

Opportunities & Challenges of ESG Regulatory Aspects

In collaboration with
Luxembourg American Chamber of Commerce in New York
and *AmCham* in Luxembourg



Presented by:

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Opening



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We have scaled our capability and reach to help our clients achieve their goals



5,000

Colleagues



46+

Global presence across 46 jurisdictions



200,000

Structures under management



Top 3

Provider in our industry globally



US\$395+

billion AUA

1986

We enter the market

2006

Vistra brand launched. Business enters the Private Wealth arena

2007

Vistra enters the Alternative Investment market

2010

Vistra expands to United States, China and Singapore

2016

Vistra enters the Capital Markets arena

2018

Vistra quadruples the size of its International Expansion business

2020

Vistra present in 46 jurisdictions and able to support clients in 150 jurisdictions

EU Sustainability Policies

4 Pillars of the EU Sustainable Policies

EU Sustainability Policies			
Climate and Energy	Environment	Investment and Growth	Sustainable Finance
<ul style="list-style-type: none">• 2030 climate and energy framework• Energy Union Package• Eu Strategy on adaption to Climate Change	<ul style="list-style-type: none">• Circular Economy Package (Action Plan)• Clean Air Policy• 7th Environmental Action Program	<ul style="list-style-type: none">• Investment Plan for Europe (Fund for Strategic Investment (EFSI); InvestEU; EU cohesion policy funds)• External Investment Plan• Horizon 2020	<p>Sustainable Finance within the Capital Markets Union</p>
Long-term strategy to reach carbon neutrality by 2050			
Sustainable Finance is one of the EU Sustainability Policy Pillars			



EU Sustainable Finance Action Plan

The Sustainable Finance Action Plan has three main objectives:

- Reorient private investments towards financing sustainable activities - starting with defining environmentally sustainable activities (the Taxonomy regulation), defining ecolabels for financial products and climate change benchmarks;
- Foster more long-termism and transparency on sustainability within the investment and advice process (the "Sustainable Finance Disclosure Regulation" or SFDR);
- Ensure that sustainability risks are adequately captured, assessed and considered throughout the investment process.

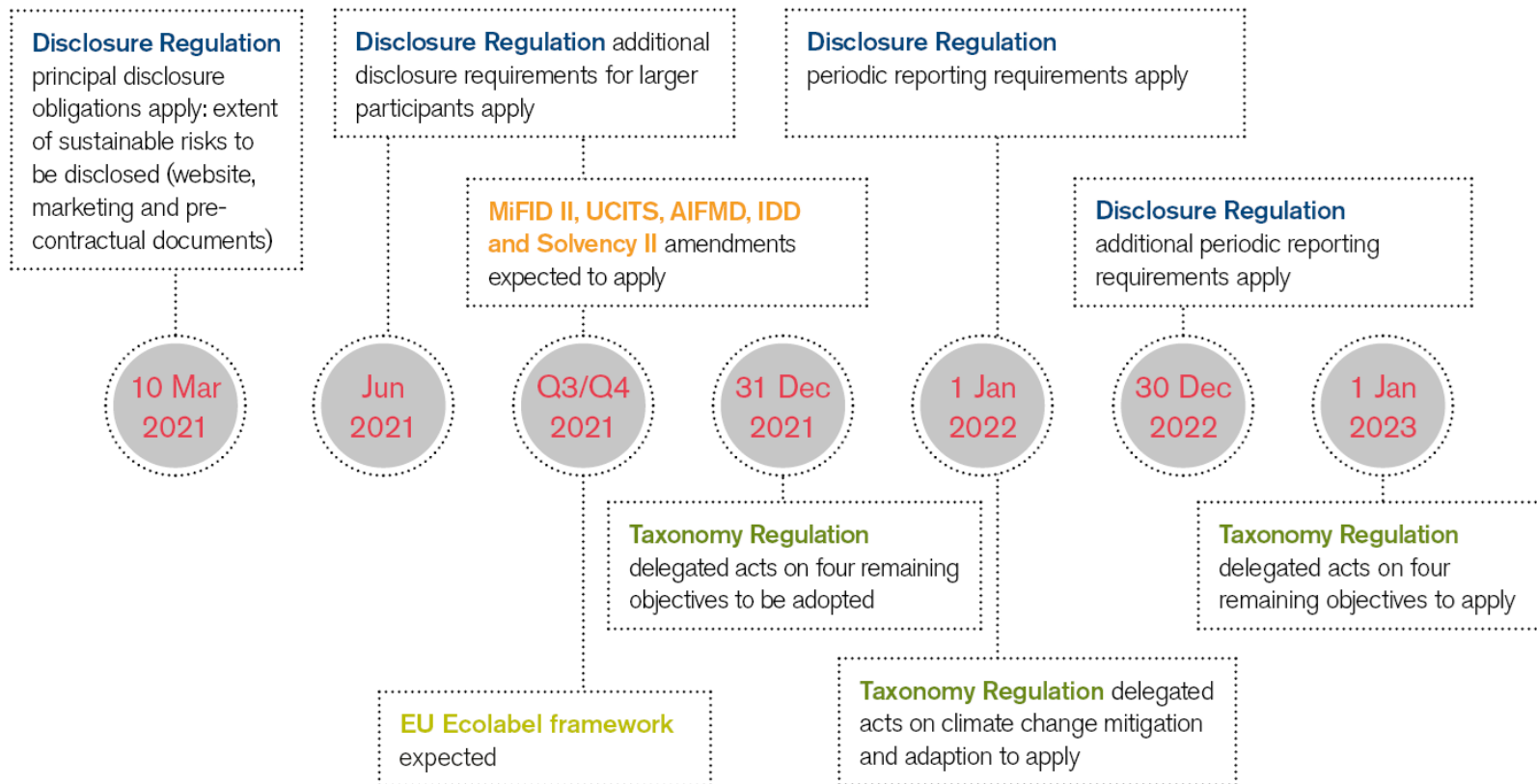


Luxembourg Appetite for ESG

- **Moody's certified Luxembourg's good ESG performance with a triple-A rating in 2021;**
- **The main drivers towards the ESG liquidity flows redirection are:**
 - Investor demand, based on a changing mindset towards sustainability in general
 - Political and regulatory pressure
 - Reputational considerations
- **This trend is expected to continue and accelerate in the near future. This is, however, not without some challenges.**



2022 and 2023 Milestones



SFDR – Fund Product Classification

Designation	Non-ESG	Article 6	Article 8	Article 9
Link to Sustainable Finance Disclosure Regulation	No Link	Article 6(1)	Article 8	Article 9
Comments	No specification/ data or explicitly declared as non- sustainable	Consideration of sustainability risks as part of the investment process, transparency about the risk integration approach	Actively promote ESG characteristics as part of a broad investment strategy at fund level “Light Green”	Product has sustainable objectives and impact indicators “Dark Green”
	Not Eligible for classification as ESG products		Eligible for classification as ESG products	

- SFDR is a new industry-wide implementation effort since March 2021 on fund classification;
- SFDR classification by articles 6, 8, and 9;
- Introduction of pre-contractual and periodic reporting;
- In November 2021, the European Commission announced that it would delay the active date of Level 2 of the SFDR, otherwise known as the Regulatory Technical Standards, to 1 January 2023 (following an earlier delay from 1 January 2022 to 1 July 2022)



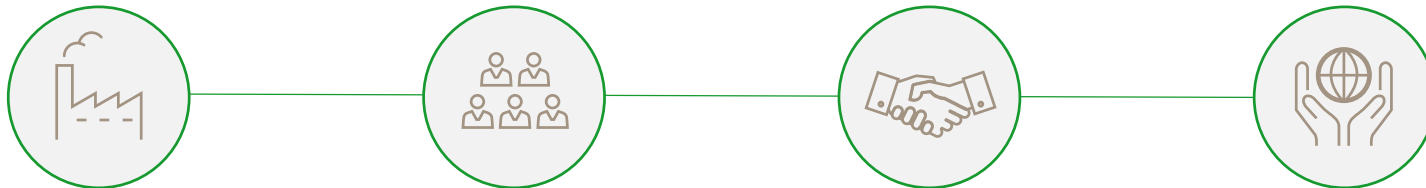
SFDR – Entity and Product Level Disclosures

Entity-level disclosures		Product-level disclosures	
		Description of the characteristics and objectives, and of the methodologies for the assessment measurement and monitoring.	<p>Special disclosures For products promoting environmental or social characteristics or having sustainable investment as their objective, explain how, comparison with designated index.</p>
Publish information on the policies regarding the taking into account of sustainability risks in investment decision/advice .	Sustainability risks	Explain how sustainability risks are integrated in investment decisions/advice, and the impact of these risks on the returns of the products. If risks are not integrate, explain why.	<p>In pre-contractual disclosures, on the website, and in periodic reports</p>
Explain the due diligence policies regarding the PAIS of investment decisions/advice . Where the PAIS are not considered, explain why.	Principal Adverse Impacts on Sustainability (“PAIS”)	Explain whether, and if so how, a product considers PAIS . If PAIS are not considered, explain why.	<p>Taxonomy disclosures Explain which environmental characteristic the product promotes or which environmental objective it has. Also explain to what extent the investments underlying the product are in activities that qualify as “environmentally sustainable” under the Taxonomy Regulation.</p>
Explain how the remuneration policy is consistent with the integration of sustainability risks .	Remuneration		
On the website		On the website and in pre-disclosures	In pre-contractual disclosures



Take Aways

- Great opportunities arise in Europe
- Luxembourg preferred jurisdiction for ESG
- Get up to speed on:
 - The new regulatory requirements
 - Develop an implementation strategy, and establish an internal team to execute that strategy so you are in a position to ensure compliance given the timings
- If you have any questions, please get in touch with us, Vistra is here to help!



Contact us

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