



Navigating Sustainable Finance

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General market overview and current trends in Sustainable Finance

Does it ring a bell?



Does it ring a bell?



Source: United Nations

(At least) 50 shades of Sustainability



From ESG negative screeningTo impact thematic funds

(Process vs Targets)

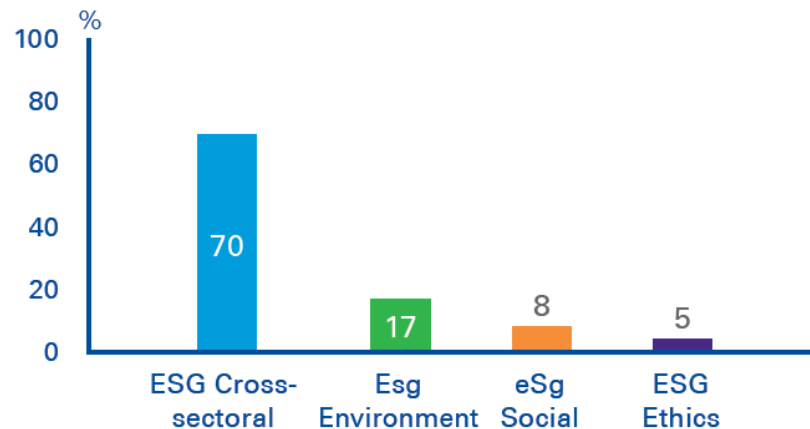
Scope of SF Investment Funds

ESG = Environmental, Social and (corporate) Governance

ESG criteria refer to three main factors investors consider with regards to a firm's ethical impact and sustainable practices

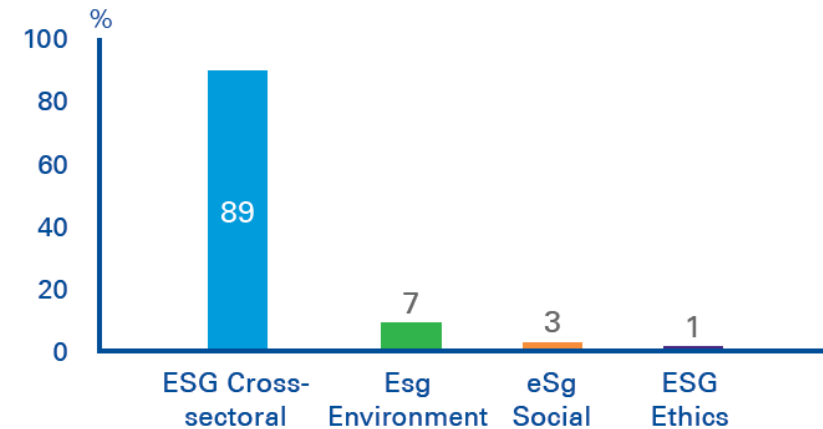
RI in nb of funds

Total = 2,413 funds



RI in AUM

Total = EUR 476 billion



Environmental: company's energy use, waste, pollution, natural resource conservation, animal treatment as well as environmental risks

Social: company's business relationships (company's values, working conditions or volunteer work...)

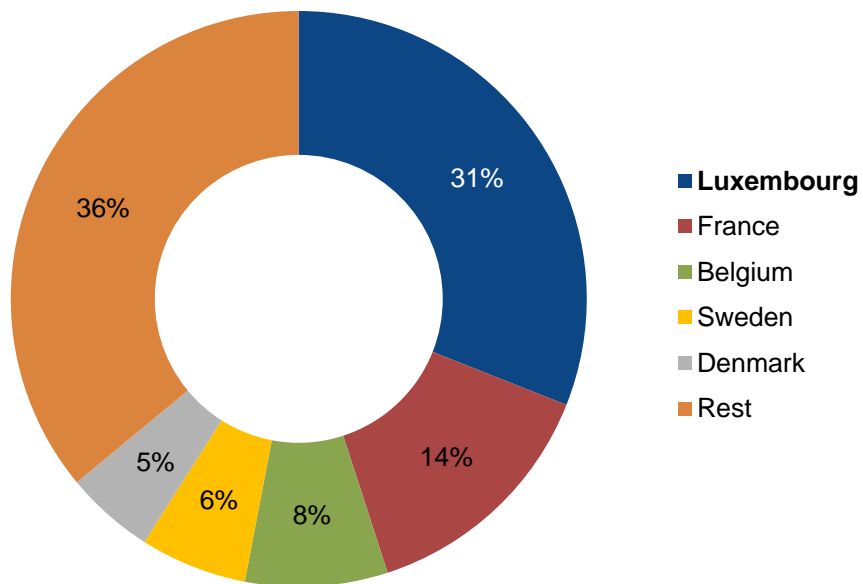
Governance: investors want to know that a company uses accurate and transparent accounting methods, and see that common stockholders are allowed to vote on important issues

Source: ALFI/KPMG

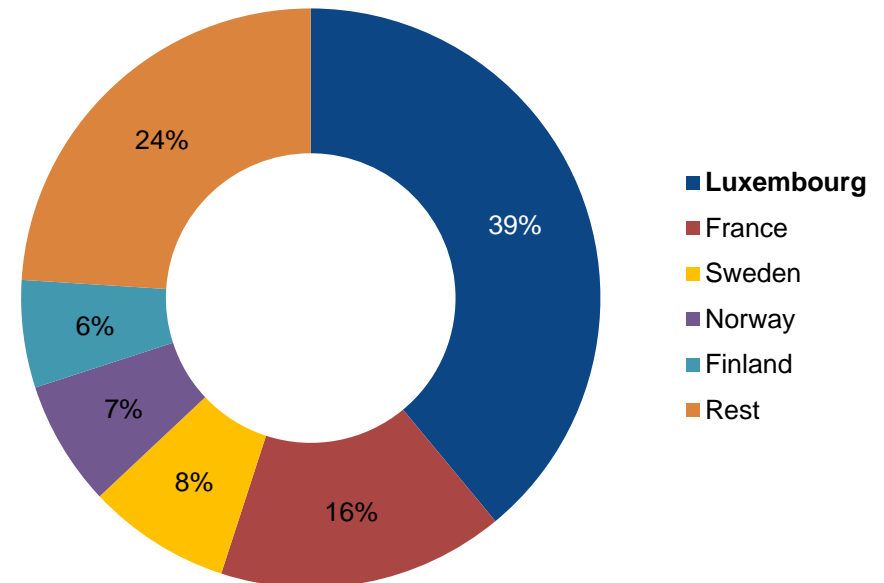
Luxembourg, your SF one-stop-shop

European responsible investment (RI) funds by domiciles

RI in % of nb of funds
Total = 2,413 funds



RI in % of AuM
Total = EUR 476 billion



Source: ALFI/KPMG



Green Bonds

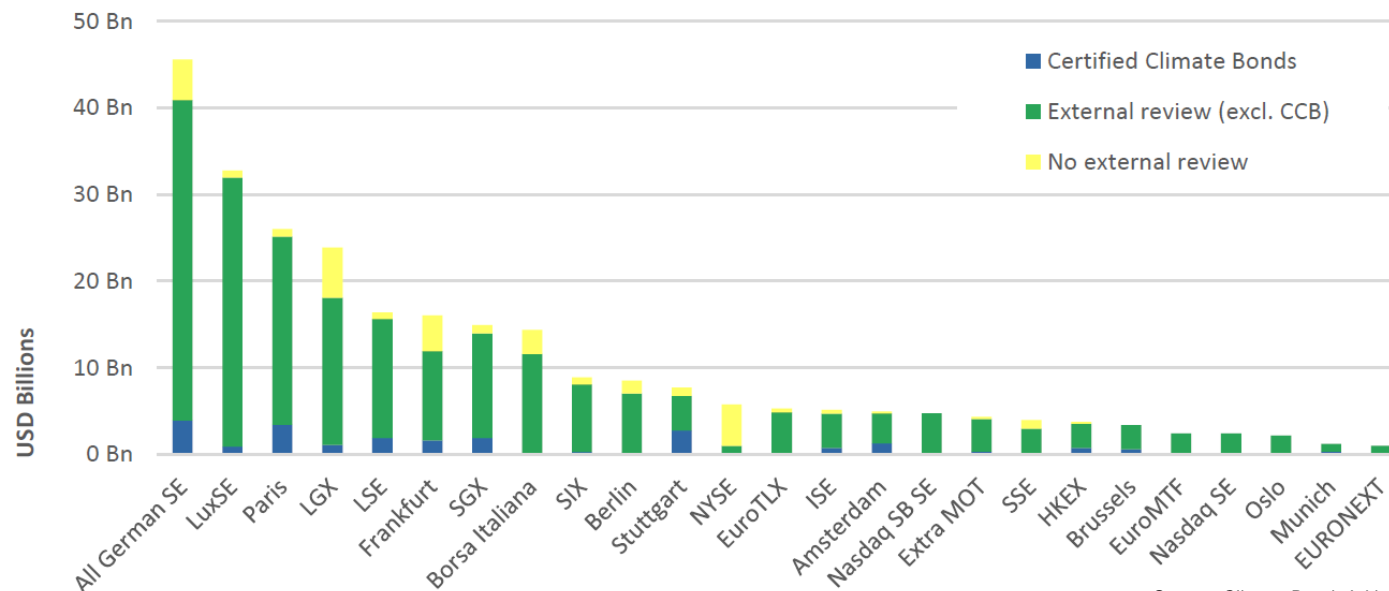
Green bonds

Overview of the Green Bond market

Legal framework for the green bond market and Luxembourg initiatives

Challenges for the Green Bond Market

Top 25 green bond listing venues

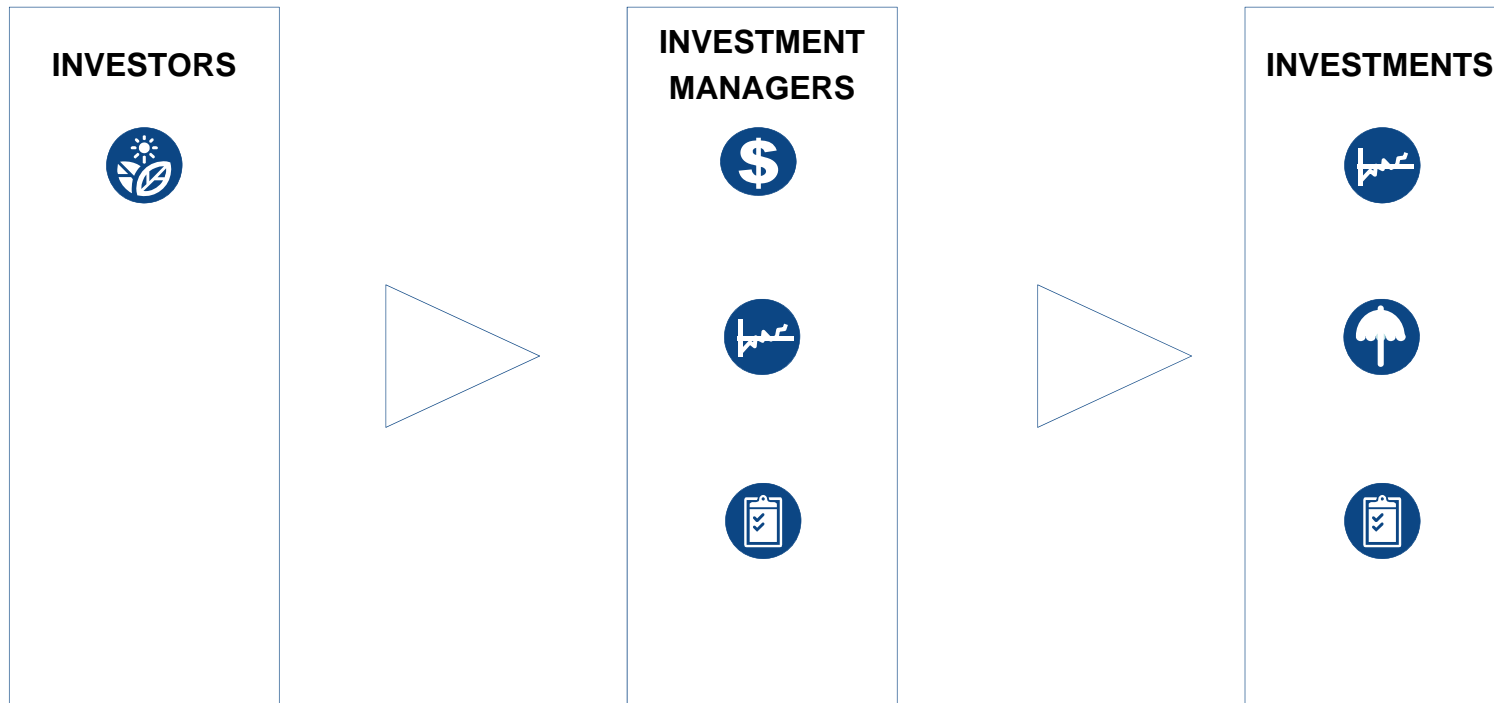


Source: Climate Bonds Initiative © July 2018

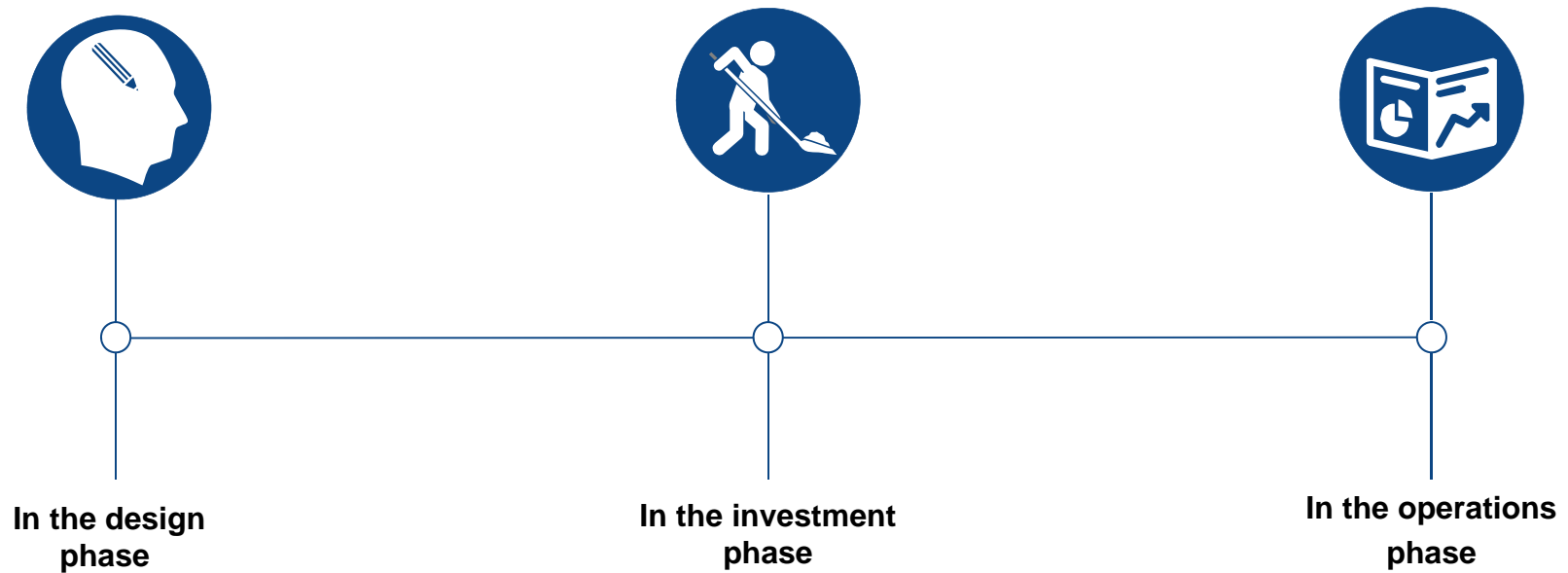


Why does sustainability matter?

Sustainability will impact all layers of the Industry













Sustainability can be embedded in your operations





The Dark side of Green

Key Challenges

 KEY CHALLENGES	 ACTIONS	
No common definition of 'sustainable investment'	 EU classification (taxonomy) for sustainable activities	 RELIABLE INFORMATION
Risk of 'greenwashing' of investment products	 Standards and labels for 'green' financial products give investors certainty	
Banks and insurers often give insufficient consideration to climate and environmental risks	 Study if capital requirements should reflect exposure to climate change and environmental risks	 SUSTAINABILITY AND RISK MANAGEMENT
Investors often disregard sustainability factors or underestimate their impact	 Clarify institutional investor duties to consider sustainable finance when allocating assets	
Too little information on corporate sustainability-related activities	 Enhancing non-financial information disclosure	 LONG-TERMISM IN GOVERNANCE

Source: Factsheet European Commission action plan on financing sustainable growth (May 2018)

Measuring the Immeasurable

What factor/criteria is relevant and should be taken into account?

- Number of people with access to sustainable infrastructure
- Number of people with access to financial services
- Number of people with access to social services
- Number of hectares restored
- Tons of carbon emissions avoided
- Number of jobs created
- Renewable energy generated
- CO2 avoided
- Water saved
- Wastewater treated
- Crop productivity improvement
- People with access to healthcare
- Etc...

How do you measure impact?

Ex: SDG 6 “Clean water and sanitation”
Liters of water purified or saved can be measured but how do you measure the broader impact of the project with respect to social & governance?

How do evaluate it?

How do you report on it?



Challenges of implementing sustainable strategies

ESG Investment strategy **definition** – Clear and not misleading ESG eligibility criteria and objectives

ESG Investment strategy **implementation** – Clear and transparent investment process integrating ESG risks

Strong monitoring of the ESG eligibility criteria chosen (adherence to ESG is a moving target)

New Eldorado for Asset Managers? – Key Risks

- **Reputational risk**
 - **High media visibility**

- Complexity of the matter, **scarcity of experts**

- **Lack of metrics :**
 - Risk for the fund managers to not be able to measure and **demonstrate** that they deliver on what they claim
 - Risk for the investor to not be able to control, monitor, compare the products and to choose between them

- Scarcity of projects and misalignment between financing capabilities and needs



How to upgrade your funds to ESG's standards?

Client's case review

Moderator: Isabelle Lebbe, Partner Investment Management - Arendt & Medernach

- Dagmar Maroni, Head Business & Product Management, Collective Investments - Swiss Life Asset Management
- François Passant, Global Head of Marketing and Business Management - Nordea



Towards a European legal and regulatory framework for sustainable finance

Towards an EU framework for Sustainable Finance

Common taxonomy

Transparency

Managers' / Investors' duties

Contact us



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