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Environmental Finance

LuxFlag launches green bond label as investors seek more transparency

20 June 2017

The Luxembourg Finance Labelling Agency (LuxFlag) has launched its Green Bond label as 'investors [are] looking for more transparency'.

The label, which was revealed by [Environmental Finance](#) earlier this year, aims to add the "meat and bones" to external reports and provide investors, who don't know what to buy and want an independent third-party review, with transparency and guidance, said Annemarie Arens, general manager of Luxflag.

In particular, the label will focus on a bond's use of proceeds and its impact reporting. Arens hopes that it will encourage new investors to the market.

To be awarded the label a green bond must:

- agree to transparency and disclosure by following internationally recognised standards/guidelines such as the Green Bond Principles or Climate Bonds Initiative;
- report on qualitative and quantitative performance indicators in the management of proceeds;
- provide not only an external review based on forecasts but also commit to mandatory regular reporting founded on results;
- consider UN Sustainable Development Goals in the use of proceeds; and
- apply an exclusion policy that includes fossil fuels, nuclear power and high-carbon projects.

"The label specifically aims to avoid free-riding and strengthen environmental integrity in the green bond market. We aim to improve confidence and transparency by setting [the] most stringent requirements," said Thomas Seale, chairman of LuxFlag. "The LuxFlag label helps to distinguish self-labelled green bonds from truly green market offerings."

LuxFlag is currently reviewing green bonds that have applied for a label. It will announce

quarterly which bonds have been awarded the label, with the first set in September.

Joe Walsh

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