sustainable finance in action

FIND OUT WHY LUXEMBOURG IS AN IDEAL ENVIRONMENT FOR SUSTAINABLE INVESTING
The Luxembourg Climate Finance Strategy

Luxembourg has a comprehensive domestic climate finance agenda and is resolute in meeting the COP21 Paris Agreement and the UN Sustainable Development Goals. Since 2015, the government and the financial services industry have been working together in a dedicated Climate Finance Task Force to implement a coherent and fully integrated climate finance strategy. Key milestones include:

**LUXEMBOURG-EIB CLIMATE FINANCE PLATFORM**
A joint platform by the Luxembourg government and the European Investment Bank (EIB), which mobilises investments for projects with a strong impact in the fight against climate change. It is the first time the EIB enters in such a partnership with a Member State. The Luxembourg government contributes €30 million as a first-loss guarantee to mitigate private sector investor risk, with the EIB acting as a co-investor.

**IFC/AMUNDI PLANET EMERGING GREEN ONE**
As a strategic partner of the International Finance Corporation (IFC), the Luxembourg government contributes to the technical support facility of the Amundi Planet Emerging Green One, the largest green bond fund in the world. This Luxembourg based investment fund targets green bonds emitted by banks in developing countries and at the same time helps develop green bond policies, training programs, and best practices in such markets through the technical support facility.

**INTERNATIONAL CLIMATE FINANCE ACCELERATOR**
The Luxembourg government together with partners from the private sector have set up the International Climate Finance Accelerator, which supports innovation and high impact investment strategies to grow tomorrow’s climate finance leaders. Support for asset managers includes fund raising, financial and operational support during the launch phase of new fund structures, increased exposure and credibility, as well as inclusion into the wider community of other climate finance managers.
The World’s **Green Bond Capital**

Luxembourg is a key player in the Green Bonds space. The Luxembourg Stock Exchange (LuxSE) is the world’s leading venue for listed green securities. The capital market infrastructure ranges from listing to post-trade services. The Luxembourg financial ecosystem comprises highly specialised service providers who are able to assist international clients in both equity and debt securities offerings.

**THE LUXEMBOURG STOCK EXCHANGE: A TRENDSETTER**

- LuxSE is the global bond listing leader
- In 2007, LuxSE listed the **world’s first Green Bond**, issued by the European Investment Bank
- The **Luxembourg Green Exchange** (LGX) is the first platform dedicated to green securities with enhanced transparency and reporting standards
- LGX is committed to the development of **ICMA Green Bond Principles**

**OUTSTANDING LISTED GREEN BONDS**

Source: Luxembourg Stock Exchange, as of June 30, 2018

<table>
<thead>
<tr>
<th>No. of listings</th>
<th>Amount issued</th>
</tr>
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<tbody>
<tr>
<td>LuxSE</td>
<td>USD 100.7 bn</td>
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<tr>
<td>All other exchanges*</td>
<td>USD 135.6 bn</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>USD 236.0 bn</strong></td>
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*(incl. London, Stockholm, Paris, Oslo, Dublin, among others)*
The leading European sustainable investment funds domicile

- Luxembourg has a **strong track record in socially responsible and impact investments** and provides the perfect environment for climate finance funds.

- A tried and tested **toolbox of investment vehicles**, widely considered the most adaptable in the European marketplace.

**Luxembourg Funds Account For**

- **39%**
  - Luxembourgh has the leading European market share of responsible investment funds.

- **over 61%**
  - Of assets in micro-finance investment vehicles (MIVs) worldwide are in Luxembourg domiciled funds.

- **61%**
  - Of AUM in European impact funds are domiciled in Luxembourg.

**Luxembourg Funds Account For**

- **45%**
  - Of AUM in environment strategy funds in Europe.

- **57%**
  - Of AUM in social strategy funds in Europe.

- **42%**
  - Of AUM in remaining ecological investment strategies in Europe.

Source: KPMG Responsible Investing Fund Survey, LuxFLAG; Symbiotics/CGAP: Microfinance Funds – 10 years of research & practice.
Among the most successful developments in the Luxembourg sustainable finance sector is the “blended finance” structure, an investment fund in which risks and rewards are differentiated by shareholder classes, typically designed as retail, professional and foundation shareholders. This allows for issuance of shares and notes with different characteristics in relation to the needs of each investor. By accepting “first loss” liability and granting priority to retail investors on income earned, the foundation shareholders create a low-risk environment that encourages private capital flows to emerging and frontier markets. The result is to bring sufficient size to the fund to achieve its mission. Over USD 6 bn of blended finance fund assets are domiciled in Luxembourg.

<table>
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<tr>
<th>PRIVATE SECTOR</th>
<th>SENIOR SHARES</th>
<th>MEZZANINE SHARES</th>
<th>JUNIOR SHARES</th>
<th>RISK LEVEL</th>
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<tbody>
<tr>
<td>NOTES</td>
<td>LOW</td>
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A Label of Quality

Since 2006, Luxembourg’s pioneering fund labeling agency LuxFLAG has helped raise private capital for sustainable and responsible investment projects by providing clarity and transparency for investors. The agency offers five labels.

Philanthropy
Putting Wealth to Work

The Fondation de Luxembourg is an important asset for the Luxembourg private banking community. By means of an umbrella foundation structure, the Fondation assists donors in selecting, structuring and managing their philanthropic investment projects. The Fondation has been extremely successful, attracting nearly 70 foundations that engage in projects around the world. Currently eight foundations target climate change mitigation.
The Luxembourg Financial Centre: Providing the right Environment for Climate Finance

Luxembourg is an innovative and socially engaged financial centre that is prepared to shoulder its responsibility towards the international community and is committed to playing a key role in the global fight against climate change.

- **Top 3 EU financial centre, No 2 in the Eurozone**
- **140+ international banks**

- **World’s leading centre** for securities listings
- **40,000+ listed & tradable securities**
- **3,000+ issuers** from more than 100 countries
- **Listings in 55+ currencies**

- **2nd largest investment** fund centre in the world with over €4.2 trillion AuM
- Global leader for cross-border investment fund distribution (64% market share)
- Over 61,000 **cross-border fund registrations** in 70 markets worldwide
- State-of-the-art legal and regulatory framework for investment funds
USEFUL CONTACTS

www.alfi.lu

www.fdlux.lu

www.bourse.lu/green

www.luxflag.org