

Luxembourg becomes first European country to launch a sustainability bond framework

Insights - 11/09/2020

The Luxembourg Ministry of Finance announced on 2 September 2020 that the country had become the first European country to adopt a reference framework for sustainable bonds (the **Sustainability Bond Framework**).

The aim is to reinforce Luxembourg's commitment to sustainability and to support its efforts and ambitions while providing national and international investors with the opportunity to diversify their investments with more sustainable assets. This framework is compliant with the International Capital Market Association (ICMA) Green, Social and Sustainability Bonds 2018 principles.

The Sustainability Bond Framework document can be downloaded [here](#).

The framework incorporates eligibility criteria which are in line with the recommendations of the final report of the Technical Expert Group on the Taxonomy Regulation¹. It has been designed to comply with the draft European Green Bonds Standard² and is aligned with the National Plan for Sustainable Development and the Integrated National Energy and Climate Plan issued in December 2019.

Three categories of bonds may be issued:

- green bonds;
- social bonds; and
- sustainability bonds.

With the support of a dedicated Sustainability Bond Committee, a process for evaluation and selection will ensure that proceeds from the bonds issued through this plan can only be used to finance or refinance eligible green and/or social expenditures, which are subject to certain criteria and objectives set out in the Sustainability Bond Framework, in the following categories: green buildings, energy transition, development of low-carbon transport, environmental protection, water and wastewater management, climate financing and research & development, access to essential services - health, education and social inclusion, affordable housing and employment generation / socioeconomic advancement and empowerment.

An amount equivalent to at least the bonds' net proceeds will be allocated to eligible investments and managed and tracked by the Luxembourg State Treasury. Luxembourg also intends to provide two reports, an

allocation report and an impact report, at least once a year until the full allocation of the green, social and sustainability bonds.

Should you have any additional questions, please contact Ogier in Luxembourg.

[1] Technical Expert Group (TEG) final report on the EU Taxonomy - March 2020

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

[2]

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf

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