



Keeping up with sustainable finance



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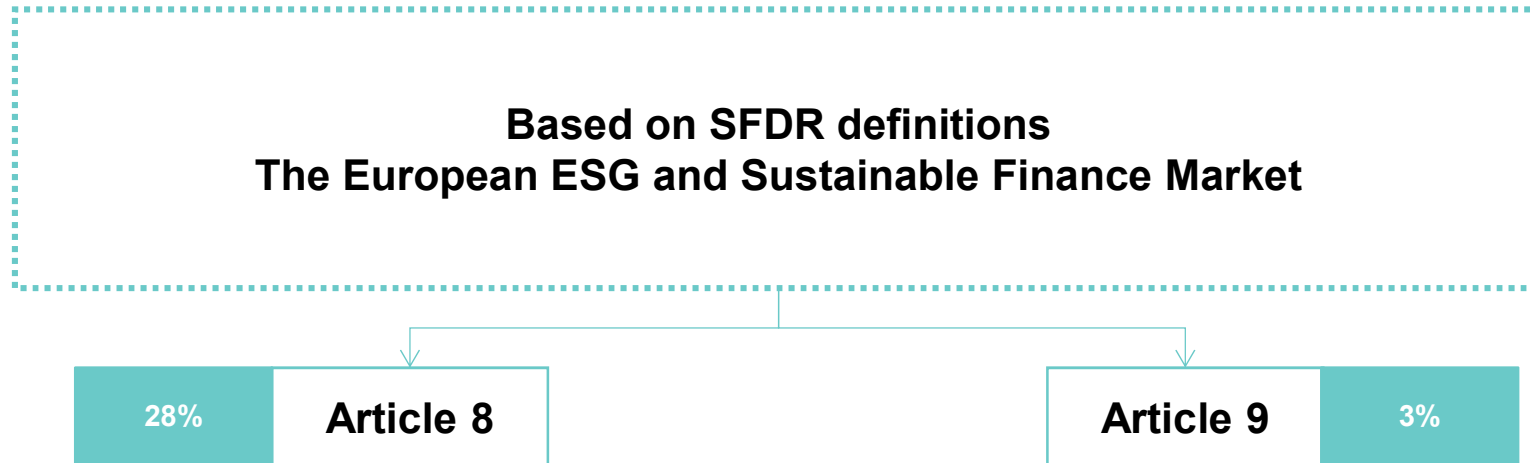
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8 October 2021

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Source: Morningstar data as of June 12th 2021, excluding MMF, FoF and feeder funds
Incl. Switzerland, Norway, UK and Liechtenstein

27 Sept 2021



FINMA is addressing the subject of climate-related financial risks as part of its supervisory remit. It is also reviewing regulatory measures to increase transparency and is focusing on the risk of greenwashing in the provision of financial services and the distribution of financial products.

26 August 2021



German asset manager DWS is being probed by authorities in the US after it was accused by its former sustainability chief of **embellishing its responsible investment credentials**.

09 April 2021



A review of socially responsible funds finds 'potentially misleading' claims around investing ESG issues including how firms handled proxy voting on behalf of investors and other unsubstantiated claims regarding socially responsible investment strategies.

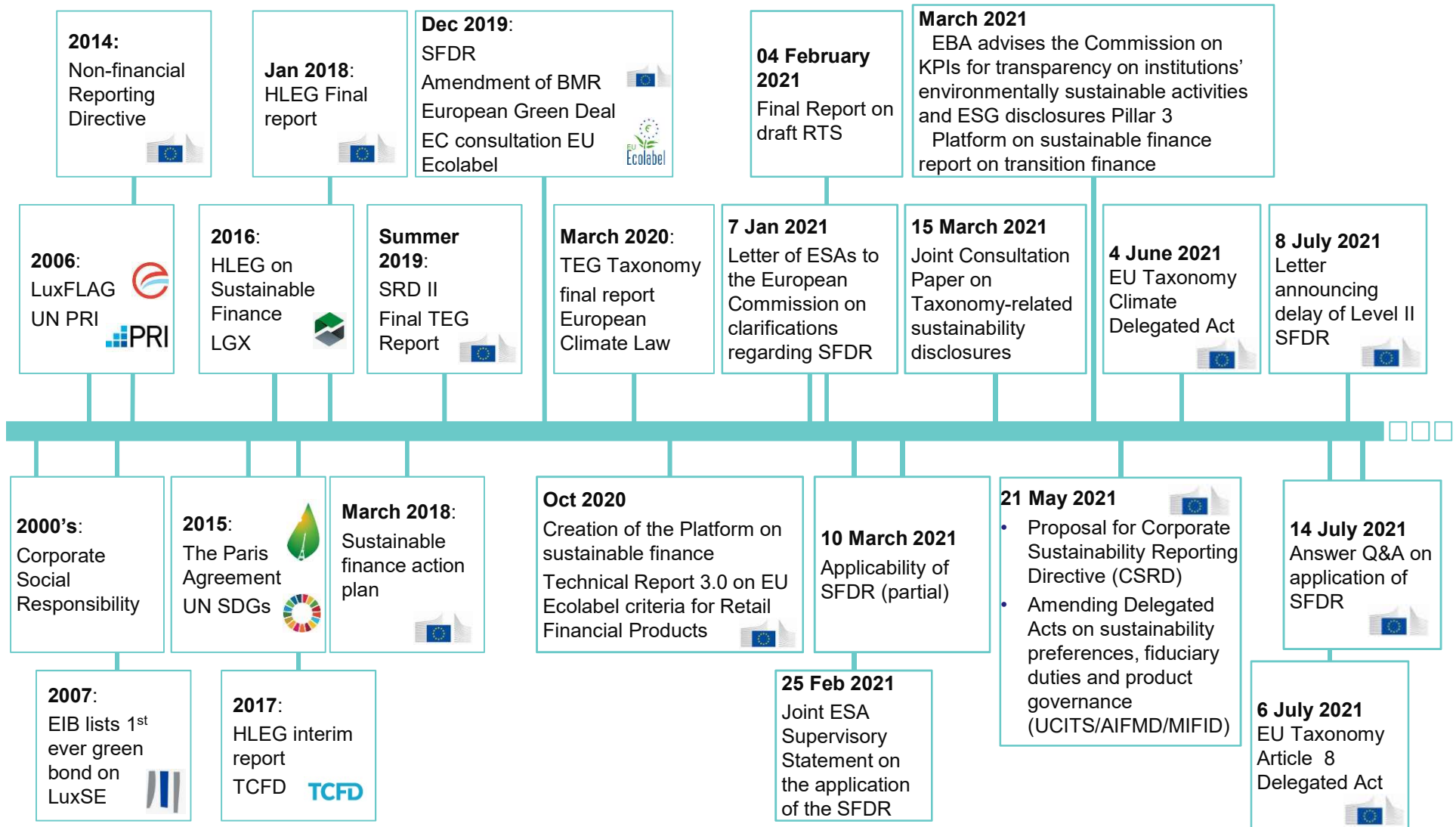
01 March 2021



Issues warning as SFDR divergence across the bloc increases the risk of greenwashing and recommendations on how national regulators should enforce asset managers' compliance with SFDR until the final RTS is published in January 2022.

A little bit of background

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Regulatory update

A busy summer



8 July 2021

Letter of the European Commission announcing delay of Level II to **1st July 2022**



26 July 2021

Publication of the European Commission answer to the Q&A of the ESAs of January 2021

- Application of SFDR to non-EU and registered IFMs
- Classification of funds between Article 8 and Article 9 products
- Definition of « promotion » for Article 8 products
- Article 9.3 and CTB/PAB

Until end of summer

Delegated acts on sustainable activities for the **first two objectives** of the Taxonomy – request for the extension of the scrutiny period

Delegated acts on sustainable activities for the **four remaining objectives** of the Taxonomy – final report expected in November 2021

Ongoing consultations on **Social Taxonomy and Extended Taxonomy**

Delegated Act supplement Article 8 of the Taxonomy Regulation

Immediate action points



Prepare Level I Taxonomy disclosures for 1st January 2022

(cf. Articles 5-7 Taxonomy)



Taxonomy Level 1 disclosures

1st challenge of 2022



Article 5

Transparency of environmentally sustainable investments in pre-contractual disclosures and in periodic reports

Where a financial product as referred to in Article 9(1), (2) or (3) of Regulation (EU) 2019/2088 invests in an economic activity that contributes to an environmental objective within the meaning of point (17) of Article 2 of that Regulation, the information to be disclosed in accordance with Articles 6(3) and 11(2) of that Regulation shall include the following:

a) the information on the environmental objective or environmental objectives set out in Article 9 of this Regulation to which the investment underlying the financial product contributes; and

b) a description of how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable under Article 3 of this Regulation.

The description referred to in point (b) of the first subparagraph of this Article shall specify the proportion of investments in environmentally sustainable economic activities selected for the financial product, including details on the proportions of enabling and transitional activities referred to in Article 16 and Article 10(2), respectively, as a percentage of all investments selected for the financial product.

Article 6

Transparency of financial products that promote environmental characteristics in pre-contractual disclosures and in periodic reports

Where a financial product as referred to in Article 8(1) of Regulation (EU) 2019/2088 promotes environmental characteristics, Article 5 of this Regulation shall apply *mutatis mutandis*.

The information to be disclosed in accordance with Articles 6(3) and 11(2) of Regulation (EU) 2019/2088 shall be accompanied by the following statement:

‘The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities.

The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.’.

Article 7

Transparency of other financial products in pre-contractual disclosures and in periodic reports

Where a financial product is not subject to Article 8(1) or to Article 9(1), (2) or (3) of Regulation (EU) 2019/2088, the information to be disclosed in accordance with the provisions of sectoral legislation referred to in Articles 6(3) and 11(2) of that Regulation shall be accompanied by the following statement:

‘The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.’.

Immediate action points



Prepare Level I **Taxonomy pre-contractual disclosures** for 1st January 2022

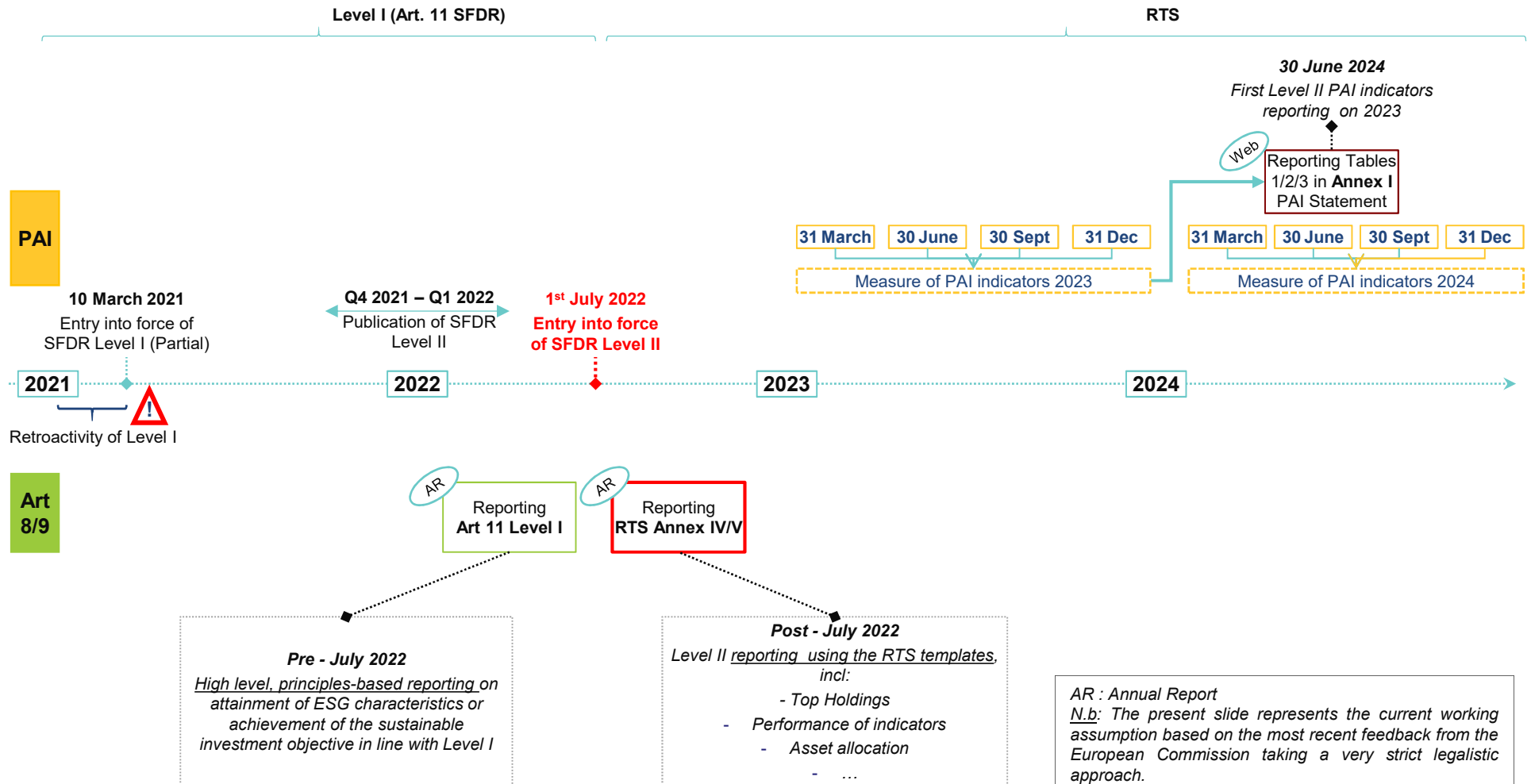
(cf. Articles 5-7 Taxonomy)



Prepare for SFDR **periodic reporting**

(Level I SFDR applicable to all reports issued after 1st January 2022)

Level II and Reporting



AR : Annual Report
*N.b: The present slide represents the current working assumption based on the most recent feedback from the European Commission taking a very strict legalistic approach.
 It ignores practical issues such as the need to monitor of the indicators for a year before being able to report thereon, or the lack of underlying data from portfolio companies due to the different timeline for the Article 8 Taxonomy reporting by portfolio companies subject to it.*

My investors have an appetite for sustainable products: what should I do to launch one? (1/2)

?	Non-labelled Bond	Sustainability-linked Bond	Sustainability Bond	Green Bond	Social Bond
What is my purpose of the contemplated bond issuance?	Financing or refinancing of infrastructure, real estate, capital expenditures...	The bond structuring characteristics vary depending on whether the issuer achieves predefined ESG objectives within a pre-defined timeline	Mix of Green and Social Bonds	Taxonomy-alignment Utilization of the proceeds of the bond in relation to economic activities that (1) contribute substantially to climate change mitigation/adaptation, sustainable use and protection of water and marine resources, transition to nuclear economy, pollution prevention and restoration of biodiversity, (2) do not significant harm (3) meet the minimum safeguards (human rights, rights at work) and (4) Subject to screening criteria	Proceeds applied to finance and/or refinance social projects i.e. projects that aim to address or mitigate a specific social issue
What are other market players in Lux doing?	Many bonds...\$100 trillion market, i.e. largest securities market	Novartis SDG: good health and well being Increase of the coupon rate by 0,25% if the Group fail to achieve KPIs	Millicom Sustainability Bond - provider of fixed and mobile services in Latin America and Africa	Many green bonds...\$450 billion market (Moody's) e.g.Blackstone Property Partners Europe Holdings	(not a Lux one) February 2021: JPMorgan issued \$1Billion social bond focus on affordable housing

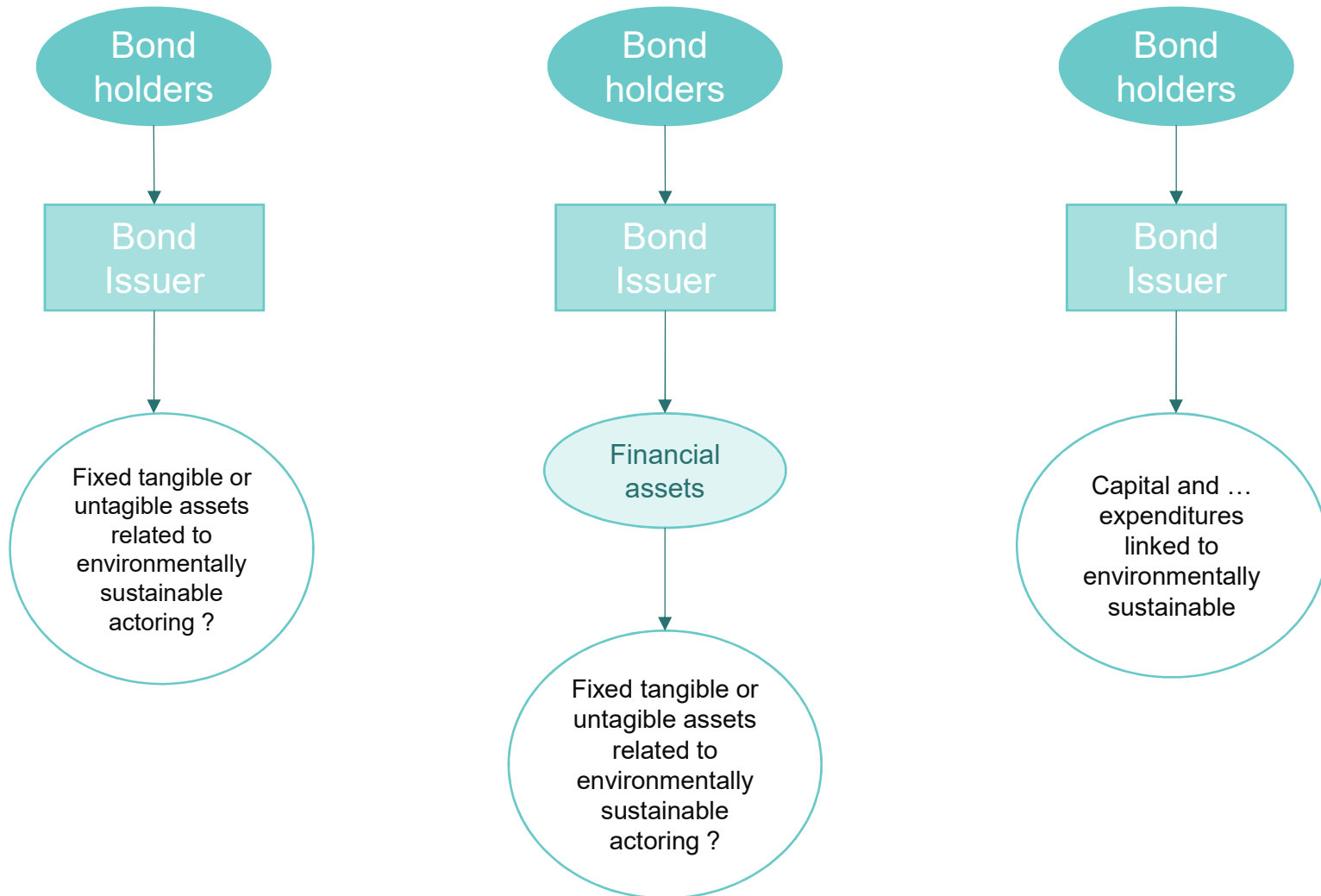
My investors have an appetite for sustainable products: what should I do to launch one? (2/2)

?	Non-labelled Bond	Green Bond	Sustainability-linked Bond	Sustainability Bond	Social Bond
What is the legal framework that I need to care about?	Art. 470-1ff of law of 10 August 1915 on commercial companies	Proposal for a regulation on European Green Bonds July 2021	ICMA Sustainability-linked Bond Principles June 2020	ICMA Sustainability Bond Principles, June 2021	ICMA Social Bond Principles
Key aspects, documentation and process	Yield, maturity, duration, ranking, conversion rights, credit rating...	<ul style="list-style-type: none"> Factsheet Reporting re allocation and impact External reviews pre and post-issuance Regulatory status for external reviewers (ESMA) 			<ul style="list-style-type: none"> Summary of terms (ICMA template) Annual reporting to investors until full allocation Social Bond Framework External reviews pre and post-issuance
Shall we go for a listing/trading of the bond (common rules)	Listing/Trading on a regulated market: regulation on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market Listing/Trading on multilateral facility such as EuroMTF: prospectus Private placement: rules relating to the form and status of the issuer: e.g. regulated or unregulated securitisation vehicle, RAIF, AIFMD marketing rules...				
Shall we go for a listing/trading of the bond (specific rules)		Art. 9 and 12 EUGB, prior to an offer to the public, mandatory publication of the factsheet and pre-issuance review on issuer's website	In Lux, LGX segment available to Social Bond		

As part of the fund strategy, my portfolio managers needs to invest in sustainable bond products: what should I check?



	Non-labelled Bond	Green Bond	Social Bond	Sustainability Bond	Sustainability-linked Bond
Key point of attention					
Documentation					





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