



The Luxembourg Experience and LuxFLAG

Financing the Future

Banca d'Italia, February 6th, 2017

Carole DIESCHBOURG

Minister of the Environment

Luxembourg



➤ Sustainable development needs financing

➤ In the up run of Paris COP21:

2030 Agenda for Sustainable Development

- 3rd International Conference on Financing for Development. (Addis Ababa, Ethiopia, 13–16 July 2015)



➤ Paris Agreement

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development

- OECD CPI report
- Climate Finance Donor's Roadmap to the 100 billion US\$





➤ Set up of the Luxembourg Climate Finance Taskforce (February 2015)

- Ministry of Sustainable Development and Infrastructure
- Ministry of Finance
- Ministry of Foreign and European Affairs

➤ Climate Finance Toolbox

- Policy coherence
- Shifting the trillions (public/private funds)
- Derisking
- Phasing-out of environmentally harmful subsidies





- 120 million € pledge of Luxembourg for International Climate Finance (June 2015)
 - 2014-2020 (increasing annual contribution)
 - Additional to ODA (1 % of GDP)
 - 35 mio € in total to Green Climate Fund (5 mio €/y)
 - Set of clear criteria



Luxembourg's Climate Finance Task Force



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➤ Joint Climate Finance Platform



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➤ Climate Finance Accelerator



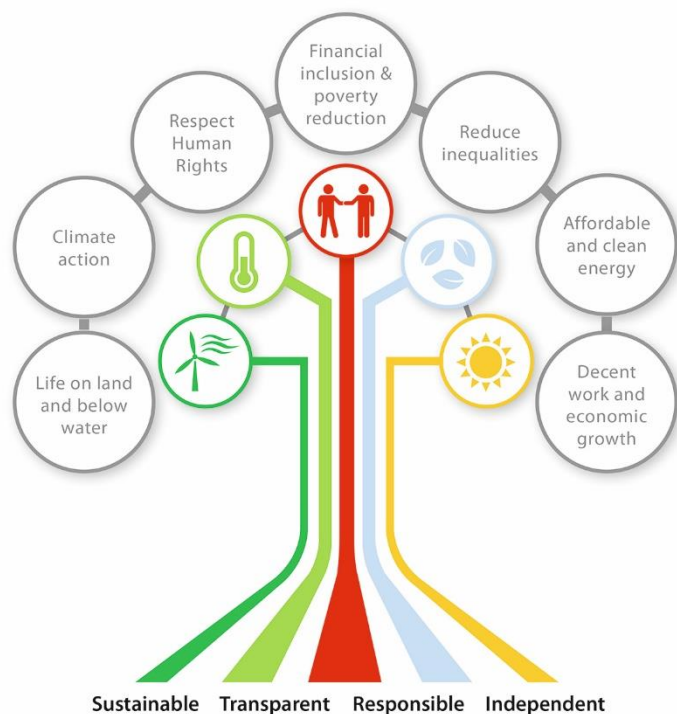
LUXEMBOURG
GREEN EXCHANGE

- 1st Green Exchange worldwide
- 50% world green bonds listed at LuxSE



LuxFLAG is an **independant non profit making** association created in Luxembourg in July 2006 with the objectives:

- to **promote** the raising of capital for the Responsible Investment sector by awarding a recognisable label to investment funds
- to **reassure** investors that the LuxFLAG labelled fund invests, directly or indirectly, in the responsible investment sector



LuxFLAG charter members – private/public



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Ministère des Finances



alfi association of the
luxembourg fund industry



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère du Développement durable
et des Infrastructures



European
Investment
Bank

The EU bank

Département de l'environnement



LuxembourgforFinance

Agency for the Development of the Financial Centre



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères
et européennes

Direction de la coopération
au développement et
de l'action humanitaire



LUXEMBOURG
STOCK EXCHANGE



MICROFINANCE

LUXFLAG
Label

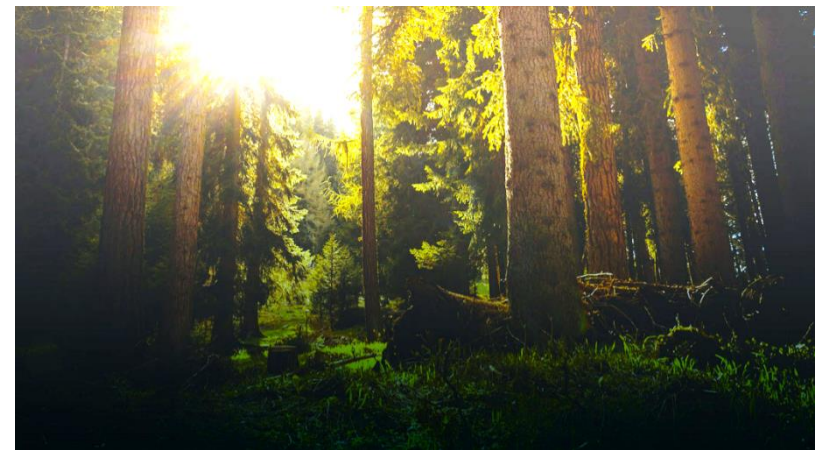
- **LuxFLAG Microfinance Label**, currently 29 Microfinance Investment Vehicles labelled (first and unique Microfinance Label in the world launched in July 2006)



ENVIRONMENT

LUXFLAG
Label

- **LuxFLAG Environment Label**, currently 11 Environment Investment Vehicles labelled (pioneer when launched in June 2012)





- LuxFLAG **ESG Label**, currently 13 ESG funds labelled (first European ESG Label launched in May 2014)



- LuxFLAG **Climate Finance Label**, currently 3 Climate Finance funds labelled (launched in September 2016)





- Predefined eligibility criteria



- Assessed by independent Eligibility Committees composed of industry experts, academicians and analysts



- Label valid for a period of one year renewable upon expiry



- Review of applications from investment funds at the end of each quarter



LUXFLAG
Label

ENVIRONMENT

75%

Portfolio of investments in **environment-related sectors** corresponding to at least 75% of the Applicant Investment Fund's total assets



Incorporate Environment, Social and Governance (ESG) considerations in the investment decision making process

Must be subject to either supervision in EU member state or supervision equivalent to that in EU Member States



Comply with some legal and governance criteria



Seek a return on investment



LuxFLAG engages an external audit firm for the completion of Agreed Upon Procedures



CLIMATE FINANCE

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Label

75%

Have a portfolio of investments corresponding to 75% of total assets in investments related, with a clear and direct link, to **mitigation and/or adaptation of climate change or cross-cutting activities**



Describe its Climate Finance objectives (environmental and financial) and be transparent towards investors in its portfolio composition and documentation



Have a measurement mechanism in place and must provide a report on expected and realized results through indicators on an annual basis



Comply with some legal and governance criteria



Provide evidence that Environmental, Social and Governance (ESG) standards are incorporated in the investment process



Provide evidence that an exclusion policy is applied across 100% of its portfolio in accordance with defined exclusion list



Seek a return on investment



Be authorized by a EU Member State or be subject to supervision equivalent to that in EU Member States



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Thank you for your attention