explicitly incorporate the link between natural capital, health and the outlook for sovereign credit ratings, Grishankova added.

Marine de Bazelaire, Group Advisor on Natural Capital, HSBC, noted that from her perspective the work starts with assessing the materiality of the issue. And this starts with the science, such as that suggesting in its assessment of the economic impact of nature loss, that the business case for the economy will shift from an extractive to an origenerative one.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
https://youtu.be/nutW_7agsNM

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DAY 2 – 12TH OCTOBER

ONCOLOGY IMPACT: GIVING LIFE BACK

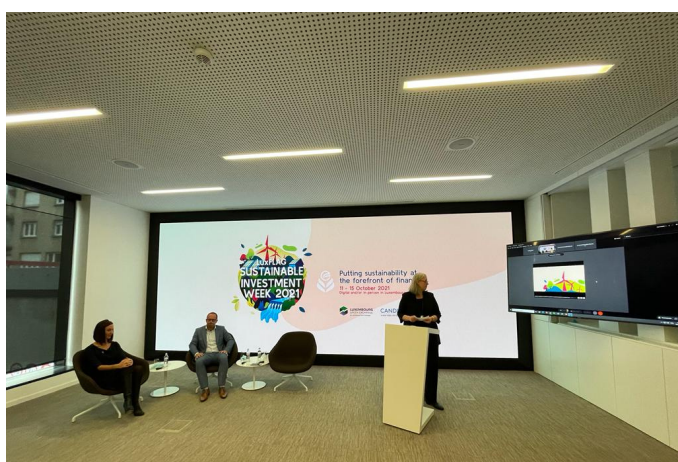
CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

**LUXEMBOURG
GREEN EXCHANGE**
by Luxembourg Stock Exchange

HOST Candriam & Luxembourg Stock Exchange

SPEAKERS Laetitia Hamon – Head of Sustainable Finance, Luxembourg Stock Exchange
Ken Van Weyenberg – Senior Client Portfolio Manager, Thematic Global Equity, Candriam

MODERATOR Denise Voss – Chairwoman, LuxFLAG



In this, the first of the hybrid presentations, attendees heard insights into oncology and related treatments - cancer remains the second-leading cause of death globally - and the link to impact investment opportunities via the example of a dedicated strategy.

Laetitia Hamon, Head of Sustainable Finance, Luxembourg Stock Exchange, reminded participants that in the shared ambition to contribute to making cancer a curable disease is the question of the role of finance in achieving this.

She highlighted how financial returns can be combined with clear social impact - other examples emerged in the Covid pandemic - focusing minds on investing to pursue social goals.

For its part, the Luxembourg Stock Exchange has moved beyond being a listing venue for sustainable bonds, entering the fields of education and sustainability data. For example, the LGX DataHub provides data on more than 3,200 sustainable securities.

Also highlighted was the Oncology Impact strategy, offered by Candriam since November 2018.

Ken Van Weyenberg, Senior Client Portfolio Manager, Thematic Global Equity, Candriam, explained how this type of fund not only can direct capital to finding new treatments, but serve as an example for how asset managers themselves can eke out additional benefit - in this case by donating 10% of net management fees to relevant projects and research institutions.

Focusing investments in a strategy targeting cancer makes sense, Van Weyenberg added. With so many types of cancers, it follows that there will be many different treatments. Science has evolved amid an unmet medical need, while companies have started to see attractive commercial segments within oncology.

“Cancer is a social challenge that is being translated into figures.”

And those figures can be seen across many segments, such as biotechnology and pharmaceutical companies, but also areas such as robot assisted surgery.

Impact success can be measured by new treatment approvals, and the increased cancer survivability rates

Further information

This was a hybrid session. Detailed information is available on the LuxFLAG YouTube channel:
<https://youtu.be/Gnce1QYBivA>

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DAY 2 – 12TH OCTOBER

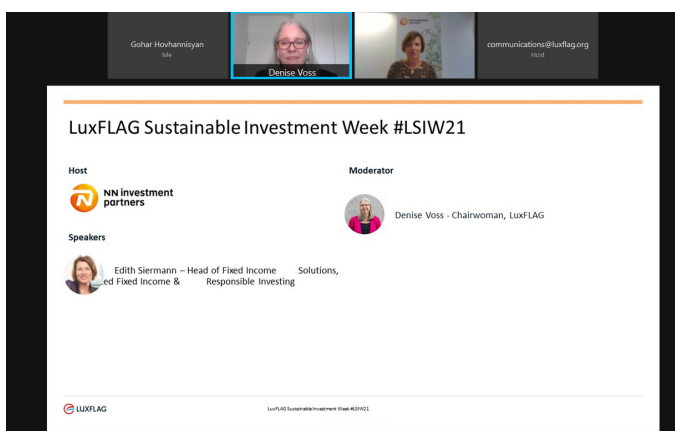
ESG INTEGRATION WITHIN SOVEREIGN FIXED INCOME



HOST NN Investment Partners

SPEAKER Edith Siermann – Head of Fixed Income Solutions
Specialized Fixed Income & Responsible Investing

MODERATOR Denise Voss – Chairwoman, LuxFLAG



The coming of ESG to the sovereign fixed income asset class represents something of a new frontier for many investors, not least because it is an area that has been relatively untouched by regulators seemingly more intent on ensuring ESG integration into equity and credit instruments and markets.

This suggestion from Edith Siermann, Head of Fixed Income Solutions, Specialized Fixed Income & Responsible Investing at NN Investment Partners, opened her session looking at the questions starting to be posed in response.

There are significant reasons to expect a shift in the level of ESG integration into sovereign fixed income: sovereigns themselves are key stakeholders in the transition to a more sustainable world, and they are involved in setting policy on climate change.

Siermann noted that ESG factors are very material when it comes to analysing sovereign bond markets.

Thus, it is important to get the relevant data.

In the case of NN Investment Partners, analysis includes measuring countries against certain risk factors, which, based on how well they have been mitigated, determine a score for how stable a country is. This involves looking at factors such as the risk of terrorism and violence, political unrest, natural disasters, but also data from sources such as the World Bank.

What is important to look for is not just scores, however, but improvements in scores.

“From an investment point of view, you rather invest in countries that are improving, then countries that are at a certain level and don't act anymore,” Siermann said.

Engagement with sovereigns remains challenging, but is improving as sovereign green bond issuance opens up communication around ESG. This particular market is set for significant growth. Demand is strong for such bonds, alongside regulatory alignment, for example, with China adopting rules similar to the EU.

Still, as with any fixed income investment, investors must do their homework and look at the overall policies of the country that is issuing a green bond, for example, to mitigate the risk of greenwashing.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:

<https://youtu.be/vTpcALFMjJ0>

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DAY 2 – 12TH OCTOBER

THE EU SUSTAINABLE FINANCE ACTION PLAN: 7 MONTHS INTO PRACTICE



HOST Morningstar

SPEAKER Ita Demyttenaere – Associate Director, Client Relations at Sustainalytics.

Regulation Recap

Sustainable Finance Disclosure Regulation

SFDR	In effect	Status	What is it?	Comments
SFDR Regulation	Mar 2021	In effect	Level 1 regulation setting out objectives, principles, and high-level requirements	<ul style="list-style-type: none">Came into force before Level 2 regulatory technical standards were finalized
SFDR Regulatory Technical Standards	Jul 2022	Draft	Regulatory technical standards (Level 2 regulation), i.e. detailed rules for entity and product level disclosures	<ul style="list-style-type: none">Final Report by ESAs published Feb 2021Implementation date delayed to July 2022Delegated Acts delayed – expected any moment



In this physical-only event, Ita Demyttenaere, Associate Director, Client Relations at Sustainalytics, presented experiences to date in advising asset managers about the requirements placed on them by facets of the EU Sustainable Finance Action Plan.

Primarily focused on the EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR), the session sought to shed light on key challenges faced by banks and asset managers since the implementation of SFDR Level 1 on 10 March 2021.

At the time of the presentation, some seven months had passed since the introduction of SFDR - which Demyttenaere listed as one of 10 key action areas, which combined constitute the EU Sustainable Finance Action Plan across three goals: reorienting capital flows towards a more sustainable economy, mainstreaming sustainability risk management, and fostering transparency and long-termism.

Regarding the next step in developments around SFDR - the introduction of Regulatory Technical Standards (RTS), Demyttenaere flagged up the February 2021 RTS draft, which flagged up some 64 indicators for Principle Adverse Impacts (PAIs), including those proposed as mandatory for corporates, sovereigns and real estate.

On the matter of RTS, session attendees were reminded that the next key date in the SFDR timeline would take place by July 2022, when those

standards come into force.

Demyttenaere flagged up the divergence between theory and practice thus far.

Key points here included concerns that Articles, 6, 8 and 9 in the Regulation were “increasingly being seen as a label and not as a disclosure regime”, that different regions had different interpretations, and that some of the PAIs have a ‘back in time’ feeling about them.

Also at the practical level, the data being picked up by Sustainalytics pointed towards significant differences between sectors and companies - for example, percentage of revenue or capex aligned or not aligned with climate change mitigation.

The session suggested that on the evidence of implementation of SFDR through 2021, Article 9 funds do seem to have stronger sustainability credentials than Article 6 or 8 funds, and that greenwashing will become more challenging in future.

Further information

This session was physical only.

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communications@luxflag.org

DAY 3 – 13TH OCTOBER

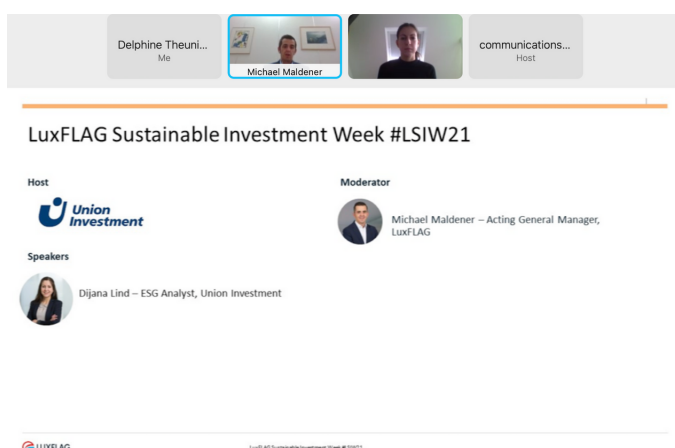
GREEN TRANSITION SHAPING THE FUTURE



HOST Union Investment

SPEAKER Dijana Lind – ESG Analyst, Union Investment

MODERATOR Michael Maldener – Acting General Manager, LuxFLAG



Amid opportunities in the green transition there are also requirements placed on analysts and analysis that must be addressed, explained Dijana Lind, ESG Analyst, Union Investment, presenting in this session.

In the case of her company, the ESG analyst team is considering some 44,000 securities, where it is seen as critical to add own analysis to data acquired from external suppliers. This creates differentiation against others, who may be relying mostly on exclusion or simply looking for best-in-class - where opportunities could be missed by not looking for worst-in-class, or those classed as hard-to-abate. From the data perspective, there is also a question mark over rating methodologies, created in response to new EU regulatory requirements.

“We should not ignore that brown companies can offer high potential, but within best-in-class, we are not able to capture those developments.”

“The basic idea is that you want to buy caterpillars to offer butterflies.”

When considering transition opportunities, it is important to search out key performance indicators for each sector, which facilitates determining answers to questions on individual companies, such as whether they are heading towards a transformation, and whether that transformation is credible, Lind continued.

Qualitative analysis is resource intensive, and cannot be extended to the full set of companies for which ESG scores are available. But it can be done for core investments, and in this instance, there are ongoing plans to extend coverage.

Qualitative judgements are key, Lind further argued, as relying on averaging ESG rating scores alone will not provide enough basis for proper investment decisions.

“Imagine that you go to a doctor, and you have a feverish head and freezing feet; and the doctor would just say ‘So, on average, your body temperature is OK because it's in-between’ - that would not be great decision making.”

In summing up, Lind noted that the purpose of identifying transformation is a necessity to avoid the risks associated with greenwashing.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/mOrgYdxLU64>

If you wish to receive the slides, please contact:
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DAY 3 – 13TH OCTOBER

OPPORTUNITIES AND CHALLENGES OF IMPACT INVESTING



EDMOND
DE ROTHSCHILD

EDMOND DE ROTHSCHILD ASSET MANAGEMENT
(LUXEMBOURG)

HOST Edmond de Rothschild

SPEAKERS

Johnny El Hachem – CEO, Edmond de Rothschild Private Equity

Jean-Philippe Desmartin – Head of Responsible Investment, Edmond de Rothschild Asset Management

MODERATORS

Denise Voss – Chairwoman, LuxFLAG

Serge Weyland, – CEO, Edmond de Rothschild Asset Management (Luxembourg)



Addressing the question of a need for impact investing, Johnny El Hachem, CEO, Edmond de Rothschild Private Equity, framed the answer as less about considering choice and more about ensuring proper reaction to challenges of climate and resources, of demographic pressures, and of ensuring finance serves as a tool to help stakeholders act in the same direction.

In respect of liquid strategies, Jean-Philippe Desmartin, Head of Responsible Investment, Edmond de Rothschild Asset Management, echoed the sentiment, noting that compared to 5-10 years ago, impact investing has become a ‘must have’ that is expanding across asset classes, and where there is an urgency building in terms of addressing issues such as climate change.

El Hachem continued that to achieve proper impact, “There should be real, measurable, replicable and tangible metrics that you can deliver on whether environmentally and or socially, with the proper governance. If you manage to apply this secret recipe

you can deliver, however, what we tend to forget is that to do so you need a very long term approach. Short term investors are not helping us achieve the journey toward sustainability.”

On whether to make impact investments illiquid or liquid, both throw up challenges when considering measurement of impact. Measuring illiquid investments means dealing with a plethora of metrics and measurement tools used in private markets. On liquid investments the challenge equally may lie in accessing data, for example, on net creation of jobs.

However, both speakers mentioned argued investors should ignore the idea that return is being sacrificed to achieve impact. This also necessitates a different approach to remuneration.

“We cannot continue to deliver performance based on IRR and time value,” argued El Hachem, because this is stopping putting capital to work to deliver something for the better good while making money, but also preserving a better tomorrow.”

Desmartin noted that the debate on performance is over given the performance figures now available, but the need to accelerate on impact is also clear.

Further information

This was a hybrid session. Detailed session information is available on the LuxFLAG YouTube channel: <https://youtu.be/QVNUKYFzR8s>

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DAY 3 – 13TH OCTOBER

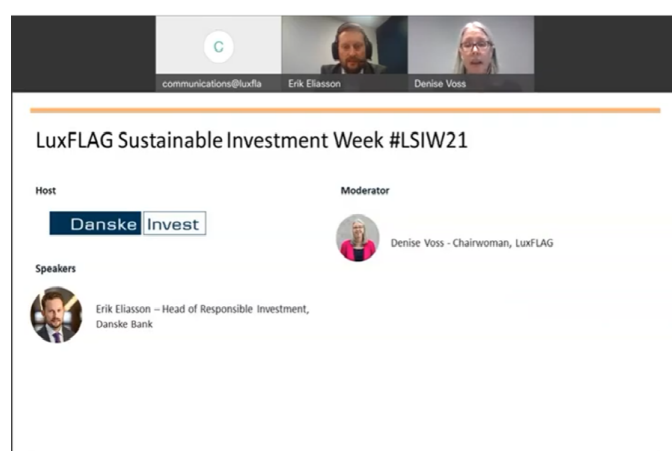
THE DAY AFTER TOMORROW

Danske Invest

HOST Danske Invest

SPEAKER Erik Eliasson – Head of Responsible Investment, Danske Bank

MODERATOR Denise Voss – Chairwoman, LuxFLAG



In this presentation, Erik Eliasson, Head of Responsible Investment, Danske Bank, outlined key challenges for asset managers inherent in not only meeting new regulatory requirements from the EU, but also what the industry possibly faces once they are in place - hence the title of the session being The Day After Tomorrow.

The session addressed the changes in three parts - the overall EU Action plan, an introduction to SFDR, and the key challenges to asset managers of SFDR - with a key weight to outlining those challenges.

Regarding the overall Action Plan, he noted the Taxonomy Regulation, Low Carbon Benchmark, MiFID II Amendments and SFDR as examples of outcomes from the Action Plan so far. And the importance of this for asset managers, is that while certain regulations may have limited direct impact, taken as a whole, they still impact.

On the importance of SFDR in particular, he noted that it, for example, brings a focus on real world impact and

exists as 'hard law' rather than guidance. Introduction of the Regulation carries significant direct and indirect consequences for asset managers.

These include requirements for disclosures across channels - prospectuses, websites and periodic reports - product disclosures, and the need for asset managers to be more specific in their sustainability implementation, narrative, marketing and communication. It means dealing with Articles 8 and 9 and new financial material concepts, such as sustainability risk, principle adverse impacts and the Taxonomy - even as Taxonomy data is not ready.

Developing relevant indicators/metrics, adjusting asset management infrastructure and developing monitoring processes are yet further key challenges, he noted.

"To me SFDR gives the answer about how investment returns versus societal impact or double materiality should be considered. And it's back to how have you defined your investment products. And that will be the guiding principle."

The ending changes also suggest the industry faces a huge educational assignment in the face of complexity.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/cE3ZeZOBUBU>

If you wish to receive the slides, please contact:
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DAY 3 – 13TH OCTOBER

ESG DATA: CHALLENGES AND OPPORTUNITIES IN THE EVOLVING LANDSCAPE

Deloitte.

HOST

Deloitte

SPEAKERS

Francesca Messini – Partner, Deloitte Luxembourg

Florence Buron – Partner, Deloitte Luxembourg

Prof. Giampaolo Gabbi – Professor of Risk Management Practice and Director of Financial Institutions Custom Programs Division, SDA Bocconi

James Purcell – Group Head of ESG, Sustainable, and Impact Investing, Quintet Private Bank

MODERATORS

Denise Voss – Chairwoman, LuxFLAG

Dario Zambotti – Director, Deloitte Luxembourg



Professor Giampaolo Gabbi, Professor of Risk Management Practice and Director of Financial Institutions Custom Programs Division, SDA Bocconi, said it was clear that a “vast industry” had grown up around ESG data.

Similarly, academic studies do point to “aggregate confusion” and the divergence of ESG ratings.

“So in other terms, rating agencies sometimes agree with each other, sometimes they don’t,” and this leads to confusion.

As one of the hybrid sessions of the Sustainable Investment Week programme, the panel discussion hosted by Deloitte took on a topic that is very much at the centre of many discussions regarding ESG: data.

Francesca Messini, Partner, Deloitte Luxembourg noted the context of EU regulatory developments leading to more demands from investors for transparency and integration of ESG into day-to-day work, which in turn is focusing minds on ESG data and the attached importance and dependency on it among various actors.

James Purcell, Group Head of ESG, Sustainable, and Impact Investing, Quintet Private Bank, echoed the point, noting that the regulation coming from the EU is unprecedented in breadth and depth.

External assistance in dealing with the regulation is therefore a key element. Keeping client focus at the centre of responding is another, as is recognising that there are also limits to the EU regulation.

Purcell added that ensuring consistent inputs of data is a challenge that comes even before dealing with different methodologies of ESG ratings agencies. But different methodologies per se were not a problem, he argued, because they reflected different points of view. More important would be ensuring consistent data input to formulate the views.

The panel consensus outlined personalisation of products and services as the future of the industry. But as Professor Gabbi noted, this would require quality data and metrics to “underpin the capability to select and to make investment decision”.

Further information

This was a hybrid session. Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/8nvR6SPpIXU>

If you wish to receive the slides, please contact:
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DAY 4 – 14TH OCTOBER

UNVEILING THE DETAILS OF SUSTAINABLE FINANCE REGULATION: WHERE DO WE STAND, WHAT TO EXPECT, AND HOW TO COMPLY?



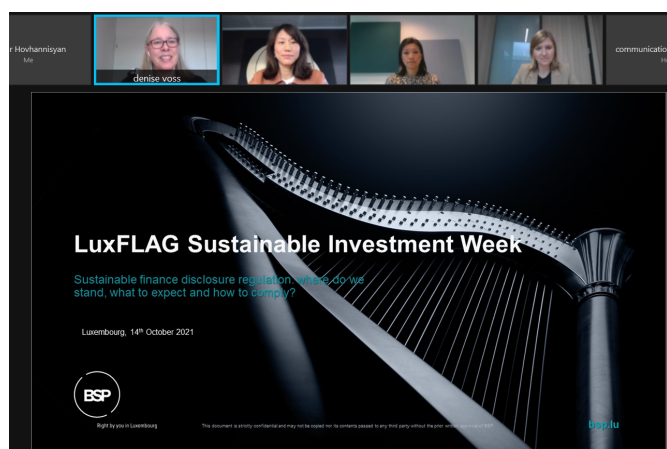
HOST Bonn Steichen & Partners

SPEAKERS

Vanessa Müller – ESG services leader | Partner
Ernst & Young Business Advisory Services S.à r.l. Luxembourg
Sinor Chhor – Managing Director, Nordea | Asset Management | Nordea Investment Funds S.A.

MODERATORS

Denise Voss – Chairwoman, LuxFLAG
Isabel Høg-Jensen – Counsel, Responsible for Sustainable Finance, BSP | Bonn Steichen & Partners



Keeping up with the legislative landscape and compliance requirements will become an essential driver for funds oriented towards sustainability, as heard through this session, which paid particular attention to the timeline of requirements that asset managers will face through the coming year.

Isabel Høg-Jensen, Counsel, Responsible for Sustainable Finance, BSP | Bonn Steichen & Partners, outlined the situation since SFDR came into force, pushing asset managers into deciding which of their funds would be declared as Article 6, 8 or 9.

However, while the so-called Level 1 requirements are in place, the industry was, as of the session, waiting for the final Regulatory Technical Standards.

“Bearing in mind that this taxonomy regulation enters into force only on 1st January 2022, and the final RTS enters into force on 1st July 2022. Well, it’s not made easier for the asset managers to comply since there are so many different dates of entry into force for the different provisions.”

Vanessa Müller, ESG services leader | Partner, Ernst & Young Business Advisory Services S.à r.l. Luxembourg, echoed the point by noting the regulations require specific knowledge of asset managers’ own activities. Also, entities are relying on ESG scoring, whereby scoring might not fully embrace the latest sustainability indicators required by SFDR or the Taxonomy.

And then there is the data challenge, where asset managers have to an extent been left on their own to define an approach, either using external solutions or governance, cross checking different data providers, or developing internal solutions, in what Müller called the “transition to maturity”.

Sinor Chhor, Managing Director, Nordea | Asset Management | Nordea Investment Funds S.A., touched on investment process expectations by outlining how Nordea has approached the requirements.

For example, it has had on its website since March 2021, a statement describing the methodology used to assess each Principal Adverse Impact.

And as the availability of data improves, it is expecting to add more indicators alongside those such as greenhouse gas emissions, biodiversity and water waste.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/KHa5guw94BA>

If you wish to receive the slides, please contact:
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DAY 4 – 14TH OCTOBER

DESTINATION IMPACT: IS SFDR THE ANSWER?



HOST DPAM


SPEAKERS Ophélie Mortier – Responsible Investment Strategist at DPAM
Olivier Terras – Country Head Luxembourg at DPAM


MODERATOR Michael Maldener – Acting General Manager, LuxFLAG




Viewing 18_DPAM_LSIW...


LuxFLAG Sustainable Investment Week #LSIW21

Host

DEGROOF PETERCAM ASSET MANAGEMENT

Moderator

Michael Maldener – Acting General Manager, LuxFLAG

Speakers


Ophélie Mortier – Responsible Investment Strategist at DPAM


Olivier Terras – Country Head Luxembourg DPAM at DPAM



LuxFLAG Sustainable Investment Week #LSIW21

This session touched on the extent to which EU regulatory efforts are producing the best impact outcomes.

Ophélie Mortier, Responsible Investment Strategist at DPAM, initially reflected on how the approach to sustainable investing has shifted from its focus on exclusions in its early years, to a more evolved approach involving assessment and measurements.

That has brought its own challenges, however, and raises the question whether SFDR and other regulation will improve the impact being generated through investments.

For example, while the requirements now mean disclosures about sustainability risk, and for asset managers to show how they are integrating ESG factors into investment decisions, this leads to questions around availability of relevant data. There is much data, but also questions about what is really useful in terms of

financial decisions and portfolio construction.

Also less clear is how SFDR provides clarity on mapping sustainable development goals to assess impact.

And amidst all the queries, investors and companies have to recognise that SFDR is above all a disclosure regulation, which does not, for example, state whether excluding tobacco is a condition for being sustainable or not, Mortier noted.

It forces those in scope to “say what you do, and and prove what you say.”

Ultimately, SFDR needs to be measured against whether its objectives have been achieved.

It is aiming to deliver key EU objectives, including re-orienting flows to the real economy and sustainable and inclusive growth, systematic integration of ESG risks, and promoting transparency and long-termism.

In practice, these objectives have been hampered by the lack of clarity between product classifications, by administrative burden, and by long-known weaknesses in ESG data, Mortier outlined.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:

<https://youtu.be/6mrEk-R5sh4>

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DAY 4 – 14TH OCTOBER

HOW TO RIDE THE ENERGY TRANSITION INVESTMENT WAVE?



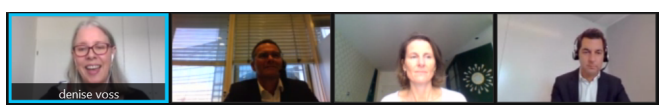
SOCIÉTÉ GÉNÉRALE
Private Banking

HOST Société Générale Private Banking

SPEAKERS

Marie-Aimée Boury – Head of Impact Based Finance, Société Générale
Eric Bonnin – Head of Oil and Gas Industry Group, Société Générale
Petra Besson Fencikova – Head of ESG investments, Société Générale Private Banking Luxembourg
Alexandre Cegarra – Managing Director & CEO at SGPWM

MODERATOR Denise Voss – Chairwoman, LuxFLAG



LuxFLAG Sustainable Investment Week # LSIW21

Host SOCIÉTÉ GÉNÉRALE Private Banking	Moderator Denise Voss - Chairwoman, LuxFLAG
Speakers Marie-Aimée Boury – Head of Impact Based Finance, Société Générale	 Eric Bonnin – Head of Oil and Gas Industry Group, Société Générale
 Petra Besson Fencikova – Head of ESG investments, Société Générale Private Banking Luxembourg	 Alexandre Cegarra – Managing Director & CEO at SGPWM

LuxFLAG Sustainable Investment Week #LSIW21

This panel-led session tackled the transition challenge, which as outlined by Petra Besson Fencikova, Head of ESG investments, Société Générale Private Banking Luxembourg, remains huge.

Data on CO2 emissions in the past three decades alone illustrates the scale of the challenge to transition to net zero by 2050. Limiting global warming will require action across three areas: regulation, economics and demand, Fencikova suggested.

Political engagements are shaping regulation for the next 10 to 30 years, and are already impacting financial flows towards climate change mitigation. Companies are committing to the energy transition. For investors it is about influences on the cost of capital.

Eric Bonnin, Head of Oil and Gas Industry Group, Société Générale, described the shift as a megatrend noting that there are suggestions twice the amount will be invested in the transition than in fossil fuels.

Energy efficiency is another important area to look into on behalf of clients, and mobility, he noted.

Geographically, the APAC region is seen as offering the greatest share of related investment opportunities, followed by the US, then Europe. Renewables are a key target for investments, with significant additional deployment of solar and wind globally.

Marie-Aimée Boury, Head of Impact Based Finance, Société Générale, commented from the impact investor perspective on the UN SDG targets, and the estimated \$2.6trn funding gap required to achieve these by 2030. Some 90% of that gap is in developing countries, with Africa alone accounting for about 50%.

“Technical solutions exists to deliver solutions in developing countries. The issue is that our business models are not adapted to address those markets.”

Standardising and simplifying impact solutions while making them more scalable would go some way to attracting investors.

Meanwhile, she noted that more than 800 million people globally do not have access to electricity at all, with some 1.5 billion having unreliable access.

Further information

A recording of this session is available on the LuxFLAG YouTube channel:

<https://youtu.be/eZLJCAip6pM>

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DAY 4 – 14TH OCTOBER

ESG CHALLENGES FOR YOUR INVESTMENT PROCESS



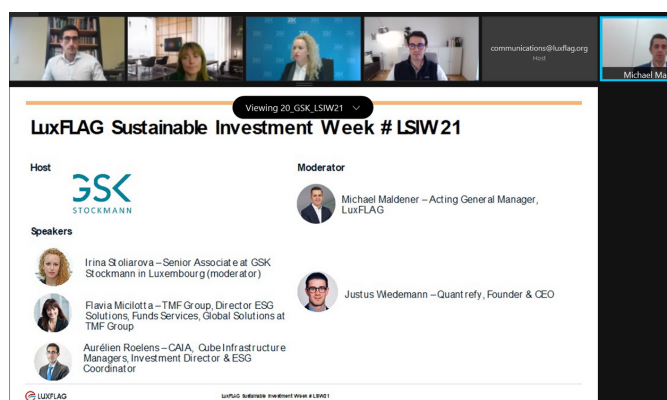
HOST GSK Stockmann

SPEAKERS

Flavia Micilotta – Director ESG Solutions, Funds Services, Global Solutions at TMF Group
Aurélien Roelens – CAIA, Investment Director & ESG Coordinator, Cube Infrastructure Managers
Justus Wiedemann – Founder & CEO, Quantrefy,

MODERATORS

Denise Voss – Chairwoman, LuxFLAG
Irina Stoliarova – Senior Associate at GSK Stockmann in Luxembourg



This session saw panelists address the issue of ESG understanding at the board level, but importantly, how ESG impacts on investment decision making across areas including private equity, real estate and infrastructure.

Flavia Micilotta, Director ESG Solutions, Funds Services, Global Solutions at TMF Group, noted from the perspective of private equity that corporate governance had become more important than ever, for both institutional investors and fund managers.

The general partners that she works with increasingly are asking how to manage or structure their ESG approach regarding investments. They are asking about how to assess the integration of carbon risk exposure, and how to ensure compliance with sustainable finance regulation. Obtaining the correct metrics and reporting those in a way that makes sense to investors is another key challenge, she suggested.

Justus Wiedemann, Founder & CEO at Quantrefy, which does ESG optimisation software for real estate, said investors needed to recognise that this sector accounts for more than 30% of CO2 emissions.

In turn, this emphasises the need to facilitate ESG improvements by making buildings more sustainable.

Aurélien Roelens, Investment Director & ESG Coordinator, Cube Infrastructure Managers, discussed infrastructure play, including taking over companies and growing them for the long term.

“If you want to do that you need to position on sectors or sub sectors or companies that have some degree of alignment with the challenges on the social side or the environmental side.”

Executing investment plans means doing specific ESG diligence alongside due diligence, but avoiding ESG box ticking. What is important is to put in place specific policies, processes and to ensure proper due diligence.

The discussion concluded that it is clear that ESG and sustainable finance are here to stay. Mitigation of ESG challenges should therefore be considered.

Micilotta noted businesses should take a consistent approach that is as material as possible to the business case of the company and reflects investors' needs.

Wiedemann urged action on ESG sooner rather than later, without waiting for perfect data.

Further information

A recording of this session is available on the LuxFLAG YouTube channel: <https://youtu.be/T16t3C1PtXY>

If you wish to receive the slides, please contact: communications@luxflag.org

DAY 4 – 14TH OCTOBER

HOW IS ESG INTEGRATION CONSISTENT WITH FINANCIAL MARKET THEORY AND THE EXPERIENCE OF ALPHA GENERATION IN PORTFOLIO MANAGEMENT PRACTICE



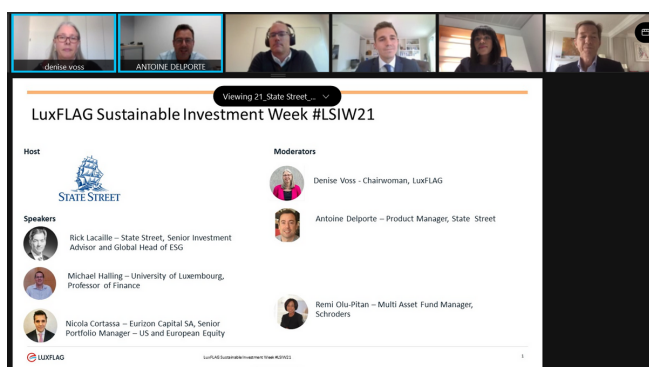
HOST State Street Bank International

SPEAKERS

Rick Lacaille – State Street, Senior Investment Advisor and Global Head of ESG
Michael Halling – University of Luxembourg, Professor of Finance
Nicola Cortassa – Eurizon Capital SA, Senior Portfolio Manager – US and European Equity
Remi Olu-Pitan – Multi Asset Fund Manager, Schroders

MODERATORS

Denise Voss – Chairwoman, LuxFLAG
Antoine Delporte – Product Manager, State Street



This panel session set out to explore the theoretical and practical questions facing asset managers who need to generate alpha while also acknowledging and adhering to ESG objectives.

Integrating ESG factors into investment decisions naturally leads to questions on whether this might negatively affect portfolio returns.

Europe currently claims a competitive edge when it comes to ESG matters, but it needs to “stay sharp” urged Rick Lacaille, State Street, Senior Investment Advisor and Global Head of ESG, who noted that ESG “didn’t really get a look in” when modern portfolio management theory was developed in the 1950s and 1960s.

Picking up on this point in the development of financial theory in the past 50-70 years, Michael Halling, University of Luxembourg, Professor of Finance, argued that academia has in recent years addressed this with new research. And while some research has suggested that earnings from investing

sustainably may be lower than investing “in bonuses”, this has ignored elements such as physical risk associated with climate change, or transitional risk related to regulatory changes, which point to green assets being less risky than bonuses.

“The way we think about financial markets is your compensation for taking on risk. So if you invest in green assets, and they are less risky than bonuses, you would expect to earn lower expected rates of return.”

Addressing the discussion from the practitioner angle, Nicola Cortassa, Eurizon Capital SA, Senior Portfolio Manager – US and European Equity, noted that as to confirming historical over- or under-performance, whether on an absolute or relative risk-adjusted basis, the evidence is still lacking, for example, because of lack of ESG data quality, comparability and availability. However, this looks set to change in the coming 5-10-20 years.

Remi Olu-Pitan, Multi Asset Fund Manager, Schroders, echoed the changes pending, noting that “the definition of ESG investing today is very different to 10 years ago” as investors have shifted to holding companies to account - which will require better data.

Further information

A recording of this session is available on the LuxFLAG YouTube channel: <https://youtu.be/MBwrS2nBLi4>

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DAY 4 – 14TH OCTOBER

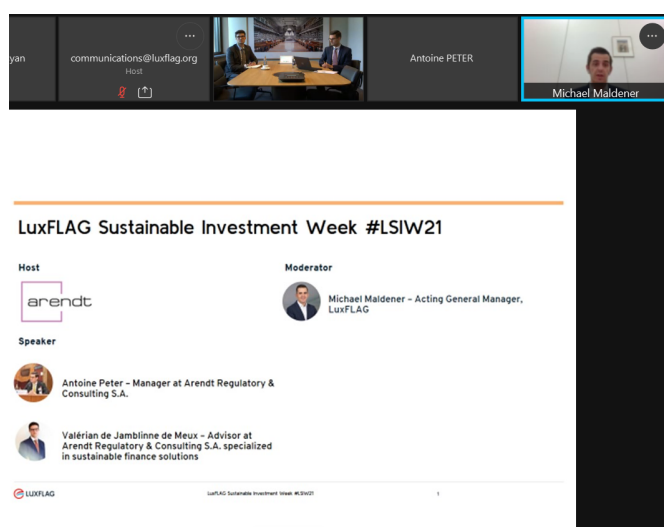
CARBON CREDITS AND INVESTMENT FUNDS



HOST Arendt & Medernach

SPEAKERS Antoine Peter – Manager at Arendt Regulatory & Consulting S.A.
Valérien de Jamblinne de Meux – Advisor at Arendt Regulatory & Consulting S.A. specialized in sustainable finance solutions

MODERATOR Michael Maldener – Acting General Manager, LuxFLAG



The topic of carbon credits and investment funds was chosen for this session because Arendt & Medernach has noticed growing interest among its client base of asset managers and banks, explained Antoine Peter, Manager at Arendt Regulatory & Consulting S.A.

With focus on climate change and the role of greenhouse gasses in driving global warming, with the Paris Agreement in place to limit the increase in average global temperatures, and with the European Union targeting a 55% cut in emissions by 2030, the legal basis for forcing companies to change the way they do business has been put in place, along with two main ways to tackle the challenge; regulated rights to pollute or permits to pollute, and the unregulated, which are carbon offsets.

Companies seeking solutions “almost always rely, at some point one way or another on carbon credits, or carbon offsets,” Peter noted.

Valérien de Jamblinne de Meux, Advisor at Arendt Regulatory & Consulting, continued that while there are ongoing differences between methodologies of those verifying carbon offsets, and while there is a third area known as carbon insets to also consider, generally the picture is of ongoing price rises for carbon credits.

In the area of regulated rights, there has been a significant rise in the carbon price in the EU Emissions Trading System, with investors increasingly looking at the asset class, noted Peter.

This interest in turn is raising practical and regulatory questions for managers of investment funds. For example, adding a few basis points to the management fee to buy offsets against the carbon footprint of fund could make regulators uncomfortable; changing prices of carbon mean the management company may be taking on a financial risk.

With certain people within and outside the financial industry seeing offsetting as greenwashing, and managers facing fragmented carbon markets with different standards and rules, it remains important to note that carbon credits are “part of the toolkit, but not the only solution.”

Further information

A recording of this session is available on the LuxFLAG YouTube channel:

<https://youtu.be/WcdjnKsjBqQ>

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DAY 5 – 15TH OCTOBER

THE CHALLENGES OF ESG REPORTING

 **FARAD INVESTMENT MANAGEMENT**
INDEPENDENT PORTFOLIO MANAGEMENT & SUSTAINABLE INVESTMENTS

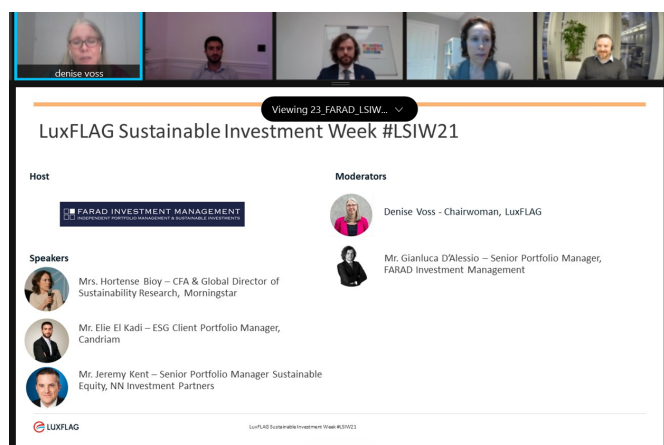
HOST FARAD Investment Management

SPEAKERS

Hortense Bioy – CFA & Global Director of Sustainability Research, Morningstar.
Elie El Kadi – ESG Client Portfolio Manager, Candriam.
Jeremy Kent – Senior Portfolio Manager Sustainable Equity, NN Investment Partners.

MODERATORS

Denise Voss – Chairwoman, LuxFLAG
Gianluca D'Alessio – Senior Portfolio Manager, FARAD Investment Management



Views both from the side of data providers - which are required to collect the relevant ESG data and to check it for consistency and reliability - and of the investment managers - which are constantly increasing inclusion of ESG data in decisional steps of the investment process and are required to produce ESG reports for clients - were put forward in this panel discussion session.

Hortense Bioy, CFA & Global Director of Sustainability Research, Morningstar, noted the different levels of corporate ESG disclosure achieved by region, with Europe leading,, followed by the US, but with Asia lagging, according to the Sustainalytics database referencing some 160 indicators used for its ESG risk rating.

Other outstanding differences include corporate disclosures on social issues such as gender pay disclosure, or governance issues such as lobbying. To an extent this may reflect different legal requirements on disclosure of such information.

Elie El Kadi, ESG Client Portfolio Manager, Candriam, noted the lack of consistency across different ESG ratings because of different methodologies used.

For example, certain ESG ratings agencies publish low scores to indicate better risk scores, while others publish high scores to indicate better risk scores.

Lack of data continues from certain sectors such as emerging markets, high yield small and mid cap. SMEs may simply lack sufficient resources to compile data.

“You need to make sure that the data you get from your data provider is correct and consistent over time. Otherwise, you will make unnecessary action towards your portfolio”

Jeremy Kent, Senior Portfolio Manager Sustainable Equity, NN Investment Partners highlighted alignment of ESG reporting with the investment process, as an area that is often overlooked and “can be driven by regulation or client demand, rather than what's actually going into the process.

“It's kind of the wrong way of thinking about it, if that's what's driving your ESG reporting.”

Further information

A recording of this session is available on the LuxFLAG YouTube channel:

https://youtu.be/tvis5X_sgUY

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DAY 5 – 15TH OCTOBER

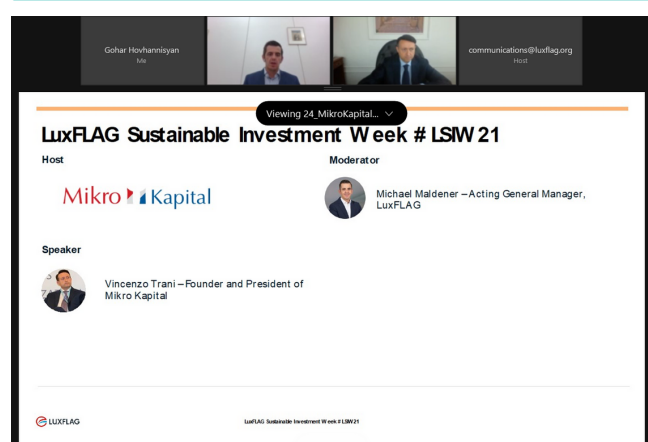
DISCOVER IMPACT INVESTING OPPORTUNITIES ALONG THE SILK ROAD



HOST Mikro Kapital

SPEAKER Vincenzo Trani – Founder and President of Mikro Kapital

MODERATOR Michael Maldener – Acting General Manager, LuxFLAG



The world of microfinance was addressed on the final day of the week by Vincenzo Trani, Founder and President of Mikro Kapital, who outlined opportunities to tap into decorrelated investments.

In particular, he highlighted the SMEs along the Silk Road - the ancient connection between East and West - where flexibility, resilience and capabilities are enabling businesses to adapt and benefit from sectors that never completely shut down during the Covid pandemic.

Despite a spectrum of different responses to the pandemic, what remained consistent, however, was the role and importance of the SME sector in generating economic growth, and in this the importance of microfinance that can step in where, for example, traditional banking does not lend support or access to credit markets.

The smallest businesses have significant proximity to their local markets, and expressed their flexibility, adaptability and resilience to avoid completely shutting down during the lockdowns.

They are now in a position to leverage digital transformation to advance even faster.

Providing microfinance and engaging with such local businesses leads to the ability to deliver impact that addresses multiple UN SDGs, such as eradication of poverty, gender equality and sustainable cities.

Added to this is the Mikro Kapital model of cutting out middlemen, in order to deal directly with those seeking capital, which manifests through locally based staff doing their analysis in proximity to the end borrowers with whom they are in direct contact. This helps cut costs as well as supporting a better social impact by having a clearer understanding of how capital is deployed, Trani noted.

Echoing Darwin, Trani noted his finding that it is not the strongest or most intelligent that survives, but the most adaptable, and that this is very much the case with microenterprises.

“That’s why they are the most resilient part of the economy in all countries where we are.”

“I believe we can do a lot to support this kind of entrepreneurs into developing local economies.”

Further information

A recording of this session is available on the LuxFLAG YouTube channel:

https://youtu.be/HufWE_28tT0

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DAY 5 – 15TH OCTOBER

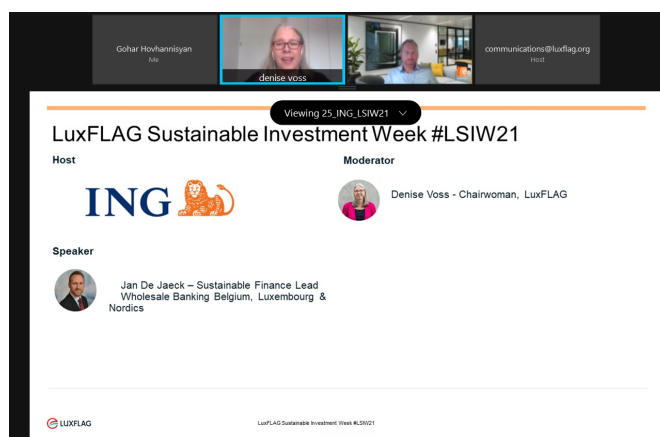
SUSTAINABLE FINANCE AND THE ROLE OF BANKS AS ENABLER OF GREEN TRANSITION



HOST ING

SPEAKER Jan De Jaeck – Sustainable Finance Lead Wholesale Banking Belgium, Luxembourg & Nordics.

MODERATOR Denise Voss – Chairwoman, LuxFLAG



The role of banks in enabling the green transition was addressed in by Jan De Jaeck, Sustainable Finance Lead Wholesale Banking Belgium, Luxembourg & Nordics at ING.

He started by noting his own organisation's mission statement in this regard, including that "sustainable business is better business", as well as noting, "Being sustainable is not just about 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."

Considering the definition of sustainability from the United Nations leads to looking at both environmental and social angles. This has led ING to focus on two strategic areas: climate action and financial health.

Within climate action, the bank addresses four points to support the transition to a green economy. It is about the bank's own actions, it is about financial solutions, it is about steering the market to evolve about cooperation, and it is about leveraging the impact that banking has as an industry.

As for why companies should engage in sustainable finance, it brings multiple benefits in areas such as company valuation, reputation, materiality of ESG issues, internal alignment, and engagement across the full range of stakeholders, De Jaeck noted.

Identifying financial health as an equally important part of ING's sustainability strategy, De Jaeck added that this meshes with thinking about the financial health of some 38 million retail customers as well as how markets in regions may be affected by pending regulatory changes - in Europe the likes of the EU Taxonomy and the EU Sustainable Finance Action Plan, with associated binding requirements around reporting.

Understanding principles guiding market is very necessary when structuring green funding. Also, the European Banking Authority and European Central Bank are looking at climate risk and how banks will have to disclose assessments of their portfolios, as well as how banks should evolve to support a green economy.

With data and policy indicating that this is a decade in which the transition must accelerate, banks are looking to leverage asset commitments in line with net zero objectives.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://youtu.be/yUkU-RpIswE>

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About LuxFLAG

LuxFLAG, the Luxembourg Finance Labelling Agency, is an independent and international, non-profit labelling agency which was founded in Luxembourg by seven public and private partners in July 2006.

LuxFLAG aims to contribute to sustainable development and promotes transparency by awarding a recognizable label to financial products. At present, LuxFLAG offers six different labels which can be broadly classified into two different categories namely:

- Positive Impact Labels – Microfinance, Climate Finance, Environment, Green Bonds
- Sustainable Transition Labels – ESG and LuxFLAG Sustainable Insurance Product

Please visit our website www.luxflag.org for more detailed information on LuxFLAG's labels, the application process and criteria.

LuxFLAG milestones

2006: LuxFLAG was created by seven private and public partners (add name / logo) to support sustainable finance and launched the world's only Microfinance Label

2011: Launch of the LuxFLAG Environment Label

2014: Launch of the LuxFLAG ESG Label, the first European ESG label intended for funds incorporating Environmental, Social and Governance criteria

2016: 10 year anniversary of LuxFLAG and launch of the LuxFLAG Climate Finance Label

55 labels with €13.5bn AuM

40 Associate Members

2017: Launch of the LuxFLAG Green Bond Label

2021: 15 year anniversary of LuxFLAG and launch of the LuxFLAG Sustainable Insurance Product Label

365 Labels with €190 billion assets under management

89 Associate Members



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