

2021

Annual Report

LSFI



Luxembourg
Sustainable Finance
Initiative

Content

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Foreword from the President

Dear readers,

The transition of our economies and financial systems towards sustainability is of absolute urgency, and 2021 has shown us yet again why: our planet is fragile. In the past year, we've had extreme weather events globally, and even locally in Luxembourg, it was a year with unprecedented floods. The IPCC has warned us time and time again that even if the world manages to limit global warming to 1.5C, long-term climate impacts are likely to be inevitable and irreversible. We have also had the Covid-19 pandemic causing huge health-related and social issues.



Finance has an enormously important role to play in guiding this transition towards sustainability and to guarantee that the objectives of the Paris Agreement and the Sustainable Development Goals are met. This is why the work of the Luxembourg Sustainable Finance Initiative (LSFI) is so important and why all sustainable finance stakeholders must strive to work together to implement the Luxembourg Sustainable Finance Strategy that was launched in 2021.

In this journey, the LSFI plays a crucial role as a coordinating platform that connects and interacts with different spheres such as the private sector, the financial sector associations, public institutions, and civil society. The team is focused on coordinating efforts, gathering relevant information & data, and offering practical guidance, while ensuring its independence. In 2021, the LSFI and its team successfully started implementing its Action Plan, with key deliverables during the year including: a climate scenario assessment with the PACTA methodology, the development of toolkits (mapping, classifying and showcasing initiatives, frameworks, standards and measurement tools), raising awareness, and creating further dialogue on sustainable finance.

Looking ahead to 2022, we aim to build on these achievements: Some highlights of what is to come include the launch of the first LSFI Stakeholder Assembly, a space for regular exchanges among sustainable finance stakeholders in Luxembourg. The Assembly will also set up several working groups open for participation by stakeholders, which will drive the implementation of the Sustainable Finance Strategy. It will also be the year where we will perform the largest Luxembourg wide assessment report on sustainable finance, as measuring where we are is a prerequisite to understand how to best advance.

I hope that the Covid-19 pandemic will end in this calendar year. It was certainly a challenge to launch the LSFI during a global pandemic, but I hope that if something good comes out of the pandemic, it is to the benefit of the LSFI's mission: that the financial sector will drastically accelerate our transition towards sustainability and focus on building back better.

I look forward to what the LSFI can deliver in 2022, and I count on each and every stakeholder to help us deliver the Luxembourg Sustainable Finance Strategy.

Jennifer de Nijs, LSFI President



Message from the
General Manager

Dear readers,

2021 was the year of the official launch of the Luxembourg Sustainable Finance Strategy (LSFS) based on which the LSFI started spreading its wings.

At the centre of the LSFS, the LSFI Action Plan outlined how the LSFI would support Luxembourg's core financial sector in its transition towards sustainable finance. It certainly is a broad mission but not an all-encompassing one: it is not just the LSFI's responsibility.



It is broad, firstly because sustainable finance in itself is an extensive topic at the crossroads between finance, risk management, law, physics, sociology, politics, etc. and it includes all actors of the financial value chain from the financial institutions to the individual savers. Secondly, because the LSFI's missions are threefold: awareness & promotion (pillar 1) targeting both professional and civil society (see [page 13](#)), unlocking potential (pillar 2) based on internal research and network's expertise (see [page 23](#)), measuring progress (pillar 3) working on data and measurement framework (see [page 31](#)).

It is not all-encompassing because the LSFI does not, for example, take on the role of a supervisory authority; it is rather a coordinating entity which assumes the role of a discussion platform between all the stakeholders interested in sustainable finance: financial sector's institutions, service providers and supervisors, civil society (including NGOs), education, research and innovation players.

Therefore, creating a solid network of stakeholders was one of LSFI's main priorities during the course of 2021 to ensure their involvement and support. At the same time, the LSFI also started developing relevant activities and delivering practical tools to help the Luxembourg financial industry transition towards more sustainability. In this annual report you will find an overview of the great efforts put together by the LSFI team during this first year rolling out its Action Plan!

I would like to express my enormous gratitude to the LSFI team, the LSFI Board members and all our stakeholders for their invaluable support and trust during this landmark year. We are looking forward to continuing to push the sustainable finance agenda in Luxembourg!

Claire de Boursetty , LSFI General Manager



Key Figures & Timeline

LSFI key figures are... including....

Monthly Newsletter

- 600 readers
- 10 editions in 2021
- 5 interviews

+15 Events & Awareness Sessions

- 1500 attendants
- 9 public webinars
- 7 awareness raising sessions
- 500 YouTube replays

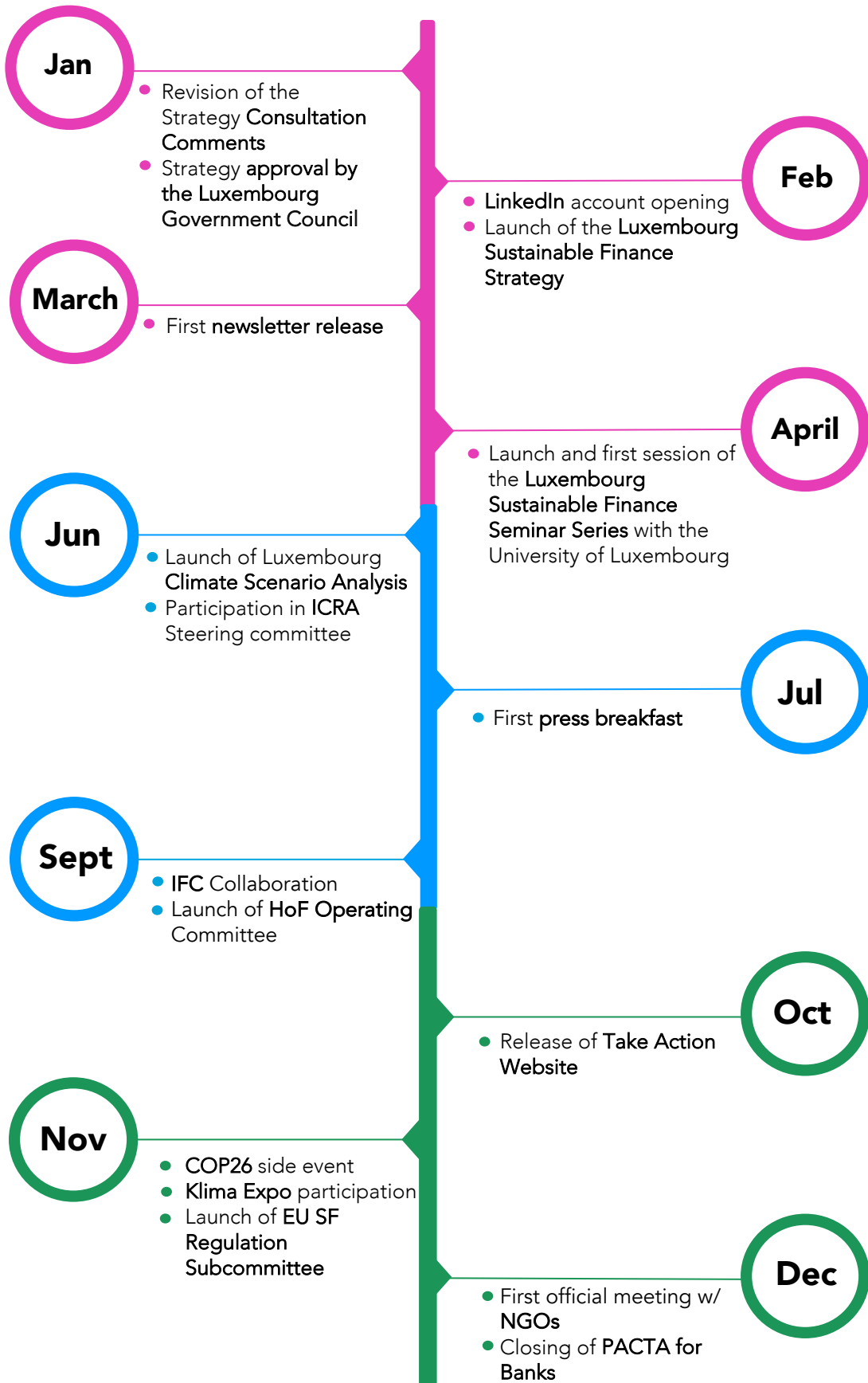
+350 Stakeholders Meetings

- 91 introductory meetings
- 108 with the core finance sector
- 22 with civil society & non financial cies
- 34 with research & education

1 Lux Climate Scenario Analysis

- 52 participants
- 7 specialised webinars
- 120 attended the launched webinar

- 2021 LSFI's timeline -





Governance

Board of Directors

The LSFI was founded in 2020 by:

- The Luxembourg Government represented by the Ministry of Finance and the Ministry of the Environment, Climate and Sustainable Development
- Luxembourg for Finance (LFF)
- The High Council on Sustainable Development (Conseil Supérieur du Développement Durable or CSDD)

In 2021, the LSFI's Board was as follows:

Institution	Director	Alternate Director
Ministry of Finance	Jennifer de Nijs (President)	Lennart Duschinger
Ministry of the Environment, Climate and Sustainable Development	André Weidenhaupt (Vice-President)	Jimmy Skenderovic
Luxembourg for Finance	Philipp von Restorff (Treasurer)	- -
High Council on Sustainable Development	Hedda Pahlson-Moller (Secretary)	Georges Bock

Staff



Claire de Boursetty
General Manager



Nicoletta Centofanti
Sustainability Adviser



Maria Tapia Rojo
Communication Manager



2021 Activities

Pillar 1 – Raising Awareness & Promotion

As per our Action Plan, the LSFI aims to be a central information platform on sustainable finance with two main objectives:

- Becoming a central and easily accessible information hub about sustainable finance, actively informing and enhancing the knowledge of identified targets in an adapted manner (Awareness).
- Promoting existing and upcoming public and private sustainable finance initiatives of the Luxembourg financial centre and showcasing them as best practice (Promotion).

In 2021, the LSFI launched and worked on multiple initiatives and actions to fulfil these objectives, most of these can be found in the following pages.

Online Presence – Website

As foreseen in the LSFI Action Plan, the LSFI website was developed as a central tool to raise awareness and promote sustainable finance. Developed in-house by the LSFI team, most of the LSFI website was designed, created and consolidated throughout 2021.

The LSFI website is an efficient channel to reach a wide audience, targeting civil society and financial professionals, both at national and international level. On the one hand, it aims to explain key sustainable finance concepts to the larger public. On the other hand, the website was built to help financial professionals transition towards more sustainability by providing general information (e.g., events, publications, market updates, training courses, interviews) and technical sustainable finance related material (e.g., practical toolkit on standards and tools).

As such, the LSFI website emerged as a unique space within the sustainable finance landscape in Luxembourg and abroad. It is also a platform that gives a comprehensive overview of the Sustainable Finance landscape in Luxembourg, providing a coordinated vision of Luxembourg based sustainable finance initiatives.

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[About us](#) [Sustainable Finance](#) [Take Action](#) [Events](#) [Newsroom](#) [Knowledge Centre](#)

Financial Professionals >

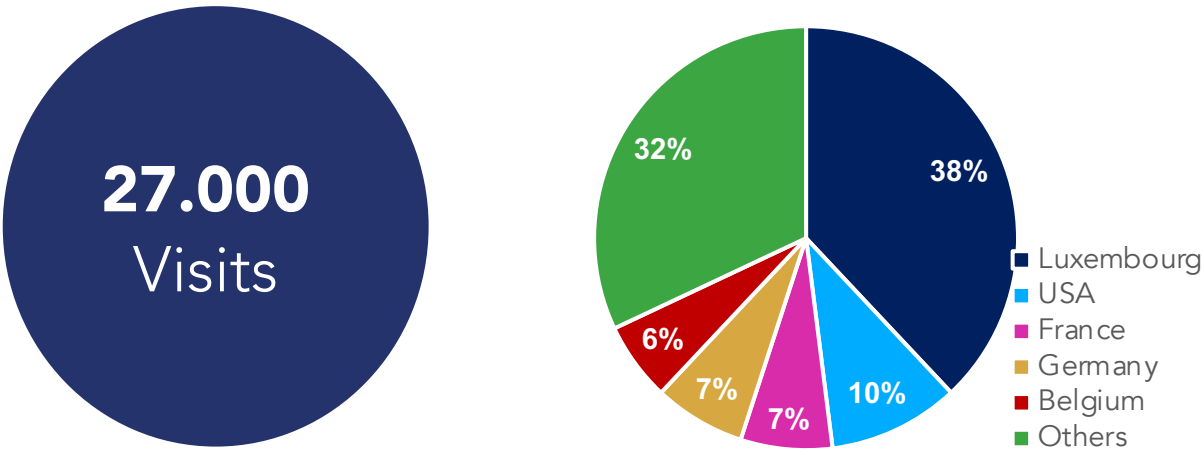
A profound analysis of the market of sustainable finance information on the internet in Luxembourg and its existent gaps helped the team understand the content which would be helpful for the Luxembourg financial sector. Given the need to **centralise and standardise information**, the team created specific sections to gather all the latest and upcoming sustainable finance related events, publications and news. Given fast-evolving topics in sustainable finance, in practice these sections have been updated weekly to ensure that we support a community of well-informed and trained professionals. The LSFI did its best effort to make www.lsf.lu an accurate newsfeed and a repository where information on sustainable finance can be retrieved in a user-friendly manner.

The website had a visitors' rate of over 27k visits in 2021 (see more data in the infographic below).

- LSFI's Website in figures -

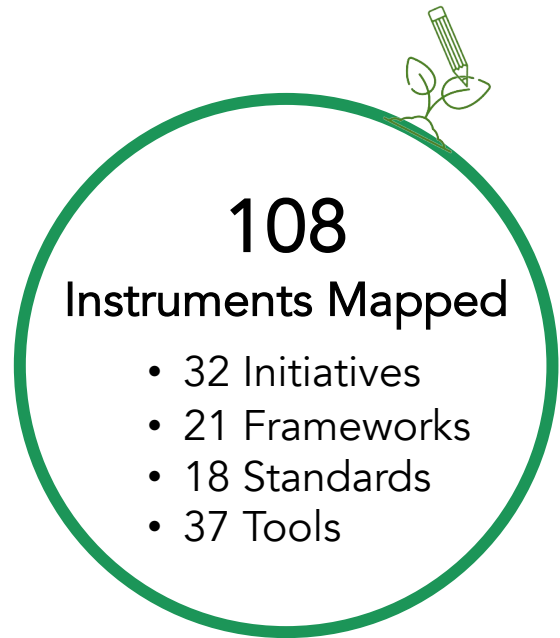


- LSFI's Website Visits -



Being conscious that rigorous and updated information must be complemented by practical guidance, the LSFI went a step ahead. Over the second half of 2021, [the team started to develop a “Take Action” section](#). This section aims to give practical tools to better understand and navigate sustainable finance. In 2021, the LSFI launched the “Instruments” pages, targeting financial professionals. The LSFI team fully designed, researched, and developed this subsection internally (see pillar 2 for more details, [page 28](#)).

The objective in 2022 will be to enrich this part of LSFI’s website with a training section, as well as a toolkit targeting retail investors.



Online Presence – Social Media

Social Media is a crucial part for the LSFI to reach out and engage with its target audience, create connections, and directly share LSFI’s resources with the wider public.

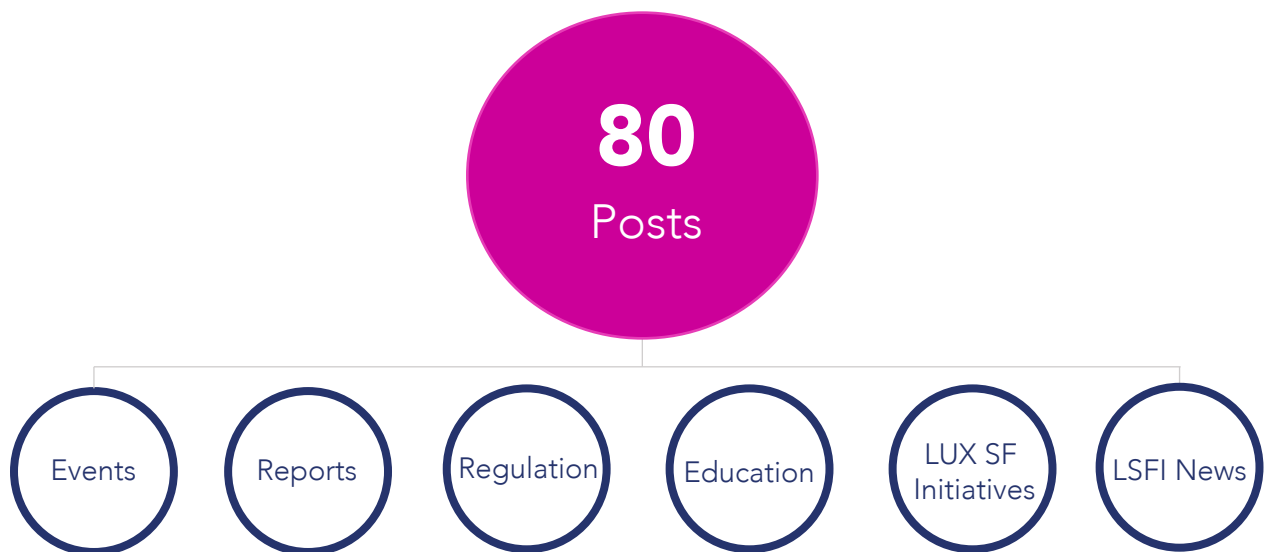
In February 2021, [the LSFI launched its LinkedIn account](#). This platform appeared as the optimal platform for its core target audience, allowing us to reach financial professionals in Luxembourg and beyond. It is also a way to immediately gather and inform our audience while, supporting our mission to raise awareness and promote sustainable finance.

The LSFI LinkedIn account is a [means to ensure the audience stays up to date on sustainable finance](#). To do so, the LSFI team regularly posts about topics such as sustainable finance news, regulatory updates, upcoming relevant events, or publications & studies, and insightful interviews.

All of this content can either aim to [raise awareness about sustainable finance and sustainability-related matters in general](#) (e.g. information on COP discussions, explanation of basic sustainable finance concepts, status of environmental or social issues, etc.) or to give first hand information to financial professionals on more technical matters (e.g. EU regulation updates, link to an in-depth study on a specific topic, etc.).

The LSFI team manages its LinkedIn account and the information and topics treated are synthesised to ensure they are accessible and easily understood by any audience.

In less than a year, LSFI's LinkedIn page [has gained over 1.600 followers](#) and has an engagement rate of [7%](#) - this being a fully organic growth.



Online Presence – Newsletter

LSFI's newsletter is another important pillar of LSFI's online presence and mission to promote sustainable finance.

The LSFI [launched its first newsletter in March 2021](#). Since then, the LSFI has been sending a new edition every month to its subscribers. Anyone can subscribe to the newsletter through LSFI's website. Each edition includes up-to-date, varied and unique content, and is divided into the [following sections](#):

- LSFI Highlight of the month: an in-house article prepared by the LSFI team about a relevant topic with regards to its stakeholders' needs or topicalities
- Latest sustainable finance news
- Regulatory and supervisory authorities' updates
- Latest reports & publications
- Upcoming sustainable finance related events
- Replay & access to the latest LSFI's webinar

The LSFI newsletter is developed entirely by the LSFI team, who researches, reads, analyses and selects all the content, from news to events, ensuring it is interesting for its audience. The team also ensures that the information is well-sourced and brings different perspectives to the table. The aim is to put together a unique and insightful read.

The highlight of the month is the central piece of LSFI's newsletter. It is researched and drafted by the team based on trends or topics of interest, and it usually takes the shape of an interview or an announcement. In 2021, the following topics were covered in the newsletter:

- [EU Taxonomy Webinars by the Platform on Sustainable Finance](#) (March, 2021)
- [A structured way to think about climate change, the climate transition and its implications - interview with Maarten Vleeschhouwer, Head of PACTA](#) (April, 2021)
- [The role of banks in the transition towards increased sustainability, a conversation with Catherine Bourin and Julien Froumouth from ABBL](#) (May, 2021)
- [The role of the financial sector in mainstreaming nature-based solutions](#) (June, 2021)
- [ICRA: Rewarding impactful climate disclosure](#) (July, 2021)
- [Sustainability and Sustainable finance podcast for the summer, LSFI suggestions](#) (August, 2021)
- [Interview with Neil Gregory, Chief Thought Leadership Officer at the International Finance Corporation](#) (September, 2021)
- [Launch of the first release of the "Take Action" section directed to financial professionals who seek to transition towards sustainability](#) (October, 2021)
- [A day at COP26: a conversation with Jennifer de Nijs \(Special Adviser for Sustainable Finance at the Luxembourg Ministry of Finance\) and André Weidenhaupt \(Director General at the Luxembourg Ministry of Environment, Climate and Sustainable Development\)](#) (November, 2021)
- [A discussion with Jurgen Hammer about the social dimension of Sustainable Finance and the role of the Microfinance industry](#) (December, 2021)

During these 10 months, this newsletter has reached 600+ subscribers while keeping an average opening rate of 39-40% - a high and above-average opening rate. The LSFI in-house article rises monthly as the most accessed link.

Online & Offline Presence – Events

As per our Action Plan, organising events is one of the LSFI main tools for us to **raise awareness and promote sustainable finance**. Therefore, the team organised and co-organised multiple **webinars throughout 2021** to complement the existing offer of sustainable finance-related events in Luxembourg.

These events have covered ad-hoc topics based on identified stakeholders' needs and the ongoing national and international developments. Considering these topics, the needs, and the different audience targets, LSFI's events of 2021 can be classified into 3 categories:

- **Financial Industry Events**

Targeting the Luxembourg core financial industry, these dedicated events are an excellent way to showcase best practices from industry professionals and pioneers in sustainable finance. In this respect, these events always brought together financial and/or legal experts from various backgrounds with the intent to provide practical guidance to financial professionals on key sustainable finance issues. Topics such as how to transition towards sustainable finance, impact investing and measuring were covered.

- **Education Events**

Bridging the research sphere and the financial industry is part of the LSFI's role, and we therefore, launched "The Luxembourg Sustainable Finance Seminar Series" in collaboration with the University of Luxembourg. This series of webinars brings together academics and financial practitioners to exchange views on specific sustainable finance related topics confronting academic research and practice.

- **Corporates and Civil Society Events**

Civil society and corporates are also part of LSFI's target audience as they also have important roles to play in the transition towards sustainable finance. Adapting the content to each audience type, the LSFI organised several sustainable finance introductory sessions. To reach the right audience, the LSFI partnered with different institutions (e.g., IMS, LHoFT, Jonk Entrepreneuren, KlimaExpo).

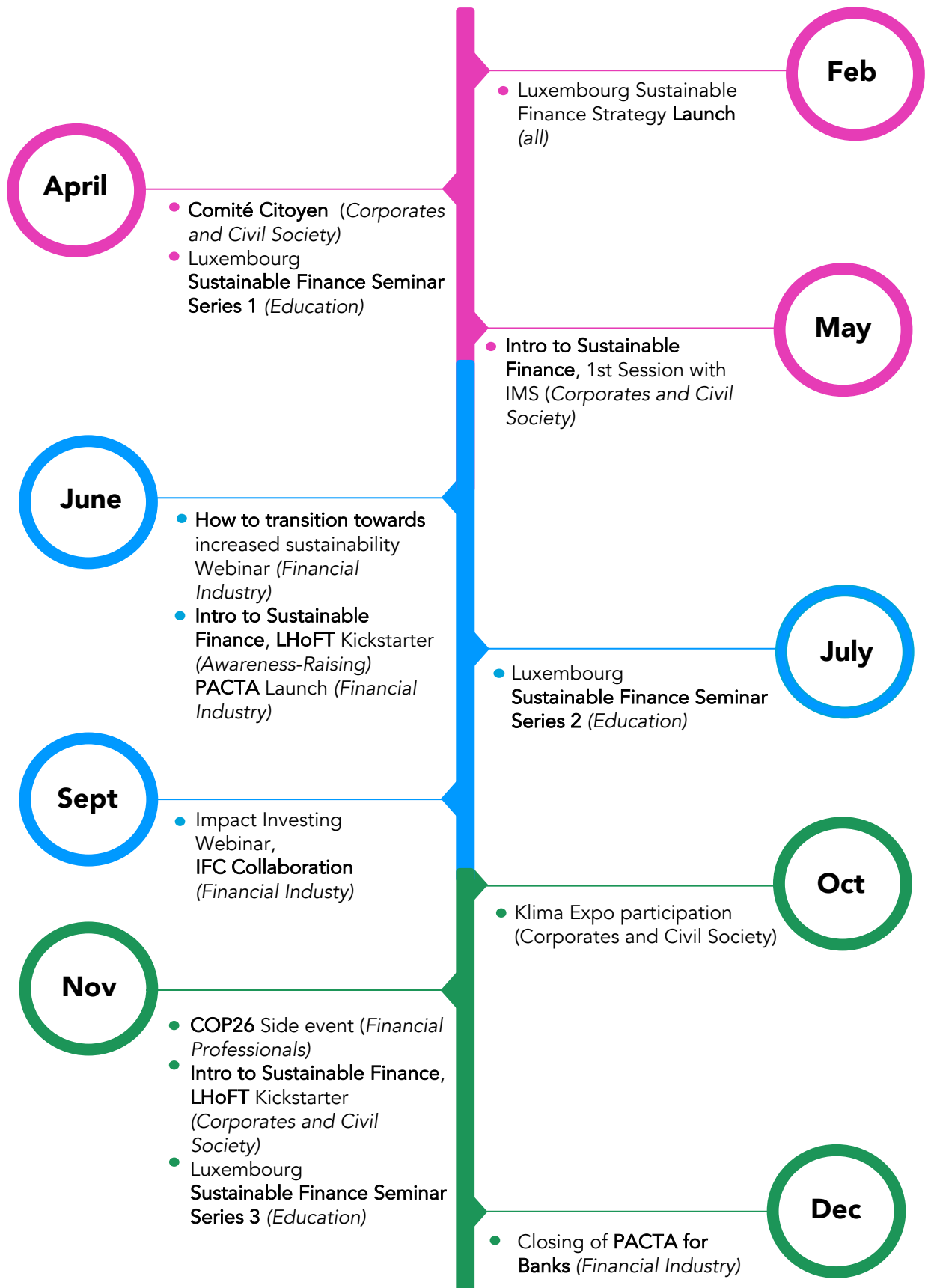
With regard to the events' format, in 2021, the LSFI held all its events online to adapt to the current pandemic, but also to be able to reach an international audience. LSFI's events are always free and available for replay. This has resulted in quite a good visibility given the flexibility it allows. These events always included a panel discussion and a Q&A session to ensure that the public could interact with the speakers.

All events have been fully organised by the LSFI team, from choosing the topics to selecting speakers, preparing the discussions, promoting them and managing the logistics.

- About our events-



- Event's timeline -



Offline Presence – Public Relations and Written Media

The LSFI acknowledges the importance of having an active relationship with the press. Being transparent on our activities allows us to explain our role and build our credibility as an independent entity, while helping to unveil the complexities of sustainable finance. We therefore aim to always reply to journalists' requests, and to be proactive in building our press relations. To achieve this latter point, the LSFI launched in 2021 its 'press breakfasts', which occur twice a year, and are organized for Luxembourg based journalists. It consists of a presentation of the latest LSFI's developments and relevant sustainable finance matters (e.g., the status of regulation or the existent instruments to support the transition) followed by an open discussion.

Offline Presence – International Presence

As foreseen in the LSFI's Action Plan, collaborating with other countries, institutions, and entities both at European and international levels is key to developing the Luxembourg sustainable finance sector's knowledge and our visibility.

The LSFI became an active member of the Financial Centre for Sustainability (FC4S) in 2021. This network gathers international financial centres to support the objectives set out by the Sustainable Development Goals and the Paris Agreement. FC4S's activities revolve around research on emerging issues, guidance on best practices, strategic advice, project development and support services. It is a platform for the LSFI to get acquainted with its peers from other financial centers around the globe and have international support to test and showcase its own initiatives. FC4S also work on a yearly report assessing its members' financial centres to which the LSFI actively participated in 2021.

The LSFI also ran more specific activities with an international outreach, most notably:

- The LSFI collaborated with the International Finance Corporation (IFC) organising a webinar on investing for impact, showcasing the IFC's Operating Principles for Impact Management and how to measure impact of investments. This partnership was a way to showcase impact investing in practice to the Luxembourg financial centre, while bringing international visibility to Luxembourg's sustainable finance initiatives.

- The LSFI took part in the International Climate Reporting Awards (ICRA) as a member of the Steering Committee. The ICRA are organised by the French Ministry for the Ecological Transition, the French Ecological Transition Agency (ADEME) and the not-for-profit think tank 2° Investing Initiative. This participation was an opportunity for the LSFI to exchange views with other international institutions and to promote climate reporting to Luxembourg financial institutions. Indeed, this competition offers to any participating institutions experts' feedback on their climate report. One Luxembourg based bank took part and the LSFI is hopeful that other institutions will follow suit in the coming years. It was also a good opportunity to involve the Luxembourg financial supervisory authority, the CSSF, which agreed to appoint an expert to be part of the jury of this competition.
- In the context of the Luxembourg Climate Scenario Analysis coordinated by the not-for-profit think tank 2° Investing Initiative (See Pillar 3, [page 31](#)), the LSFI also had regular exchanges with other European countries or international organisations that had performed this type of analysis in the past. It was a perfect opportunity to connect to European peers and practitioners, leverage on each other's expertise and gain knowledge on where other countries stand regarding methodologies for climate scenario analysis.



Pillar 2 – Unlocking Potential

Under Pillar 2, the work of the LSFI aims to give solid support and guidance to the financial sector to:

- Navigate sustainable finance and embed a sustainable finance culture deeply into the Luxembourg financial sector, in order to build an extensive sustainable finance community.
- Identify areas where Luxembourg can leverage on its financial ecosystem, innovate and potentially gain a first-mover advantage.

Bridging sustainable finance stakeholders

The LSFI as a discussion platform

To achieve these aims, as a basis to develop useful and meaningful activities, the LSFI nurtured throughout 2021 its relationships with all its stakeholders, putting into place the 'knowledge and experience-sharing platform' as foreseen in its Action Plan.

In practice, becoming such a platform meant for the LSFI to be both active in getting in contact with its main stakeholders and organising regular meetings with them, while being very open and available to any other stakeholder offering to accompany the work of the LSFI.

LSFI Meetings in 2021		
LSFI Stakeholders	Core Finance	118
	Public Institutions/Organisations	59
	Civil Society/Companies	22
	Education/Research/ Innovation/Fintech	34
	Inclusive Finance	8
Other	Partners	35
	Communications	108
	Total	384

This resulted in organising numerous meetings:

- **Regular meetings with core financial industry's key stakeholders:** such as industry associations, supervisory authorities, monetary authorities. These dialogues helped identify the different areas and themes we then prioritised under the "Take Action" section of the LSFI website.
- **Ad hoc meetings with other stakeholders of the sustainable finance landscape in Luxembourg** such as representatives of the **inclusive finance sector, philanthropy actors, the FinTech sector, Research innovation sector, civil society, and public institutions.**
- **Ad hoc meetings with other relevant national or international sustainable finance stakeholders** to participate in **working groups, find synergies or discuss best practices.**
- **Ad hoc meetings with occasional partners** especially in the context of **common event preparation** (see Pillar 1 [page 18](#) for more information).
- **Other introductory, one-off, meetings** requested by financial institutions, service providers or sustainable finance related start-up companies. These meetings are an opportunity to explain what the LSFI does while getting direct insights from the financial sector's players and their sustainable finance related activities.

These discussions help the LSFI to understand, in practice, the points of view of the various stakeholders and to take them into consideration in an appropriate manner in its activities (defining the right priorities, promoting coordination, avoiding duplication and regularly informing stakeholders on LSFI's work).

The LSFI will maintain and consolidate its role as a **discussion platform in the coming year.**

LSFI as a sustainable finance stakeholder

As a pivotal element of the Luxembourg Sustainable Finance Strategy, the LSFI also participated in [working groups](#), [workshops](#), or other initiatives organised by its national stakeholders (e.g. industry associations' sustainable finance related working groups, Chamber of commerce's sustainable development working groups) and international partners.

These fora are important to understand where the different stakeholders are standing with regard to sustainable finance, [to ensure alignment](#) and/or support of Luxembourg initiatives where necessary, or to showcase Luxembourg's progress with regard to its sustainable finance strategy.

It also helped the LSFI map existing working groups and start [shaping its own internal working group structure](#).

LSFI's Stakeholder Assembly & Working Groups

Based on its growing network of stakeholders, the LSFI started to consolidate its working group structure during the 2nd semester of 2021.

In September 2021, the LSFI first launched the [Sustainable Finance Operating Committee](#) gathering representatives of the main financial industry associations. This Committee aims to share information on sustainable finance related initiatives for coordination purpose and to identify possible areas of synergies on sustainable finance related topics.

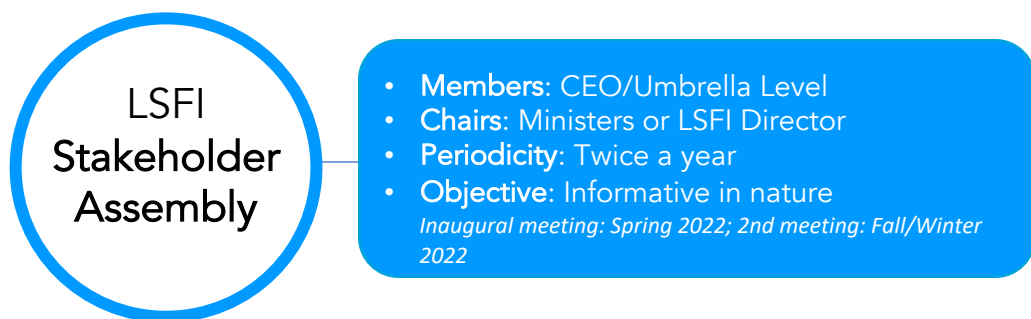
In October 2021, the LSFI launched an [EU Sustainable Finance Regulation Committee](#) including representatives of the Ministry of Finance, Ministry of the Environment, Climate, and Sustainable Development, the CSSF and CAA, the Environment Administration and Luxembourg for Finance. This working group aims to be a forum where its members can discuss and share updates on sustainable finance related regulations at the EU level for coordination purposes.



In addition, the LSFI started to identify complementary workstreams and how to establish a governance which would include representatives of all its stakeholders.

In December 2021, LSFI's board approved the approach described below, to be put in place as from 2022:

- **Stakeholder Assembly (SA):** where Ministers would participate at least once a year together with key LSFI stakeholders - the main actors within sustainable finance, represented at Director/CEO level and where possible by associations/umbrella structures. This Stakeholder Assembly would preferably take place in-person in 2022.



- **LSFI Working Groups:** where individual entities (represented at the Stakeholder Assembly level either directly or through an umbrella association) may be represented.

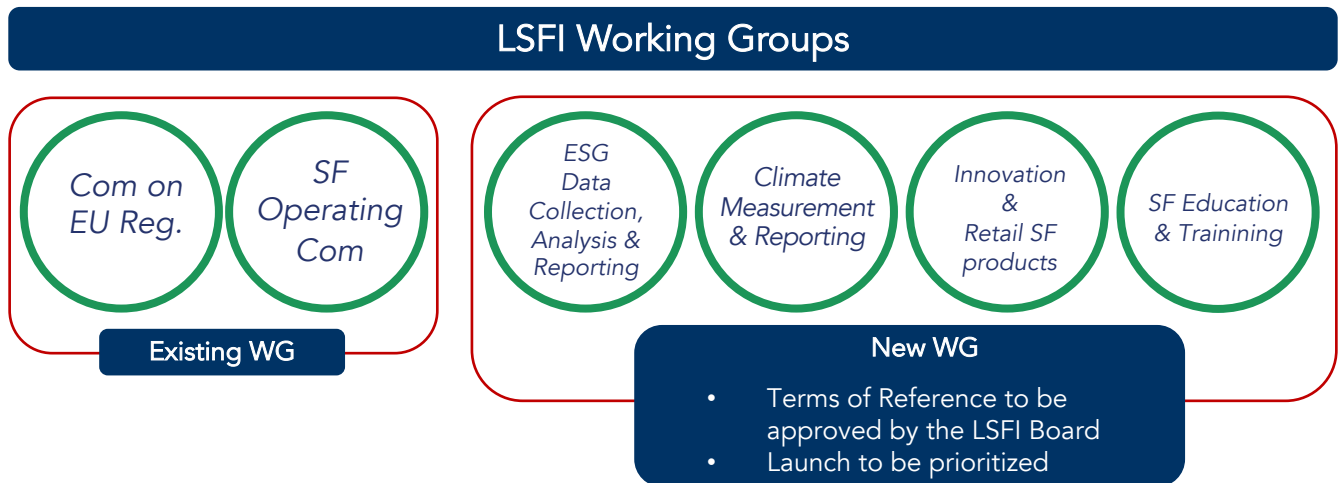


New LSFI working groups

The LSFI Board approved the following **working groups** as they would fill current gaps in the Luxembourg sustainable finance ecosystem:

- Climate Measurement and Reporting Working Group
- ESG Data Collection, Analysis and Reporting Working Group
- Sustainable Finance Education and Training Working Group
- Innovation & Retail Sustainable Finance Products Working Group

The objectives and conditions for membership will be set out in Terms of Reference that will be shared with the members of the Stakeholder Assembly. The working groups will be prioritised by the LSFI and developed gradually as of 2022.



Information Toolkit for professional and retail investors

To support financial professionals and retail investors in understanding what they can do to embrace sustainable finance, the LSFI developed a section on its website called “Take Action”.

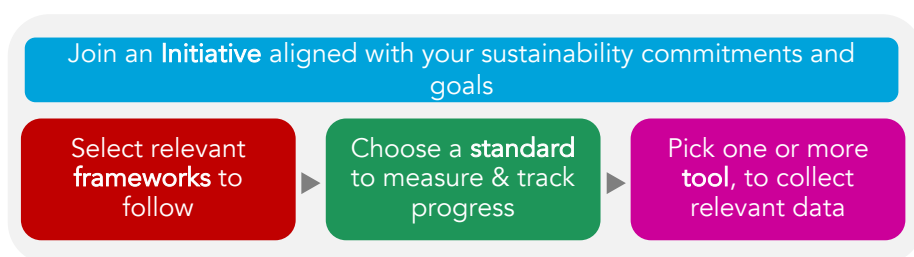
Take Action: a compilation of international instruments supporting sustainable finance

The LSFI launched in October 2021, its first toolkit targeting professional investors and guiding them through existing ‘sustainable finance instruments’. This toolkit is **free and public**, and is accessible under the Take Action section of LSFI’s website.

The LSFI team chose to build these first pages to answer to a request from various financial industry representatives pointing out how difficult it was to map and understand the role and relevance of the different international initiatives (e.g. UNEP FI, Climate Action 100+, etc.), frameworks (e.g. Sustainable Development Goals, Equator Principles, etc.), standards (e.g. Global Reporting Initiative standards, CDP Disclosure system, etc.) and tools (e.g. B impact assessment tool, Science Based Targets Initiative tool, etc.).

The toolkit is divided into these 4 categories giving for each:

- an overview: definition and use cases;
- a comprehensive list from where any financial professional can pick relevant instruments depending on its objectives and needs. The pages include filters and a search function to help identify the most relevant ones.



The sector received this toolkit well and it represents today the most visited pages of LSFI’s website (more than 1500 unique visitors).

This toolkit **will be reviewed every 6 months** by the LSFI to ensure its accuracy and make any relevant improvements.

More generally, the Take Action section aims to give practical tools to navigate the sustainable finance complex landscape **targeting both financial professionals and private investors/savers** who would like to act for more sustainability. The LSFI plans to gradually enrich its Take Action pages with more and more useful content for both financial professionals and private investors.

Education and Training

Another key topic for developing sustainable finance is training financial professionals and educating retail investors.

Discussions with the wider sector made it apparent to the LSFI that a wide variety of sustainable finance training courses are crucial to embed sustainability at all levels of financial institutions. To be able to implement the upcoming EU sustainable finance regulations properly, but also for a real cultural change to happen, financial institutions need to [train all of their employees](#): i.e. not only their legal and compliance team, risk and investment management professionals and client advisors, but also all supporting functions. In this context, during 2021, the LSFI team focused [on mapping the sustainable finance training offering in Luxembourg](#) in order to understand its current status and find any existent gap.

Civil society: pilot courses in sustainable finance for high school students

In 2021, the LSFI took part in the “Fit for Life” programme of Jonk Entrepreneuren.

“Fit for Life” is an educational programme for students aged 14 to 16 (5th and 4th grade of secondary school). The programme aims to provide secondary school students with practical information on basic economics (e.g. personal finance, budget, salaries, etc) and make them understand the importance of setting educational and career goals based on their skills, values, and interests. The project, which has been in existence since 2008, is currently in place in 175 classes in 31 high schools. Approximately 3,500 students participated in the project in 2018-2019 thanks to more than 140 volunteers! The programme consists of 6 didactic units which are given in class by a volunteer from the business world.

Jonk Entrepreneuren is an association, which brings together representatives from the school and business worlds. It was created in 2005 to perpetuate and boost the “entrepreneurial spirit” movement in Luxembourg’s education system. Jonk Entrepreneuren Luxembourg asbl pursues two major objectives:

- To explain and teach young people throughout their school curriculum that self-employment is a concrete alternative to hired employment;
- To give a taste for entrepreneurship, innovation, creation and leadership.

In 2021, the LSFI staff joined the “Fit for Life” project as volunteers and gave sessions on finance and sustainable finance to high school students. This first experience helped the LSFI understand the programme from within and appreciate the excellent quality of the sessions and the actual positive impact it can have on Luxembourg’s youth. It has therefore been agreed with Jonk Entrepreneuren that the [LSFI will help them develop a new finance & sustainable finance module](#) which will be embedded into this programme from 2022.

Regulation Monitoring

Based on its discussions with its different stakeholders, the LSFI noted that the need for online monitoring of EU sustainable finance related regulations varies greatly from one to the other. Some already do extensive and in-depth regulation related work, while others do not have the means to do so.

In 2021, the LSFI started supporting this field by [regularly sharing regulation related information on its social media, website and newsletter](#). It is foreseen in 2022 to go one step further and develop a [regulation monitoring page](#) on the LSFI website under the Take Action section.

- Regulatory Updates on the LSFI Website -



EBA publishes binding standards on Pillar 3 disclosures on ESG risks

The European Banking Authority (EBA) published today its final draft implementing technical standards (ITS) on...



EIOPA publishes the Consumer Trends Report 2021

The Consumer Trends Report 2021 and the risk heat-map provide a snapshot of the impact...



ECB Banking Supervision launches 2022 climate risk stress test to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk

The European Central Bank (ECB) today launched a supervisory climate risk stress test to assess...



ESMA consults on the review of MIFID II Suitability Guidelines

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, is consulting on certain...

- Regulatory Updates on the LSFI Newsletter -



- **European Commission - EU Taxonomy:** Commission begins expert consultations on Complementary Delegated Act covering certain nuclear and gas activities - [Access the note](#)
- **European Commission - Frequently asked questions:** How should financial and non-financial undertakings report taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act? - [Access the FAQ](#)

Pillar 3 – Measuring Progress

Under the Pillar 3, the LSFI's role is twofold:

- To support the financial industry in Luxembourg in measuring and monitoring progress of the path towards the implementation of certain sustainable finance initiatives, and,
- To support the development of the financial industry's capacity to organise data collection, measurement, monitoring and communication of the progress made over time.

Luxembourg 2021 sector-wide Climate Scenario Analysis

In 2021, the LSFI launched a country-wide "climate scenario analysis" (the [Luxembourg Analysis](#)) of Luxembourg's financial sector. The aim was to promote climate scenario analysis as a tool for financial institutions to assess their carbon pathway and check in practice to what extent their investments are aligned with the Paris Agreement's objectives.

The Luxembourg Analysis, supported by the Luxembourg Government, was performed using the Paris Agreement Capital Transition (PACTA) methodology, developed by the not-for-profit think tank 2° Investing Initiative (2DII).

The PACTA methodology is [open-source, transparent, free of charge and based on forward-looking asset-level data](#) and aims to support financial institutions engagement with its financed companies. Indeed, it measures [the alignment of investment portfolios with the climate objectives of the Paris Agreement](#). It is a sector-based approach, covering public equities, corporate bonds and loans, indicating how an investment or lending exposure aligns with different climate scenarios. It can also help investors implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This tool has been previously used to assess financial institutions in various countries such as Switzerland, Liechtenstein or Austria.

The Luxembourg Analysis targeted Luxembourg's core financial sector (i.e. banks, insurances companies and investment funds). The analysis [was free of charge, anonymous and confidential for participating institutions](#).

It consisted of two different exercises: "PACTA for Investors", analysing investment portfolios of any financial institution, and "PACTA for Banks", analysing loan books of banks. Institutions could participate in any or both of them depending on the nature of their business, their resources and needs. [The whole exercise was coordinated by the LSFI with the technical support of 2DII.](#)



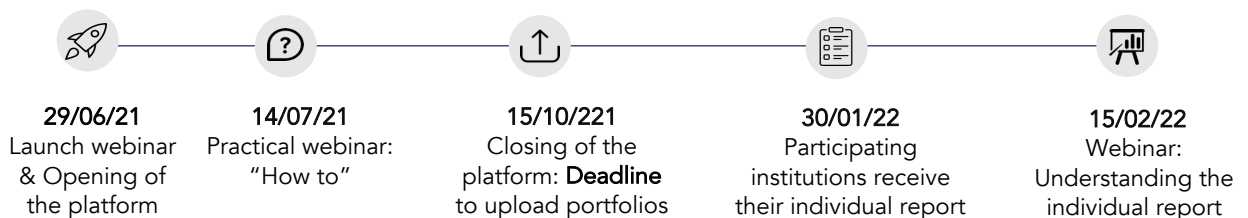
Participating institutions received [free training and technical support](#) from 2DII and the [LSFI during the whole analysis](#), and an individual report with their results. This exercise was a unique opportunity for participating institutions to train and raise awareness internally (e.g., risk analysts) on climate scenario analysis and start an internal discussion on the matter.

The Luxembourg Analysis was kicked off with a launch webinar on in June 2021 where representatives of the Ministry of Finance, the Ministry of the Environment, Climate and Sustainable Development, the LSFI and 2DII explained the PACTA methodology, the timeline and the key objectives. Finally, two closing webinars were organised respectively for PACTA for Investors and PACTA for Banks to explain to participating institutions how to read their individual reports and how to follow up on them. It was also an occasion to give an overview of what the LSFI is planning to do in 2022 to build on this first exercise.

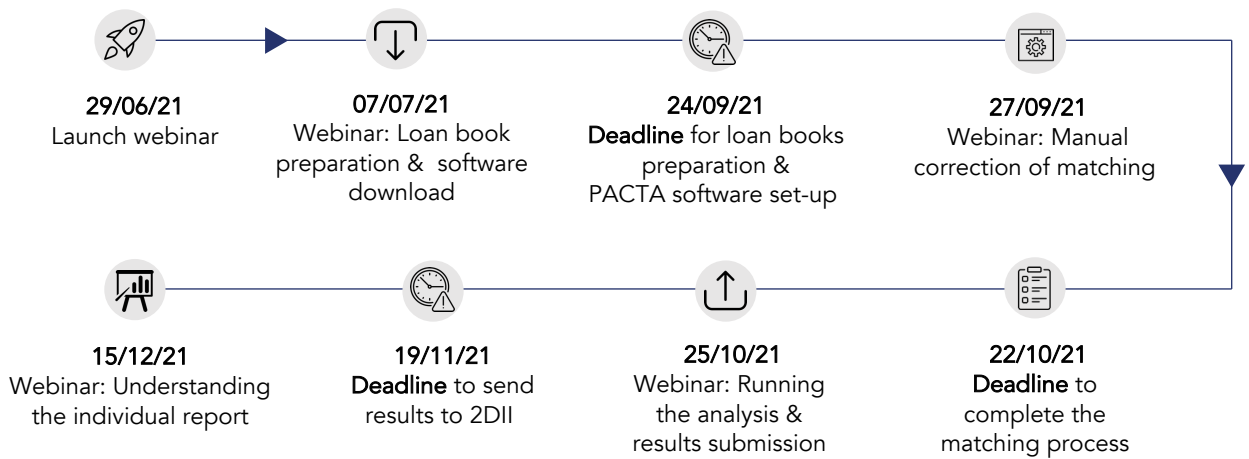
Highlighting the strong support of the Luxembourg Government regarding this Luxembourg Analysis, these two webinars were opened by representatives of the Ministry of Finance and the Ministry of the Environment, Climate and Sustainable Development.

Please find below a snapshot of the key milestones of the Luxembourg Analysis.

- Timeline: PACTA for Investors -



- Timeline: PACTA for Banks -



This Luxembourg Analysis was seen as a [support offered to Luxembourg based financial institutions](#). It was therefore conducted on a voluntary and anonymous basis. The LSFI did not receive any data which were shared by the participating institutions. These participating institutions could also freely decide whether or not they would disclose their participation and results. Following the closing of the Luxembourg Analysis, the LSFI and 2DII sent a survey to the participants (and other institutions which expressed interest at the launch of the project). The survey's objective was to assess the main takeaways and identify areas of improvement for the LSFI and 2DII with regards to the Luxembourg's financial sector possible future climate assessments.

[An overview of the Luxembourg Analysis will be completed and released in 2022](#) by the LSFI. It will include a description of the PACTA methodology, the project timeline and main milestones, the result of the surveys and testimonies of participating institutions.






To consolidate and build on this work and create a community of dedicated financial institutions, [LSFI will set up working groups around climate measurement and ESG data in 2022](#) (see pillar 2 [page 25](#)). The objectives and membership of these working groups will be outlined in Terms of Reference drafted by the LSFI and made available to the members of its Stakeholder Assembly (see pillar 2 [page 25](#)).



Annexe

LSFI Action Plan – Short Term Goals (2021)

- Pillar 1: Raising Awareness & Promotion -






Action	Description	Timing	Status	More info
LSFI Website	<ul style="list-style-type: none">• Launch LSFI website, including major info and updates on SF (e.g., training, events, etc.).	Q1 2021		Visit Pillar 1
LSFI Newsletter	<ul style="list-style-type: none">• Periodical newsletter with relevant info about SF	Launch Q1 2021, ongoing		Visit Pillar 1
LSFI Social Media	<ul style="list-style-type: none">• Regular posting about SF on LSFI social media channels.	Launch Q2 & Q3 2021, ongoing		Visit Pillar 1
Events	<ul style="list-style-type: none">• Organise online SF events series• Event/campaign targeting the civil society: starting the discussions with the relevant stakeholders.	Launch Q3 & Q4 2021, ongoing		Visit Pillar 1
International Presence	<ul style="list-style-type: none">• Represent Luxembourg in international SF networks, create contacts with associations and/or initiatives to identify synergies and best practices.	Launch Q1 2021, ongoing		Visit Pillar 1


 Achieved



LSFI Action Plan – Short Term Goals (2021)

- Pillar 2: Unlocking Potential -

Action	Description	Timing	Status	More info
Structuring Workstreams	<ul style="list-style-type: none">• Map existing stakeholders' working groups (WGs) and activities on SF in Luxembourg & identification and prioritisation of needs.• Support existing WGs or initiatives.• Set up new WGs.• Use internal LSFI resources to produce relevant reports/tools for the sector.	Q1/Q2 2021		Visit Pillar 2
		Q2/Q3 2021, ongoing Q3/Q4 2021, ongoing Q3/Q4 2021, ongoing		
Education & Training	<ul style="list-style-type: none">• Map current SF training offering and identify possible gaps to cover.• Join and support existing initiatives driving SF education & training in Luxembourg.	Throughout 2021		Visit Pillar 2
		Q1/Q2 2021		
Compilation of Standards & Best practices	<ul style="list-style-type: none">• Map existing SF standards, guidelines and toolkits and identify their relevance for the financial sector.	Throughout 2021		Visit Pillar 2
Regulation Monitoring	<ul style="list-style-type: none">• Monitor EU SF legislations and regulations.	Throughout 2021		Visit Pillar 2

 Achieved



+ 350
Stakeholders
meetings

108
Instruments
mapped

1500
Instruments
Website
visits

LSFI Action Plan – Short Term Goals (2021)

- Pillar 3: Measuring Progress -

Action	Description	Timing	Status	More info
Climate Change Assessment	<ul style="list-style-type: none">Launch of the PACTA assessment to map the current climate change exposure of the Luxembourg financial sector.	Assessment's launch Q1 2021		Visit Pillar 3
Data collection, measurement and analysis	<ul style="list-style-type: none">Define relevant workstreams related to data and KPIs.Leveraging on financial sector expertise, set up a cross-sectoral and multi-stakeholder working group to identify KPIs to measure and monitor progress of the Luxembourg financial sector on SF.	Launch Q4 2021		Visit Pillar 3

 Achieved  Partially achieved

Climate
Scenario
Coordination

52
participants

