

## **LuxFLAG Social Impact Label**

### **Eligibility Criteria**

In order to obtain a LuxFLAG Social Impact Label, an Applicant and its Manager must comply with the following Eligibility Criteria set by LuxFLAG:

#### **1) The Applicant shall:**

The following specifications apply at portfolio level:

- have a strategy enabling the generation of a positive, measured<sup>1</sup> and managed social impact alongside a financial return, in line with its sustainable investment objective(s)<sup>2</sup>.  
The social impact strategy must focus on Social Impact Themes<sup>3</sup>, with the intention to contribute to decent work, adequate living standards and wellbeing, and/or inclusive and sustainable communities, while avoiding or mitigating negative impact.
- have at least 50% of its total assets that contribute to one or more of the Social Impact Themes, and shall be assessed through an impact measurement and management system aligned with best practices<sup>4</sup>.
- conduct initial due diligence, ongoing monitoring on Environment, Social, and Governance (ESG) characteristics on 100% of investments<sup>5</sup>, either from an external provider or via a proprietary methodology or a combination of both;
- have liquidity levels in line with its investment policy; and
- apply exclusionary criteria in line with international standards or frameworks<sup>6</sup> as described in the minimum requirements in Appendix 2.

The following specifications apply at an asset level:

- a) contribution of a listed or non-listed entity to one or more of the Social Impact Themes is determined through an in-house or an external (or a combination of both) assessment using a recognized methodology and relevant indicators<sup>7</sup>.
- b) investments in bonds issued by entities that do not comply with the point a) above, must be composed of at least 75% of sustainability bonds and/or sustainability-linked bonds with social indicators compliant with internationally recognized standards or frameworks<sup>8</sup>;
- c) a financial service provider (such as microfinance service providers, banks, insurers, asset managers) that does not comply with the point a) above, must have at least 50% of its portfolio invested into one or more of the Social Impact Themes; and

- d) the use of derivatives is limited to hedging and efficient portfolio management purposes only.

## **2) The Manager of the Applicant Investment Fund shall:**

- demonstrate best reporting and market practices<sup>9</sup>;
- be duly authorized by a competent supervisory authority of an EU Member State, or subject to a regulatory and/or supervisory regime that could be considered equivalent to that of EU Member States<sup>10</sup>; and
- demonstrate a commitment to develop and implement best practices in the management of responsible investments by being signatory to recognized responsible investment frameworks<sup>11</sup>.

## Appendix 1

### LuxFLAG Social Impact Label Eligible Themes

A non-exhaustive list of Social Impact Themes and their sub-categories eligible for classification under the LuxFLAG Social Impact Label may include:

Themes	Sub-categories
<b>Decent work, including value-chain workers</b>	Access to quality education Equitable access to employment, entrepreneurship and remuneration Access to rights and protections at work Supporting workers in a green and just transition
<b>Adequate living standards and wellbeing for end-users</b>	Access to quality healthcare Access to affordable housing Food security & sustainable food systems Access to clean water and sanitation Access to finance and financial services Access to affordable and functional economic infrastructure
<b>Inclusive and sustainable communities and societies</b>	Social inclusion, diversity and gender equality Access to social services and support Access to and preservation of culture and heritage

***LuxFLAG reserves the right to assess the eligibility of any application as per the sub-categories listed above according to LuxFLAG internal methodology and guidelines.***

## Appendix 2

### LuxFLAG Social Impact Label Exclusion Policy

This list is applicable as of 11/02/2025.

#### **A – List of sectors and activities, in which investments must be excluded:**

The exclusionary criteria should be set up at the product level and/or asset manager level and shall be aligned with the EU Paris-Aligned benchmarks (EU PAB)<sup>12</sup> and consider additional social characteristics in line with the strategy of the applicant, such as, but not limited to:

**Controversial behavior:** Investments in companies which may be involved (whether alleged or actual involvement), whose management bodies may be involved in severe or very severe harm in violation of the UN Global Compact Principles<sup>13</sup>, the UN Guiding Principles on Business and Human Rights<sup>14</sup>, the ILO conventions<sup>15</sup>, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct<sup>16</sup>.

**Controversial jurisdictions:** Investments in sovereigns and/or corporates mainly listed in countries, or related to individuals and/or other entities in a particular country identified and/or as specified in the United Nations Security Council Sanctions List, or the list of high-risk jurisdictions subject to a “Call for Action” identified by the Financial Action Task Force and/or the Consolidated list of persons, groups and entities subject to European financial sanctions;

**Controversial weapons:** Investments in companies involved in the manufacturing of controversial weapons and/or essential components or services or through owned entities, including anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons;

**Tobacco:** Investments in companies involved in the production, sales and/or distribution of any traditional tobacco products, as well as tobacco-related products (including without limitation e-cigarettes and next-generation tobacco/nicotine products) and/or tobacco-supporting services (including without limitation filters and smoking halls).

**Coal (thermal and metallurgical), Oil and Gas:** Investments in companies involved in the prospection, exploration, production, mining, processing (refining, liquefaction, regasification), transport, distribution and storage, provision of supporting products or services for thermal coal extraction, oil and gas.

**Energy production from fuels:** Investments in companies involved in power generation technologies resulting in GHG emissions above 100 gCO<sub>2</sub> per kWh of electricity generated, averaged over the lifetime for gas-fired power plants seeking to integrate low carbon fuels and large-scale heat production infrastructure based on unabated oil, natural gas, coal or peat.

**Conventional weapons and munitions:** Investment in companies involved in firearms and munitions, including manufacturers of firearm weapons such as, but not limited to, guns, rifles, and pistols, manufacturers of munitions and components of these weapons and retailers.

**Adult entertainment:** Investments in companies involved in adult entertainment, including without limitation producers of adult movies, cinemas that show adult movies, adult entertainment magazines, and the broadcasting of adult entertainment.

**Gambling:** Investments in companies involved in gambling services (such as the operation of casinos, lotteries, bookmaking, online gambling, etc.), gambling products (such as slot machines and other gambling devices) or products/services supporting gambling operations.

**Palm oil:** Investments in companies involved in extracting, producing or distributing palm oil, including the upstream (plantations, mills) or downstream (refining/trading) of palm oil value chain.

## **B – List of sectors and activities, in which investments shall consider appropriate minimum safeguards and exclusion mechanisms**

In addition, applicants shall comply with international standards or frameworks, that may exclude without limitation additional activities and/or sectors such as:

### **Activities prohibited by national legislations and/or international legal instruments:**

- Activities relating to the protection of biodiversity resources<sup>17</sup>;
- Activities relating to the protection of cultural heritage;
- Activities that could have significant adverse risks and/or impacts related to involuntary resettlement of indigenous people without prior consent of such people;
- Activities subject to international phase out or bans relating to the production, trade, and use of hazardous substances and materials;
- Activities relating to the deliberate release of genetically modified organisms (GMOs)<sup>18</sup>; and,
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations<sup>19</sup>, collection, treatment and disposal of hazardous waste, and waste incineration.

**Forests:** Investments in companies involved in the conversion of natural forests into plantation including without limitation irrigated forests<sup>20</sup>, logging, clear cutting or degradation of (and commercial concessions over) tropical natural forests or high conservation value forests in all regions, as well as the purchase of logging equipment.

**Fishing:** Investments in companies involved in unsustainable fishing methods (such as drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing).

**Animals:** Investments in companies involved in scientific and experimental activities on animals, such as but not limited to testing, cloning and breeding.<sup>21</sup>

***LuxFLAG reserves the right to update its exclusion policy at a regular interval as the market evolves.***

## REFERENCES

<sup>1</sup> The notion of measured social impact refers to the ability to quantify, assess and report the outcomes using recognized frameworks and methodologies which may include, but not only: [the Impact Reporting & Investment Standards + \(IRIS+\)](#), [the Theory of Change \(United Nations Development Group\)](#), [the \(Inclusive Finance\) Universal Standards for Social and Environmental Performance Management by Cerise+SPTF](#), the practical Guide [“How to do impact measurement and management” by Impact Europe and the Social Investment Framework](#), [the Social Investment Framework released by Accelerating Impact and LuxFLAG](#), [the Operating Principles for Impact Management \(OPIM\)](#).

<sup>2</sup> For an Applicant that is not subject to the SFDR, this requirement will be assessed on the basis of the Applicant’s legal and reporting documentation, and its non-financial objective described therein.

<sup>3</sup> Social Impact Themes are defined as activities according to the classification defined in Appendix 1.

<sup>4</sup> Impact measurement and management systems shall follow recognized methodologies such as, but not limited to, the practical Guide [“How to do impact measurement and management” by Impact Europe](#) or the [AAAQ Toolbox](#) by the Danish Institute for Human Rights..

<sup>5</sup> The investment due diligence shall include minimum social safeguards, such as a client protection dimension, using proprietary methodology or recognized frameworks.

<sup>6</sup> A non-exhaustive list includes those established by [development finance institutions \(DFIs\)](#), UN organizations, [the International Finance Corporation \(IFC\) Exclusion List](#), or any other recognized standards.

<sup>7</sup> Please refer to endnote (1).

When the applicant uses the revenue as a relevant indicator, the minimum proportion of the revenue generated from at least one of the Social Impact Themes must be 25%.

<sup>8</sup> A non-exhaustive list of standards and frameworks may include: [the Social Bonds Principles of the International Capital Market Association](#), [the Luxembourg Sustainability Bond Framework](#) or any other standard or framework.

<sup>9</sup> This documentation should consist of at least an Impact or an Environment and Social (E&S) Report and in addition, but not limited to, CSR/Sustainability guidelines/policy, Annual CSR/Sustainability report, Engagement policy, Active ownership policy, etc. published at the level of the Manager of the Applicant or at the level of its group.

<sup>10</sup> The equivalence of regulatory and/or supervisory frameworks of non-EU countries with the EU framework will be assessed on the equivalence decisions of the European Commission and the Luxembourg national supervisory authority.

<sup>11</sup> Recognized responsible investment frameworks such as, but not limited to, [the United Nations Principles for Responsible Investment \(UN PRI\)](#) and [the Operating Principles for Impact Management \(OPIM\)](#).

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<sup>12</sup> Detailed under Article 12

<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818>

<sup>13</sup> <https://unglobalcompact.org/what-is-gc/mission/principles>

<sup>14</sup> <https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>

<sup>15</sup> <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

<sup>16</sup> <https://www.oecd.org/corporate/mne/>

<sup>17</sup> The underlying risks and impacts must be identified, assessed and systematically monitored throughout the investment cycle. Relevant international conventions include, without limitation, the Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); the Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); the Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); the World Heritage Convention; Convention on Biological Diversity and Protocols.

<sup>18</sup> Unless in compliance with EU Directive 2001/18/EC and EU Directive 2009/41/EC, and related country legislation, as further amended.

<sup>19</sup> Based on Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

<sup>20</sup> Except for temporary watering in the first three years after planting, which is allowed for the seedlings to develop deep rooting systems to ensure high survival rates.

<sup>21</sup> Unless in compliance with (EU) Directive 2010/63/EU as amended by Regulation (EU) 2019/1010 of the European Parliament and of the Council on the protection of animals used for scientific purposes, and related country legislation.