

LuxFLAG Sustainable Investment Week

Shaping a resilient world

22-23 October 2024



CONFERENCE REPORT

#LSIW24

lsiw.luxflag.org/2024

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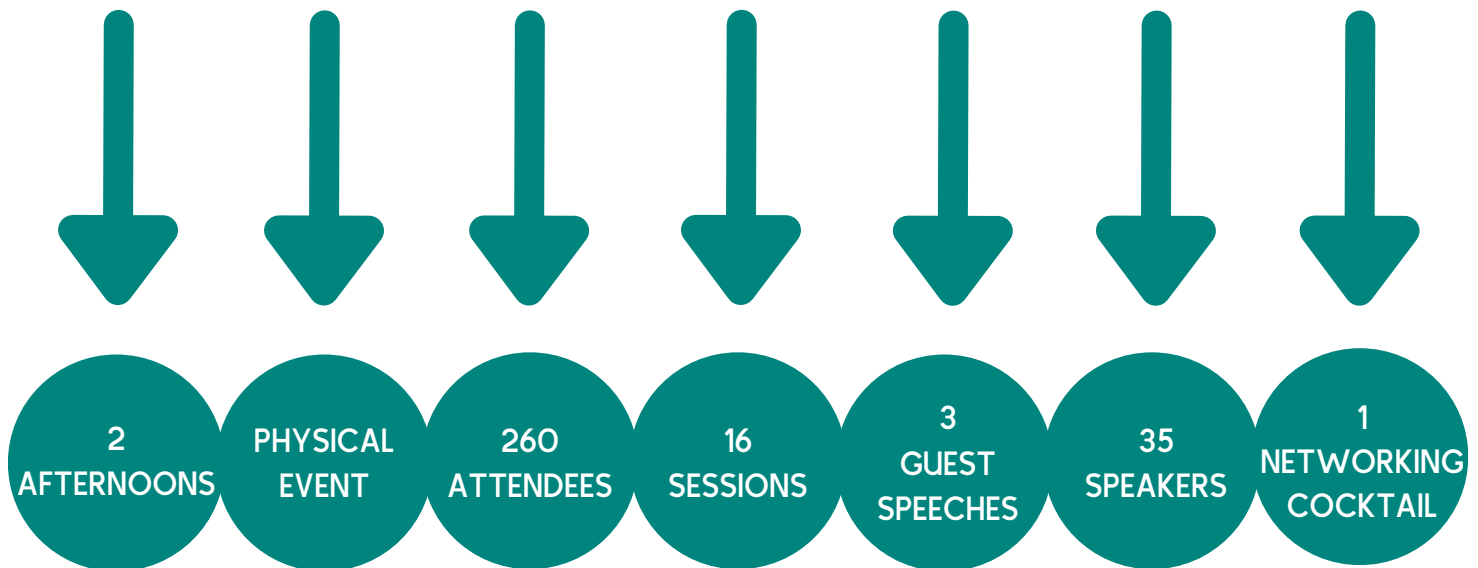


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KEY THEMES

- Low Carbon: Driving Towards Net Zero
- Transition: Financing & Social Aspects
- Impact Investing: Ideas & Updates
- Regulations & Reporting: SFDR, CSRD & Others
- Sustainability Data: The Outstanding Challenge
- Portfolio Considerations: Monitoring ESG Risk



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DENISE VOSS

Chairwoman
LuxFLAG

ISABELLE DELAS

CEO
LuxFLAG



The 6th edition of the LuxFLAG Sustainable Investment Week, #LSIW24, took place at a time when a new European Commission was on the way in and US elections loomed – and thus several months before EU Omnibus Package proposals were on the table.

In this context, Denise Voss, Chairwoman of LuxFLAG, emphasized the importance of climate finance, ESG, impact investing and the transition to Net Zero, commenting that: “On the one hand, we experience increasingly severe climate related disasters, which are impacting all of us in one form or another. And on the other hand, we experience not only a regulatory tsunami, but also regulatory uncertainty, as well as growing pushback on ESG from certain quarters.”

Greenwashing has not helped, on top of the ongoing need for financial education to encourage savings of retail investors out of low earning bank deposits. Voss stressed SFDR as a disclosure regulation, not a labelling one, hence the critical value added by LuxFLAG through its labelling process and the resultant labels, providing “reassurance to investors that a financial product does what it says on the tin.” But it is also a new era for labelling driven by exponential growth in stakeholder understanding of topics such as ESG, impact investing, and how these are implemented and integrated into investment analysis and decision making.

Continuing this thought, Isabelle Delas, Chief Executive Officer, LuxFLAG, reflected on industry stakeholders who have “transformed emerging practices into fundamental pillars of the financial sector driving forward the shift towards sustainability.”

Delas stressed the #LSIW24 agenda was not just focused on ongoing trends and discussions – including Net Zero and climate action, alignment to the Paris Agreement and the evolving landscape of sustainable finance – but also about driving meaningful action collectively, including consideration of social and governance dimensions alongside economic implications and risk associated with the transitions.

“Emerging solutions in technology, finance and policy will be key to scaling up our efforts. Collaborative approaches are critical – we cannot work in silos. Our shared goals require shared action.”

Notification was given of LuxFLAG labelling adjustments from the first quarter of 2025, including: moving from a one year to a three year label validity period; annual intermediary reviews in years two and three; while maintaining ongoing quarterly monitoring. The governance process remains, with increased automation in the application process through use of an integrated platform to increase efficiency for both new applicants and existing label holders.

LSIW24 was certified a Green Business Event.

Further information

Detailed session information is available from the
LuxFLAG YouTube Channel

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SESSIONS INDEX

DAY 1 Tuesday 22 October 2024

- [Opening remarks](#)
- [Driving Net Zero through Climate Engagements](#)
- [Facilitating the Transition: Global Commitment and Local Initiatives for a Low Carbon Economy](#)
- [Understanding the Paris alignment performance dynamics of countries in the search for impact](#)
- [The challenge of data in the world of Sustainable Finance](#)
- [Transition finance and the road to Net Zero: the view of ING Bank](#)
- [Corporate Sustainability Reporting: Tackling CSRD and Greenwashing Risks](#)
- [Climate & the Economy: Walking on a Fine Line](#)
- [Living up to labels and regulation: Strategies for Addressing Companies from High Impact Climate Sectors](#)

DAY 2 Wednesday 23 October 2024

- [Where ideas meet impact](#)
- [Eurizon and the pathway to Net Zero: Stewardship Activities and the Framework to assess Directors' Accountability to Climate Change](#)
- [Making sense of sustainable finance: terms, taxonomy and the road ahead](#)
- [Space for sustainable finance services](#)
- [Decoding SFDR: Trends, Challenges and Opportunities](#)
- [Green Horizons: Charting the Future of Sustainable Finance with EU Green Bond Regulation?](#)
- [Initiatives to accelerate social finance](#)
- [ESG-related investment restrictions – Monitor your portfolio and track your ESG commitments](#)
- [Just and fair transition: Decoding what it entails and how is it fostered by EU ESG regulation](#)
- [Closing remarks](#)



Georges Ternes

Director General
Development Co-operation
& Humanitarian Aid
Ministry of Foreign Affairs
Luxembourg

Opening remarks



Commencing the first speaker session of LSIW24, Georges Ternes noted his presence at the birth of LuxFLAG at a time when the Ministry of Development Co-operation had a particular interest in microfinance.

Noting that it was “the hottest new thing at the time”, he said that the broader recognition of sustainable and inclusive finance was required to address recognised global challenges. Thus, the event was important for how it addressed how to leverage finance to achieve outcomes, including how “funds themselves create a more resilient, inclusive and sustainable world.”

The question outstanding is how to best do that. It only works if many people benefit regardless where they live. Solutions to globally challenges must be addressed collectively, such as climate change, social inequality and economic instability, he suggested. “They are all interconnected and therefore require global solutions...sustainable and inclusive finance is one of the most effective and certainly very interesting tools that we have in our box to address these issues.”

Luxembourg’s financial centre means the jurisdiction has a particular role to play, he continued. As DG of Development Co-operation, he said the financial sector can drive development that is inclusive, resilient and sustainable, with a key objective being to incentivise capital allocation decisions to align with UN Sustainable Development Goals, while also creating opportunities for the private sector to profit.

On eradicating poverty, he admitted this is an ambitious objective. Luxembourg directs some 1% of national income to development, some EUR600bn annually per the figures shared with the audience. However, this is dwarfed by the private sector, with some USD53bn in foreign direct investment into Africa in the previous year alone, with Luxembourg playing a role in the channeling of funds to sectors such as renewable energy and healthcare.

Remittances are another key source of development funding, with about USD56bn going to Sub-Saharan Africa in 2023. The point made is that there is a limit to official development assistance. It is important to use public resources to incentivise the private sector to contribute to the SDGs, he stressed.

Here, Terne noted the role of LuxFLAG has been critical. It has enabled transparency and credibility to attach to investment funds, to complement overseas development assistance, he said.

“Investors will not do it on their own. Development operations will not do it on their own. Local governments can't do it on their own. We will only be successful in in these in achieving these goals, if we if we're working together in partnerships.”

Further information

Detailed session information is available on the
LuxFLAG YouTube channel:
<https://tinyurl.com/3v6f6v9v>



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Johannes Böhm

Senior ESG Analyst
Union Investments
Luxembourg SA

Driving Net Zero through Climate Engagements



Climate as a key theme was the focus of the session featuring Johannes Böhm, which outlined the approach of Union Investment as part of its sustainable investment strategy.

This started from 2021, when the manager joined the Net Zero Asset Managers Alliance, alongside structuring its own climate strategy according to four guiding principles, including: robust methodology, consideration of real world economic and ecological impact, applicability across asset classes, and suitability in respect of the “freedom needed to manage and steer portfolios effectively and to fulfill client demand.”

The considerations led to adoption of the Net Zero Investment Framework, which groups investments into five categories based on six key performance indicators. Böhm noted the framework categorises companies according to their pathway targets to Net Zero, including, for example, levels of disclosures of carbon emissions. This facilitates identifying companies’ levels of progress towards Net Zero, and can be used “to push companies from one category to the next category in a certain time span”. Böhm added that the 2025 target is for all companies to move out of the category for those that have no alignment to Net Zero.

Encouraging companies according to the framework supports the commitments of the Net Zero Asset Managers Alliance, and brings Union Investment closer to the target of making all of its portfolios Net Zero by 2050, he noted.

To do this will require application across all asset classes. Currently, the manager’s climate strategy covers liquid stocks and bonds, but much thought is going into how to expand it to illiquid assets. This includes real estate investment funds. This in turn has led to focus on where the bulk of emissions lie.

Böhm suggested that targeting as few as 50 companies, as key emitters of carbon, would significantly cut portfolio emissions. Having identified these companies, Union Investment is now engaging on a yearly cycle, and has set 2025 as a threshold year for evaluating progress against a commitment to targets leading up to 2050. “If companies have not sufficiently moved in that direction, then we will exclude them from our investment portfolio. Why would we exclude them? Well, we need companies to move down the carbon decarbonization trajectory in order to fulfill our own commitments,” he said, although adding later in the Q&A that if companies are required by regulation to roll back on their Net Zero commitments, then the process would consider exceptions to the divestment rule.

For those in sectors that are burdened by emissions, he noted the ongoing value of engagement – “hard to abate means it’s hard to abate, but it’s not impossible to abate” – amid evidence those engaged are setting themselves targets.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/bdz7hxpK>

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Birgit De Prins

Relationship Manager,
Private Capital
Luxembourg
BNP Paribas



Jean-Florent Richard

ESG Regulatory Lead
BNP Paribas

Facilitating the Transition: Global Commitment and Local Initiatives for a Low Carbon Economy



BNP PARIBAS

In this session touching on convictions and values and how to translate them into concrete actions, Jean-Florent Richard led off by noting how these rather than regulations can explain the approach of BNP Paribas, and the broader need for the industry to accelerate and foster a just transition.

Noting a strategic plan under the acronym GTS (growth, technology, sustainability), Richard outlined five priorities of the group, including the transition towards carbon neutrality, natural capital, combating inequality, the circular economy, and sustainable investments, savings and financing. Birgit de Prins added the pillars propping up the sustainability vision. These constitute trusted partners – including sharing ESG experience with clients – a ‘transition accelerator’ that includes a toolkit to help clients on their ESG journey, and implementing a strategic connector to bring stakeholders together.

Richard continued by outlining the tools available to the group in context of supporting its clients. These include NEST – Network of Experts in Sustainability Transitions – some 400 experts globally in areas such as social inclusion, agriculture, biodiversity. Another is the Sustainability Academy, gathering best-in-class knowledge and techniques across the group globally to support the “sustainability learning curve”. And the pursuit by staff to engage in the Climate Fresk programme – some 80% of Luxembourg staff have participated in the programme.

The awareness built internally through such engagement is now being rolled out to clients, also as a way to build relationships, as noted by De Prins who pointed to regular Climate Fresk engagement with clients that “has proven very useful and very powerful.”

Richard additionally introducing Impact Day, a global event to reinforce BNP Paribas' culture and convictions around sustainability, featuring environmental speaker Deborah Pardo de Bois. Targeted for November 2024, the event was also designed to bring in non-financial CEOs to share their experiences and insights on transitioning to a sustainable business model.

Also regarding events, but more locally, De Prins touched on the Luxembourg Business Run, where some 680 participants from the group took part, making it the biggest participant company. As another example of staff engagement, Richard pointed to the group's 1MillionHours2Help programme.

Circling back to the starting point of convictions and values, he added that work goes on to further integrate ESG in decision making processes including client relationships, to foster concrete outcomes.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/dphrxud>

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Aidan Geel

Doctoral Researcher
University of Liège



Florent Griffon

Senior Responsible
Investment Specialist
DPAM

Understanding the Paris alignment performance dynamics of countries in the search for impact

% DPAM

Bringing insight from academic research was the purpose of DPAM's session outlining the first results from application of the Paris Alignment Performance methodology, jointly developed with the Hugo Observatory at the University of Liège.

Aidan Geel, from the University perspective, outlined the idea behind the initiative being to develop a methodology to assess countries' performances regarding the Paris Agreement, but to go beyond a sole focus on national emissions, and to identify the entire contribution of a country toward the common international effort.

Noting that the goals of the Paris Agreement are far from being met – with the global present being on track for some 3.2°C versus the target of 2°C and the preferred target of below 1.5°C above pre-industrial levels – Geel stressed that the question of assessments has arisen because those put forward by the IPCC, by UNEP, are usually on a global level. “So, the question was, what is each country individually doing, and how do they contribute to us actually filling up that gap and reaching that 1.5 degree [target]?”

The challenge to answering that question has been existing methodologies maintaining focus on mitigation, ultimately with a view to reducing emissions. But the initiative outlined has sought to come up with a ranking system to address other actions countries might take beyond mitigation, including adaption, aligning financial flows with the 1.5°C target, and increasing resilience to climate change. Also to consider is the international climate finance between developed and developing countries, which touches on technology transfer, capacity building, and loss and damage. Carbon sinks, education and transparency were also noted in considering the breadth of categories to be captured in the methodology, Geel added.

Between the theoretical framework and the data actually available, the project has ended up with a model addressing six areas, including climate change mitigation, climate change adaptation, finance, technology transfer and capacity building and multilateral transparency. Added to this is consideration of ‘fairness’ by incorporating the Paris Agreement's common but differentiated responsibilities principles – reflecting common issues but recognizing that not all countries have contributed equally.

“We try to calculate the country's fair share and then compare it to what it's actually doing.” The final framework identifies current emissions, adaptation, projected emissions, the country's Net Zero target, multilateral transparency, and means of implementation.

Addressing related impact investing through listed equity and corporate debt securities, Florent Griffon put forward the view that it was a useful complement to sustainable finance in general.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/n265c7wv>

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Elisa Alonso Sanz

CEO
KNEIP



Mario Mantrisi

Chief Product and
Strategy Officer
KNEIP

The challenge of data in the world of Sustainable Finance

KNEIP

Mario Mantrisi steered the questions in this session that saw key points put forward by Elisa Alonso Sanz on tackling the complexities of ESG data, noting the inadequacy of existing vendors and the need for common standards.

She began her outline of the challenges by noting that while a relatively newly installed as CEO at Kneip her previous COO role at ABN Amro very much included handling the data requirements around growing allocations to ESG and responding to regulatory developments such as SFDR. Looking back, she highlighted that ESG inflows in the early 2020s had to be met by improvements in categorization of funds at a time when data vendors did not necessarily have sufficient solutions to meet SFDR requirements or ESG fund factsheet manufacturing. This also included discussions around ESG benchmarking.

This challenge was compounded by recognition that investors in different markets or sub-regions have had different appetites. She noted the Nordic predilection for Article 8, 9 funds versus others being more open to Article 6 funds.

And while incorporating the expertise to manage these demands resulted in new talent entering the industry, particularly younger people in the ESG analysis area, the ongoing challenge remains how to maintain the interest of those who have entered an industry that can be seen as short-termist in some respects, she suggested.

Moving on to the question of Kneip and the group it is part of – Deutsche Boerse – are doing in the field of ESG and sustainability, she noted the commitment to carbon neutrality by 2045, to diversity and inclusion, and to gender diversity targets. As a data company, Kneip also is committed to energy efficiency at the data centres it relies on. She touched on the disruption ongoing in areas such as machine learning, AI – including its ‘hallucinations’, computing nanotechnologies – which is unlocking changes such as the shift to T+1, but that there is an ESG angle to these changes in the link between increasing reliance on data and electricity and environmental pollution.

Regarding disclosure regimes, there has been growing demand for data points and thus data collection. This is highlighting the “Achilles heel of the ESG and sustainability world” which is to have reliable data, she noted.

Versus, say, the universal understanding of what a credit rating of ‘AAA’ means, standards in terms of ESG need to evolve and “I think at one point we will need to have these common standards to be able to talk about pears and pears, and not just what is happening right now, pears and apples in terms of ESG data.”

Standardisation as a goal remains relevant because of the question of reliability, she added in response to an audience question, adding that regulators should act to stop data vendors from limiting user access to data sets from multiple vendors to ensure access to sufficient data points.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/e9xfucwt>

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Jan De Jaeck

Sustainable Finance Lead
Belgium, Luxembourg
and Nordics Wholesale
Banking
ING

Transition finance and the road to Net Zero: the view of ING Bank



Jan De Jaeck tackled transition finance and finding ways to make it a just transition, among key points addressed.

Starting from the science based call to action reiterated by the World Economic Forum in dealing with climate change, while noting there are instances of political ambition being watered down, De Jaeck nonetheless stressed the ongoing commitment by ING and other institutions towards driving balance sheets towards the Paris climate goals – including through the Net Zero Banking Alliance - something that in ING's case is encapsulated in its project Terra.

The group's approach includes working with clients to develop climate transition plans. It requires a "clear focus ahead on the impact of climate and how to mitigate on the asset portfolio of the bank." This means looking at sectors such as steel and cement for carbon intensity while being mindful that, say, the EU Taxonomy does not cover all economic sectors when determining eligibility according to alignment.

Lack of clear categories for transition finance, lack of a specific framework, lack of market guidance, were highlighted. "We all know that for hard to abate sectors who specifically invest in decarbonization or climate change mitigation that that will fall under the logic of transition finance. But as a bank, we cannot name the financing solution as a transition label, because there is no reference in the market to label it," he noted.

De Jaeck referenced the Carbon Disclosure Projects's analysis on transition plans, noting the low percentage of companies with public transition plans. And he highlighted the importance of transition plans under CSRD and the challenges companies face in creating them, adding that early 2025 would be the first time for disclosure by many listed corporates on transition.

The ongoing existence of many questions around climate change mitigation, action plans and governance around sustainability help explain the ING approach, he suggested, noting the bank's focus on sustainability alongside commitments to develop a specific plan for its asset portfolio. The physical and transition risk aspects are related to financial risk, which must be assessed in the credit decision process.

"Another important angle when it comes to transition is, of course, the just transition," he added, noting that this has become even more important in discussions on sustainability and funding, such as around when companies may include social KPIs into their business management.

De Jaeck defined a just transition by referring to the International Labor Organization definition, including the commitment to "leaving no-one behind." On that point he acknowledged that the financial industry faces the question whether thus far it has put sufficient weight to this aspect of the transition.

Further information

Detailed session information is available on the
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Maren Stadler-Tjan

Partner
Investment Funds
Clifford Chance



Ada Schmitt

Partner
Litigation and Dispute
Resolution
Clifford Chance



Lauren Harris

Counsel
Corporate
Clifford Chance

Corporate Sustainability Reporting: Tackling CSRD and Greenwashing Risks

CLIFFORD
CHANCE

The panel discussion involving colleagues from Clifford Chance addressed corporate sustainability reporting (CSRD) and greenwashing risks, starting with Maren Stadler-Tjan outlining the current status of the Directive, its implementation in Luxembourg, greenwashing definition, risks, and measures to protect against greenwashing.

Picking up the thread, Lauren Harris highlighted two objectives of enhancing transparency and sustainability reporting, and secondly standardizing ESG disclosures across the EU. “Both of those are actually really important to the other topic...which is greenwashing,” she noted. Turning to what she described as the staggered rollout of CSRD, and its impact on large and small companies as well as those external but falling in scope because of EU connections, she pointed to expectations that a relevant Bill going through the Luxembourg parliamentary process would sooner rather than later result in implementation of the Directive’s objectives in the local jurisdiction.

On greenwashing, Harris noted the ongoing debate around a definition. Her suggestion was “the deceptive practice that a company or an organization engages in, in which they falsely convey information that is given the impression that they are more, let's say, environmentally sustainable, than perhaps they really are.”

Added to the challenge in identifying greenwashing, she pointed to research from sources such as Swiss ESG data and research firm RepRisk, which suggested a decrease in greenwashing cases, but an increase in their severity. Regulatory scrutiny is having an effect, but the industry is also having to understand additional terms such as green bleaching and green hushing, with companies and institutinos “being extremely careful around their disclosures and declarations.” Those doing greenwashing need to beware however, as they face a number of risks. Harris referenced the Unfair Commercial Practices Directive and the Green Claims Directive as contributing to a basis in law for targeting those engaging in such activity. The CSRD reporting and disclosure requirements are in play, while NGO such as Greenpeace have been bringing greenwashing claims against companies.

Ada Schmitt underlined the role of NGOs as being “obvious stakeholders” in regards to greenwashing claims, noting that “the Luxembourg precedent that we have for greenwashing claim is a case involving Greenpeace Luxembourg versus the Luxembourg public pension fund.”

Best practice put forward for companies to prevent greenwashing included accurate and transparent ESG reporting; use of third-party verification and public disclosure verification to maintain credibility, and regular assessments and stakeholder involvement around integrating ESG into business strategy. The requirements of CSRD could make non compliance painful for individual directors of businesses, the panel noted, given the obligation to create or oversee the creation of reports means they could face liabilities.

Further information

Detailed session information is available on the
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Petra Besson Fencikova

Head of ESG
Investments
Societe General Private
Banking Luxembourg,
Switzerland and Monaco



Constance Boubliil-Groh

Senior Economist
Société Générale

Climate & the Economy: Walking on a Fine Line



SOCIETE GENERALE
Private Banking

The penultimate session of the first day of LSIW24 saw Petra Besson Fencikova and Constance Boubliil-Groh from Societe Generale discuss the significant impacts of climate risks on the economy, including growing physical risks – impacts – and transition risks. This is a key topic for the institution itself to be aware of, given the high level of assets in its collective investments being classified Article 8 or 9, and with the majority labelled by LuxFLAG, noted Fencikova.

On the physical risks, Boubliil-Groh outlined two categories. The chronic risk such as rising temperatures and sea levels, and acute such as natural disasters. Illustrating the point graphically, she pointed to evidence that, for example, recurring heat waves are linked to more epidemics, meaning health deterioration impacting on labour productivity. Value chains are also impacted – the example put forward was of shipping through the Panama Canal being impacted by heat waves – and there is risk of capital stock deterioration, such as agricultural areas, buildings and infrastructure.

Investments are the final area to consider being influenced by the physical risk, she noted. Investments can either be pre-emptive – so-called adaptation investment, or be focused on investments post natural disasters – so-called reconstruction investment. Neither are considered productive by economists, she added, because they otherwise would target research and development, innovation and education.

Regarding transition risk, she noted climate policies, changes to household behaviours and companies' commitments. For, while companies and countries are committing to Net Zero targets, these must be implemented through mechanisms such as carbon pricing, green subsidies or standards of regulation on things such as vehicle emissions. And these are impacting markets in turn, with studies suggesting banks in the euro area are charging higher rates of interest on firms with higher carbon emissions.

The extent to which GDP growth may be impacted depends on the different scenarios identified as 'orderly' (Net Zero below 2°C), 'disorderly' (transition too late), and 'hot house world' (current policies). Citing ECB research, Boubliil-Groh said "In this disorderly scenario, you will have sectors that will be major losers, like mining, like refined petroleum products and other sectors that will win from the transition." Combating the risks will take significant investment, of the scale of \$5 trillion annually in global energy alone.

Summing up Fencikova quoted Mark Twain: "Plan for your future, because that is where you are going to spend the rest of your life."

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
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Charline Meslé

Director ESG & Climate
Consultant
Morningstar-
Sustainalytics

Living up to labels and regulation: Strategies for Addressing Companies from High Impact Climate Sectors



Wrapping up the first day of presentations, Charline Meslé from Morningstar discussing the importance of transition finance in addressing high-impact climate sectors that can pose particular challenges to investors.

Noting the previous session's reference to risks around climate change and addressing the transition, she took the opportunity to introduce findings from Morningstar's Low Carbon Transition Rating work and what these suggest about how to target investments against nearer term emissions. Regarding the transition, she stressed that it is becoming increasingly important to the work of regulators, label providers, and asset owners. "The focus now is much more on the journey than rather the destination by 2050 and how we can concretely finance the transition. There is also a shift in focus on portfolio decarbonization to real world emission reduction. So, this means less focus on divestment and more on investing in the right places to drive change."

Asset owners are becoming increasingly aware of the materiality of environmental factors, with the transition to Net Zero seen as most material to decision making, according to the asset owners survey presented by Meslé. Energy management, water and wastewater management, temperature rises are other areas adding urgency to decarbonization efforts. And sustainable finance and standard setting bodies are becoming increasingly stringent in their decarbonization criteria, including recommendations for certain exclusions.

But arguing for divestment ignores the difference between portfolio decarbonization versus decarbonizing the real economy, and can remove capital from where it is needed most, she noted.

Exclusion-based strategies can create challenges managing portfolios and limit the ability to benefit from companies transitioning their business models. And it is important to recognise that transition finance is about supporting companies to achieve Net Zero, not just supporting transitional activities. Here, investors need to ensure the credibility of companies' transition plans, including governance and other mechanisms to achieve the objectives.

"This priority is even more urgent now that companies in the high impact climate sector make up more than 60% of the global economy," Meslé said. In Europe they made up about 70% of total market capitalization.

Also notable, she said that as of the presentation date and in regards to the Low Carbon Transition Rating, no companies in Morningstar's global research universe of some 12,000 had a credible climate transition strategy aligned with the Paris Agreement target of 1.5°C or below.

Sectors with a larger share of companies that are severely misaligned and that will require more effort to bring into alignment with the Paris Agreement point to Increasing engagement to achieve real world positive outcomes. But investors need to be precise in where they focus their engagement efforts.

Further information

Detailed session information is available on the
LuxFLAG YouTube channel:
<https://tinyurl.com/vd7vpaax>



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Matteo Russo

Master's student



Daria Amelina

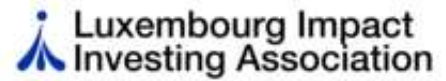
Master's student



Ruben Jurgens

Master's student

Where ideas meet impact



The first session of the second day of LSIW24 featured a unique highlight: the introduction of a new industry association based in the Grand Duchy targeting impact investing.

Founded by students from the Master's in Wealth Management program at the University of Luxembourg, the Luxembourg Impact Investing Association (LIIA) aims to foster development in this area, with one of those present from the program, Matteo Russo, stating that: "LIIA envisions Luxembourg becoming a European hub for impact investing, bringing together university talents and professionals to drive transformative social and environmental changes and as well as to accelerate implementation of impact investing into global economy through strategic partnerships, especially with an international university network."

"We aim to reinforce academic positioning of impact investing and as well as to nurture and attract a new generation of leaders in sustainable development. Our association aims to foster synergy in the industry and as well as to create a collaborative place and a platform where ideas meet impact, to create strong connections, and as well as to foster field building initiatives. Our main purpose is to make sure that Luxembourg continues being a magnet for talent."

Their vision of LIIA's key initiatives includes:

- Educational programs featuring workshops and seminars with industry professionals, academics and entrepreneurs who are experienced in the field of impact investing,
- A mentorship program connecting students with industry experts to foster skill sets to bring impact ideas to life and monitor the impact of those projects,
- An annual award to recognise and celebrate innovative solutions to social and environmental problems, with candidates selected for the award gaining access to the mentorship program.

With an eye to attending the COP29, and noting the existing engagement in impact investing initiatives by academic institutions such as MIT, Stanford and Cambridge, those present called the formation of LIIA "timely and essential".

With reference to founding stakeholders present in the room coming from Bulgaria, Russia, Norway and Italy being indicative of the broad aim of collaboration, those in the audience were encouraged to join the LIIA as members, partners or supporters.

The presenters stressed that to achieve in the sustainable impact sphere, collaboration will be crucial – hence the call to join the work of LIIA.

An update on the activities was promised for the next LSIW. (Details of that event later in 2025 can be found at the end of this report)

Further information

Detailed session information is available on the
LuxFLAG YouTube channel:
<https://bit.ly/3vmlIdga>



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Sofia Galarducci

ESG & Strategic Activism
Corporate Governance
at Eurizon Capital SGR
S.p.A.

Eurizon and the pathway to Net Zero: Stewardship Activities and the Framework to assess Directors' Accountability to Climate Change



Stewardship practices, climate governance, and director accountability were in focus in this session presented by Sophia Galarducci, who outlined Eurizon's stewardship strategy, emphasizing active engagement and voting practices to promote sustainable corporate behavior.

Key topics included trends in shareholder proposals, noting a rise in such proposals despite declining support, and an increase in anti-ESG movements and related litigation, particularly in the US. However, ESG-related proposals still dominate proxy agendas, with Eurizon voting on over 95% of them. The importance of corporate transparency and climate risk mitigation in investor decisions was stressed, particularly in light of NGO scrutiny and the potential for reputational and financial damage.

"We try to develop our stewardship activities across four macro areas: climate change, biodiversity, human rights and governance, trying to join national and international organization in order to develop expertise, but also to develop stewardship practice at an international level," noted Galarducci, adding that In the first semester of 2024, Eurizon voted in over 1,200 meetings and conducted more than 500 engagements. "The first thing where an asset manager can give a feedback on a company is by voting, say, on climate proposals."

She went on to note the importance of a framework when addressing stewardship and climate concerns. "I would say that good governance practice should be implemented at an international level, because if the board is responsible for enhancing the long term value of the company it should also be responsible for the other side of climate risk. That's why we developed our Directors Accountability framework to vote consistently on the climate related issues, and when voting the re-election of directors to embed our voting activity into our stewardship target."

The framework evaluates board oversight, the presence of ESG-skilled directors, and integration of ESG KPIs into executive compensation. If deficiencies are found, Eurizon may escalate voting opposition – ranging from voting against individual directors to entire boards. In the first half they voted against over 230 directors on climate related issues.

The framework leverages public data sources like Climate Action 100+ and SBTi as well as MSCI to monitor company performance, covering over 1,000 firms globally. Eurizon also supports regulations like CSRD, TCFD, IFRS S2, and the US SEC climate rule, advocating for robust climate disclosure and governance standards.

Throughout the session, attendees discussed how Eurizon uses its influence to shape corporate sustainability, how companies respond to engagement, and the effectiveness of voting as a tool for change.

Further information

Detailed session information is available on the
LuxFLAG YouTube channel:
<https://tinyurl.com/45kmzn5m>



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Victor Louvet

Counsel
Investment Funds
Linklaters



Justine Beaufls

Associate
Investment Funds
Linklaters

Making sense of sustainable finance: terms, taxonomy and the road ahead

Linklaters

In what was one of several sessions to touch on SFDR, here the focus was on recent regulatory developments at the time, particularly the ESMA guidelines on fund names alongside evolving expectations under the Regulation.

Victor Louvet and Justine Beaufls detailed the ESMA guidelines, which aim to prevent greenwashing by ensuring fund names accurately reflect their ESG and sustainability-related objectives. These guidelines mandate that funds using ESG-related terms allocate at least 80% of investments toward stated ESG characteristics or sustainability goals. Although initially proposing a minimum 50% sustainable investment threshold for funds using the term “sustainable,” ESMA revised this requirement following market feedback. Instead, such funds must now commit to “meaningful” sustainable investment without a fixed threshold.

Further, ESMA differentiates between environmental and social/governance terminology. Funds using environmental or impact-related terms must meet stricter criteria, such as aligning with Paris-Aligned Benchmark exclusions. Impact-related terms also require funds to demonstrate measurable social or environmental benefits alongside financial returns. Transition-related terms must reflect clear, measurable progress toward ESG outcomes. But the plethora of requirements have not made it easy for fund managers, noted Beaufls. “This is a moving topic. It keeps us very busy at the moment. ESMA will continue to monitor this topic and be sure that it's implemented correctly in practice, and if needed they will amend the guidelines in order to meet the market needs.”

Louvet addressed SFDR's current limitations. Key concerns include the complexity of disclosure templates, their misuse as product labels – for example “Article 8” or “Article 9” – and inconsistencies in disclosure quality. SFDR was originally intended as a disclosure tool – not a labeling framework – but is often misinterpreted as such, increasing the risk of greenwashing. And there is European Supervisory Authorities (ESA) intent to reform SFDR through categorisation – such as sustainable, transition, non-sustainable – and consideration of tailoring disclosures per investor type, that is in mind of retail investors.

Digitalizing disclosures, enhancing definitions, especially aligning SFDR's “sustainable investments” with EU taxonomy, and clarifying the roles of auditors and depositories in ESG verification are other areas to monitor.

In the Q&A part of the session three speakers touched on what expectations there may be around European level authorities' approach to non-sustainable funds, where there may currently be a perceived regulatory gap.

Overall, the session highlighted an evolving regulatory landscape that seeks greater clarity, consistency, and investor protection in sustainable finance.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/5n8bzy67>

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SPEAKER:

Lucien Hoffmann

Science Director
Luxembourg Institute of
Science and Technology

Space for sustainable finance services

LUXEMBOURG
INSTITUTE OF SCIENCE
AND TECHNOLOGY



In this session, Lucien Hoffmann explored how space technologies can significantly enhance sustainable finance through improved ESG data collection and monitoring, beginning with the point that there are currently limits to ESG reporting.

This is because of heavy reliance on voluntary corporate disclosures, often lacking assurance, transparency, and comparability. These limitations hinder investor trust, data accuracy, and effective decision-making, while increasing risks of greenwashing. “Unlike financial statements that are audited by accounting firms, ensuring the accuracy of ESG reports is still a work in process, in progress. According to a recent study, only about 50% or half of the companies that were looked at had assurance in their environmental metrics,” Hoffmann added.

This is where space technologies can play a role, he stressed. Specifically, areas such as satellite navigation, telecommunications and Earth observation can overcome the data challenges. Hoffman emphasized that these technologies offer high-frequency, low-cost, globally consistent, and independent data. Earth observation satellites, for instance, now provide near-daily, high-resolution imagery of Earth’s surface, enabling precise tracking of emissions, deforestation, biodiversity loss, and reforestation. These data can help verify corporate environmental claims and offer standardization for carbon trading and impact measurement.

Referencing practical application, the examples put forward included banks can use satellite and AI-driven data to assess climate risks, support remote clients, and monitor agricultural or real estate assets; and insurers looking to space data to facilitate flood risk assessment, damage verification, and claim automation. For investors, Earth observation can validate company behaviors in hard-to-access regions, monitor emissions like methane or CO₂, and track environmental performance over time. Hoffmann stressed the role of AI and high-performance computing in extracting actionable insights from the vast volume of satellite data.

He went on to position Luxembourg as a future European leader in sustainable finance-tech integration.

He cited the nation’s robust space ecosystem—including free Sentinel satellite data, advanced data centers, AI capabilities, and government investment in sustainable space initiative. He acknowledged space debris as a growing challenge and mentioned Luxembourg’s efforts in developing mitigation solutions and promoting space sustainability.

The session concluded by reaffirming that space-based geospatial data could complement existing ESG frameworks, providing reliable, scalable, and verifiable insights that support more accurate and impactful sustainable finance decision-making.

Further information

Detailed session information is available on the
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Laurent Goyer

Counsel
A&O Shearman



Lisa Klemann

Counsel
A&O Shearman

Decoding SFDR: Trends, Challenges and Opportunities

A&O SHEARMAN

During this session, Laurent Goyer and Lisa Klemann explored the Sustainable Finance Disclosure Regulation (SFDR) and its implications, particularly concerning fund names. As understood, SFDR was enacted in 2019 and implemented in 2021, with the aim to improve transparency around sustainability in the financial sector, particularly through classifying investment funds into Articles 6, 8 – the ‘unofficial’ 8+ – and 9 based on their commitment to sustainability.

As noted by Goyer, there are many requirements demanded of the industry yet “to be totally frank, its implementation has not been smooth, so we’re already talking about the next stage of SFDR.”

The discussion emphasized increasing regulatory scrutiny on fund names, especially those using ESG-related terms like “green” or “sustainable.” These terms must reflect the fund’s actual investments and objectives, with new guidelines requiring at least 80% of assets to align with environmental or social characteristics for such terminology to be used.

The European Securities and Markets Authority (ESMA) and Luxembourg’s CSSF are enforcing stricter interpretations of SFDR through guidelines, which define six categories of key ESG-related terms – transition, social, governance, environmental, impact, and sustainability – and outline quantitative and qualitative thresholds. For instance, funds using “green” in their name must ensure 80% of their investments align with stated ESG goals and disclose this in pre-contractual documents. Also noted are the exclusions under Climate Transition Benchmarks (CTB) and Paris-Aligned Benchmarks (PAB), particularly excluding investments in controversial sectors like tobacco or weapons manufacturing, depending on the terms used in fund names.

Practical challenges include deciding whether to change fund names or adjust investment strategies to comply. Changing strategies could require portfolio realignment, investor approval, and operational adjustments, especially for already deployed funds. Some managers may opt to rename funds rather than undertake complex restructuring. The speakers also noted that while regulation may deter some funds from pursuing ESG labels, those genuinely aligned with sustainability will benefit from increased market trust and demand. Although current rules apply to funds, there is potential for expansion to broader marketing and investment practices to prevent greenwashing.

“Disclosures are creating an administrative burden and can be extremely complicated, but if you make the switch now, definitely opportunities will arise and you will be able to better position yourselves for years to come.”

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/ybyhace8>

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Ruslana Hrischeva

Senior Associate
A&O Shearman

Green Horizons: Charting the Future of Sustainable Finance with EU Green Bond Regulation?

A&O SHEARMAN

For allocators to fixed income, this session outlined key points of note in regards to the EU Green Bonds Regulation, as it aims to establish a "golden label" for green bonds, boosting transparency, investor confidence, and standardisation. Effective from December 2024, the framework seeks to build on previous standards, providing issuers with a way to align bond proceeds with the EU Taxonomy for sustainable activities.,

Ruslana Hrischeva touched on the three main pillars of the Regulation. The first being around use of proceeds: funds raised must be allocated to activities aligned with the EU Taxonomy through either a gradual or portfolio approach. A "flexibility pocket" allows 15% of proceeds to be allocated to activities that meet general taxonomy requirements, excluding technical screening criteria, under specific conditions. The second requirement relates to transparency: issuers must fulfill extensive pre- and post-issuance disclosures. Pre-issuance includes a green bond fact sheet and a compliant prospectus. Post-issuance, issuers must provide annual allocation reports and an optional impact report. These documents detail how proceeds are used and assess environmental impacts. And then the third requirement relating to external verification: issuers must engage ESMA-registered external reviewers to validate alignment with the regulation. These reviewers will be subject to stricter supervision, including conflict-of-interest checks and methodological transparency, Hrischeva noted.

The regulation does not replace existing frameworks like the ICMA Green Bond Principles, but offers a more robust, credible alternative for issuers seeking higher standards. It also interacts with other EU legislations, like the Prospectus Regulation, raising some concerns about harmonization and legal risk. Challenges include increased compliance costs and potential barriers for smaller issuers. Nonetheless, the Regulation offers "opportunity in terms of increased transparency, investor confidence, building greater trust, and also opportunities for standardization and economies of scales," Hrischeva said, adding that investors "basically will have a certain form of guarantee that this bond complies with the EU Taxonomy, with an external review and external reviewer supervised by ESMA."

Regarding uncertainties around the implementation of the Regulation, she noted that any issuer will as a first step need to consider preparing a Green Bond fact sheet. However, being subject to review, there is a question over how much time may be required to do this, similarly in regards to preparing a prospectus. Then there is an ongoing debate to consider in respect of what templates the European Commission may develop in response to the implementation of the Regulation. And there is the transitional period to consider in respect of the external reviewers.

From the industry perspective, it is likely that success of the Regulation is determined by broader uptake, and from the issuer side also "whether the additional compliance cost will make it possible for small issuers to be able to take advantage if they have the ambitions for it."

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
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Thomas Collin

Sustainability Officer
ABBL



Alyssa Di Cara

Advisor for Sustainable
Finance
Ministry of Finance



Carmen Vera Garcia

Advisor
EIB

Initiatives to accelerate social finance



This panel session looking at gender equality and social impact aspects of sustainable finance and the transition saw input from the perspectives of financial services providers, multilateral institutions and policymakers.

Alyssa Di Cara from Luxembourg's Ministry of Finance introduced the country's 10-point action plan for sustainable finance, launched in April 2024, and outlined the positioning of Luxembourg as a centre of excellence for gender finance, moving beyond green finance to prioritize social and gender dimensions.

The Ministry launched the Gender Finance Task Force (GFTF) in September 2023, comprising 11 senior financial sector leaders. This task force addresses two streams: women in finance (gender diversity within the industry) and finance for women (gender-lens investing and inclusive financial products). To deepen impact, the task force created seven working groups focused on data collection, mentorship, education, gender-lens investing, innovation, and the development of gender-intelligent products. These groups aim to provide practical tools and guidance documents to enhance awareness and action within the industry.

Di Cara also touched on the jurisdiction's International Social Finance Accelerator (ISFA), modeled on the previously implemented International Climate Finance Accelerator (ICFA). ISFA targets support at fund managers establishing Social Impact Funds, offering financial backing, coaching, and capacity-building under a public-private partnership model. Applications were expected to open in early 2025.

Carmen Vera Garcia from the EIB noted that institution's involvement in the GFTF, and went on to outline the Gender Finance Lab, an advisory initiative that supports financial institutions on two main objectives. "The first one is to contribute to build the case for investing in women entrepreneurs. The second is to increase female representation in the financial sector," she said, adding, "Essentially, we consider that contributing to these two objectives is a key factor to increase access to finance for women entrepreneurs."

Garcia explained that in the EIB's view, if finance supply side issues are not addressed, it will not be possible to bridge the gender finance gap. Its own research points to women-led businesses facing higher costs and fewer funding opportunities, even while often outperforming on ESG metrics, especially employment equality and environmental responsibility. Addressing this, the Lab offers market studies, capacity-building, and networking.

Initiatives to foster gender diversity in the VC, private equity and private debt areas are being built on through the Gender-Smart Finance Master Class for the commercial banking sector, she added. The session concluded with a call to action for the financial sector to seize both the social and financial opportunities that gender-inclusive finance presents.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/y6cftxyn>

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Alexandra Faux

Senior Advisor
Arendt



Valérien de Jamblinne

Manager
Arendt



Cédric Gillain

Chief Research Officer
SOPIAD

ESG-related investment restrictions – Monitor your portfolio and track your ESG commitments



Considering the regulatory expectations in Luxembourg at the time, this session focused on ESG-related investment restrictions and evolving requirements, particularly linked to CSSF Circular 24/856, scheduled to come into effect by January 2025, and which was intended to replace facets of previous requirements published in 2002.

This Circular's particular angle is that it mandates ESG breaches be treated similarly to any other investment restrictions, highlighting the growing regulatory weight of ESG commitments. It was also noted that an FAQ from the CSSF was expected to clarify operational responses to the new requirements (which duly appeared by December 2024).

As outlined, the speakers identified significant risks of non-compliance, including regulatory sanctions, reputational damage due to greenwashing, increased regulatory scrutiny, and value erosion from neglecting ESG considerations post-investment. However, those responsible within the companies that fall in scope of the new requirements face multiple challenges.

One noted is coordination across functions, as ESG compliance may involve multiple departments – ESG, risk management, legal, investment teams – that represent different expertises, making consistent interpretation and execution difficult. Another relates to data management, where Cédric Gillain noted “We know that for sure that those data are still young, they are inaccurate and sometimes incomplete, and there is also a lack of standardization,” and where firms struggle to integrate multiple sources and ensure accurate, actionable insights and face evolving regulatory standards.

Regulatory fatigue was also noted by Valérien de Jamblinne among the challenges as the industry juggles ESG regulatory changes, but firms also face an internal knowledge gap around ESG that in turn is driving specialised ESG compliance roles.

Turning to the solutions, Alexandra Faux called for firms to ensure compliance with ESG related investment restriction. “You need to implement a strong and robust risk management and investment compliance framework,” she noted, pointing to pre- and post-trade monitoring, adaptive control systems, and senior management oversight. Additionally, continuous monitoring tools and portfolio diagnostics were recommended to ensure alignment with ESG commitments and to avoid breaches.

The session concluded with a discussion on ESG fund naming rules, responsibility falling on the fund manager, and expectations for better transparency from ESG rating agencies under future EU regulation.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/57c4n8yn>

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Eleonora Maria Belenghi

Consultant (Climate and Sustainability Team)
Deloitte



Roxana Moise

Director (Human Capital Advisory Services Team)
Deloitte

Just and fair transition: Decoding what it entails and how is it fostered by EU ESG regulation

Deloitte.

Citing research suggesting that less than 1% of major companies are effectively preparing for the transition, and with those that are mostly being reactive and compliance driven rather than proactive and strategic, this session highlighted key facets of planning and effecting a just and fair transition.

Presenters Eleanora Maria Belengi and Roxanne Moise noted that this concept is defined as the process of shifting to a green economy in an inclusive way that creates decent work and leaves no one behind – referencing the International Labor Organization (ILO) definition and aspects of the EU Green Deal that emphasize environmental goals alongside social justice.

The session identified three primary actors in this transition: governments, employers, and workers. Hard-to-abate sectors such as energy, transport, manufacturing, agriculture, and waste management face the steepest transformation challenges.

From the workforce perspective, the discussion emphasized the importance of green skills and strategic workforce planning. Sustainability is not a standalone department but a new way of working that affects all roles, noted Moise: “What is expected is that sustainability is going to challenge the type of skills that the organizations have today versus what will be required tomorrow. Sustainability is basically a new way of working that is going to affect and impact across the organization.”

Responding will require mapping of how roles are impacted by sustainability goals, upskilling employees in sustainability knowledge and new technologies, and creating leadership buy-in and embedding sustainability into organizational culture. An example of how this may work in practice came from the food industry, where building on an existing environmental management system to create a real-time knowledge hub to help achieve against targets.

Considering the role of the state in the transition envisaged, from a regulatory standpoint, the EU has used disclosure requirements – exemplified in SFDR, CSRD, and CSDDD – to push organizations toward action. These aim to help companies anticipate social risks, maximize opportunities, and ensure stakeholder participation.

The role of governments was highlighted in areas such as providing structure, incentives, and long-term policy support. Countries are considering dedicated ministries for a just transition. In Luxembourg, there have been over 190 measures drafted or re-drafted around its national climate plan to better cover the social and fair part of the transition. Ultimately, better collaboration between employers, workers, and governments will facilitate this the session concluded.

Further information

Detailed session information is available on the LuxFLAG YouTube channel:
<https://tinyurl.com/4rp8n7ze>

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Claude Marx

Director General
CSSF

Closing remarks



In the final session of LSIW24, Claude Marx from the CSSF outlined Luxembourg's regulatory priorities in alignment with the EU's financial supervisory agenda, with a strong focus on sustainable finance, greenwashing prevention, and financial education – as well as noting the complexities of responding to the various objectives.

He emphasized the CSSF's commitment to the European Securities and Markets Authority (ESMA) ongoing five-year strategy (2023–2028), built around three core priorities: market integrity, stronger supervision, and retail investor protection, as well as two cross-cutting themes in enabling sustainable finance and technological and data innovation.

One key regulatory development noted was the summer 2024 publication of the ESMA Final Report on Greenwashing. “For those of you who haven't read it, I recommend you read it...it has, for the first time, a clear definition of what is supposed to be greenwashing,” Marx noted alongside mention of common supervisory actions on sustainability risks and disclosures in the investment fund sector, enhancement of the useability of the SFDR framework, and implementation of the ESMA guidelines on fund names using ESG or sustainability related terms – on the latter he additionally referenced the CSSF Circular 24/863, requiring funds with ESG-related terms in their names to comply with new guidelines by November 2024 for new funds and May 2025 for existing funds.

Aknowledging the practical challenges from these ongoing regulatory commitments, he added: “It's fair to say that investment fund managers have and are still deploying efforts to continue to enhance their compliance with the SFDR provisions, and this in a context where the framework is constantly evolving and still requires clarification regarding some key concepts, like definition of sustainable investments, consideration of principal adverse impacts.”

The EU level review of SFDR he said was further acknowledgement of its weaknesses, such as how it may have been used as a ‘labelling’ regime without clear definition of sustainable investments: “We should have simple categories with clear objective criteria.” Here he praised LuxFLAG's labeling system for clarity and transparency compared to the misunderstandings around Article 6, 8, and 9 categories.

Shifting to comments on the banking sector, he noted climate related and environmental risk supervision was being prioritised, including follow-up on climate stress test shortcomings, compliance and implementation of reporting and Pillar 3 disclosures on related climate and environmental risks, addressing related reputational and litigation risks, and on-site inspections on climate related aspects. Marx highlighted CSSF expectations that banks in Luxembourg would be in full compliance of its Circular 21/773 by end of 2024.

Financial education remains another area in focus for its role in combating greenwashing and advancing Capital Markets Union goals. Educating consumers and increasing transparency are key to building trust and driving meaningful investment in counterin climate change.

Further information

Detailed session information is available on the
LuxFLAG YouTube channel:
<https://tinyurl.com/34c2wy3t>



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Rounding out #LSIW24 was the Networking Cocktail, sponsored by Amexio Group.

Here, delegates and speakers could access further opportunity to connect and share thoughts on the insights gained from the topics and case studies presented across the two days of the event - all in support of stimulating further collaboration and brainstorming around LuxFLAG's objective of "Shaping a resilient world".



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