
Press release

Date 13.12. 2022

Contact Pauline André
+(352) 621 333 582
pauline.andre@pwc.com

Mary Carey
(+352) 621 332 863
mary.carey@pwc.com

For more details, contact us at lu_press@pwc.com

Follow us on Twitter: [@PwC Luxembourg](https://twitter.com/PwC_Luxembourg)

Follow us on LinkedIn: www.linkedin.com/company/pwc-luxembourg

Pages 4

***LSFI Study Release:
“Sustainable Finance in Luxembourg - A quantitative and qualitative
overview”***

***STRICTLY EMBARGOED UNTIL 16.00 TODAY 13 DECEMBER 2022
LINK TO REPORT DOWNLOAD NOT LIVE UNTIL THEN***

Press Release, Luxembourg, 13 December 2022

The Luxembourg Sustainable Finance Initiative (LSFI), in collaboration with PwC Luxembourg, has conducted a study which assesses the sustainable funds segment in Luxembourg to understand the current state of the sector, key trends, and the main sustainable investment strategies used.

The study takes a deep dive into the sustainable finance industry, analysing the main ESG strategies implemented through sectoral analyses and asset classification breakdowns, among other dimensions. It also analyses the current impact assessment framework with the aim to complement existing studies and to identify gaps to determine actions for improvement.

Key findings of the study include:

- **Discrepancy on ESG fund qualification** - The ESG dimensions and data assessed in various studies tend to vary as they heavily rely on individual data providers, who typically have sole oversight on how their ESG data is collected and classified.
- **ESG fund AuM represents more than half of Luxembourg UCITS assets** - Despite the economic uncertainty and market turmoil during the first half of 2022, Luxembourg-domiciled ESG

funds registered EUR 2.2tn in total assets at the end of June 2022¹. This ESG fund AuM represents approximately 54.6% of the country's overall UCITS fund assets, which surpassed EUR 4.0tn by the

same period. PwC estimates the AuM of ESG UCITS funds domiciled in Luxembourg will surpass EUR 3.3tn by 2026.

- **Majority of Luxembourg UCITS fund AuM invested into Article 8 and 9 funds** - Over 53% of UCITS AuM in Luxembourg is invested in funds adhering to either Article 8 or Article 9 disclosure requirements in compliance with the Sustainable Finance Disclosure Regulation (SFDR). Article 8 is the predominant category, with 47% of UCITS assets under this classification, while Article 9 constitutes 6%.
- **Asset allocation is well-diversified** – Luxembourg-domiciled ESG UCITS funds are relatively well-diversified in terms of asset allocation. In terms of leading sectors, the Software and Services sector held the highest asset allocation sitting at 9.7%, followed by Pharmaceuticals at 9.1%, and finally Capital Goods at 8.4%.
- **Applied ESG investment strategies** - The study showed active management to be the predominant strategy for 92% of Luxembourg's mutual fund. In the ESG segment, three core strategies emerge from the study:
 - **ESG Exclusion Strategy** – ESG Exclusion funds, i.e., funds that apply one or more exclusion criteria were the most predominant fund type in Luxembourg accounting for 54.8% of the ESG UCITs. Out of these funds, 27% apply up to 2 exclusions while 21% apply up to 3 exclusions – mainly from the weapons, tobacco and fossil energy sectors.
 - **ESG Screening Strategy** - ESG Screening funds, i.e., funds which only apply ESG factors into their overall screening process was the second most applied strategy, with 31% of fund assets.
 - **ESG Involvement Strategy** - ESG Involvement funds i.e., funds that cover Best-In-Class, Positive Tilt, Thematic, Microfinance, Sustainable Development Goals or Sustainable Bonds within their ESG strategy was the least applied, accounting for 18% of funds in the research sample and 14% of ESG fund assets.
- **Assessing impact** - A lack of standardisation among ESG data providers, as well as a lack of generally accepted, standardised and utilised impact measures makes it particularly difficult to assess the impact of sustainable finance investments on the real economy at this stage.

“The transition towards sustainability is ongoing. Being in a transition period and considering the rapid development of sustainable finance, the ability to measure the progress made is of utmost importance. With this study, we wanted to complement the extensive and hard work of financial players over the last years in sustainable finance and further dive into it. We aim to provide a baseline for the financial industry, bring transparency and clarity, and identify strengths and gaps in order to help find improvement actions and appropriate solutions for the advancement of sustainable finance.” **said Nicoletta Centofanti, LSFI Interim General Manager.**

[Access the full study here.](#)

*** END ***

Study Structure & Content Specifications

¹ A 14.2% drop in AuM from the end of 2021.

The study is structured around a quantitative and a qualitative section. The quantitative analysis focuses on overall Luxembourg-domiciled UCITS² with a focus on ESG funds. The qualitative analysis describes additional sustainable finance investment practices in Luxembourg, presents a description of major

impact methodologies, includes a pilot assessment of a methodology currently under development to assess the impact of funds, and presents a new classification scheme for investments that are focused on impact.

The study's quantitative section focuses on the investment fund industry, being this the only assessable sector within the financial industry. Other sectors within the financial industry cannot currently be assessed in terms of sustainable finance. The lack of available data can be observed not just in Luxembourg but globally.

About LSFI

The Luxembourg Sustainable Finance Initiative (LSFI) (www.lsf.lu) is a **not-for-profit association** that designs and implements the Sustainable Finance Strategy for the Luxembourg financial centre. Our objective is to **raise awareness, promote and help develop sustainable finance** in Luxembourg.

The LSFI was founded in January 2020 by the Luxembourg Government (Ministry of Finance and Ministry of the Environment, Climate and Sustainable Development), Luxembourg for Finance (the agency for the development of the financial centre) and the High Council for Sustainable Development (Conseil Supérieur du Développement Durable), an independent advisory body to the Luxembourg Government about sustainable development matters that represents the civil society.

For press enquiries, contact:

Maria Tapia Rojo
LSFI Communication Manager
E: maria.tapia@lsfi.lu
T: +352 621 517 078

About PwC

1. PwC Luxembourg (www.pwc.lu) is the largest professional services firm in Luxembourg with over 3,100 people employed from 85 different countries. PwC Luxembourg provides audit, tax and advisory services including management consulting, transaction, financing, and regulatory advice. The firm provides advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. The firm helps its clients create the value they are looking for by contributing to the smooth operation of the capital markets and providing advice through an industry-focused approach.
2. At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com and www.pwc.lu.

² UCITS funds make up 95% of the Q2 2022 AuM domiciled in Luxembourg, but the term is interchangeably used to cover all open-ended investment funds (liquid mutual funds & ETFs) domiciled in the EU.

