

SPTF Social Investor Working Group



February 17, 2021

Before we get started

Connecting to audio

- Select “Audio” in the upper left-hand corner.
- Select “Audio connection” from the dropdown menu.

Muting yourself

- All participants have been muted upon joining.
- To unmute, click the red microphone icon to the right of your name.
- When you’re not speaking, please keep yourself on mute to minimize background noise.

Chat your questions

- The chat box is located on the bottom right side of your screen.
- You can send your comments and questions to everyone or send them directly to Social Performance Task Force.

Recording and minutes

- The session is being recorded. The recording and minutes will be available on <https://sptf.info/working-groups/investors>.

Discussion Agenda

16:30 – 16:35 Introduction

16:35 – 17:10 Panel on implementing the Sustainable Finance Disclosure Regulation:

- Amy Bergstraesser, *Symbiotics*
- Pedro Fernandez and Mette Kjaer, *responsAbility*
- Christophe Bochatay, *Triple Jump*

17:10 – 17:25 Update on responsible covenants during COVID-19

17:25 – 17:30 Next steps for Client Interview Tool discussions

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A 5-minute SFDR Refresher

REGULATION (EU) 2019/2088 ON SUSTAINABILITY-RELATED DISCLOSURES
IN THE FINANCIAL SERVICES SECTOR

Amy Bergstraesser

Legal Counsel at Symbiotics

February 17, 2021



Goals of the SFDR

- Integrate **sustainability risks** into investment decision-making processes and investment advice.

Sustainability risk = an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

- Disclose consideration of **principal adverse impacts** on sustainability factors in investment decision-making process or investment advice.

Principal adverse impacts = the impact of investment decisions and advice that result in negative effects on sustainability factors (without looking at the value of an investment).



SFDR Background & Timeline



A package of reforms implementing the UN 2030 Agenda on SDGs and the Paris Agreement

- SFDR
- Climate Benchmark Regulation
- Taxonomy Regulation (additional reporting requirements)

Imposes ESG transparency requirements on investment managers, advisers, and financial products

- Website disclosures
- Pre-Contractual Disclosures
- Investor reporting



Practical Implications

- Applies to asset managers, financial advisers, and financial products
- Using the technical standards as guidance
- Disclosures in issue documents/prospectuses and the CSSF fast track procedure (plus confirmation letter)
- The SFDR's application to non-EU AIFMs



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SPTF CLIENT INTERVIEW TOOL AND COVID-19 ROUNDTABLES

FINDINGS AND RECOMMENDED ACTIONS



FINDINGS

- The shock was severe:
 - 85-95% of **clients** interviewed reported being in a **worse or much worse financial situation** than before the pandemic
 - **>50%** of clients overall **experiencing food insecurity**—as much as 75-85% in some markets—with **30% reporting hunger**
- Financial service providers helped many:
 - The majority of clients turned to savings as a coping mechanism
 - The moratoria and restructuring/rescheduling helped
 - Those FSPs that continued to lend during the lockdown and early stages of re-opening were appreciated and even grew
- The effects of the crisis are going to be long-lasting
 - 80-90% of clients were still **HIGHLY VULNERABLE** in November
 - The percentage who had used 3 or more coping mechanisms rose from 7% in July to 21% in Oct/Nov
 - The mix and trends in coping strategies varied from context to context, but most markets saw an **increase in borrowing**—both informal and formal or **sale of assets** in combination with **savings withdrawals** and **stopping loan repayments**.
 - Majority of clients' incomes have not returned to pre-COVID-19 levels.
- Clients are emerging with weakened resilience to face future shocks: lower incomes, depleted savings, social networks tapped out

NAVIGATING THE ROUGH ROAD AHEAD: ADDRESSING CLIENT VULNERABILITY AND DIVERSITY OF EXPERIENCE

FINANCIAL SERVICE PROVIDERS

- Collect and monitor segmented data on what's happening with specific groups of clients
- Segment and analyze operational and portfolio data regularly to detect stress in sub-segments
- Offer flexible and customizable products
- Support client business adaptation
- Savings campaigns
- Offer flexible repayments and debt relief as necessary
- Talk openly with investors about how your clients are doing and how you are responding
- Invest in or expand digital service offerings and/or expanded agent networks



NAVIGATING THE ROUGH ROAD AHEAD: ADDRESSING CLIENT VULNERABILITY AND DIVERSITY OF EXPERIENCE

INVESTORS AND DONORS

- Talk with investees about what is happening with clients and how they are responding
- Fund data collection initiatives and share data with other actors
- Fund initiatives by investees to support client recovery
- Give FSPs flexibility to respond to changing client needs and support sustainable recovery—even if it impacts the bottom line in the short term.



Thank you!