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Mr Robert Scharfe
CEO, Luxembourg Stock Exchange (LuxSE)

Ms Julie Becker
Deputy CEO, LuxSE and also the Founder of the Luxembourg Green Exchange (LGX)

LUXEMBOURG: ON A *GREEN* PATH

Interview with the top management of the Luxembourg Stock Exchange

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WALKING THE SUSTAINABILITY TALK

Mr Robert Scharfe, Chief Executive Officer, Luxembourg Stock Exchange (LuxSE) and **Ms Julie Becker, Deputy CEO, LuxSE and also the Founder of the Luxembourg Green Exchange (LGX)**, were in India in January to attend the Raisina Dialogue—a multilateral conference committed to addressing the most challenging issues facing the global community. During his interactions with them at the Embassy of Luxembourg, **India Empire's Editor and Publisher Sayantan Chakravarty**, learnt how Luxembourg's capital market investors are increasingly moving towards making choices that would lead to a more sustainable growth. That in turn would help create a better world

IE: Welcome to India. What specific issues are you looking at during your visit this time?

RS: Well in fact the concrete occasion is the Raisina Dialogue that has over the years managed to gather a lot of important people from across the political world as well as from civil society. One of the recurring themes in conferences around the globe these days is about how to create a better world and taking care of society at large, while continuing to grow our economies. During our stay in India we have been exposed to plenty of discussions on air quality. This is a subject that concerns almost everyone and needs to be addressed quickly not just by the Government and public authorities but also by greater involvement of the private sector. Funding and financing cannot just come from the Government, public effort and private initiatives need to be combined. We feel the Raisina Dialogue has been the perfect platform to pass on the message that capital markets have a role to play. We at LuxSE and LGX are certainly standing up for this shared global cause. Also, we are prepared to work hand-in-hand with partners in order to secure tangible outcomes for our efforts.

IE: Cooperation—is that one of your major takeaways from the Raisina Dialogue?

RS: Yes, definitely. One of the most important things we remind ourselves is what the Vice President of the European Parliament said when the EU Action Plan on Financing Sustainable Growth was announced. He said that without money one can dream. But with money one can act! And this, I'd say, is the key message for the whole sustainability debate, whether you are looking at climate aspects, or social ones. At the end of the day you need all good ideas to be backed by financing. Here in India, one of the key elements we heard during the opening session of the Raisina conference was that public sector funding is always limited due to budgetary constraints. So our message is to involve the private sector, and galvanize the capital market in this direction.

Let's take an example of what's going on in Europe. The EU has announced its objective of being CO2 Neutral by 2050. To make this shift, we'll have to go through a period of transition. It is important that we keep moving in that direction, step by step, every single day. We will not be perfect from day one, but our objective and goal should be clear before us. We also need to take into account that every economy, every nation, is coming from a different starting point where priorities will be different at different points. One of the key lessons that one needs to understand is that whereas sustainability does not come for free, it does pay off handsomely in the long term. It is pertinent to remember that the cost of correcting something that is not being done right in a sustainable manner can assume very significant proportions later on.

In New Delhi, during the dialogue, it became clear that environmental aspects are very crucial going forward. Impact of growth on the environment is starkly visible and political leaders have understood how significant the well-being of the population is for the nation. So yes, I think the awareness in India exists, but like always the financial aspects are there to be considered, and this is no different from anywhere else in the world. So, we can definitely do better going forward, and move faster towards a more sustainable future.

PICTURES BY: SIPRA DAS

Mr Robert Scharfe with Ms Julie Becker, Deputy CEO, LuxSE who is also the Founder of the Luxembourg Green Exchange (LGX)

IE: Please throw some light on the Luxembourg Stock Exchange which you head…

RS: The LuxSE is an exchange unlike any other since above all we are listing venue. We are listing international securities of issuers from across the world. We have over 2,100 issuers from over a hundred nations. We have 120 sovereign states, regional municipalities and regional provinces that are listing with us. We are also proud to state that all supranational institutions have LuxSE as the preferred listing place for international securities. Also when it comes to sovereign states, I think it is critical on their part to be sensitive about where they are listing and raising money in the international capital market. LuxSE, with its decades of specialized experience in listing international debt securities, has become their privileged hub.

It is also important to answer the question "Why Luxembourg?" The fact that we have specialized mainly in the listing of securities puts us in a privileged space. When a sovereign state decides to list a bond—all international debt securities including green and RMB bonds—they need to choose a market. LuxSE operates in two markets, the EU-regulated Bourse de Luxembourg and the exchange-regulated Euro MTF. Issuers benefit from greater visibility and enhanced brand recognition in these markets. They take a close look at the investor base in that market. We have a unique business model—we make available to issuers of capital market instruments a detailed listing of 36,000 securities. Data related to all these securities are available on our website. So we are linking issuers and investors to a large amount of data and this makes us unique.

IE: So how do emerging economies cope with the pressures of sustainability?

RS: Growth at any price is no longer an option. In emerging economies you still have a huge discrepancy between those who are well-off and those who aren't. So, one has to find a balanced way to deal with the subject of economic growth. This may entail higher costs and investments initially, but it also creates new jobs as a result of sustainable technologies, sustainable infrastructure, sustainable manufacturing. All of this requires new competencies. Maybe some jobs will be lost in the more polluting industries but there will be a way to compensate by creating newer ones which will be in more sustainable sectors and will benefit the country in the longer term by giving many times more returns. In fact we have seen that investment and financing in that direction has indeed come about and shown very positive results worldwide. And this has brought about large changes by way of creating wealth and well-being in the long term.

From left: Ms Jackie Na Liu, Head of Asia Business Development, LuxSE, H.E. Jean Claude Kugener, Ambassador of Luxembourg to India, Ms Julie Becker with Mr Robert Scharfe

IE: Could you cite an example of how CSR in sustainable growth is working in Europe?

RS: Let's take Arcelor Mittal, for instance, a company that is close to our heart and one that has an Indian connection. When we talk about a clean or green industry, steel manufacturing does not pop up on top of our mind. But the company has invested heavily in clean industrial production because they face enormous pressure from their consumers, the largest of whom are the German automobile giants. These large car companies are working on their image when it concerns how they are able to present their final product to the end user, that is the car buyer. So when we look at the supply chain, Arcelor Mittal needs to fulfill a certain number of clean production and environment criteria that are getting imposed on them by car manufacturers who in turn are creating greater value for the end users. Initially Arcelor Mittal would have seen this as an additional cost but they now realize that they have a clear competitive advantage as compared to other steel manufacturers. It's not just about the price, but also what else you deliver in terms of best practices that matters.

IE: Can you let us know about the Luxembourg Green Exchange?

JB: The LGX was set up in order to help facilitate sustainable finance whose demand had surged on the back of the COP 21 agreement and the ratification of the Sustainable Development Goals. Besides, efforts to tackle climate change and other sustainable topics have turned into a global priority. In order to help facilitate the development of sustainable finance, in 2016 we launched the Luxembourg Green Exchange—a dedicated platform for green, social and sustainable securities. LGX aims to provide issuers, asset managers and investors with an environment for bonds and funds which are green, social, sustainable, or ESG-focused. Entry is restricted to issuers and asset managers that provide full disclosure and fulfil their reporting obligations; in doing so, we ensure maximum transparency. We also wanted to make sure that all issuers would commit towards a common goal based on voluntary and best practices in the market as defined by the International Capital Market Association.

IE: How has the LGX performed thus far?

JB: It has been a huge success. We started with 30 issuers, and today we have 600 securities displayed on our platform. In Europe, Poland was the first sovereign state to issue a green bond. It was the first country to innovate and try to find a means to prove that there is a direct link between the funds raised in the green bond and the way they are allocated to specific green projects. Poland was followed by France, Belgium and Ireland. We hope to see Luxembourg joining in. The total value of the securities displayed on the green exchange is equivalent to about USD 240 billion. So as Mr Scharfe was indicating earlier, the LGX accounts for 50 per cent of the market share of all green, social and sustainable development bonds listed worldwide. ❐