



GREENING FINANCE

Flavia Micilotta

Director
Luxembourg Green Exchange

 @LuxembourgSE



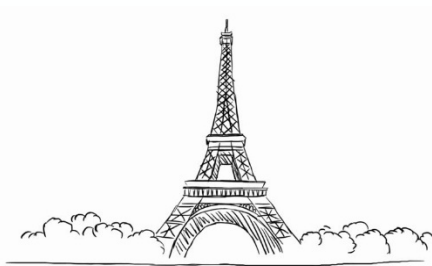


WHAT DOES GREENING FINANCE MEAN...?





GREENING FINANCE: THE DRIVERS BEHIND



Paris Climate Agreement (2015)

- Nationally Determined Contributions (government emissions reduction targets)
- Goal → Limit warming to 2°C, carbon neutral by 2050
- Foundation for climate finance
- Minimum investment required: \$100bn annually

Sustainable Development Goals (2016)

- 17 environmental and social goals, targets for each
- Designed to be universal for developed and developing countries
- Investment requirements projected: \$5-7tn annually



Policy developments / Regulators

- EU Emissions Trading System
- Green Covered Bond Law (Luxembourg)
- EU Action Plan on Sustainable Finance
- EU TEG and delegated acts



GREENING FINANCE: THE DRIVERS BEHIND

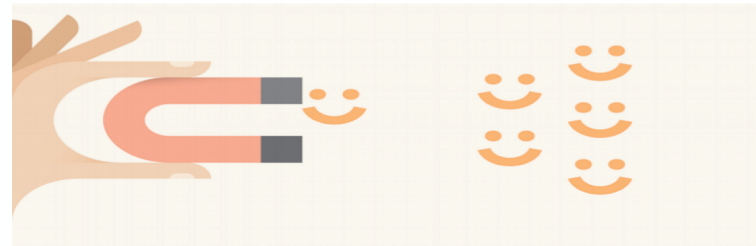


Market Opportunities

- Developing extra-financial impact instruments to cater to a wider investor base
- Establishing long-term competitive advantage by considering environmental & social risks and opportunities

Investor interest

- Millennials twice as likely to invest in companies targeting social or environmental goals
- Steadily increasing interest in ESG-oriented investment over the last decade



Civil society values

- Shifting attitudes to acceptability of technologies (e.g. Diesel scandal estimated cost: \$35bn)
- Increasing acceptance of the need to address environmental challenges (e.g. plastics, climate impacts such as forest fires, flooding, water shortage etc.)



THE REGULATORY IMPACTS

The most urgent actions from the AP were taken forward as legislative Proposals in May 2018.

1



**Establish EU
Sustainable Taxonomy**

Taxonomy Proposal: Proposal setting out criteria to determine the environmental sustainability of an economic activity ('**taxonomy**').

5



**Develop Sustainability
Benchmarks**

Benchmark Proposal: Proposal to create two new categories of benchmarks: (i) a low-carbon benchmark, (ii) and a positive-carbon impact benchmark as well as minimum disclosure requirements for ESG benchmarks.

7



**Clarify institutional investors
and asset managers duties**

Disclosure Proposal: (i) introduce consistency on **how institutional investors and asset managers should integrate sustainability** in investment decision-making processes; (ii) increase transparency towards end-investors.

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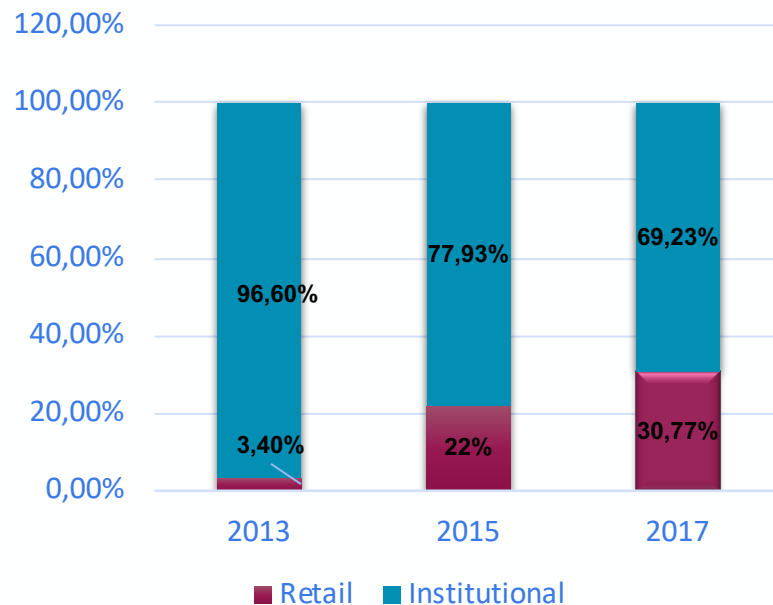
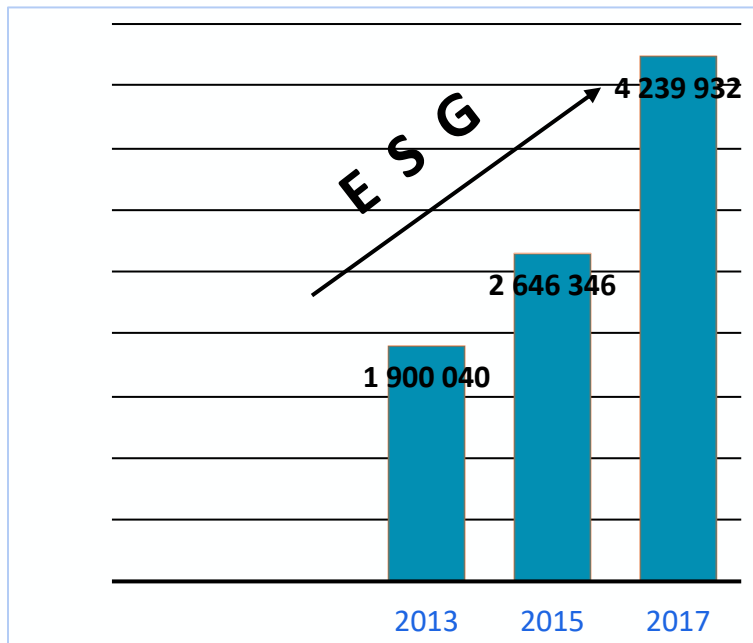


**Incorporate Sustainability
into Financial advice**

The Commission published the **final** version of the delegated act.



CAPTURING THE POTENTIAL

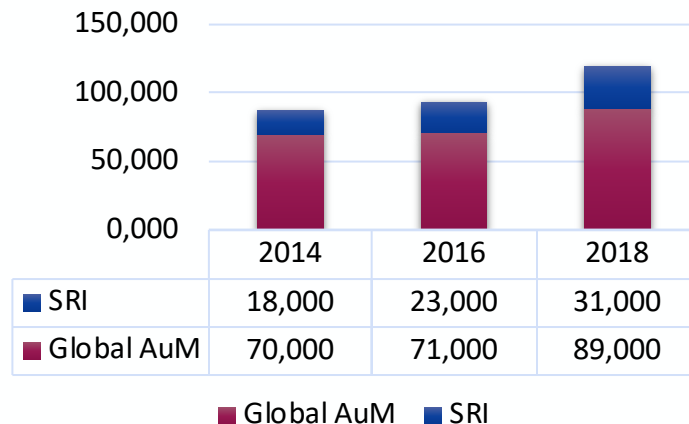
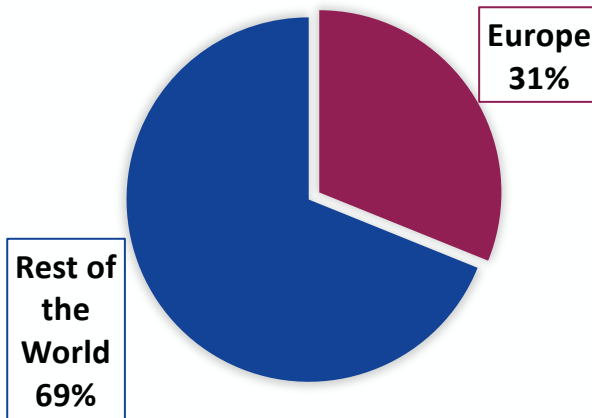
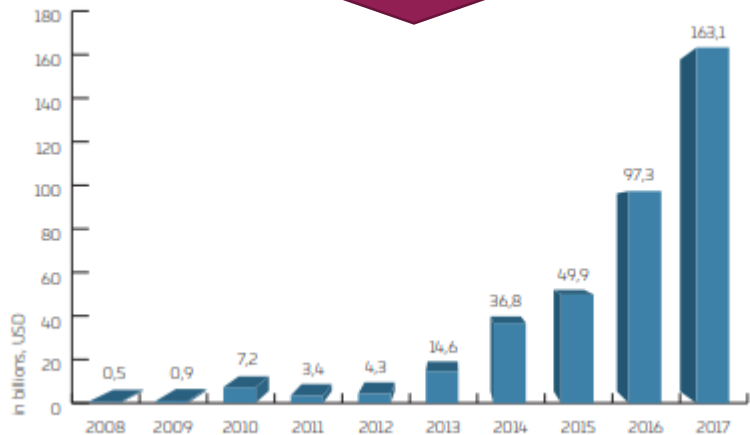




GREEN FINANCE IN NUMBERS

\$182bn

of green bonds were
issued in 2018

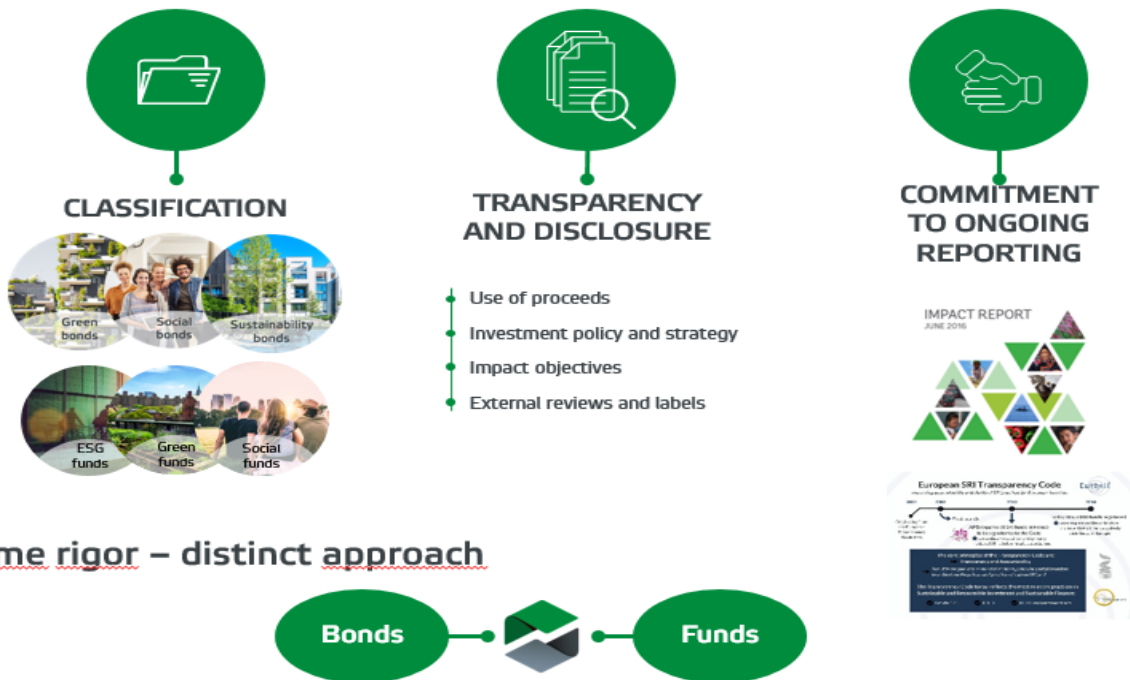




LGX – THE PLATFORM FOR GREEN FINANCE



- In 2016, we dared to transform the market's best practices into mandatory admission criteria
- In 2018, these criteria have converged into general market practice



- Same rigor – distinct approach



ESG



ESG



Label
ISR



Green



CLIMATE FINANCE



ENVIRONMENT

Investment themes:

- ✓ Renewable energy
- ✓ Environmental and ecological
- ✓ Carbon



Social



MICROFINANCE

Investment themes:

- ✓ Social impact
- ✓ Social entrepreneurship and solidarity
- ✓ Microfinance



REGISTRATION

BdL market

Euro MTF market

Securities Official List (SOL)



CLASSIFICATION

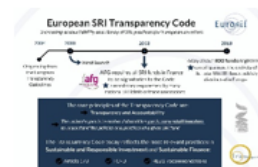


TRANSPARENCY AND DISCLOSURE

- Investment policy and objectives
- Investment strategy
- Exclusion policy
- Labels



COMMITMENT TO ONGOING REPORTING



LGX review process

LGX verifies the completeness of the documentation incl.:

- Application Form
- KIID
- Articles of Incorporation



Application Form to display on the Luxembourg Green Exchange (LGX) - Investment Funds

Legal entity filing the Application Form

Name of the applicant

(not required)

With registered office at

During the submission, the applicant provides detailed information and self-classifies the fund via the Application Form.

LGX team is available to guide the applicant through each step.

A rigorous three level validation process will determine if the security complies with LGX criteria, if positive:

Fund admitted to LGX & Confirmation message sent to applicant

Post issuance reporting is verified 12 months after issuance.

After review the report is uploaded to the dedicated fund page.

Alignment with the highest international standards

- Project eligibility, selection, monitoring, reporting



Including reputable Asian standards and guidelines

- Chinese Green Guidelines – PBOC, CSRC, NDRC
- ASEAN Green Bond Standards



REGISTRATION

BdL market

Euro MTF market

Securities Official List (SOL)



CLASSIFICATION



TRANSPARENCY AND DISCLOSURE

- Use of proceeds
- Management of proceeds
- Project evaluation & selection
- External reviews



COMMITMENT TO ONGOING REPORTING



LGX review process

Upon receipt of the listing documentation LGX verifies the availability of:

- Use of proceeds
- Framework
- External Review

If the documentation is available, LGX will immediately start to classify the security and proceed to onboarding.

No formalised request required from issuer

A rigorous three level validation process will determine if the security complies with LGX criteria, if positive:

Security admitted to LGX & Confirmation message sent to issuer

Post issuance reporting is verified 12 months after issuance. After review the report is uploaded to the issuer's security.

No action required by the issuer



LGX – A PLATFORM LIKE NO OTHER



Borsa Italiana



**London
Stock Exchange**



wiener borse



Nasdaq

Products or services offered by the above stock exchanges on sustainability:

**Green bond
index**



**London
Stock Exchange**

Academy



Nasdaq



**LUXEMBOURG
GREEN EXCHANGE**

Events



Nasdaq



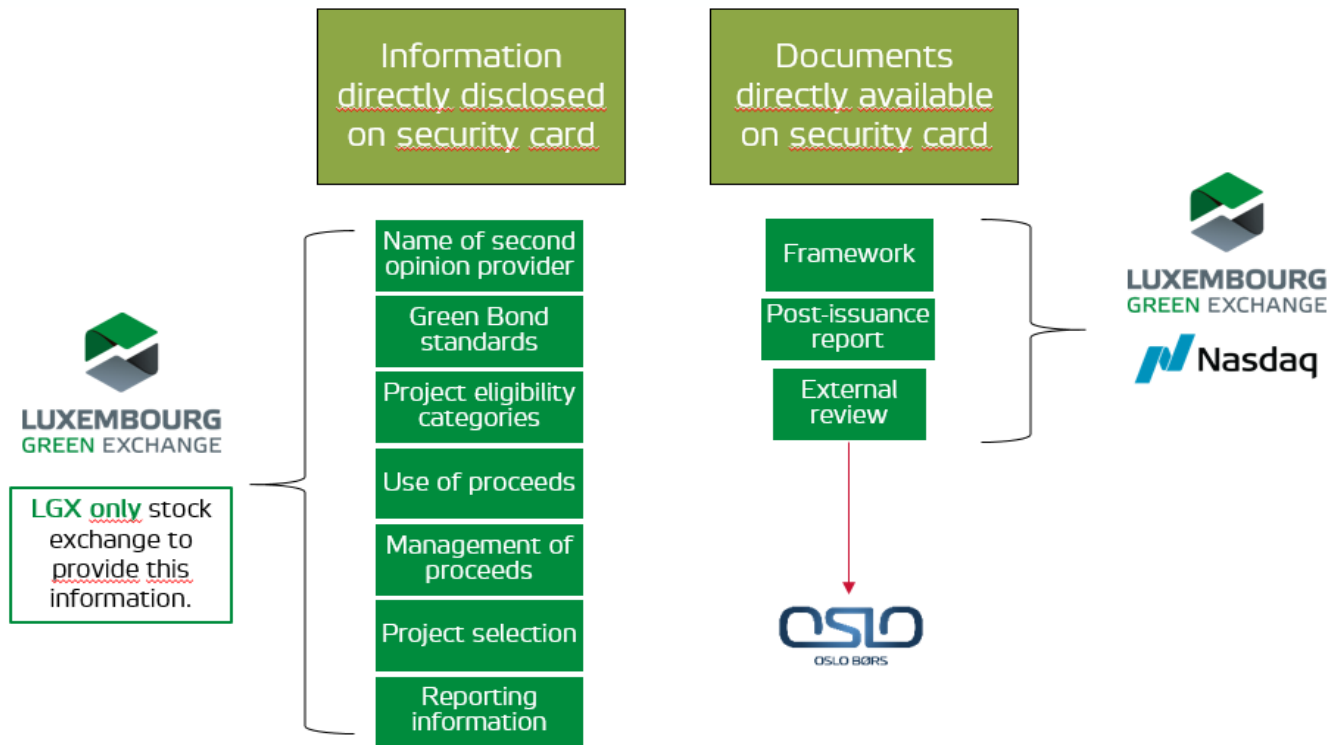
**London
Stock Exchange**



Borsa Italiana



LGX – A PLATFORM LIKE NO OTHER





AND THE HUB OF SUSTAINABLE FINANCE



USD 144 billion

issued in total



316 securities

denominated in 21 currencies



241% growth

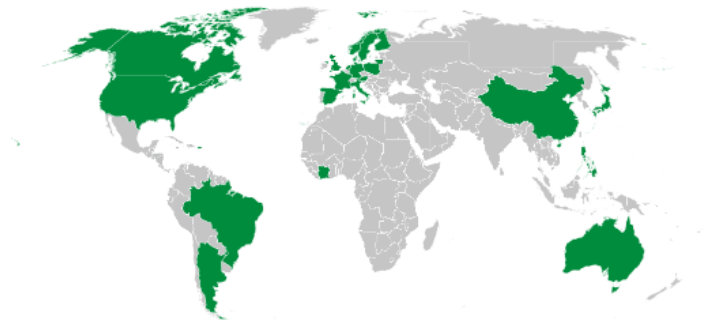
since 2016



50% market share

of green, social and sustainability bonds
listed worldwide

Geographical distribution of LGX issuers



LUXEMBOURG
GREEN EXCHANGE



CRAFTING THE FUTURE OF SUSTAINABLE FINANCE



TRANSPARENCY

LGX will develop beyond a listing only platform by capitalising even more on the unique sustainable data that we have been gathering since our launch

AWARENESS

In our continuous efforts of building awareness about sustainable finance we will deploy knowledge sharing solutions

INNOVATION

To shift the sustainable finance market to trillions and to implement the EU action plan, LGX plans to develop bold new products and services

THOUGHT LEADERSHIP

LGX has been at the fore front of market developments and we will continue to write articles and reports delivering market insights



THANK YOU

Flavia Micilotta

Director,
Luxembourg Green Exchange



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