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# Climate Financing and Human Rights

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# LuxFLAG Climate Finance Label



LUXFLAG Label

Climate Finance

Launched in September 2016, the LuxFLAG Climate Finance Label helps to unlock capital from institutional and private investors, in order to support the financing of climate change actions.

## Objective

The primary objective of the LuxFLAG Climate Finance Label is to reassure investors that the investment product invests at least 75% of total assets in investments related, with a clear and direct link, to mitigation and/or adaptation of climate change or cross-cutting activities.



## Eligibility Criteria

Portfolio	Minimum 75% in Climate Finance
SFDR	Article 9
Exclusionary policy	Mandatory
ESG integration into investment process	Mandatory
Legal requirements	Fund / Asset Manager must be regulated / supervised
Transparency / disclosures	Mandatory
Impact measurement and reporting	Mandatory

# How does LuxFLAG encourage a human rights-based approach through the labelling of investment funds?

Means to a human-rights approach	LuxFLAG Climate Finance Labelled Funds
<b>Funds with own environmental and social safeguards</b>	All counterparties of our labelled funds have to comply with E&S minimum standards (i.e. fiduciary standards) in order to be contracted and managed by the asset managers.
<b>Multi-level governance</b>	LuxFLAG seeks if label funds have in place multi-level oversight and experienced collaborators (e.g. external evaluators and consultants).
<b>Robust monitoring mechanisms aimed at tracking the impact generated from projects premised on self-reporting and oversight</b>	Our labelled funds have in place robust impact frameworks aimed at measuring their social and environmental impact through the systematic monitoring and tracking of impact KPIs and the ESG performance of investees.
<b>Funds that actively seek to pursue multiple outcomes, including human-rights outcomes</b>	Our labelled funds measure their contribution to the SDGs at both an investee level and a fund level.
<b>Dedicated screening against human-rights international norms at both a pre- and post-investment phase</b>	Our labelled funds are signatories to internationally recognised standards and norms, such as the UN PRI, while also screening investees against their adherence to internal norms and standards, such as the UNGC, IFC Performance Standards, ILO Conventions, and OECD Guidelines for Multinational Enterprises.
<b>Increased transparency during the project cycle</b>	(i) All the policies applied by our labelled funds are publicly available. (ii) Detailed information regarding each project and investee are publicly available.

# How does LuxFLAG encourage a human rights-based approach through the labelling of investment funds?

Means to a human-rights approach	LuxFLAG Climate Finance Labelled Products
<b>Establishment of accountability mechanisms</b>	Many of our labelled funds have in place complaints/grievance mechanisms aimed at addressing any complaints that may arise out of the projects/investments financed by the funds.
<b>Provision of technical assistance to increase readiness and financial support for capacity building</b>	LuxFLAG seeks to label funds with specialised counterparties aimed at providing technical assistance to investees in order to generate the intended impact.
<b>Adoption of best practices by International Financial Institutions</b>	Our labelled funds adopt well established standards promoted by International Financial Institutions, such as the IFC Performance Standards and exclusion list.
<b>Robust stakeholder engagement policies</b>	Our labelled funds regularly engage at a management level exerting influence on a wide range of issues, including among other things the mitigation of risks that may arise out of the project cycle and the adoption of operational safeguards that align with well established safeguards/consultation during project cycle.
<b>Due diligence and robust screening of minimum standards</b>	Our labelled funds establish minimum standards that need to be applied in order for their counterparties to manage and/or advise the funds. These standards include systematics KYC checks, negative screening and exclusion of prohibited activities and sectors, compliance with E&S national law and regulations, Code of Conducts scrutinising among other things supply chain, Environmental and Social management System (ESMS)/ESG and impact management.

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# Contact us

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