LSFI
Luxembourg
Sustainable Finance
Initiative

Annual Report

2020

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Foreword from the President

Dear readers,

2020 has marked a significant turning point for our society, our economies and our environment with respect to our overall resilience. While the COVID pandemic may have jeopardised our foundations or even our values, these times are also giving us an unprecedented opportunity to rethink our priorities and redirect our actions towards more resilient pathways. In this respect, dealing with some major global challenges such as climate urgency, biodiversity loss or social imbalances are crucial.

We have witnessed how our economic, civic, environmental and political systems are closely connected, and we must join efforts in order to build a better world. We should also keep in mind the need to achieve the Paris Agreement goals, by striving to limit global temperature rise to 1.5°C target as well as by making finance flows consistent with climate goals, and pursue the UN Agenda 2030 for sustainable development. To fulfil our obligations in this respect, we must speed up our efforts and build pathways to a sustainable, resilient, circular and climate neutral economy.

In these lines, when I took on the mandate of President of the LSFI, I had a clear vision on the crucial role the LSFI would have and the path it would embark. The foundation of the LSFI sets one of the main goals of the Luxembourg Sustainable Finance Roadmap drafted in a collaborative way by UNEP FI before being adopted by Government in 2018. It also showcases Luxembourg's commitments towards becoming a sustainable finance hub and is in line with the Government's decision to be climate neutral by 2050 at the latest.

Early 2020, LSFI has set up its basis. As a coordinating entity in the field of Sustainable finance, bringing together the different actors of the financial centre, coordinating efforts and needs, will be of the utmost importance to ensure we overcome the challenges to come. What is for sure, is that we owe our future generations and our planet to need to move on and work on a sustainable and resilient recovery. In this respect, I congratulate the whole LSFI team for the solid foundations which have been established over the first year and I wish the team around Claire de Boursetty, Nicoletta Centofanti and Maria Tapia a very fruitful and successful year ahead.

André Weidenhaupt

Message from the General Manager

Dear readers,

2020 is a new milestone for the development of sustainable finance in Luxembourg: the LSFI started to establish its basis and network, and, most importantly, designed and launched the Luxembourg Sustainable Finance Strategy ("the Strategy"). This Strategy was developed in collaboration with multiple stakeholders of the private and public sector. The Strategy builds on relevant existing initiatives in Luxembourg in the field of sustainable finance and sets out the LSFI's "Action Plan" for the coming years.

In this respect, LSFI team is looking forward to starting to roll out its Action Plan in 2021!

The LSFI will continue to build its network of local, European and global stakeholders. It will also further develop its own tools to promote and create awareness around sustainable finance targeting both the Luxembourg financial sector and the civil society. Further, the LSFI wants to become a solid partner on which the financial sector and its representative associations can rely to get support with regard to their efforts to develop sustainable finance in Luxembourg. Finally, in close collaboration with all relevant stakeholders, the LSFI will start developing a supporting framework to help the financial sector measure and monitor its progress in integrating sustainability criteria into their business decisions.

Openness, reliability and dedication will be the guiding principles of the LSFI team to further strengthen sustainable finance in Luxembourg.

Claire de Boursetty

Key figures

Board Meetings
5

3
Recruitments

Strategy publication

Website Launch

+30
Consultations feedbacks

Networking Meetings
+20

Timeline

2018	Luxembourg Sustainable Finance Roadmap with UNEP FI
2020	Launch of the Luxembourg Sustainable Finance Initiative
2021	Launch of the Luxembourg Sustainable Finance Strategy

Governance

The LSFI is governed by a Board of Directors which is, from one year to another, alternatively chaired by the Ministry of Finance (MinFin) and the Ministry of the Environment, Climate and Sustainable Development (MECDD). The Board also includes representatives of Luxembourg for Finance and of the High Council on Sustainable Development (*Conseil Supérieur pour le Développement Durable*).

In 2020, the Board's composition was as follows:

- André Weidenhaupt, Director General - Ministry of the Environment, Climate and Sustainable Development, as President.
- Mrs Jennifer de Nijs, Special Advisor for Sustainable Finance, Ministry of Finance, as Vice-President, represented by Lennart Duschinger, Advisor for Sustainable Finance - Ministry of Finance.
- Philipp von Restorff, Deputy CEO - Luxembourg for Finance, as Secretary.
- Raymond Schadeck - Conseil Supérieur du Développement Durable, as Treasurer.

During 2020, the LSFI Board met on five occasions with the following main objectives:

- Administrative set up of the association (LSFI Statutes registration, opening of a bank account, etc.).
- Development of LSFI's visual identity and website.
- Recruitment of a General Manager (GM), a Sustainability Adviser and a Communication Manager. Setting up a team of 3 persons was decided by the Board to ensure that the LSFI would be appropriately geared up to face the ambitious timing and content of the foreseen Luxembourg Sustainable Finance Strategy.
    - In the first half of 2020, in spite of the lockdown, the selection process for the GM position took place. The GM was appointed and took on her position as from 1 August 2020.
    - In the second half of the year, the Board approved the recruitment of a Sustainability Adviser and a Communication Manager which were proposed by the GM. These 2 new staff members joined the LSFI as from the first week of December 2020.

2020 Activities

LSFI Set up

Administrative duties

The LSFI was registered as an *Association Sans But Lucratif* (ASBL) on 16 January 2020. Its central desk was set up within the House of Finance on 12, rue Erasme, L-1468, Luxembourg. The LSFI also rents an additional office space at the Luxembourg City Incubator.

Staff

The LSFI's team:

Claire de Boursetty
General Manager

Nicoletta Centofanti
Sustainability Adviser

Maria Eugenia Tapia Rojo
Communication Manager

Branding

During 2020, the visual identity of the LSFI (Logo, palette, etc.) was defined. The LSFI logo is meant to show the vibrancy of sustainable finance using meaningful colors referring to the diversity of the Sustainable Development Goals (SDGs); the red, white and light blue of the flag of Luxembourg; and the dark blue representing the LSFI and its community.

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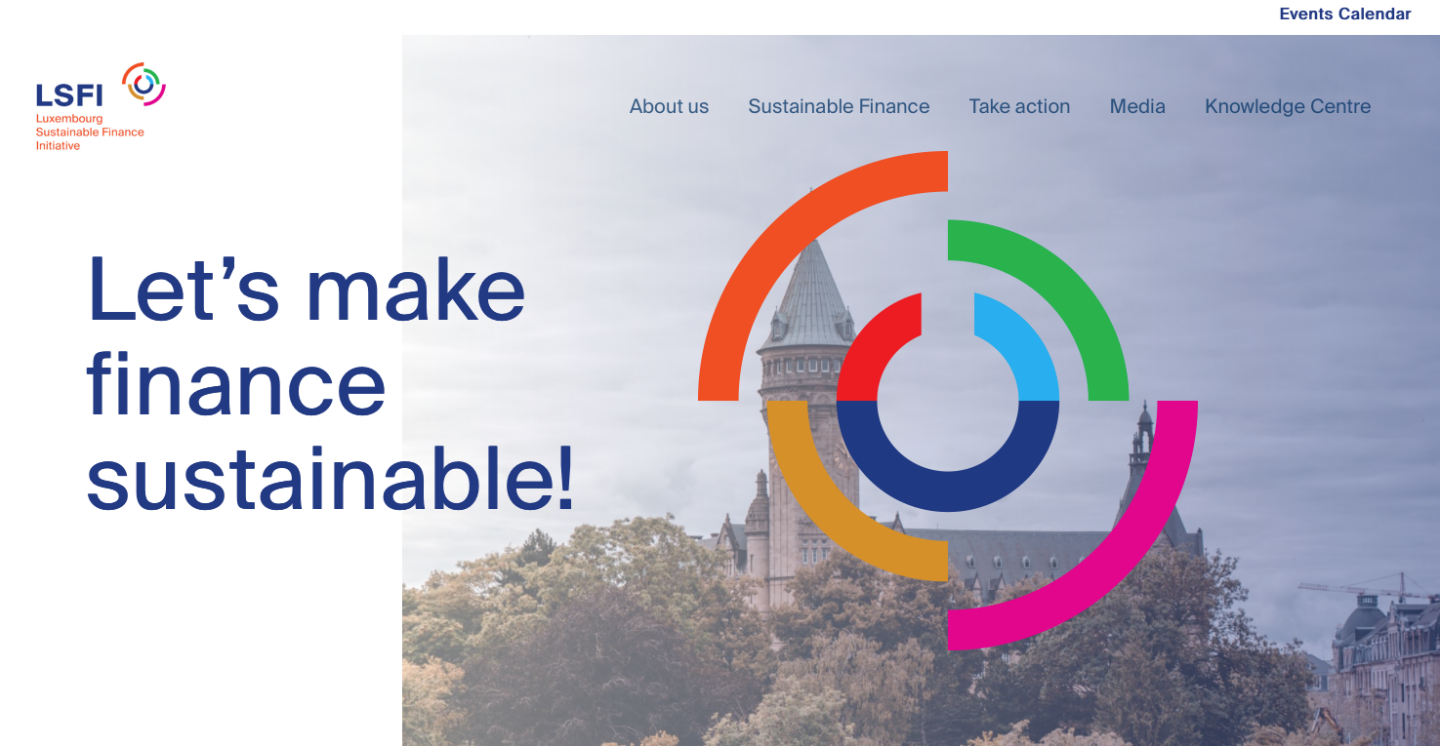
Website

In December 2020, LSFI's official website was launched. This platform will be one of the main tools for LSFI's activities regarding promoting and raising awareness about Sustainable finance. It aims to become a point of reference for sustainable finance related information in Luxembourg. It generally aims to present the missions of the association, relevant documentation, articles and publications, as well as events and trainings.



The website sections which were created in 2020 and will be further developed in 2021:

- **About us**: LSFI introduction, Strategy key take-aways, staff and Board members' presentation.
- **Sustainable finance**: General information and its relevance in the current local and global context. Sustainable finance in Luxembourg: main initiatives and figures.
- **Take action**:
  - Private investors space: area to guide, create awareness and inform civil society about sustainable finance and how to take it into account in their personal finances. Guidelines, videos and infographics will be developed for this section.
  - Professional investors space: dedicated to finance experts in order to explain who are the different stakeholders and what are the services available in Luxembourg. It will offer more detailed and technical information on sustainable finance concepts and products.
- **Media Corner**: press releases and publications from the LSFI and its stakeholders.
- **Knowledge Centre**: events and trainings about sustainable finance in Luxembourg and abroad.

Through the website, visitors can also subscribe to the LSFI Newsletter.

Strategy design and elaboration

Design and elaboration

The mandate given by the Government to the LSFI is to elaborate and implement a Sustainable Finance Strategy for the financial centre of Luxembourg in order to promote and further strengthen the development of sustainable finance in Luxembourg. LSFI's first task was therefore to develop the Luxembourg Sustainable Finance Strategy (the "Strategy"; see the Executive Summary in Appendix 1).

The Strategy was developed by a Steering Committee and the staff members of the LSFI, in collaboration with Luxembourg's sustainable finance stakeholders.

Members of the Steering Committee

- Jennifer de Nijs, Special Advisor for Sustainable Finance - MinFin
- Lennart Duschinger, Advisor for Sustainable Finance - MinFin
- Tom Théobald, Director, Development & Promotion of the Financial Centre - MinFin
- André Weidenhaupt, Director General - MECDD
- Jimmy Skenderovic, Advisor for Sustainable Development, Climate Finance, EU & International Affairs - MECDD
- Philipp von Restorff, Deputy CEO - LFF
- Raymond Schadeck - CSDD
- Claire de Boursetty, General Manager - LSFI

The Strategy aims to translate the objectives set out in the Luxembourg Sustainable Finance Roadmap published in October 2018 into determined and timed actions. It was developed following the principles of Public/private governance, Consistency, Coordination and Review.

Public and private stakeholders were involved from the beginning of the drafting process of the Strategy through individual interviews, meetings or written consultation. Additionally, the Steering Committee also ensured that the Strategy would be fully consistent with other Government initiatives and commitments such as:

- The Government Coalition Agreement for 2018-2023
- The objectives set out in the "Luxembourg 2030 – National Plan on Sustainable Development"
- The Climate law and the "National Plan on Energy and Climate" (PNEC)
- The 2030 Agenda for Sustainable Development of the United Nations
- The Paris Agreement

On 23 October 2020, the draft Strategy was approved by the Government in Council (*Conseil de Gouvernement).* The strategy was then subjected to a consultation process which involved all relevant sustainable finance stakeholders in Luxembourg with a deadline on 15 December 2020. In total, 53 stakeholders from the core financial sector, public institutions, the non-traditional financial sector, civil society, innovation & research fields were involved in the consultation. Out of these, the LSFI received 34 responses, as summarized in the table below.

Stakeholder	Total	# Respondant
All	53	34
Core financial sector	14	12
Public institutions	13	6
Non-traditional finance	8	6
Civil society	12	6
Innovation & Research	6	4

All the comments received were then reviewed and integrated in the Strategy, where possible, by the LSFI staff, guided by the LSFI Board and the Strategy Steering Committee.

The Luxembourg Sustainable Finance Strategy was finalized in January 2021 with an English and a French version. The French version was approved by the Government in Council on 29 January 2021. The official launch of the Strategy, together with the presentation of the LSFI, took place on 9 February 2021.

Strategy Stakeholders

The sustainable finance stakeholders in Luxembourg are mapped in the Strategy, based on their “core functions” within the financial ecosystem. This mapping serves as an important basis for the Strategy. It reflects Luxembourg's overall sustainable finance landscape and to define the scope of the LSFI’s Action Plan.

While the Action Plan foresees cooperation of the LSFI with the entire spectrum of stakeholders, the LSFI’s activities will primarily focus on the “core financial sector” of Luxembourg, as shown in the table below:

Overview of the core financial industry of Luxembourg

Sector	Core financial industry						
	Financial institutions	Industry Associations	Other regulated entities	Clients	Regulators / Supervisors	Monetary authority	Policy Maker
Stakeholders	Asset managers	ALFI	LuxSE	Retail and professional investors	CSSF	Central Bank of Luxembourg	Luxembourg Government
	Banks	ABBL	Financial / insurance professionals and intermediaries		CAA		
	Insurers / Reinsurers	ACA					
		LFF	**Incl. pioneering initiatives:** LuxFLAG, LGX ICFA, IforD, Lux-EIB platform...				

Action Plan: Awareness & Promotion; Unlocking potential; Measuring

(This table is not meant to be fully comprehensive)

BEYOND THE CORE FINANCIAL INDUSTRY: PROMOTING ALL STAKEHOLDERS AND FINDING SYNERGIES

Sector	Public finance &nvestments		Inclusive Finance		Philanthropy
	General public investments	International cooperation			
Stakeholders	Luxembourg Government	Luxembourg Government	InFine	ADA	Fondation de Luxembourg
		LuxDev	European Microfinance Platform	SPTF	

Sector	Financial innovation & research	Technical innovation& research	Education		Civil society	
Stakeholders	All Stakeholders	Luxembourg University			General public	NGOs
		LHoFT	House of Training	All Stakeholders		
		LIST				
		LISER				

Action Plan: Awareness & Promotion; Possible synergies

Strategy Structure

The document of the Strategy as following:

- Part 1, Luxembourg's Sustainable Finance Landscape: an analysis of the sustainable finance landscape of Luxembourg to define the scope of action of the LSFI.
- Part 2, LSFI's Action Plan: an overview of the LSFI's Action Plan in implementing the Strategy, divided into its 3 pillars
- Part 3, Diving deeper: more detailed information on sustainable finance in general (definitions and regulatory developments) and on Luxembourg's history as a sustainable finance hub.

LSFI Action Plan

The Action Plan of the LSFI is structured around three pillars:

1. Awareness & Promotion

- Be a central hub of information on Sustainable finance.
- Actively promote and create awareness on Sustainable finance.
- Promote existing and upcoming sustainable finance related initiatives in Luxembourg.

2. Unlocking Potential

- Create a knowledge and experience sharing platform
- Support the financial sector by developing workstreams on sustainable finance related topics.

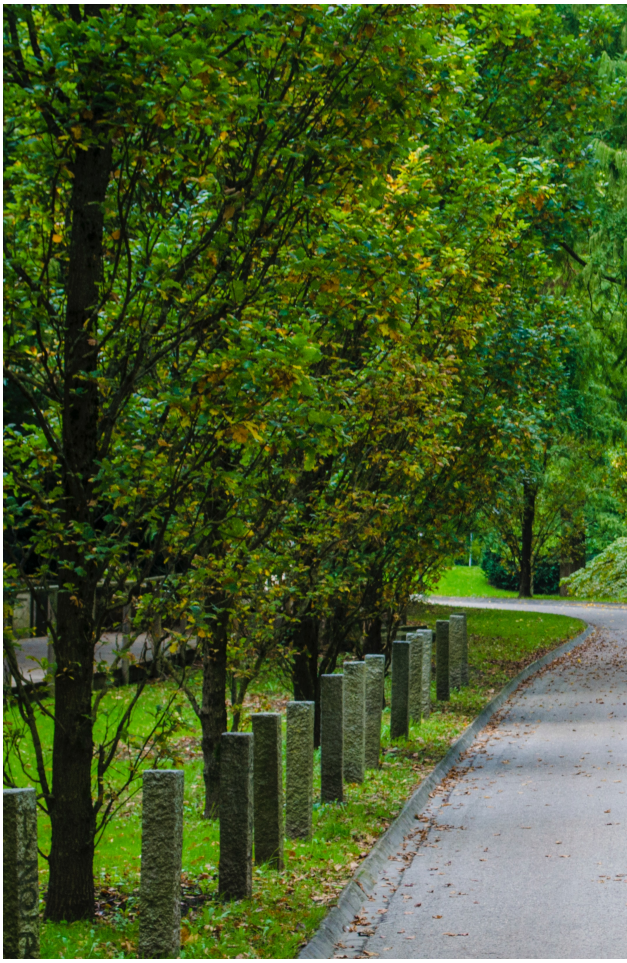
3. Measuring Progress

- Help the financial sector to measure and analyse its own progress on integrating sustainability criteria.
- Monitor and communicate progress of the financial sector regarding the integration of sustainability criteria.

Stakeholders' engagement

In 2020, the LSFI started to build its local network focusing on the Sustainable finance stakeholders mapped in the Strategy. The LSFI aims to ensure that their knowledge and experience are taken into account, in the drafting of the Strategy and in the future activities of the LSFI. Since August 2020, more than 20 meetings were held by the LSFI Staff with various members of the Luxembourg financial industry.

Considering the international exposure of Luxembourg as a financial hub, the LSFI also started to build a network outside of Luxembourg, focusing on existing similar initiatives abroad or other relevant European or international initiatives. The objective is to ensure that the LSFI is up-to-speed on all sustainable finance related developments and to promote Luxembourg's own sustainable finance initiatives.



Annexes

Annex 1 – Executive Summary - Luxembourg Sustainable Finance Strategy

Luxembourg has long been a pioneer when it comes to Sustainable finance. It has developed a strong expertise in the inclusive finance sector more than 15 years ago, and has been the listing location for the world's very first green bond issued by the European Investment Bank in 2007.

Since the conclusion of the Paris Agreement and the United Nations 2030 Agenda for sustainable development, climate and sustainable finance have gained monumental importance in a short period of time. Given the global shift towards sustainable finance which is further driven by an ambitious regulatory agenda in the EU, Luxembourg has a unique opportunity to act as first-mover and help develop new products and markets, as it has done on many occasions in the past (most famously with UCITS) and most recently by establishing Europe's first sovereign Sustainability Bond Framework. With the expertise and the toolbox of financial instruments available in the financial centre along with a strong political will by the Government, Luxembourg has set up many innovative initiatives over the past years to drive forward the sustainable finance agenda.

These efforts culminated in the Launch of a Roadmap for Sustainable Finance in 2018, which was jointly developed by the government of Luxembourg, financial centre stakeholders, civil society and the UN Environment Programme Finance Initiative. The Roadmap's goal was to go one step further and integrate sustainable finance into all areas of Luxembourg's financial centre. Its recommendations were taken seriously and were integrated into the Coalition Agreement of the newly elected government in 2018.

The roadmap's first recommendation, which was endorsed by an overwhelming number of stakeholders, was to create a coordinating entity for sustainable finance in Luxembourg, leading to the launch of the Luxembourg Sustainable Finance Initiative (LSFI) in 2020.

The LSFI's first official task has been to formulate a Luxembourg Strategy for Sustainable Finance, harnessing relevant activities already being carried out by the government and financial sector actors in line with the Roadmap's recommendations. These form the backbone of this Strategy and guide the LSFI's "Action Plan", measurable achievements divided into short-, medium- and long-term goals. The Strategy, and the LSFI Action Plan implementing it, is built around overarching pillars: Awareness & Promotion, Unlocking Potential and Measuring Progress.

The Strategy itself is divided into two parts: Luxembourg's Sustainable Finance landscape (Part 1) and the LSFI's "Action Plan" (Part 2), that summarises the implementation of the 3 pillars of the Strategy. Part 3 of this document, "Diving deeper", provides additional background on the origins of Sustainable finance, its definitions and guiding principles, and the most up to date European and international context on the subject. This section is to be seen as a resource guiding the work of the LSFI and relevant stakeholders.

Part 1: Luxembourg's Sustainable Finance Landscape: strategic focus on the core financial sector

The Luxembourg sustainable finance landscape is broad and is made up of multiple and varied stakeholders. Following the recommendations of the Roadmap, the Strategy focuses on helping the core financial sector (financial institutions, investors, supervisors and regulators, and service providers) transition towards increased sustainability. It also aims to further develop Luxembourg's role as an international hub for Sustainable finance, contributing to the global fight against climate change and helping to achieve the sustainable development goals. The strategy considers all the other stakeholders as possible facilitators in this process.

Part 2: The Action Plan of the LSFI: 3 pillars

The role of the LSFI is defined around the three main pillars of the Strategy:

Awareness and Promotion

The LSFI intends to raise awareness on sustainable finance both among the core financial centre community as well as the general public and to consolidate Luxembourg's role as an international sustainable finance hub. It aims to become Luxembourg's central point of information on Sustainable finance and support its stakeholders in their efforts to transition towards increased sustainability. This encompasses being a source of information on basic Sustainable finance concepts, innovation, regulations, investment tools and themes, training opportunities and relevant events.

The LSFI will also actively promote existing and upcoming Luxembourg-based initiatives to different audiences: local and international, professional and non-professional.

2. Unlocking Potential

To help further leverage Luxembourg international financial centre's expertise, the LSFI aims to become a knowledge sharing and developing platform. It will help to unlock Luxembourg stakeholders' potential in integrating sustainability into their business practices and will contribute to the development of new and additional Sustainable finance initiatives and activities. To do so, the LSFI will define different relevant workstreams for the financial sector. The format and participants of these workstreams will depend on existing work at the level of the financial industry, the cross-sectoral nature of a topic, and the resources available within the LSFI and the industry. The aim is to maximise coherence, efficiency and resource allocation across the financial centre.

Workstreams should cover themes such as education and professional trainings, standards and best practices, toolkits and regulatory monitoring.

3. Measuring Progress

The LSFI will set up a monitoring framework in collaboration with its stakeholders to help measure the Luxembourg core financial sector's progress from one year to the other. In order to assess and monitor financial flows alignment with the Paris Agreement goal, this monitoring framework will start with a sector-wide climate scenario analysis of the major players within the financial ecosystem.

The LSFI will also set up a "Data working group" with its stakeholders to define KPIs to be monitored to track the overall industry progress.

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