

## PRESS RELEASE

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FOR IMMEDIATE RELEASE

### **LuxFLAG launches Transition Label to bridge critical gap in sustainable investment landscape**

*The Luxembourg Finance Labelling Agency (LuxFLAG) is proud to announce the launch of its new Transition Label, designed to recognize and support financial products that contribute credibly to the shift toward a low-carbon and more sustainable economy.*

The Transition Label responds to a growing need in the sustainable investment ecosystem: enabling the financing of strategies that are aligned with science-based transition pathways but may not yet fully meet the strict thresholds of green, climate, or impact classifications. It acknowledges the reality that in certain sectors or geographies, immediate alignment with climate, environmental, or social objectives is not yet feasible – but progress is both essential and underway.

#### **Part of LuxFLAG's new label architecture**

The Transition Label complements the agency's streamlined label structure, announced recently. This structure simplified LuxFLAG's offering from eight labels into three distinctive categories:

- Impact Label – certified by LuxFLAG
- ESG Label – certified by LuxFLAG
- Transition Label – certified by LuxFLAG

Together, these categories strengthen LuxFLAG's position as a global labelling agency, offering investors, asset managers, and other financial actors a clearer, more intuitive, and internationally relevant label framework.

#### **Key features of the Transition Label, certified by LuxFLAG**

The Transition Label sets clear requirements to ensure credibility, transparency, and accountability:

- Focus on transition-related investments: More than 50% of the applicant's investments must be in strategies contributing to climate, environmental, or social transition. These can include:
- Investments in portfolios aligned with EU Climate Transition Benchmarks (CTB) and Paris-Aligned Benchmarks (PAB);
- Investments in Taxonomy-aligned economic activities;
- Investments in undertakings with credible transition plans or science-based targets, backed by transparent and verifiable information;
- Investments in undertakings disclosing material impacts and actions under ESRS S1–S4 or aligned with the draft EU Social Taxonomy;
- Stewardship and engagement requirements: Applicants must demonstrate active stewardship, either through direct engagement with issuers (minimum 20% portfolio contribution) or collective engagement through platforms (minimum 50%);
- High sustainability risk sectors: For investments in sectors such as thermal coal, oil & gas, and high-emission power generation (>100 g CO<sub>2</sub>e/kWh), both a credible transition plan and stewardship are mandatory.

### **Filling a critical gap**

By introducing the Transition Label, LuxFLAG strengthens its mission to promote trust, transparency, and impact in sustainable finance. This label fills a critical gap in the current EU labelling ecosystem by providing recognition for financial products that are credibly on a decarbonisation or social transition trajectory. It also incentivizes continuous improvement by requiring adherence to international standards, robust reporting, and accountability.

*“The Transition Label reflects our pragmatic approach to sustainable finance. It supports investors and asset managers in identifying credible transition strategies, while ensuring integrity, transparency, and impact. With this new label, LuxFLAG helps channel capital toward the real-world transformation our economies urgently need,”* said Isabelle Delas, CEO of LuxFLAG.

### **Ends**

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**Editorial Notes:**

**About LuxFLAG**

LuxFLAG is a financially independent, non-profit labelling agency based in Luxembourg, globally recognized for its role in supporting the development of sustainable finance. By applying transparent eligibility criteria, LuxFLAG enables the international financial community to identify financial products that incorporate Impact, ESG or Transition considerations in line with the requirements set out for its labels.

Through its labels, LuxFLAG aims to promote credibility and transparency in the sustainable finance market and support investor confidence, contributing to a more resilient and sustainable world. Please visit our website [www.luxflag.org](http://www.luxflag.org) for more detailed information on LuxFLAG's Labels, the application process and eligibility criteria.

Founded in 2006 by seven charter members, ABBL, ADA, ALFI, the European Investment Bank, Luxembourg for Finance, the Luxembourg Stock Exchange, and the State of Luxembourg, LuxFLAG has established itself as a key partner to asset managers, institutional investors, and financial service providers committed to responsible investment. In 2023, ACA joined LuxFLAG as the eighth charter member.

In January 2019, LuxFLAG became the first sustainable finance labelling agency in Europe to obtain the [ISAE 3000 Type II certification](#) (International Standard on Assurance Engagement). Since then, LuxFLAG has annually obtained the renewal of this certification. It underscores LuxFLAG's commitment to maintaining rigorous standards for its processes and services related to issuing labels to Sustainable Finance investment vehicles.