

Impact Label - Eligibility Criteria

Preamble:

The Eligibility Criteria lists the requirements of the product, the process and the portfolio that the applicant needs to fulfill to be eligible to receive the Impact Label.

The scope of the Eligibility Criteria is standardized across financial products (as defined below) which are distributed to retail, private or institutional clients.

The Impact Label addresses specifically investments actively supporting sectors and activities contributing to social, climate and/or other environmental outcomes, referred as "Impact Themes" (see the Climate & Nature Themes and Social Themes listed in Appendix I).

Financial products and services, such as investment funds¹, insurance products, discretionary mandates, pension plans, indices or structured notes are included in the definition of "Applicant".

Management companies, investment managers, Alternative Investment Fund Managers (AIFMs), insurance companies, banks are included in the definition of the "Manager of the Applicant" or the "Manager".

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

1) The Applicant shall apply the following specifications

- **at portfolio level:**

- a) have an investment strategy enabling the generation of a positive, measured² and managed impact alongside a financial return, in line with its sustainable investment objective(s)³.

The impact strategy must focus on one or multiple Impact Themes⁴, with the intention to contribute to them, while avoiding or mitigating negative impact.

- b) have at least 70% of its total assets that contribute to at least one of the Impact Themes, and shall be assessed through an impact measurement and management system aligned with best practices⁵.

Where an Applicant holds at least 70% of its total assets exclusively under the Climate

and Nature Themes, or exclusively under the Social Themes, the Applicant shall be classified, respectively, as a Climate and Nature Focus or Social Focus under the Impact Label;

- c) have an investment selection process considering results of initial and ongoing Environment, Social and Governance (ESG) due diligence on 100% of investments (excluding cash)⁶; and
- d) apply exclusionary criteria according to international standards or frameworks⁷ as described in the Impact Label Exclusion Policy (see Appendix II), including underlying investments.

Where an Applicant is classified as a Climate and Nature Focus or a Social Focus under the Impact Label (see point 1.b.), it shall systematically exclude the sectors and activities listed in Appendix II, List A, as well as the sectors and activities listed in Appendix II, List B, relevant to the investment universe of the Applicant and to the applicable Climate and Nature Focus or Social Focus Themes.

- **at an instrument level:**

- e) investments in listed or non-listed companies that do contribute to one or more of the Impact Themes is determined through an in-house or an external (or a combination of both) assessment using a recognized methodology, and/or relevant indicators⁸, and including the identification and mitigation of potential adverse social, climate and/or, environmental impact⁹;
- f) investments in bonds issued by entities that do not comply with the point e) must be compliant with internationally recognized standards or frameworks¹⁰ to be considered as contributing to Impact Themes;
- g) investments in financial service providers (such as banks, insurers, or asset managers) that do not comply with the point e) above, must either:
 - be subject to mechanisms that enable control and traceability over the use of proceeds from loan or bond issuance, when relevant, ensuring that ultimate investee generates a positive, measured and managed impact on at least one of the Impact Themes; or
 - have at least 70% of their portfolio invested into one or more of the Impact Themes, and be subject to initial and ongoing impact assessment.
- h) investments that do not contribute to Impact Themes, and are considered as high sustainability risk sectors¹¹ shall be subject to time-bound engagement or other mechanisms aimed at addressing their negative impacts; and
- i) the use of derivatives is limited to hedging and efficient portfolio management purposes only.

2) The Manager of the Applicant shall:

- a) demonstrate best market and reporting practices¹²;
- b) 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 States¹³; and
- c) demonstrate a commitment to develop and implement best practices in the management of responsible investments by being signatory to recognized responsible investment frameworks¹⁴.

LuxFLAG reserves the right to update its Labels Eligibility Criteria at regular intervals as the market evolves.

Appendix I

Impact Label - Eligible Themes

LuxFLAG reserves the right to assess the eligibility of any application as per the themes listed below according to LuxFLAG internal methodology and guidelines.

A. Climate and Nature Themes

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

Themes	Sub-categories
Climate Change Mitigation	Achieve full decarbonization of the energy sector through renewable energy generation; Enhance energy efficiency across industry, and transport; Promote low-carbon transportation systems and electrification of mobility; Develop and deploy sustainable low-carbon fuels; Enable carbon capture, utilization, and storage technologies Enhance natural carbon sinks through sustainable land and forest management; Decarbonize industrial production processes; Implement circular economy strategies to reduce emissions embedded in materials; Reduce non-CO ₂ greenhouse gas emissions, including methane and fluorinated gases;
Climate Change Adaptation	Strengthen climate resilience of infrastructure and built environments; Establish early warning systems and climate risk reduction strategies; Enhance sustainable water management for drought and flood resilience; Implement nature-based solutions for climate adaptation; Adapt agricultural and forestry systems to changing climatic conditions; Strengthen public health systems for climate-related risks; Increase resilience to heatwaves and temperature extremes; Protect coastlines and low-lying areas from sea level rise and storm surges; Enable non-life insurance and reinsurance activities that help underwrite and manage climate-related risks;
Protection and restoration of biodiversity and resources	Conserve and restore degraded terrestrial and aquatic ecosystems; Promote sustainable forest management, afforestation, reforestation and revegetation; Advance biodiversity-friendly agricultural practices;

	<p>Prevent development or exploitation in protected or ecologically sensitive areas;</p> <p>Develop green infrastructure and enhance urban biodiversity;</p> <p>Preserve ecosystem services, including pollination and soil fertility;</p> <p>Control and manage invasive alien species;</p> <p>Establish and maintain ecological corridors and landscape connectivity;</p> <p>Implement nature-based solutions to support ecosystem health and resilience;</p> <p>Promote sustainable land-use and landscape restoration to reduce ecosystem degradation;</p>
Sustainable use and Protection of water and marine resources	<p>Improve water-use efficiency in agriculture, industry, and households;</p> <p>Promote water reuse and closed-loop systems;</p> <p>Ensure effective treatment and discharge of wastewater;</p> <p>Prevent and reduce marine and freshwater pollution;</p> <p>Support sustainable management of fisheries and aquaculture;</p> <p>Protect marine ecosystems and coastal habitats;</p> <p>Strengthen integrated river basin and freshwater ecosystem management;</p>
Transition to a circular economy	<p>Prevent and minimize waste generation;</p> <p>Promote eco-design for durability, reparability, and recyclability;</p> <p>Extend the lifecycle of products through reuse, refurbishment, and remanufacturing;</p> <p>Increase the use of secondary raw materials and recycled content;</p> <p>Facilitate industrial symbiosis and resource sharing among enterprises;</p> <p>Encourage sustainable construction and demolition practices;</p> <p>Eliminate planned obsolescence through regulatory and design measures;</p> <p>Enable circular business models;</p>
Pollution prevention and control	<p>Reduce emissions of air pollutants from industrial and urban sources;</p> <p>Minimize use of harmful agrochemicals and promote sustainable inputs;</p> <p>Support low-emission transport systems and modal shifts;</p> <p>Improve waste collection, sorting, and environmentally sound disposal;</p> <p>Implement systems for monitoring and controlling pollution;</p> <p>Eliminate microplastics and persistent chemical pollutants;</p> <p>Promote clean and environmentally friendly production processes;</p> <p>Remediate contaminated sites and brownfield areas;</p>

B. Social Themes

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

Themes	Sub-categories
Decent work, including value-chain workers	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;
Adequate living standards and wellbeing for end-users	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;
Inclusive and sustainable communities and societies	Social inclusion, diversity and gender equality; Access to social services and support; Access to and preservation of culture and heritage;

Appendix II

Impact Label - Exclusion Policy

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

The exclusionary criteria should be set up at the product level and/or asset manager level¹⁵ and consider excluding additional social, climate and/or nature sectors and activities in line with the strategy of the Applicant, such as, but not limited to:

Controversial behavior: Investments in companies which may be involved (whether credibly alleged or actual involvement), and/or whose management bodies may be involved in severe or very severe harm in violation of the UN Global Compact Principles¹⁶, the UN Guiding Principles on Business and Human Rights¹⁷, the ILO conventions¹⁸, and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct¹⁹.

Controversial jurisdictions: Investments in sovereign or corporate issuers and/or individuals or entities involved in countries or entities listed in one of the following: the United Nations Security Council sanctions regimes²⁰, the list of high-risk jurisdictions subject to a Call for Action by the Financial Action Task Force²¹, the consolidated list of persons, groups and entities subject to the European Union financial sanctions²².

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

Green-house gas intensive energy production: Investments in companies involved in power generation technologies resulting in GHG emissions above 100 gCO₂ 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.

B – List of sectors and activities, in which investments must be excluded when relevant to the investment universe of the Applicant

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

Activities prohibited by national legislation and/or international legal instruments:

- Activities relating to the protection of biodiversity resources²³;
- 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 materials²⁴ ;
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations²⁵; collection, treatment and disposal of hazardous waste, and waste incineration.

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

Pesticides and Genetically Modified Organisms (“GMOs”): investments in companies deriving more than 5% of their revenues from the activities listed below:

- a. Production of pesticides, including plant protection products, that are not approved for use in the EU and which are identified in the Rotterdam Convention Prior Informed Consent (PIC) procedure.
- b. The development, distribution and cultivation of food or feed from genetically modified varieties of plants that have not passed a risk assessment carried out according to the criteria in Annex II to Regulation EN 503/2013 or national equivalent.

Forests: Investments in companies involved in the conversion of natural forests into plantation including without limitation irrigated forests²⁶, 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 for this purpose, commodity-driven deforestation²⁷ (such as but not limited to, soy, cattle, palm oil, cocoa, coffee, rubber or timber).

Fishing: Investments in companies involved in unsustainable fishing methods (such as drift net fishing in the marine environment, deep sea mining or blast fishing).

Animals: Investments in companies involved in scientific and experimental activities on animals, such as but not limited to testing, cloning and breeding.²⁸

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.

Nuclear energy production: Investment in companies involved in nuclear energy, including the operation of nuclear power plants, development or expansion of nuclear generation capacity, and activities related to nuclear fuel production, processing, or waste management.

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

REFERENCES

¹ Investment funds may include but are not limited to Undertakings for Collective Investment, collective investment schemes, RAIFs, ELTIFs, etc.

² The notion of measured impact on refers to the quantification, assessment and reporting on the outcomes, using recognized frameworks and methodologies which may include, but not only: [the Impact Reporting & Investment Standards + \(IRIS+\)](#), the International Finance Corporation Performance [Standards on Environment and Social Sustainability](#), and [the Operating Principles for Impact Management \(OPIM\)](#), [the Theory of Change \(United Nations Development Group\)](#), the [Task Force on Climate-related Financial Disclosures](#), the [Task Force on Nature-related Financial disclosures](#), the [Natural Capital Protocol](#) published by Nature Capital Coalition, the [Convention on Biological Diversity Handbook](#) published by the United Nations, the [Climate Solutions Guidance](#) published by the IIGCC, [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](#) released by Accelerating Impact and LuxFLAG.

³ 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.

⁴ Impact Themes are defined as activities according to the classification defined in Appendix 1.

⁵ 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](#), the [Paris Agreement Capital Transition Assessment for Investors Methodology Document](#), the [Climate and Disclosure Framework](#) published by the Disclosure Insight Action.

⁶ Such criterion shall be achieved using data either from an external provider or via a proprietary methodology or a combination of both.

⁷ 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.

⁸ Relevant indicators and methodologies are based on recognized frameworks and taxonomies listed under 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 Climate and Nature Themes must be 50%.

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

⁹ The impact measurement and management system shall consider the identification, assessment, monitoring and management of potential adverse impact on climate, nature, and people. This includes, but is not limited to, risks such as greenhouse gas emissions, climate-related hazards, degradation of biodiversity and ecosystems, human rights violations, poor labor conditions, community harm, and health and safety risks. Addressing potential adverse impact shall be made in accordance with standards and frameworks such as but not limited to the ones listed in the endnote (2).

Where applicant and/or companies are significantly involved in converting positive impact on climate and/or nature into financial products, such as but not limited to carbon or biodiversity credits, they shall ensure alignment with best practices in accordance with standards or frameworks such as but not limited to [Oxford Principles for Net Zero Aligned Carbon Offsetting](#) published by the University of Oxford, the [Claims Code of Practices](#) published by Voluntary Carbon Market Integrity Initiative, or the [High-Level Principles to Guide the Biodiversity Credit Market](#) published by the Biodiversity Credit Alliance.

¹⁰ A non-exhaustive list of standards and frameworks may include: the [Green Bond Principles](#) published by the

International Capital Market Association (ICMA), the [Practitioners’s Guide for Bonds to Finance the Sustainable Blue Economy](#) published by the Asian Development Bank (ADB), ICMA, the International Finance Corporation (IFC), the United Nations Environment Programme – Finance Initiative (UNEP FI), and UNGC, the [Biodiversity Finance Reference Guide](#) published by the IFC; [the Luxembourg Sustainability Bond Framework](#), the [Climate Bond Standards](#) published by the Climate Bond Initiative, the [European Union Green Bond Standard](#) published by the European Commission, or any other standard or framework.

¹¹ A non-exhaustive list of high sustainability risk sectors is manufacture of cement, basic chemicals, plastics, steel, aluminium, traditional mining, intensive livestock farming, maritime and road transport, or aviation. These measures should enable reducing nature and/or climate negative impact over a defined period using science-based targets, and be aligned with best market practices such as but no limited to the [Mitigation Hierarchy Framework](#), or [Science Based Targets Initiatives Standards and Guidance](#).

¹² 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.

¹³ 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.

¹⁴ Recognized responsible investment frameworks such as, but not limited to, [the Theory of Change](#) (United Nations Development Group), [the United Nations Principles for Responsible Investment \(UN PRI\)](#), [the International Finance Corporation Performance Standards](#) and [the Operating Principles for Impact Management \(OPIM\)](#).

¹⁵ Detailed under Article 12
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818>

¹⁶ Additional information is available at <https://unglobalcompact.org/what-is-gc/mission/principles>

¹⁷ Additional information is available at <https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights>

¹⁸ Additional information is available at <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

¹⁹ Additional information is available at <https://www.oecd.org/corporate/mne/>

²⁰ Additional information is available at <https://www.un.org/securitycouncil/sanctions/information>

²¹ Additional information is available at <https://www.fatf-gafi.org/en/home.html>

²² Additional information available at <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>

²³ 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 (the “Bern Convention”); the convention concerning the protection of the World Cultural and natural Heritage (the “World Heritage Convention”); the Convention on

Biological Diversity and Protocols (CBD).

²⁴ This includes any products or activities subject to international phase out or bans, including production of or trade in products containing polychlorinated biphenyls; production, placing on the market and use of asbestos fibres; production, use of or trade in ozone depleting substances and other substances which are subject to international phase-outs or bans, including pharmaceuticals, pesticides/herbicides, chemicals, and other hazardous substances; trade in mercury, mercury compounds, and a large range of mercury-added products; production or use of or trade in persistent organic pollutants; production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); transboundary movements of waste prohibited under public international law.

²⁵ Based on the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (the “Basel Convention”); 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.

²⁶ 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.

²⁷ Commodity-driven deforestation is excluded irrespective of whether the commodities are placed on, made available on, or exported from the European Union market, unless compliant with the [\(EU\) 2023/1115](#) of the European Parliament and of the Council (the ‘[European Deforestation Regulation](#)’), and/or holding a sustainable certificate delivered by a recognized organization such as but not limited to Forest Stewardship Council, Fair Trade, or Rainforest.

²⁸ 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 national legislation.