

LuxFLAG Green Bond Label Eligibility Criteria

In order to obtain a LuxFLAG Green Bond Label, an applicant must comply with the following Eligibility Criteria set by LuxFLAG:

Criterion 1: Transparency: The applicant must follow internationally recognized guidelines/ standards such as Green Bond Principles ¹ in order to illustrate its commitment to transparency and disclosure.

Criterion 2: Process for Project Evaluation and Selection: The applicant must utilize its proceeds for investing in one of the broad categories of potential eligible Green Projects recognized by LuxFLAG. (Appendix 1)

Criterion 3: Management of Proceeds and Reporting: The applicant must report on qualitative performance indicators and, where feasible, quantitative performance measures (e.g., energy capacity, electricity generation, greenhouse gas emissions reduced / avoided, number of people provided with access to clean power, reduction in the number of cars required, etc.) with the key underlying methodology and / or assumptions used in the quantitative determination.

Criterion 4: Sustainability: The applicant must apply the Sustainable Development Goals in the use of proceeds. ²

Criterion 5 – Exclusion: The applicant must provide evidence that an exclusion policy is applied across 100% of its use of proceeds. The applicant's exclusion policy must be in accordance with the exclusion list defined in appendix 2

Criterion 6: Regulation: The applicant must be subject to regulatory requirements applicable in EU Member States or equivalent and must be issued on a regulated or regulated equivalent recognized stock exchange.

Criterion 7: External review: ³

a) The applicant must provide ex-ante external review – an independent assessment of use of proceeds, the selection/assessment process and management of proceeds (e.g., second opinions, certifications, verifications and rating reports).

b) The applicant must commit to regular (every 24 months) ex-post reporting – regular ex-post reporting will be required one year after listing a Green Bond (e.g., use of proceeds or audit report, Sustainability/ESG report, annual report or interim impact report).

LuxFLAG reserves the right to independently assess and evaluate the applicant's compliance with the above-mentioned Eligibility Criteria

¹ [Green Bond Principles published by ICMA](#) , [Climate Bonds Initiative](#), etc

² [UN Sustainable Development Goals](#)

³ These reports must be in line with national and international standards and frameworks for assuring non-financial/sustainability disclosures. There are two international standards which are most referred internationally – [ISAE 3000](#) and [AA1000AS](#)

Appendix 1

LuxFLAG explicitly recognizes several broad categories of eligibility for Green Projects aiming to address key areas of concern such as climate change, natural resources depletion, loss of biodiversity and/or pollution control. The list is intended to be indicative and capture the most commonly used types of projects supported or expected to be supported by the Green Bond market. These categories, listed in no specific order, include:

- Renewable energy (including production, transmission, appliances and products);
- Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, appliances and products);
- Pollution prevention and control (including waste water treatment, greenhouse gas control, soil remediation, recycling and waste to energy, value added products from waste and remanufacturing, and associated environmental monitoring analysis);
- Sustainable management of living natural resources (including sustainable agriculture, fishery, aquaculture, forestry, wetlands, sustainable land use and land use change, ecosystem conservation and restoration and climate smart farming inputs such as biological crop protection or drip-irrigation);
- Terrestrial and aquatic biodiversity conservation, (including the protection of coastal, marine and watershed environments);
- Clean transportation (such as electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions);
- Sustainable water management (including sustainable infrastructure for clean and/or drinking water, sustainable urban drainage systems and river training and other forms of flooding mitigation);
- Climate change adaptation (including data collection, information transmission and support systems, such as climate observation and early warning systems);
- Eco-efficient products, production technologies and processes (such as development and introduction of environmentally friendlier, eco labelled or certified products, resource efficient packaging and distribution).

Kindly consult with LuxFLAG in case any activities undertaken by the companies/projects in which the applicant bond invests in are not included in the list above.

Appendix 2

Investments must exclude:

- New constructions of electric and thermal coal-fired power plants and modernization of such decommissioned stations (with or without CO2 long-term storage)
- Nuclear projects
- Fossil related projects
- Industrial gas projects (HFC, N2O, PFC, SF6) only if they are related to carbon markets.
- Establishment of new infrastructure with a high carbon footprint, which will be in place for decades. Carbon footprint to be determined.
- In general, all projects with a negative social impact; projects violating human rights, including those of indigenous people; projects deepening inequalities, vulnerabilities and dependencies of developing countries against developed countries.