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LuxFLAG launches green bond label

The Luxembourg Financial Labelling Agency launched on Monday a label for green bonds, assuring investors that bonds bearing the stamp meet LuxFLAG's criteria of quality.

By Lewis McLellan 04:30 PM

Issuers will apply to LuxFLAG, providing details of the use of proceeds and any other independent assurance report and will commit to provide biennial reporting on the impact of results. The issuer's commitment to corporate social responsibility will also be assessed by LuxFLAG's board of directors before a final decision is made to grant the label.

"The demand for this product is the outcome of a market that is missing standards," said Annenarie Arens, a general manager at LuxFLAG. Hitherto, LuxFLAG has primarily offered labels to investment funds but, in response to what Arens called "regular requests from the market", has elected to branch out and offer green bond labels.

In contrast to second opinion providers like Cicero, LuxFLAG will assess issuers' use of proceeds in the context of the UN's Sustainable Development Goals.

LuxFLAG also imposes an exclusion policy requirement. Recipients of the Green Bond Label must demonstrate that the proceeds of the bond will not be used for constructions or modernisations of coal-fired power plants, nuclear projects or industrial gas projects related to carbon markets. Any new infrastructure established must not have a "high carbon footprint", according to a LuxFLAG eligibility document. Projects with a "negative social impact" must also be excluded.

LuxFLAG's requirements for the use of proceeds follow ICMA's Green Bond Principles. Following [ICMA's publication of Social Bond Principles](#) at its conference last week, Arens said: "The development of social bonds is a natural evolution of the market, and although we have no plans to do so, I would not be surprised if we created a social bond label in the future."

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