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Luxembourg as one of the leading Financial Centres in the world has a unique opportunity to get to the next level by leveraging its Sustainable Finance Competence.

The financial services sector is changing rapidly. Post financial crisis and in the middle of digitalisation and disruption, banks are facing various external challenges that make their business more difficult, burdensome and uncertain. The ever-changing economic environment is pushing banks to adapt constantly to external conditions, such as the low interest rates, in order to preserve their profitability: as stated by the ABBL, the net profit of banks in Luxembourg has sunk by 3% last year. The adaptation to new regulations and new technologies is the main driver of increasing costs and therefore represents a significant issue for the whole industry.

Turning disruptions into opportunities is one of the biggest challenges of the coming years, and organisations need to think about how to balance their short-term profitability needs by ensuring long-term value creation at the same time. In this context, the UN 2030 Agenda for Sustainable Development and other international agreements such as the COP 21 are setting a clear framework to ensure this long-term perspective and represent a turning point for society as a whole - including the financial system.

The risks associated with climate change are too evident to be ignored and urgently need to be addressed in order to preserve the future viability of our economy. The Paris Agreement, which aims to keep the global temperature rise this century well below 2 degrees Celsius above pre-industrial levels, sets a clear objective: the imperative to sustainability is thereby not only driven by investors or the bank itself, but also by external stakeholders like the EU and other supranational organisations. Many initiatives were started in order to support the commitment to sustainability, such as the UNEP FI Principles for Responsible Banking.

Considering this background, Sustainable Finance represents a significant opportunity for banks to reposition their business models in line with customer expectations and along new requirements coming with CSR, SDG, ESG and other initiatives and standards driven by politics and society. Green Finance, which implies the redirection of financial resources towards environmentally sustainable projects and investments, is a great instrument which will facilitate the transition to a low-carbon economy and which works towards achieving the international goals.

“The contribution to a more Sustainable Future results out of the joint commitment of many different stakeholders of ecosystems around the world and the financial sector is key in this.”

JÖRG ACKERMANN, ADVISORY PARTNER

Therefore, Sustainable Finance is more than just a trend of our times. It is a movement with the potential to change the future of banking by creating a social, environmental and governance (ESG) impact. ESG-factors will have to be integrated in decisions on investment opportunities, refinancing sources or business partners and especially, in the creation of new products, services and business models.

“Banks have understood their responsibility towards the society as a whole and sustainable banking cannot and will not be averted. By embedding SDGs into their business strategy, they will be better placed to unlock market opportunities.”

ROXANE HAAS, BANKING LEADER

Realising that the market is facing drastic changes in the field of sustainability, PwC Luxembourg established a team dedicated to Sustainable Finance. Together with the ABBL, the team conducted the ABBL Sustainable Finance Market Study, a survey that the first time aims at investigating in detail the status of Sustainable Finance in Luxembourg by asking banking CEOs. More than 70% of the invitees have responded, which again highlights the importance of the topic – not only for Luxembourg but rather in the entire global financial sector.

“Many of the industry’s traditional and previously successful business models have reached the end of their lifecycle and their profitability is decreasing steadily. We have reached a tipping point and I am convinced that only organisations which help humans and the planet to thrive will succeed in the long-term.”

VALÉRIE ARNOLD, SUSTAINABLE FINANCE LEADER
Luxembourg’s Financial Centre has shaped banks in the past and Sustainable Finance will shape their future

In 2018, the European Commission presented an Action Plan on Financing Sustainable Growth. The ABBL welcomes the recent developments in the area of Sustainable Finance, which aim to promote a greener and cleaner economy. In order to have greater impact on our planet and society at large but also to connect finance with the specific values and interests of the European economy, the ABBL established a dedicated Sustainable Finance Working Group.

“As Sustainable Finance is one of the leading trends in modern banking, we established the Sustainable Finance Working Group to bring people together, to create a meaningful and trustworthy community.”

GUY HOFFMANN, CEO OF ABBL

Although the Luxembourg Sustainable Finance Roadmap provides certain guidance to the entire financial sector in Luxembourg, there is no tangible guidance for banks themselves. Today, banks often lack a specific framework, which they can refer to in order to develop sustainable products and services. ABBL and PwC Luxembourg have been addressing this challenge by advocating the integrated concept of Impact Banking. Luxembourg’s banks are thereby given the opportunity to become front-runners in the field of Sustainable Finance.

It is against this background, that ABBL and PwC Luxembourg will host the International Impact Banking Conference.

Further, PwC Luxembourg and the ABBL Sustainable Finance Working Group saw a need to feel the pulse of Sustainable Finance in Luxembourg. Hence, the first ABBL Sustainable Finance Market Study was designed and conducted recently, triggering keen interest and response behavior by the Luxembourg banking industry.

“The ABBL and PwC Luxembourg see genuine value in better understanding the specific economic, entrepreneurial and competitive circumstances in which industry participants operate in the ESG context, as well as their level of preparedness and strategic direction. Consequently, the multifaceted results of our first ABBL Sustainable Finance Market Study provide important insights in order to support and foster the strategic positioning of the Luxembourg financial center. Further, they allow continued refinement of the integrated impact banking concept and framework, for them to meet relevant stakeholder needs on a continuous basis.”

FRANK KRINGS, CEO OF DEUTSCHE BANK LUXEMBOURG

PwC Luxembourg and the ABBL, in support of and cooperation with the private and public sector, are committed to the long term journey of positioning Luxembourg successfully in the field of Sustainable Finance.
Sustainable Finance is one of the new topics for the financial sector – not only in Luxembourg but also globally. But what exactly is Sustainable Finance?

Sustainable Finance is any form of financial service, which integrates financial and specific non-financial criteria. These non-financial criteria are often defined as Environmental, Social and Governance (ESG) factors, which in the meantime are widely known and often integrated in investment decisions in modern banking. Additionally, a lot of ESG criteria play an important role while looking for new investment opportunities, refinancing sources or business partners and developing new products and services. Considering the impact of Sustainable Finance within future business models and its goal to create lasting benefits for both clients and society, a guidance for banks seems obvious.

The ABBL together with PwC Luxembourg are jointly committed to Sustainable Finance and developed a concept which helps banking institutions in Luxembourg to develop new and benefit from sustainable banking business models. Due to the fact that the banking sector is one of the leading industries and Luxembourg’s Sustainable Finance Competence is already outstanding, the concept’s aim is also to support and benefit from the National Sustainable Finance Roadmap, which has been released by the Government in October 2018. The joint efforts to support banks to develop substantial future business models in the field of Sustainable Finance has brought the Impact Banking Concept to life in August 2018.

The approach is based on four pillars:

According to Luxembourg For Finance (LFF), Luxembourg has the largest market share of listed green bonds in the world, and leads the European responsible investment funds market with a 39% share. 61% of all global microfinance fund assets are domiciled in Luxembourg.

Source: https://www.luxembourgforfinance.com/en/financial-centre/key-figures/
Developing sustainable banking B2B and B2C business models to open new markets and client segments, which also serve the announced EU regulatory requirements and provide answers to upcoming sophisticated risk management strategies.

Developing a national education and training curriculum towards sustainable banking within national and international education partnerships.

Leveraging on the national FinTech, asset-management and service-provider infrastructure in the field to accelerate the development of Sustainable Finance solutions (products and services). The collaboration with Luxembourg’s FinTech cluster will accelerate the development of new products with high transparency requirements.

Promoting and marketing Luxembourg as an attractive and opportunity-providing place for qualified workforce and decision makers in the field. Aligning the ABBL Sustainable Finance activities with Luxembourg For Finance (LFF) and actively supporting international working groups (e.g. EBA) and initiatives (e.g. UNEP FI PRB) to influence, support and benefit from upcoming developments and opportunities.

The Impact Banking Vision describes Luxembourg as a leading European development hub for agile, innovative and sustainable banking solutions and business models, where Luxembourgish banks (headquarters, subsidiaries, branches) serve as enablers and incubators for efficient solution development in the field. While following the concept, banks will become empowered to act sustainably as an organisation and to develop appropriate and long-term profitable products and services. How will they be able to do that?

The concept of Impact Banking will guide banks in Luxembourg to leverage on Luxembourg’s USPs in the field - e.g. its globally unique financial eco system, its regulatory agility, its market access or its specialised human capital. Within the Impact Banking Concept, following USPs are concretely under target to be enhanced and primarily developed:

- Luxembourg provides an agile platform to design, rapidly assess and standardise innovative products, services and business models for worldwide leading banks in the field of Sustainable Finance;

- Luxembourg provides a premium access to a worldwide leading Sustainable Finance infrastructure and market;

- Luxembourg provides a mature environment for the banking sector to impact and contribute to the development and deployment of international standards and the upcoming European regulatory framework in the field of Sustainable Finance as a ‘first mover’;

- Luxembourg provides and is known as one of the most attractive and opportunity-providing destinations for qualified workforce and decision makers in the field of sustainable banking. Supporting and integrated academic and non-academic education programs, partnerships and campaigns develop and attract the national banking sector.

For leading banks, developing Sustainable Finance solutions in Luxembourg will become one of the most evident, cost-efficient and agile time-to-market approach to ensure access and positioning in one of the most relevant and fast-growing markets for next generation banking.
The concept of Impact Banking aims to innovate the industry’s traditional and previous business models, as many already reached the end of their lifecycle. Due to the fact that their profitability is decreasing steadily, the guideline will support banks to implement new income streams by adding sustainable aspects to the current strategy and by developing sustainable products and services. The market - and especially clients - recognise this development and it is banks’ duty to meet their needs if they want to open up new markets.

PwC Luxembourg, as the leading advisory firm in Impact Banking, helps banks and asset managers to convert challenges into opportunities and is your partner to seize the benefits of Sustainable Finance for your organisation. Based on the Impact Banking Concept, PwC Luxembourg developed a Sustainable Finance Framework Model with a focus on three action pillars:

01

The driver categories describe the need to transform the current business into a sustainable business model. Drivers and motivation are multiple, diverse and specific to any financial organisation. They are the fundament for any sustainability strategy and have to be described comprehensively.

02

The impact categories describe the ultimate targets behind the prioritised drivers. Analysing and describing the impact categories in detail will guide and focus the transformation process and will ensure the necessary level of transparency.

03

The transformation process will achieve the targeted impacts and focus on the overall value chain. The target business model has to be consistent with the strategy, will drive the solution portfolio (services and products) and provides the framework for the operating model (TOM).
Along this framework model, the Sustainable Finance team from PwC Luxembourg developed a market approach, which aims to assess and encourage the improvement of the current organisation’s value chain, with focus on target impact categories. Based on related projects in the field, this approach recommends to do a Sustainable Health Check in advance, which allows to identify relevant drivers and targeted impact categories as well as to spot new developments and opportunities by integrating Sustainable Finance into the current business models. The potential inclusion of the UN Sustainable Development Goals (SDGs) will also be an integrated part of it.

In case of any questions regarding the concept of Impact Banking and/or interest in our Value Chain Approach please contact Michael Hauer, Director for Sustainable Finance (michael.hauer@lu.pwc.com) and Jörg Ackermann, Consulting Partner (jorg.ackermann@lu.pwc.com).
The upcoming EU regulatory environment on Sustainable Finance

The Paris Agreement and the UN 2030 Agenda with its 17 Sustainable Development Goals have marked a turning point in our global political and economic landscape.

In order to address issues like climate change and resource depletion, the financial system plays a key role in filling the current investment gap. That’s why financing sustainability and the transition to a low-carbon, more resource-efficient and circular economy has become one of the top priorities of the European Union: with its comprehensive Action Plan on Financing Sustainable Growth published in March 2018, the EU Commission has established a series of actions to be implemented in order to:

- Reorient capital flows towards sustainable investment
- Manage financial risks stemming from climate change, environmental degradation and social issues
- Foster transparency and long-termism in financial and economic activity

As part of this ambitious plan, a series of proposals have already been published in May 2018. The series includes a proposal to establish a taxonomy to define whether an economic activity can be defined as environmentally sustainable, a proposal to establish low carbon benchmarks and a proposal that defines investors’ duties and disclosures with regards to ESG factors.

On top of that, the MiFID II framework is scheduled to be amended very soon by a delegated regulation, which was also published in May 2018. The aim of this delegated regulation is to include customers’ ESG preferences into the suitability assessment that financial market participants have to perform when providing investment advice and portfolio management. Similarly, the Insurance Distribution Directive (IDD) could also be amended by another delegated regulation in order to include ESG preferences of clients when providing advice on insurance-based investment products.

In both cases, the entry into application of the delegated regulations will follow a shortened path and would imply an 18-month transition period to adapt to the changes. In turn, this means that financial market participants need to be very agile and responsive in order to be compliant with the upcoming requirements. The need for embedding sustainability into corporate business models is therefore also pushed from international level and requires a good understanding of the potential that those new regulatory tools represent with regards to new product and service opportunities, new markets and new client segments.

In case of any detailed questions regarding the upcoming EU regulatory environment on Sustainable Finance, please contact Dirk Kruse, Director for Sustainable Finance and Regulatory (dirk.kruse@lu.pwc.com) or Nathalie Dogniez, Partner for Asset and Wealth Management (nathalie.dogniez@lu.pwc.com).
Results of the ABBL Sustainable Finance Market Study
CEO Pulse Survey

This survey originated as an annual initiative of the ABBL Sustainable Finance Working Group - supported by the Ccube Cluster (Corporate Finance-, Capital Markets- and Cash Management) and was conducted by PwC Luxembourg. The strategic framework for the survey was the concept of ‘Impact Banking’, which was jointly developed by the ABBL and PwC.* The survey’s design is based on eight underlying questions to structure the analysis.

The survey’s aim was to “feel the pulse” regarding the relevance of Sustainable Finance for the future of banking in Luxembourg. It should also provide information on how the topic developed the banking sector compared to ABBL market insights from 2017.

The primary objective was to find out whether Sustainable Finance is on the agenda of banks in Luxembourg and to gain first insights in their level of awareness, their strategic orientation and their outlook on potential future business models in the field and what is required to bring them to success.

The survey has been addressed to 98 CEOs of local credit institutions. With a response rate of 71% (70) of all participants, from whom 74% (52) fully completed the questionnaire, it is possible to present first representative market insights and results based on the aggregated feedback from the banking sector as a whole.

* Please refer to section 3 of this brochure to learn more about the concept of Impact Banking.
Survey results show representativity for the Luxembourgish Banking Market.

71% of all addressed CEOs responded.

BACKGROUND INFORMATION ABOUT THE SAMPLE
The survey was addressed to 98 CEOs. The response rate was 71% (N=70), whereby 74% of all respondents (N=52) fully completed the survey.

20 participants represent headquarters in Luxembourg, while 37 represent local subsidiaries and 13 branches.

REPRESENTATIVITY IS GIVEN!

EXHIBIT 1
Representation of different business areas among respondents (multiple selection possible)

The diverse background of the survey respondents mirrors the Luxembourgish banking landscape and allows to draw representative conclusions about the local market.

All these business areas are covered by the ABBL Sustainable Finance Market Study, illustrating the transversal interest for Sustainable Finance.
To what extent will Sustainable Finance become relevant for the banking industry?

Sustainable Finance is seen as a relevant trend in the banking industry by 100% of the respondents.

Main Findings

100% of the respondents believe that Sustainable Finance is a relevant trend in the banking sector.

A lack of resources and knowledge is the main reason for banks not being able to take any actions for Sustainable Finance.

Over 90% of the respondents stated that Sustainable Finance isn’t perceived as non-profitable business.

The results show that Sustainable Finance provides multifaceted benefits, even though the topic isn’t seen as a differentiation driver within the group yet.

Exhibit 2: Have any actions or measures related to Sustainable Finance or sustainability in general been taken?

72% Yes
28% No

Why have no measures been taken? (N=16)

<table>
<thead>
<tr>
<th>Reason</th>
<th>No</th>
<th>Plan to take measures in the future</th>
<th>Lack of resources or expertise</th>
<th>No support from headquarter</th>
<th>Not enough volume to make it efficient</th>
<th>Not profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=5</td>
<td>31%</td>
<td></td>
<td>44%</td>
<td>13%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>N=11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Categories and underlying criteria

Strategy
Corporate sustainability strategy, Sustainable product strategy, Strategic consideration of climate change

Product development
ESG criteria for scanning investment opportunities, ESG labelling

Technical
Corporate sustainability rating, signature of UN PRI, Non-financial reporting

Organisation
Chief Sustainability Officer, Sustainable Finance Department

EXHIBIT 3
Are there actions or measures already in place? (multiple selections possible)

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
<th>I don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>59%</td>
<td>37%</td>
<td>4%</td>
</tr>
<tr>
<td>Product development</td>
<td>47%</td>
<td>50%</td>
<td>3%</td>
</tr>
<tr>
<td>Technical</td>
<td>22%</td>
<td>70%</td>
<td>9%</td>
</tr>
<tr>
<td>Organisation</td>
<td>19%</td>
<td>81%</td>
<td>0%</td>
</tr>
</tbody>
</table>

EXHIBIT 4
If no actions in place, are there any actions planned? (multiple selections possible)

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
<th>I don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>50%</td>
<td>33%</td>
<td>17%</td>
</tr>
<tr>
<td>Product development</td>
<td>42%</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>Technical</td>
<td>39%</td>
<td>39%</td>
<td>22%</td>
</tr>
<tr>
<td>Organisation</td>
<td>1%</td>
<td>99%</td>
<td>0%</td>
</tr>
</tbody>
</table>
THE MOST IMPORTANT REASONS TO DEVELOP SUSTAINABLE FINANCE ARE:
(MULTIPLE SELECTION POSSIBLE)

- Increasing customer demand for sustainable products/services: 56%
- Contribution to sustainable development in Luxembourg: 51%
- New EU regulation on sustainable finance: 31%
- Exploiting additional fields of income (intrinsic motivation): 31%
- Differentiation from competitors: 31%
- Risk management: 24%
- Image /marketing: 20%
- Employer branding: 20%
- Defending existing fields of income (intrinsic motivation): 18%
- Other reasons: 9%

SUSTAINABLE FINANCE IS RELEVANT FOR THE...
(MULTIPLE SELECTION POSSIBLE)

- Portfolio management based on ESG criteria: 62%
- Development of new B2C products and/or services: 60%
- Utilisation of Sustainable Finance for Employer Branding: 60%
- Utilisation of Sustainable Finance for marketing- / image purposes: 53%
- Development of new B2B products and/or services: 49%
- Other: 2%

Product focus
(N=43 out of 47, 91%)

Branding focus
(N=35 out of 47, 74%)
What are potential Business Model Opportunities for Lux banks in the context of Sustainable Finance?

**Question 2**
More than half of the respondents see an increasing demand for sustainable B2C products and services.

One third of the respondents observe increased market demand for ESG products along with transparent reporting.

**Main Findings**
- The majority of the respondents see an increase in sustainable B2C products / services.
- There seems to be substantial uncertainty about the concrete market opportunities to be leverage on.
- Green Loans, Responsible Savings Accounts and Sustainable Investment Services could become relevant drivers for new products and business models in the B2C market.

**Exhibit 7**
Increasing customer demand was identified in...
(multiple selection possible)
Currently, Responsible Investment Funds and Sustainable Investment Management services seem to be an established offering.

One third of the respondents are not clear about potential product offerings in this field.

According to the results, Green Loans show considerable future potential. Meanwhile insurance services and microfinance are trailing.
What are the advantages of Luxembourg to develop Sustainable Finance as a business driver?

**Main Findings**

88% of the respondents see a potential for Luxembourg to become a leading financial center for Sustainable Finance.

**Sustainable Finance = Future of Luxembourg?**

**Exhibit 9**

Chance for Luxembourg to become leading Sustainable Finance centre in Europe

- **61%** Rather good chance
- **27%** Very good chance
- **12%** Rather little chance

N=41

Luxembourg ranks among the top green financial centres in the global Green Finance Index (GGFI) published on March 2018, measuring how financial centres contribute to the creation of a more sustainable global economy.

**Question 4**

How will the upcoming EU regulation regarding Sustainable Finance affect the banking sector?

**Main Findings**

There seems to be a general awareness about the upcoming EU regulation among all core banking businesses.

EU regulation is mostly perceived as an opportunity for the development of future business models, both at entity and at group level.

The upcoming EU regulation is an important topic to be addressed in the next 3 years.

**Exhibit 10**

Knowledge of the EU regulation in the sample

- 76% Yes
- 24% No

There is an overall substantial awareness on the upcoming EU regulation among all the core businesses represented by the respondents.

**Exhibit 11**

Knowledge of the EU regulation by core business

<table>
<thead>
<tr>
<th>Business</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Banking</td>
<td>79%</td>
<td>21%</td>
<td>28</td>
</tr>
<tr>
<td>Retail Banking</td>
<td>100%</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Custodian/depository banking</td>
<td>64%</td>
<td>36%</td>
<td>14</td>
</tr>
<tr>
<td>Corporate Finance</td>
<td>64%</td>
<td>36%</td>
<td>10</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>80%</td>
<td>20%</td>
<td>10</td>
</tr>
<tr>
<td>Fund distribution</td>
<td>86%</td>
<td>14%</td>
<td>7</td>
</tr>
<tr>
<td>Cash Management</td>
<td>71%</td>
<td>29%</td>
<td>7</td>
</tr>
<tr>
<td>Covered bond banking</td>
<td>100%</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Service Provider</td>
<td>100%</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>
Almost two thirds of respondents see the upcoming EU regulation as an important and urgent matter to be addressed within the next three years by the banking sector.

For over one third this is a strategic topic to be taken care of in the medium-term.
THE UPCOMING EU REGULATION: WIND OF CHANGE!

EXHIBIT 13
Perception of EU Regulation on Sustainable Finance on local and on group level

<table>
<thead>
<tr>
<th>Local institutions</th>
<th>Group*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity</td>
<td>78%</td>
</tr>
<tr>
<td>Burden</td>
<td>13%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>9%</td>
</tr>
</tbody>
</table>

*N=32 | N=21

*Only for subsidiaries and branches with headquarters outside of Luxembourg

EU regulation is mostly perceived as an opportunity for the development of future business models, both at entity and at group level.
How can the impact of Sustainable Finance on the SDGs (Sustainable Development Goals) be ensured?

**Sustainable Finance as a Road to SDGs**

**Exhibit 14|** Status quo signatories of the UN PRI on entity and group level

<table>
<thead>
<tr>
<th>How many entities in Luxembourg signed the UN PRI?</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
<th>Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>5</td>
<td>33</td>
<td>6</td>
<td>44</td>
</tr>
<tr>
<td>11%</td>
<td>75%</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Out of the entities who answered No, how many plan to sign the UN PRI in the future?

<table>
<thead>
<tr>
<th>Entities in Luxembourg, which have the UN PRI on their agenda or plan to sign them in the future</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>39%</td>
<td>47%</td>
<td></td>
</tr>
</tbody>
</table>

The United Nations Principles for Responsible Investment (UN PRI) is the leading proponent in the field of responsible investing. The approach comprises six basic principles, which aim to improve investor’s decision-making process by not only considering profit but also the impacts of environmental, social and governmental (ESG) issues on their assets. Besides financial aspects, the UN PRI seeks to enhance the sustainable well-being of society through its responsible investment approach, which is based on the SDGs.

https://www.unpri.org/pri
MAIN FINDINGS

The national Government and local industry associations (such as the ABBL) are recognised as the most relevant partners to drive Sustainable Finance.

Knowledge is a key accelerator at current phase of the development of Sustainable Finance.

QUESTION 6
Which tools and infrastructure will drive competitive advantages over other financial hubs?

EXHIBIT 15
Strategic partners for local collaboration in the field of Sustainable Finance (multiple selection possible)

Over two thirds of respondents perceive the national Government and local industry associations (such as the ABBL) as the most relevant partners to drive Sustainable Finance.

Almost all respondents have identified potential partners to develop Sustainable Finance in Luxembourg.

N=45
Knowledge is seen as a key accelerator of competitive advantage at this stage.
This seems to be a common view across business areas.
The ABBL Sustainable Finance Market Study, which the ABBL Sustainable Finance Working Group initiated as the “CEO Pulse Survey” under the patronage of the ABBL Ccube Cluster, was conducted by PwC Luxembourg. The survey aimed to receive answers from banking CEOs in Luxembourg for both the current stage of development and the upcoming relevance of Sustainable Finance.

PwC Luxembourg and the ABBL, who jointly developed the ‘Impact Banking Concept’, expect Sustainable Finance to be one of the most relevant trends in modern banking. Evidenced by the results of the ABBL Sustainable Finance Market Study, the topic of Sustainable Finance is already gaining momentum in Luxembourg. More precisely, the received response rate of above 70% of the invited CEOs indicates a substantial interest in the topic.

Sustainable Finance might have the potential to become one main driver for future developments in the banking industry. The results of the CEO Pulse Survey support this assumption as many banks in Luxembourg have already taken actions in various areas of Sustainable Finance. The development of the first Renewable Energy Covered Bond regulatory framework, which was introduced in 2018 in Luxembourg by the national government and the CSSF with the support of the NORD/LB Covered Bond Bank, the ABBL, PwC Luxembourg and Clifford Chance, exemplarily highlights the spirit of Sustainable Finance.

Although banks did not take any actions so far, the survey results show that there is a high number of entities, who plan to implement actions and measures in the nearer future. By taking a closer look at banks’ motivation, solution development and branding seem to be equal motivation factors towards Sustainable Finance, which is obviously a market driven topic. Many banks stated that Sustainable Finance could be an opportunity for further development of their current business models. For example, the results indicate that customers are concretely interested in new sustainable B2C solutions. The willingness to contribute to the overall sustainable development in Luxembourg underlines this development as an accelerator to differentiate on the market. The need to comply with the upcoming EU regulation is also an important reason for banks to develop Sustainable Finance, as it creates a comprehensive framework for the financial sector. The ABBL Sustainable Finance Market Study results reflect that the upcoming EU normative framework is mostly perceived as an opportunity, both at entity and at group level.
Similarly to the EU regulation, other supra-national initiatives such as the UN 2030 Agenda with its 17 Sustainable Development Goals (SDGs) also represent solid frameworks that drive Sustainable Finance from a more technical perspective. Signing the UN PRI (Principles of Responsible Investments) is a way of ensuring the application of the SDGs in the financial sector. In Luxembourg, the UN PRI are currently signed by a minority of banks, however their increasing relevance is emphasised by the additional institutions, who plan to affiliate them in the future.

The potential of Luxembourg to establish its banking sector as a pioneer in the field of Sustainable Finance is also indicated by the survey results: 88% of the respondents see a potential for Luxembourg to become a worldwide leading financial centre for Sustainable Finance. Indeed, Luxembourg offers a unique ecosystem of players who are capable to provide specific support according to the individual requirements. The government and local industry associations (such as the ABBL) are seen as substantial partners to bring Sustainable Finance to the next level.

The design of a high quality national training and education curriculum, that ensures the development of required knowledge and qualification in the field of Sustainable Finance should be one of the first concrete measures to be taken, based on the survey results. In addition, the creation of a national ‘Sustainable Finance Innovation Platform’ - to stimulate, identify and accelerate potential new solutions and business model innovations in the field of Sustainable Finance - could be a substantial contribution to leverage on upcoming opportunities, which are highlighted by Luxembourg’s CEOs in the survey.

Finally, the survey results indicate that we need to follow-up on a regular (e.g. annual) basis. The indication of developments and trends in the field of sustainable banking helps to position the national banking industry and to structure and steer the actions on national as well as on international level. This will be – not at least – a valuable contribution to promote the Luxembourg Sustainable Finance Roadmap.
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