

Sustainable finance

Europe has experienced impressive economic growth since the Second World War. But this growth also entailed a number of negative effects on our environment, our climate and society in general. Not everyone has benefitted from this development in the same way.

In 2015, a climate agreement was negotiated in Paris in which all countries promised to do their utmost to keep global warming below 2° C. To achieve this vital goal, companies need to produce more sustainably and economically, as well as change their processes, redesign factories and buy less energy-consuming machinery. They must carry out research and innovation to find sustainable solutions. All this requires a lot of money for implementation, and this is precisely where sustainable financing comes in.

This transition to a more sustainable global economy offers the opportunity to invest “positively” in the industrial sector. Major international investors and savers are now more interested than ever in investing in financial products that generate returns and contribute positively to sustainability goals.

For many years now, the Luxembourg financial centre has been a pioneer in sustainable financing. It started in the late 1990s and early 2000s thanks to the local fund industry with microfinance and responsible investing. In 2007 the first EIB (European Investment Bank) green bond was issued and listed on the Luxembourg Stock Exchange. In 2016, the Luxembourg Green Exchange was created, which today carries more than half of the world's sustainable bonds and was the first stock exchange ever to focus exclusively on green and sustainable securities.



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- The Luxembourg financial centre has been a pioneer in the field of sustainable financing for many years
- 2016 saw the launch of the Luxembourg Green Exchange, which today lists more than half of the world's sustainable bonds and is the first exchange ever to focus exclusively on environmentally friendly and sustainable securities
- Luxembourg has created “LuxFLAG”, an agency to verify that “green” financial products deliver on their promise

Luxembourg is also one of the first country in the world to create an agency, the “Luxembourg Finance Labelling Agency” (LuxFLAG), with the aim to ensure that environmentally friendly financial products actually deliver on their promises.

Since 2020, a new and fully committed partnership between the State and the financial industry has been put in place, the “Luxembourg Sustainable Finance Initiative”, with the purpose of developing the sustainable finance industry in Luxembourg and beyond. Currently, with only 1% of the global financial assets designed to have a positive impact, we must undergo a paradigm shift and reach 99%!

The Sustainable Bond Framework, launched in September 2020, means that Luxembourg is first European country to have a reference framework for sustainable bonds. Sustainable bonds are intended to benefit the environment and support the fight against climate change. The proceeds of these bonds will be exclusively invested by the State into sustainable projects such as green housing, energy transition, low carbon transport and more sustainable water management. The social sector should not be neglected either, more particularly health, education and the labour market.