



# LSFI Luxembourg Sustainable Finance Strategy 2030

**LSFI**

Luxembourg  
Sustainable Finance  
Initiative



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# Forewords



**Gilles Roth**

Minister of Finance

Dear Reader,

Sustainable Finance is a conviction and commitment. With sustainable finance, not only our financial center grows, but also our country and its citizens.

I am therefore pleased to present the first update to the strategy of the Luxembourg Sustainable Finance Initiative (LSFI). As we approach LSFI's five-year anniversary, this updated strategy reflects not only the progress made since its creation in 2020 but also the ambitions for the years ahead.

The LSFI was established as a public private partnership to embed sustainable finance at the core of our financial center. Over these past five years, it has grown into a cornerstone of Luxembourg's sustainable finance ecosystem. By bringing stakeholders together, providing guidance, and representing our financial center internationally, the LSFI has helped position Luxembourg as a leader in sustainable finance.

This new strategy is being introduced at a critical moment. The need to mobilise finance for positive impact is more urgent than ever. The challenges we face, such as climate change, environmental degradation, and social inequality, require finance to play a leading role in our open society. Without finance, the real economy cannot thrive. Without finance, we cannot make progress. And yet, finance must go beyond supporting the economy: it must be at the forefront of change for the better.

It is my firm belief that sustainable finance will be the foundation of our future financial center. The actions we take today will determine whether our financial sector is ready to meet the needs of tomorrow's global economy. This updated strategy outlines how the LSFI will help address emerging challenges, seize new opportunities, and guide Luxembourg's financial center toward greater sustainability.

The LSFI's work is part of a broader vision, supported by the government's coalition agreement which aims to strengthen Luxembourg and its citizens and my Ministry's 10-point action plan for sustainable finance, to position Luxembourg as a leader in this field. By fostering collaboration and providing practical tools, the LSFI is equipping financial institutions to adapt to changing realities and drive meaningful change. Its efforts have already made a tangible impact, from convening key actors to offering practical resources, to raising awareness and showcasing Luxembourg's profile internationally.

I would like to take this opportunity to thank the LSFI team, its board, and all those who have contributed to its success. Your dedication has made the LSFI a respected and influential player, both within Luxembourg and on the global stage.

This updated strategy is a new chapter in the LSFI's journey. It is a call to action for all of us to work together, innovate, and lead the way in sustainable finance. By doing so, we can ensure that finance remains a force for good - supporting economic growth while addressing the pressing challenges of our time.

It is only with sustainable and holistic growth that we will be able to meet tomorrow's challenges. Far beyond the financial and economic dimension. Sustainability thus becomes another synonym for humanity.

Sincerely,

Gilles Roth





## Serge Wilmes

Minister of the Environment,  
Climate and Biodiversity

Dear Reader,

Sustainable finance is key to implementing and realizing the goals of the Agenda 2030, the Paris Agreement, and the Kunming-Montreal Global Biodiversity Framework. The goals of these international agreements can only be achieved by significantly scaling up investments in sustainability, climate mitigation and adaptation, and biodiversity. Our future depends on making these investments now, especially in this critical decade.

I firmly believe that we can and must do more for the climate, for nature, and for our global society through sustainable finance. The investments we make today will determine the wellbeing of society tomorrow. Considering the sustainability impact of investments is not only the right thing to do but also an opportunity to generate returns.

This is why the LSFI Luxembourg Sustainable Finance Strategy is so important. It sets out how the LSFI, the Luxembourg financial sector, and the government can work together on sustainable finance, and in particular climate and biodiversity finance, to ensure a just transition. Luxembourg is a leader in sustainable finance, and this leadership depends on continued innovation and high ambition in both national and international efforts.

Over the past five years since its inception, the LSFI has helped guide the financial sector towards the transition to net zero, by sharing expertise through masterclasses, working groups and conferences, and developing resources and toolkits, including data platforms, labels, regulations, and standards, among others.

The LSFI is a coordinating entity among many sustainable finance players in Luxembourg, who together have helped Luxembourg to be recognised as one of the top sustainable finance centres in the world and the top centre in Europe. But these achievements will ring hollow if we do not maintain our ambition to finance the transition.

Looking ahead, the LSFI will expand its current role to become a dedicated Centre of Excellence on sustainable finance, providing more expertise and thought leadership. The LSFI will also

mobilise and work with the financial sector to accelerate the transition by implementing the recommendations from its working groups. And the LSFI will continue to measure the progress of Luxembourg's financial sector towards sustainable finance, including impact finance and capital flows in line with the Paris Agreement. The three studies published by the LSFI in 2022, 2023, and 2024 are an invaluable resource for measuring the sector's progress.

I would like to take this opportunity to thank the LSFI team and the sustainable finance actors in Luxembourg who have attended conferences, participated in working groups or masterclasses, or contributed their expertise to the newly formed LSFI Scientific Advisory Board and LSFI Impact Investing Advisory Board. Your work and expertise is greatly appreciated.

Together and through sustainable finance we can help achieve the goals of the Agenda 2030, the Paris Agreement, and the Kunming-Montreal Global Biodiversity Framework. Let us show the world how much Luxembourg can contribute.

Sincerely,

Serge Wilmes

# Executive Summary



## Introduction

The Luxembourg Sustainable Finance Initiative (LSFI) was established in 2020 to coordinate sustainable finance efforts in Luxembourg. Since its launch, it has worked to build its presence in the market, with several key achievements, including:

- **Increasing engagement and promoting connections**, with over 2,000 participants in LSFI events and webinars in 2023 and an annual Stakeholder Assembly which convenes representatives from across Luxembourg's sustainable finance ecosystem.
- **Building Luxembourg's reputation in sustainable finance**, being part of international networks and showcasing Luxembourg's best practices at numerous global events, including the Singapore Fintech Festival and the Conference of the Parties (COP) of the UN Framework Convention on Climate Change.



- **Generating knowledge and developing practical resources for the financial sector**, with a Knowledge Hub, a Resource Hub, and an online events calendar for financial institutions seeking guidance on sustainable finance topics, and via regular masterclasses and events on emerging sustainable finance topics.
- **Developing initiatives for collaboration on sustainable finance topics**, through Working Groups and Advisory Boards that produce thought leadership and recommendations to financial institutions.
- **Reporting on sustainable finance progress**, having published so far three *Sustainable Finance in Luxembourg* studies to measure the country's progress in the sustainable finance space and supporting the Women in Finance Charter (WiF) data collection and reporting as data partner.
- **Raising awareness in Luxembourg**, having established a significant presence with over ~33,000 website views, ~8,000 LinkedIn followers, and ~1,500 monthly newsletter subscribers in 2023 alone.

The LSFI now has an opportunity to build on the successes of the last four years. The 2023-2028 Coalition Agreement has reiterated the government's commitment to Luxembourg's financial centre leadership on sustainable finance and supports the achievement of global commitments such as the Agenda 2030 and the Paris Agreement. The Ministry of Finance's 10-point action plan for Sustainable Finance has committed to strengthening the LSFI as the coordinating entity for the ecosystem. With these commitments, the LSFI now wants to set out a new 2030 strategy that builds on the successes of the organisation and scales up its impact to continue supporting Luxembourg stakeholders and financial institutions in the transition towards sustainability. The LSFI has engaged stakeholders from across the ecosystem and assessed global best practices to develop this.

### Key areas of strength and opportunities for Luxembourg in sustainable finance

Luxembourg is recognised as a leader in sustainable finance. The Global Green Finance Index (GGFI) consistently ranks it as one of the best green finance centres in the world in its annual assessments.<sup>1</sup> Luxembourg has achieved this position thanks to its strength across a range of areas within the financial sector, including:

- **Green, Social, Sustainability and Sustainability-linked bonds:** Luxembourg is a leading jurisdiction for listing debt securities. The world's first green bond was launched on the Luxembourg Stock Exchange in 2007 and the Luxembourg Green Exchange (LGX) is the world's first and leading platform exclusively dedicated to sustainable finance, displaying the majority of worldwide sustainability bonds.<sup>2</sup>

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<sup>1</sup> 14<sup>th</sup> edition, Global Green Finance Index, 2024

<sup>2</sup> *Sustainable Finance Report*, Luxembourg for Finance, 2023

- **ESG UCITS:** Luxembourg is the world's second largest centre for investment funds after the USA.<sup>3</sup> ESG funds account for the majority of total UCITS AuM in Luxembourg. Luxembourg is also the European hub for ESG UCITS with a significant proportion of the total Europe AuM of funds disclosing as per Sustainable Finance Disclosure Regulation (SFDR) Article 8 and Article 9 domiciled in the country.<sup>4</sup>
- **Impact investing and development finance:** The country has a long track-record of establishing blended finance initiatives, for example, the Luxembourg-EIB Climate Finance Platform (LCFP) and Investing for Development (IforD). Luxembourg has also launched other key initiatives, such as the International Climate Finance Accelerator (ICFA) and the International Social Finance Accelerator (ISFA) to support first-time fund managers.
- **Inclusive finance and microfinance:** Luxembourg has been a leader in inclusive finance and microfinance for 30 years. One in three microfinancing investment vehicles globally are based in Luxembourg and the country accounts for the majority of global microfinance AuM.<sup>5</sup>
- **Gender finance:** Gender finance is a key priority for Luxembourg's financial ecosystem, as demonstrated by the launch of the Luxembourg Women in Finance Charter and in the Ministry of Finance's 10-point action plan that articulated the country's goal to become a Centre of Excellence in gender finance.<sup>6</sup>
- **Sustainable finance innovation:** Luxembourg has a track-record of pioneering innovation in sustainable finance, setting up multiple organisations and Public-Private-Partnerships to drive forward new initiatives, such as the Luxembourg Finance Labelling Agency ( ) and Luxembourg House of Financial Technology (LHoFT).
- **Philanthropy:** Philanthropists establish their foundations in Luxembourg thanks to its financial experts that can bridge with associations, NGOs and other entities working in the social field – with the Fondation de Luxembourg being launched in 2008.

The LSFI will focus the activities of the new 2030 strategy on the key areas where it can most effectively support the Luxembourg financial sector to navigate the evolving landscape and contribute to a sustainable, just, and equitable transition. Focusing on these areas, the LSFI will also support the Luxembourg financial sector to capture new opportunities and remain competitive in the long term.

Key areas of focus for the LSFI in the 2030 strategy will include:

- Assisting financial institutions in navigating the regulatory landscape
- Helping the financial sector develop expertise and remain at the forefront of emerging sustainable finance topics
- Engaging with growing areas of the financial sector to facilitate an increasing flow of capital into sustainable investments
- Exploring opportunities for new innovative financing instruments that enhance public-private collaboration and drive investment into sustainable finance

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<sup>3</sup> *Setting up in Luxembourg*, Association of the Luxembourg Fund Industry (ALFI)

<sup>4</sup> *The SFDR Fund Market – State of Play*, European Fund & Asset Management Association, 2023

<sup>5</sup> *Microfinance: small amounts, big impact*, Luxembourg for Finance, 2024

<sup>6</sup> *10 Point Action Plan for Sustainable Finance*, Ministry of Finance, 2024

In addition to these focus areas, the LSFI will explore opportunities to leverage new technologies and innovation that are likely to continue emerging over the next five years, such as generative Artificial Intelligence and Distributed Ledger Technology, among others.

## The LSFI Luxembourg Sustainable Finance Strategy 2030

The LSFI's vision is for Luxembourg to be a global centre for sustainable finance. In support of this, the LSFI has updated its mission statement to indicate the expanded role it will play in the ecosystem:

*“The LSFI is Luxembourg's coordinating entity on sustainable finance, driving change across the whole ecosystem as a Centre of Excellence and Knowledge Hub, supporting the financial sector to accelerate the financing of the transition, and measuring progress.”*

The LSFI remains committed to its core mission of being the coordinating entity for sustainable finance in Luxembourg; in addition to that, it will now focus on (i) driving change across the Luxembourg financial sector as a Centre of Excellence and Knowledge Hub and (ii) working more closely with the financial sector to deliver the 2030 strategy.

As a **Centre of Excellence and Knowledge Hub**, the LSFI will be recognised for its specialist expertise and capabilities on sustainable finance topics. Today, the LSFI raises awareness and offers support through its Knowledge Hub, Resource Hub, and its programme of masterclasses and events. By evolving into a dedicated Centre of Excellence on sustainable finance, it will build on this by providing more specialist knowledge and thought leadership to improve understanding and upskill the ecosystem, including coaching and action-oriented initiatives to help financial institutions navigate this complex environment.

The new mission statement also calls out the LSFI's ambition to work **more closely with the financial sector** to deliver the 2030 strategy. The LSFI already engages with financial sector representatives through its Stakeholder Forum and Assembly, Working Groups, and Advisory Boards; there is now an opportunity to deepen these relationships. Considering that the majority of capital available for investment in the sustainable transition sits in the financial sector, it is vital that the LSFI collaborates closely with financial actors to unlock this potential. Alongside this, the **LSFI will continue to work in coordination with all its stakeholders in the sustainable finance ecosystem**; its unique position as a coordinator will give the LSFI the opportunity to bring together all the actors active in the space to collaborate on new solutions.

**Measuring and communicating progress** continues to be a key aspect of the LSFI's updated mission statement. Building on current activities, the LSFI will further enhance this commitment by providing the ecosystem with additional robust information about Luxembourg's progress on the sustainable transition.

To achieve its objectives, the LSFI will operate across three updated strategic pillars:

- 1. Building expertise & leadership:** This pillar focuses on enhancing understanding of sustainable finance topics and providing upskilling, coaching, and insights to financial institutions, policymakers, and other stakeholders. The LSFI aims to act as a Centre of Excellence and Knowledge Hub for Luxembourg, sharing insights on emerging trends and best practices, and fostering knowledge across the ecosystem.
- 2. Unlocking potential & mobilising the financial sector:** Recognising the critical role of the financial sector in driving sustainable finance, this pillar emphasises collaboration and innovation. The LSFI will seek to create opportunities for public and private organisations to work together, facilitating the development of new sustainable finance solutions, innovation, impact investing initiatives, and increasing the mobilisation of capital.
- 3. Measuring & communicating progress:** This pillar reflects the importance of data to enable Luxembourg to measure progress towards sustainability. The LSFI will aim to leverage data to provide the ecosystem with high-quality analysis and insights, tracking sustainable finance progress over time and communicating it effectively.

Implementing the LSFI's new 2030 strategy will also require significant changes in how LSFI operates as an organisation, including to continuously build capabilities across the organisation and ensure its operating model remains effective going forward. Alongside this, the LSFI will establish an enhanced approach to financial sector engagement, creating a continuous feedback loop between the LSFI and the financial institutions it serves.

## Conclusion

This document outlines a vision for how the LSFI will drive progress on sustainable finance in Luxembourg and beyond. By leveraging the country's existing strengths and pursuing new opportunities, the LSFI seeks to reinforce Luxembourg's position as a global leader in sustainable finance and drive meaningful change across the ecosystem. The LSFI aims to become the key entry point for financial institutions interested in or already working on sustainable finance and actively support the sector with dedicated initiatives that address major challenges or capture opportunities.



# The LSFI Luxembourg Sustainable Finance Strategy 2030



**Our mission statement:**  
 The LSFI is Luxembourg's coordinating entity on sustainable finance, driving change across the whole ecosystem as a Centre of Excellence and Knowledge Hub, supporting the financial sector to accelerate the financing of the transition, and measuring progress

**What we do:**  
 The three pillars of our 2030 strategy

- ### 1. Building expertise and leadership

The LSFI acts as Luxembourg's expert on sustainable finance topics and regulation. It uses its knowledge to coach the financial institutions, provide insights to the financial sector and policymakers, and raise Luxembourg's profile as a sustainable finance leader worldwide.
- ### 2. Unlocking potential and mobilising the private sector

The LSFI unlocks potential in Luxembourg's sustainable finance ecosystem by collaborating with the financial sector on high-impact initiatives, accelerating the transition through innovation.
- ### 3. Measuring and communicating progress

The LSFI measures progress of the financial sector towards sustainability and supports the sector with high-quality analysis.

**How we do it:**  
 The ten building blocks of our 2030 strategy

<p><b>Building understanding</b></p>	<p><b>Providing expertise</b></p>	<p><b>Upskilling &amp; coaching</b></p>	<p><b>Representing &amp; communicating leadership</b></p>
<p><b>Understanding financial sector needs</b></p>	<p><b>Incubating the innovation ecosystem for sustainable finance</b></p>	<p><b>Expanding and leveraging working groups</b></p>	<p><b>Scaling impact investing</b></p>
<p><b>Leveraging data to measure &amp; communicate progress</b></p>	<p><b>Working with financial institutions to explore innovative data solutions</b></p>	<p>We can only achieve this with strong collaboration in the Financial Sector. If you think we could work together, please get in touch!</p>	



# Introduction



The inception of the LSFI dates back to 2018, when the Luxembourg Government published the *Luxembourg Sustainable Finance Roadmap* in collaboration with the United Nations Environment Programme Finance Initiative (UNEP FI). Two key recommendations in the Roadmap were to establish a Public-Private-Partnership to act as a coordinator of actions across the sustainable finance ecosystem and to formalise an ambitious, coherent, consistent and transparent sustainable finance strategy.<sup>7</sup> As a result of these recommendations, the LSFI was established in 2020 as a Public-Private-Partnership by the following founding members: the Ministry of Finance, the Ministry of the Environment, Climate and Biodiversity, Luxembourg for Finance, and the High Council for Sustainable Development. At inception, the LSFI's objective was to support the delivery of many elements of the *Luxembourg Sustainable Finance Roadmap*, leveraging financial sector expertise, raising awareness, promoting best practices, and measuring progress. In

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<sup>7</sup> Luxembourg Sustainable Finance Roadmap, UNEP Finance Initiative, 2018

February 2021, the LSFI launched its first *Luxembourg Sustainable Finance Strategy* with an action plan of activities to (i) raise awareness and promote sustainable finance best practices, (ii) unlock the financial sector's potential, and (iii) measure progress on sustainable finance in the country. The LSFI's work has been guided by these pillars for the last four years.

## Key LSFI achievements since launch

Since its launch, the LSFI has worked to build its presence in the market, with several key achievements including:

**Raising awareness and promoting best practices.** Sustainable finance and its constituent environmental, social and governance (ESG) themes are still an emerging topic for many organisations. Raising awareness on these topics therefore remains critical to achieve a just and equitable transition. The LSFI has built up a significant presence in Luxembourg through direct engagement, its website, social media presence and monthly newsletter showcasing sustainable finance highlights, as well as markets' updates on regulation, events, news, and reports. The LSFI is now widely recognised by stakeholders across the ecosystem, demonstrated by over ~33,000 views of its website, more than ~8,000 LinkedIn followers, and ~1,500 monthly newsletter subscribers in 2023 alone.

**Increasing engagement and promoting connections.** A core objective of the LSFI was to increase the level of collaboration between public and private sector players in Luxembourg. It has worked to build relationships across the ecosystem through networking and engagement activities. In 2023, the LSFI had over 2,000 participants engage with its events and webinars. For the past three years, it has also run an annual Stakeholder Assembly, an event that convenes around 25 representatives at CEO level from across the sectors actively working on sustainable finance. Deepening relationships across these sectors, these events include representatives from financial associations, inclusive finance, fintech, research, public sector, and other Luxembourg's organisations dedicated to sustainable finance.

**Building Luxembourg's reputation in sustainable finance.** Luxembourg has long been a leader in sustainable finance, with many early innovations in the field. Since it was established, part of the LSFI's role has been to help showcase this leadership internationally and highlight national successes. The LSFI is a member of European and international networks, such as Financial Centres for Sustainability (FC4S) and the European Sustainable Investment Forum (Eurosif), and regularly follows their activities to connect with peer organizations. Additionally, since its inception, the LSFI has represented Luxembourg at several global events, including the Singapore Fintech Festival, the Conference of the Parties (COP) of the UN Framework Convention on Climate Change, and the Responsible Investor Europe conference, sharing the country's best practices.

**Generating knowledge and developing practical resources.** As a coordinator for the ecosystem, the LSFI has worked to create materials and guidance for financial organisations in Luxembourg. Alongside its monthly newsletter featuring interviews with key sustainable finance players as well as relevant news, events, reports and market updates, it has established a Resource Hub to support organisations looking for guidance on standards, frameworks, initiatives, labels, data platforms, and EU sustainable finance regulations. The LSFI also offers a Knowledge



Hub which includes reports, news, and a sustainable finance events calendar. It also runs regular masterclasses, which are half-day sessions combining theory and case studies for financial institutions to learn about emerging topics such as blended finance, integrating human rights and biodiversity into investment decisions, and stewardship, that have been attended by over 500 participants. The first LSFI Summit was held in September 2024, with keynote sessions and multiple masterclasses showcasing leading experts and best practitioners.

**Creating forums for collaborating and developing recommendations.** Progress requires deeper engagement between stakeholders across the ecosystem. The LSFI has facilitated opportunities for stakeholders and financial institutions to come together and solve problems by establishing four Working Groups and two Advisory Boards. The four Working Groups on (i) Sustainable Finance Education and Training, (ii) Climate Measurement & Reporting, (iii) ESG Data, and (iv) Innovation & Retail Products have been set up one after the other from November 2022 until December 2024<sup>8</sup> to develop thought-leadership reports, with recommendations and findings that address key issues on critical sustainable finance topics. In parallel, the two Advisory Boards on (i) impact investing (IIAB) and (ii) scientific topics (SAB), set up in 2024, operate to make sure that Luxembourg financial institutions are guided by experts driving the latest research and thinking on these critical themes.

**Measuring and reporting on sustainable finance progress.** The LSFI was also established to help measure how effectively Luxembourg makes progress in the sustainable finance space. To achieve this, the LSFI annual *Sustainable Finance in Luxembourg* study helps provide objective, measurable, and data-driven evidence about national ESG trends and progress on sustainable finance. It has now been published for three years (2022-24) and provides detailed information from across the financial sector. The study tracks trends in a range of areas including UCITS' and private assets' investment strategies, SFDR PAIs disclosures, and the use of climate initiative tools.<sup>9</sup> Alongside this, the LSFI supported the Founders of the Luxembourg *Women in Finance* Charter (*WiF*) as a data partner, collecting signatories' data and publishing the annual report. The charter has attracted 78 signatories from across the financial sector, who commit to progress on gender balance across financial institutions in Luxembourg.<sup>10</sup> The LSFI supports these organisations during the yearly data collection campaign, gathering data from these firms to track the progress on gender balance across Luxembourg's financial sector.

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<sup>8</sup> The working group on Innovation & Retail Products, launched in December, is expected to issue its recommendations in June 2025

<sup>9</sup> *Sustainable Finance in Luxembourg*, LSFI, 2024

<sup>10</sup> *Women in Finance Charter*, LSFI, 2024 (n.b. number of signatories accurate as of December 2024)

## What is next for the LSFI

The LSFI has achieved the majority of the short- and medium-term objectives set out in the strategy launched in February 2021; it now has an opportunity to build on the successes of the last four years. The *2023-2028 Coalition Agreement* has reiterated the government's commitment to Luxembourg's leadership on sustainable finance and the Ministry of Finance's 10-point action plan has committed to strengthening the LSFI as the coordinating entity for the ecosystem.<sup>11</sup> The LSFI is setting out in this document an ambitious 2030 strategy that deepens the expertise it provides to the ecosystem, enables closer collaboration with the financial sector, and expands the ways in which the LSFI uses data to measure and communicate progress. The LSFI has developed this strategy following a strategic assessment of global trends, benchmarking of global peers, and engaging with a wide set of stakeholders across the ecosystem. In this next phase of growth, the LSFI will work to further advance Luxembourg's position as a global centre in sustainable finance and deliver on the ambition to support the achievement of global commitments such as the Agenda 2030, the Paris Agreement, and the Kunming-Montreal Global Biodiversity Framework.

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<sup>11</sup> *Accord de Coalition 2023-2028*, The Government of Luxembourg, 2023

# Key areas of opportunity for Luxembourg in sustainable finance

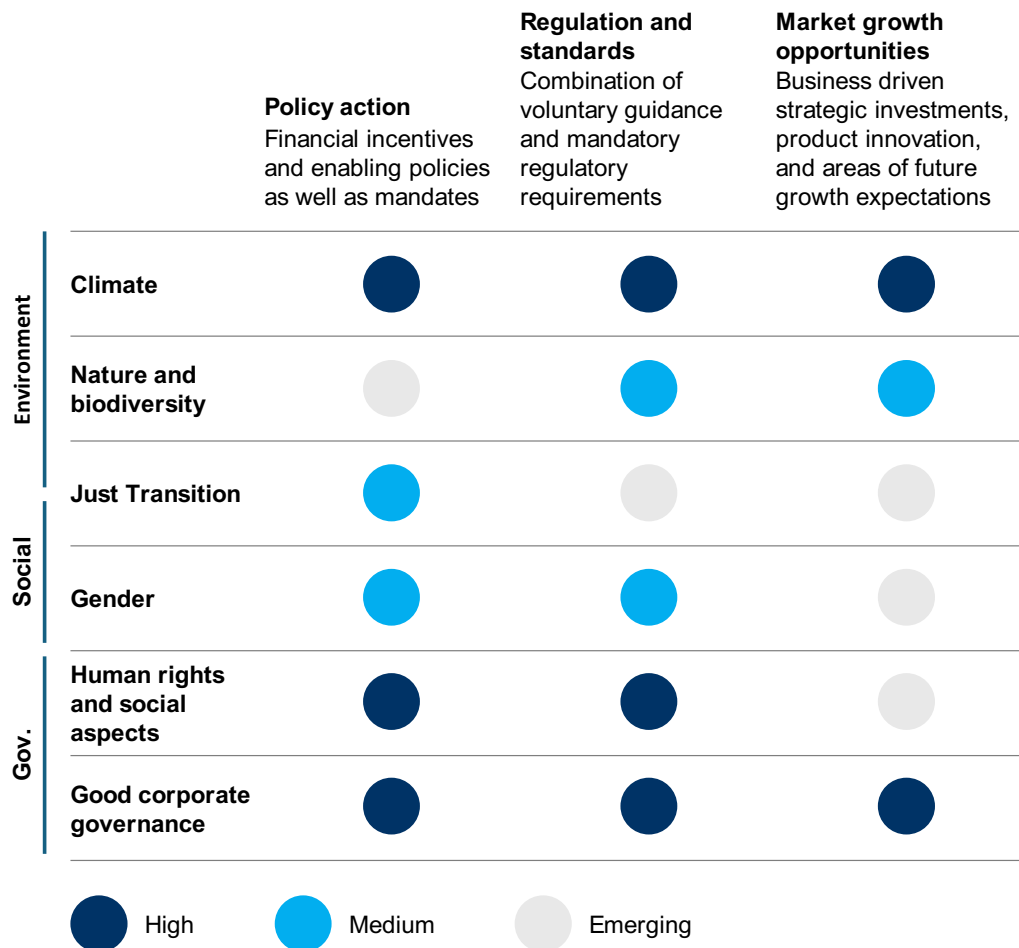


Luxembourg has established itself as a leading country for sustainable finance, with a history of innovation and pioneering initiatives. It is recognised for its expertise in cross-border finance, ESG, its efficient application of the highest standards in financial supervision and investor protection, and consistent government support for sustainability policies. These factors have enabled Luxembourg to achieve its competitive global position, with a significant market share across many key areas of sustainable finance. As the sector continues to evolve rapidly, the country will need to build on its strengths and adapt to the direction that is quickly emerging worldwide. Fostering sustainable finance presents a key opportunity for Luxembourg's financial sector and its long-term competitiveness.

## Global trends in sustainable finance

Sustainable finance is the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions, leading to more long-term investments in sustainable economic activities and projects that foster a just and sustainable future.<sup>12</sup> Sustainable finance can also drive transformative change in the world economy, funding innovative solutions that address critical global challenges, promote systemic resilience and reshape the financial landscape to prioritise sustainability as a core principle of economic growth. It is a major global topic that has gained increasing prominence in recent years, as countries, regulators and supervisory bodies, the financial sector, and investors grapple with the scale of ambition needed to transform the economy worldwide. Historically, there have been different levels of action across sustainable finance themes.

**Figure 1: Level of historical policy, regulatory, and market action across key sustainable finance themes<sup>13</sup>**



<sup>12</sup> Definition taken from the *Overview of Sustainable Finance*, European Commission, 2024

<sup>13</sup> Oliver Wyman analysis

With many new areas of focus emerging alongside longstanding topics, there is a vast amount of activity taking place. Recent trends demonstrate the sector's increased urgency and momentum:

- **Policy trends:** A wide range of policies, particularly focused on mitigation, have been enacted across global jurisdictions in recent years. These include the EU's 'Fit for 55' package, Inflation Reduction Act in the US, Canada's Carbon Rebate, and the set-up of China's national carbon market trading scheme. These policies and many others are responding to major international agreements reached in the past decade, such as the Paris Agreement, the New Collective Quantified Goal (NCQG) on climate finance, and the 2030 Agenda for Sustainable Development. Biodiversity finance is guided by the global agreement set out in the Kunming-Montreal Global Biodiversity Framework.
- **Trends in regulation and standards:** New regulations and standards are increasingly coming into force, with disclosure and reporting rules emerging as key topics. The International Sustainability Standards Board (ISSB) has developed new reporting guidance, and many jurisdictions are implementing recommendations from the UN's Task Force on Nature-related Financial Disclosures (TFND).<sup>14</sup> In the European Union, there are a number of key regulations shaping the market: the Sustainable Finance Disclosure Regulation (SFDR), the EU taxonomy for sustainable activities, the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Emissions Trading System (EU ETS), among others. In the EU and elsewhere, regulators and supervisors have increasingly robust expectations about the quality of companies' transition plans and sustainability disclosures.<sup>15</sup>
- **Market trends:** Sustainable investment continues to be a significant and growing sector worldwide, with an estimated \$30.3 trillion invested globally.<sup>16</sup> Recent years have seen significant innovation in the market, with new financial instruments such as biodiversity credits and sustainability-linked loans being put in place. There has also been an increasing focus on nature-based solutions, through mechanisms such as green, social, sustainability, and sustainability-linked bonds (GSSS bonds) that channel capital towards ecosystem restoration, carbon sequestration, and climate resilience. This shift reflects a broader whole-of-economy approach to the transition, recognising that the financial sector needs to support every part of the economy, including hard-to-abate industries, such as heavy manufacturing and aviation.

Given the continuing evolution of sustainable finance globally, Luxembourg will need to stay nimble to maintain its leading position. The vast range of different policies, regulations, and market changes taking place makes it critical for Luxembourg to identify and focus on those areas where Luxembourg can play a leading role. In addition, Luxembourg should focus on the themes that are most important to the country's financial sector, ensuring that it remains a resilient and competitive global hub. To adapt to the changing regulatory landscape and capture emerging market opportunities, Luxembourg will need to leverage the stability, agility and continuing strength of its financial sector and its history of innovation in sustainable finance.

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<sup>14</sup> See *Recommendations of the Taskforce on Nature-related Financial Disclosures*, TNFD, 2023

<sup>15</sup> See LSFH Resource Hub for additional details

<sup>16</sup> *Global Sustainable Finance Investment Review*, Global Sustainable Investment Alliance, 2022



## Highest potential areas for the LSFI to support the financial sector

The LSFI's vision is for Luxembourg to be a global centre for sustainable finance that helps realise the goals of global sustainability agreements. The LSFI will, therefore, focus the activities of the new 2030 strategy on the key areas where it can most effectively support the Luxembourg financial sector to navigate the evolving landscape and contribute to a sustainable, just, and equitable transition. Focusing on these areas, the LSFI will also support the Luxembourg financial sector to capture new opportunities and remain competitive in the long term.

### Efficiently implementing new regulations

The speed of change in both EU and global policies around sustainable finance is rapid. This means that the breadth and depth of regulations that financial institutions must comply with is high and increasing further. Building on its reputation for the nimble implementation of regulation, Luxembourg can maintain its competitive advantage by supporting firms as they navigate these new regulatory requirements. Education, toolkits, coaching and innovative solutions to reduce the cost of compliance and make doing business easy in the country will be increasingly important as requirements in the sector increase.

### Positioning Luxembourg as a leader on the most pressing and emerging topics to capture new opportunities

As the global sustainable finance landscape quickly evolves, a range of both emerging and established topics are becoming increasingly pressing, including (in alphabetical order):

- **Blue economy** - focusing on the value of preserving and regenerating the marine environment and safeguarding the wellbeing of local communities
- **Carbon and biodiversity credits** - providing financial incentives for the conservation and restoration of natural ecosystems, enabling businesses to partly offset their environmental impact while at the same time investing in avoiding/reducing negative impacts
- **Climate adaptation and resilience** - adapting to the impacts of climate change, as well as preventing further warming, and mitigating the impacts of increased social inequalities
- **Just transition** - ensuring support for the sectors and the people who are economically affected by the necessary shifts in our economies to address climate change and nature loss
- **Nature and biodiversity** - focusing on preserving and regenerating ecosystems and protecting indigenous communities
- **Transition finance** - focusing on the credibility and depth of corporate and financial institutions' transition plans to meet the objectives of the Paris Agreement and Sustainable Development Goals

To remain a leader in sustainable finance, it is critical that the Luxembourg financial sector develops skills and expertise on these (and future) topics to stay ahead of future regulation and capture new investment opportunities in the market. Across all topics where it develops expertise, the Luxembourg financial sector always needs to consider social issues, recognising the interconnectedness of environmental, economic, and community factors that must be addressed holistically in the pursuit of sustainability.

### **Engaging with high-potential financial sectors**

As Luxembourg's finance sector continues to expand and diversify, there is an opportunity to take advantage of high-potential sectors (e.g. private banking, insurance, private assets, trusts and corporate service providers) to capture new opportunities in the market. These sectors can provide both additional capital for sustainable investments and new areas of expertise for the country to leverage.

### **Scaling social finance and impact investing**

Globally, High- and Ultra-High Net Worth Individuals (HNWI and UHNWI) and corporations are increasingly committing more money to social, environmental, and climate causes. The strong presence of private banks, foundations, and philanthropic organisations in Luxembourg means that there is an opportunity to drive additional funds into philanthropic activities by scaling impact investing in the country.<sup>17</sup>

### **Supporting technological advancements that facilitate the implementation of sustainable finance**

The rapid evolution of new technologies from Artificial Intelligence to Distributed Ledger Technology (DLT) presents a range of opportunities for all aspects of the economy, including sustainable finance. In the coming years, firms may be able to harness these technologies to automate regulatory reporting and compliance or enable more transparency in their supply chains. It is therefore critical that Luxembourg positions itself as a jurisdiction that supports, encourages, and enables firms to take advantage of these technologies as they develop.

### **Fostering innovation through collaborations across the ecosystem**

Luxembourg has a strong history of developing successful Public-Private-Partnerships to drive forward sustainability objectives. Going forward, additional opportunities to leverage this expertise further to develop new initiatives to support the sustainable transition could be considered. In addition to this, Luxembourg could consider opportunities to drive closer collaboration between the Public-Private-Partnerships that already exist in the market, particularly where there are synergies on emerging sustainable finance topics.

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<sup>17</sup> The LSFI's recently established *Impact Investing Advisory Board* is developing proposals for how best to scale-up impact investing in the country

# The LSFI's ambition and strategic initiatives



## Ambition and mission statement

The LSFI's vision is for Luxembourg to be a global centre for sustainable finance that contributes to the implementation and realisation of the goals of global agreements, including the Agenda 2030, the Paris Agreement, and the Kunming-Montreal Global Biodiversity Framework. To support this, the LSFI has updated its mission statement to indicate the expanded role that the organisation will play in the ecosystem going forward:

*“The LSFI is Luxembourg's coordinating entity on sustainable finance, driving change across the whole ecosystem as a Centre of Excellence and Knowledge Hub, supporting the financial sector to accelerate the financing of the transition, and measuring progress.”*

The LSFI remains committed to its core mission of being the coordinating entity for sustainable finance in Luxembourg; in addition to that, it will now focus on (i) driving change across the Luxembourg financial sector as a Centre of Excellence and Knowledge Hub and (ii) working more closely with the financial sector to deliver the 2030 strategy.

As a **Centre of Excellence and Knowledge Hub**, the LSFI will be recognised for its specialist expertise and capabilities on sustainable finance topics. Today, the LSFI raises awareness and offers support through its Knowledge Hub, Resource Hub, and its programme of masterclasses and events. By evolving into a dedicated Centre of Excellence on sustainable finance, it will build on this by providing more specialist knowledge and thought leadership to improve understanding and upskill the ecosystem, including coaching and action-oriented initiatives to help financial institutions navigate this complex environment. The LSFI will do this on various topics, including but not limited to the emerging topics highlighted in the previous section.

The new mission statement also calls out the LSFI's ambition to work **more closely with the financial sector** to deliver the 2030 strategy. The LSFI already engages with financial sector representatives through its Stakeholder Forums and Assembly, Working Groups, and Advisory Boards; there is now an opportunity to deepen these relationships. Considering that the majority of capital available for investment in the sustainable transition sits in the financial sector, it is vital that the LSFI collaborates closely with financial actors to unlock this potential. Alongside this, **the LSFI will continue to integrate topics of societal importance into its work and practices in coordination with all its stakeholders in the sustainable finance ecosystem**, including government organisations, other Public-Private-Partnerships, academics and researchers, and civil society; its unique position as a coordinator will give the LSFI the opportunity to bring together public and private sector stakeholders to collaborate on new solutions to advance in sustainable finance.

**Measuring and communicating progress** will also remain a key part of the LSFI's updated mission statement. It will build on current activities to provide the ecosystem with additional robust information and analysis on Luxembourg's progress on the sustainable transition.



To achieve this, the LSFI will operate across three updated strategic pillars:

- 1. Building Expertise & Leadership:** This pillar focuses on enhancing understanding of sustainable finance topics and providing upskilling, coaching, and insights to financial institutions, policymakers, and other stakeholders. The LSFI aims to act as a Centre of Excellence and Knowledge Hub for Luxembourg, sharing insights on emerging trends and best practices, and fostering knowledge across the ecosystem.
- 2. Unlocking Potential & Mobilising the Financial Sector:** This pillar focuses on recognising the critical role of the financial sector in driving sustainable finance, and emphasises collaboration and innovation. The LSFI will seek to create opportunities for public and private organisations to work together, facilitating the development of new sustainable finance solutions, innovation, impact investing initiatives, and increasing the mobilisation of capital.
- 3. Measuring & Communicating Progress:** This pillar reflects the importance of data to enable Luxembourg to measure progress towards sustainability. The LSFI will aim to leverage data to provide the ecosystem with high-quality analysis and insights, tracking sustainable finance progress over time and communicating it effectively.

As the LSFI pursues these updated strategic pillars, it is committed to integrating topics of societal importance throughout its own work and practices. This commitment will be reflected in its policies, decision-making processes, and stakeholder engagement, ensuring that crosscutting ESG considerations are at the forefront of its operations.

**Figure 2: The LSFI's Mission statement, strategic pillars, and strategic outcomes**

**Mission Statement**

The LSFI is Luxembourg's coordinating entity on sustainable finance, driving change across the whole ecosystem as a Centre of Excellence and Knowledge Hub, supporting the financial sector to accelerate financing of the transition, and measuring progress



This evolution towards a **Centre of Excellence and Knowledge Hub**, working closely with the financial sector, means that, where relevant, the LSFI will aim to play a larger number of roles in the sustainable finance ecosystem, including:

- **Coordinator** across the Luxembourg ecosystem to facilitate networking and build understanding of sustainable finance
- **Coach and knowledge centre** for the financial sector on best practices, toolkits, regulatory trends, and emerging sustainability topics
- **Representative** for Luxembourg's sustainable finance leadership at national and global events
- **Expert** to policy makers and industry players on sustainable finance topics and emerging trends
- **Enabler** of high impact initiatives with the financial sector
- **Tracker** of the Luxembourg financial sector's progress in sustainable finance over time

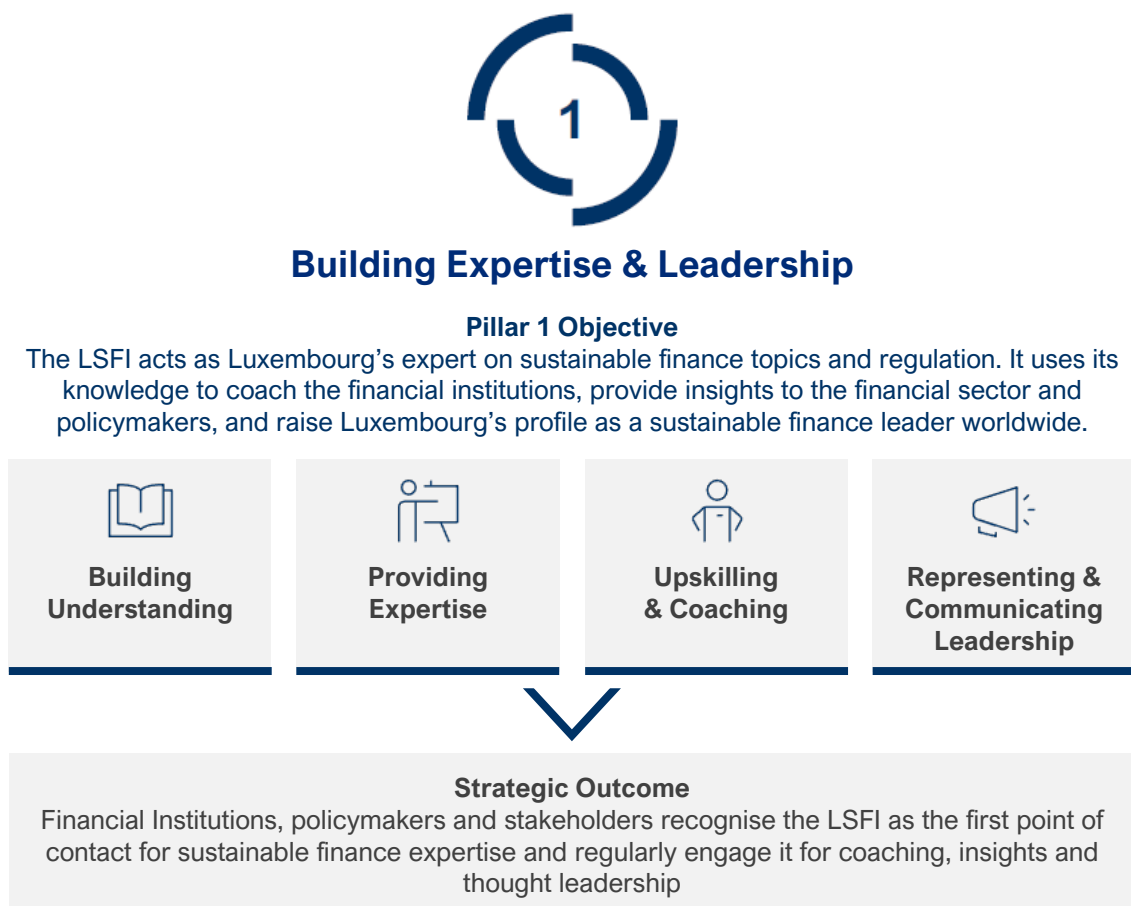
In the sections below, it is described how the LSFI will adopt this role across the three revised pillars of its new 2030 strategy.

## Strategic initiatives under each pillar

### Pillar 1: Building Expertise & Leadership

Pillar 1 reflects the LSFI's ambition to act as Luxembourg's Centre of Excellence and Knowledge Hub on sustainable finance. Feedback from stakeholders and financial institutions indicates that there is considerable appetite for the LSFI to deepen its role providing guidance, coaching, and thought leadership. Through its participation in international forums and meeting global peers, the LSFI is well placed to share insights on how emerging sustainable finance topics and global best practices will impact Luxembourg. As a Centre of Excellence and Knowledge Hub, it will also continue to showcase Luxembourg's best practices on the world stage and represent Luxembourg's sustainable finance leadership at national and global events.

Figure 3: The LSFI's Pillar 1 objective, activities and strategic outcome





### How the LSFI will achieve its strategic Pillar 1 objectives

To achieve the objective under Pillar 1, the LSFI has set out the four components of its approach: *Building Understanding*, *Providing Expertise*, *Upskilling & Coaching*, and *Representing & Communicating Luxembourg's Leadership*. These guide how the LSFI will support the ecosystem as a Centre of Excellence and Knowledge Hub. Within each, the LSFI has also set out a range of specific initiatives that will be pursued.

#### Building Understanding

The LSFI will continue to build understanding of sustainable finance topics in Luxembourg. Going forward, it will develop new areas of expertise on high-priority environmental, social and governance topics.<sup>18</sup> The LSFI will deliver this by:

- **Issuing newsletters and featured content:** Using its monthly newsletter and other featured content to raise awareness on key topics, trends, and regulatory developments.
- **Hosting events and roundtables:** Convening financial institutions and/or stakeholders from across Luxembourg to learn about sustainable finance topics and facilitate networking and collaboration between organisations in the space both at national and international level.
- **Hosting Stakeholder Forums and the Stakeholder Assembly:** Convening the LSFI stakeholders to learn about sustainable finance best practices and key topics and facilitate networking and collaboration at the national level.

#### Providing Expertise

As a Centre of Excellence and Knowledge Hub, the LSFI will offer expertise to stakeholders throughout the ecosystem, including both financial institutions and policy makers, drawing upon civil society and the scientific community to do so. It will deliver this by:

- **Fostering science and impact topics understanding in the Luxembourg financial sector:** Leveraging the LSFI Advisory Boards on impact investing and science to develop insights for the sector from recent academic and industry research. The Advisory Boards will foster both the growth of impact investing and the development of the impact investing ecosystem in Luxembourg, as well as the provision of science-based guidance on effectively integrating and implementing sustainability dimensions across financial institutions.
- **Developing horizon scanning reports on ESG innovation and best practices:** Leveraging the LSFI's engagement at international events and with peer jurisdictions, as well as with best practitioners, it will identify emerging global trends and consider their potential impact on Luxembourg. These reports will include insights and recommendations tailored to both policymakers and financial institutions.

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<sup>18</sup> See *Delivery mechanism for engaging the financial sector* section later in this document

## Upskilling & Coaching

The LSFI will provide a programme of upskilling and coaching, designed to support stakeholders and financial institutions to take action on critical sustainable finance topics. It will deliver this by:

- **Providing Knowledge Hub, Resource Hub and Events Calendar:** Continuing to maintain and update its online repository of information, standards, frameworks, initiatives, labels, data platforms, training and EU sustainable finance regulations that support financial institutions to integrate sustainability considerations into their strategy and planning, and possibly integrating new modules. Whenever needed, the LSFI will also publish horizon scanning reports on international best practices, emerging trends, and regulatory developments, leveraging expertise from Advisory Boards and Working Groups.
- **Running Masterclasses and the LSFI Summit:** Hosting knowledge-sharing masterclasses to upskill stakeholders on new and emerging sustainable finance topics. New topics for masterclasses will be selected through discussions with the ecosystem, LSFI's knowledge of international best practice, or in consultation with its Advisory Boards, ensuring that chosen topics are the most timely and relevant for Luxembourg.
- **Sector-specific coaching to financial institutions on high-priority topics:** Finding opportunities to provide expertise on sector-specific sustainable finance topics and regulations. Recognising that capabilities on sustainable finance vary in maturity between different finance sectors, the LSFI will target areas where upskilling and coaching will be most impactful to help financial institutions navigate the complex ecosystem.

## Representing and Communicating Leadership

The LSFI will continue to engage at international sustainable finance events and act as a representative for Luxembourg, communicating its innovation and leadership. It will use these events to:

- **Raise Luxembourg's profile** as a global hub for sustainable finance
- **Represent Luxembourg's sustainable finance leadership** at national and global events
- **Showcase Luxembourg's best practices** from across the ecosystem
- **Share insights from new initiatives** launched as part of the strategy with its stakeholders, financial institutions and international peers

## How the LSFI will measure success on Pillar 1

The LSFI will measure the success of Pillar 1 by tracking the quantity and quality of its engagement with financial institutions, policymakers and other stakeholders on the above-mentioned activities. The LSFI will also aim to develop impact measures that demonstrate how its Pillar 1 activities have driven change in the ecosystem.

## Pillar 2: Unlocking Potential & Mobilising the Financial Sector

Pillar 2 reflects the importance of close collaboration with the financial sector for the delivery of the new 2030 strategy. The LSFI has an opportunity to drive change by leveraging its unique position as the coordinator of Luxembourg's sustainable finance ecosystem to drive innovation. It can unlock potential across the sector by creating opportunities for public and private organisations to come together, collaborate and explore new solutions.

Figure 4: The LSFI's Pillar 2 objective, activities and strategic outcome



## How the LSFI will achieve its strategic Pillar 2 objectives

To achieve its strategic objective under Pillar 2 - Unlocking potential & mobilising the financial sector, the LSFI has set out the four components of its approach: *Understanding Financial Sector Needs*, *Incubating the Innovation Ecosystem for Sustainable Finance*, *Expanding and Leveraging Working Groups*, and *Scaling Impact Investing*. The LSFI will explore a wide range of partnership opportunities with the financial sector, guided by where it can have the most impact.

### Understanding Financial Sector Needs

To unlock the potential of finance in Luxembourg, it is critical that the LSFI understands the top-of-mind topics and concerns of financial institutions. The LSFI will build on this going forward through additional direct engagement activities and events with financial institutions across the sector as mentioned in Pillar 1.

The LSFI will use all these deeper engagement activities to explore opportunities to collaborate on sector-specific initiatives with its stakeholders. It will work across the Luxembourg financial sector to identify potential sectorial initiatives. Once opportunities have been identified, the LSFI will convene the financial sector representatives and other relevant stakeholders to design, shape, and deliver initiatives in partnership.

### Incubating the Innovation Ecosystem for Sustainable Finance

Leveraging its role as a coordinator for the ecosystem, the LSFI will bring together stakeholders to discuss opportunities for incubating innovation in the sector. It will deliver this by:

- **Collaborating with stakeholders to support innovation and start-ups:** the LSFI will work with stakeholders to explore how to encourage the growth of sustainable finance start-ups and innovation. Other jurisdictions demonstrate that innovation can be facilitated through initiatives such as prizes, funding incubators and accelerator programmes. The LSFI will explore which of these options are best suited to the sector and work to design a pathway forward.
- **Establishing the 'House of Sustainable Finance':** The LSFI will work with the Ministry of Finance, the Ministry of the Environment, Climate and Biodiversity, and the Ministry of Foreign and European Affairs, Defence, Development Cooperation and Foreign Trade to bring together sustainable finance organisations across Luxembourg into a single location. The move will enable closer collaboration between organisations, taking advantage of their shared ambition to drive forward innovation for the country's sustainable transition.

### Expanding and Leveraging Working Groups

To date, the LSFI has established four Working Groups on *Sustainable Finance Education & Training*, *Climate Measurement & Reporting*, *ESG Data*, and *Innovation & Retail Products for Sustainable Finance*. These Working Groups currently publish thought leadership reports with recommendations for the market. Going forward, the LSFI will expand on the success of this model by:

- **Establishing new working groups:** Setting up new, action-orientated working groups on high-priority topics. The LSFI will decide on the focus of working groups in discussion with

financial institutions and other stakeholders, ensuring they respond to financial sector needs and they develop actionable recommendations.

- **Implementing working group recommendations:** Once working groups have published recommendations, the LSFI will support with their implementation. It will do this by convening relevant stakeholders and developing delivery roadmaps or pilot programmes. The LSFI will trial this approach with one working group to begin with and then scale up its ambition over time.

### **Scaling Impact Investing**

In early 2024, the LSFI established an *Impact Investing Advisory Board* to create and execute a roadmap to boost impact investing in Luxembourg. Going forward, the LSFI will continue its commitment to raise awareness of impact investing topics and develop initiatives that support the sector to grow. It will consider how closer collaboration with other stakeholders in the market could accelerate progress on impact investing, leveraging the dedicated Advisory Board to assess which partnerships opportunities could be most impactful.

### **How the LSFI will measure success on Pillar 2**

The LSFI will measure the success of Pillar 2 by assessing the impact of new initiatives launched with partners in the market. By 2030, it will have launched a number of flagship initiatives that have had a tangible impact on the ecosystem. The LSFI will also aim to develop impact measures that demonstrate how Pillar 2 activities have driven change in the ecosystem.

## Pillar 3: Measuring & Communicating Progress

Pillar 3 reflects the LSFI's role in analysing data from the ecosystem to measure the progress of the transition towards sustainable finance. Feedback from financial institutions and other stakeholders has reconfirmed appetite for the LSFI to provide data to the ecosystem. The LSFI now has an opportunity to develop new initiatives that expand on its current work, creating additional data sources that provide robust information about Luxembourg's progress on the sustainable transition.

**Figure 5: The LSFI's Pillar 3 objective, activities and strategic outcome**



### How the LSFI will achieve its strategic Pillar 3 objectives

To achieve its strategic objective under Pillar 3 - Measuring & Communicating Progress, the LSFI has set out the two components of its approach: *Leveraging data to measure and communicate progress* and *Working with financial institutions to explore innovative data solutions*. Work to date has focused primarily on the former. Within both components, the LSFI have set out a range of specific initiatives that it will pursue.

### Leveraging Data to Measure and Communicate Progress

Measuring Luxembourg's progress on the sustainable transition requires high quality data. The LSFI will continue to develop its role as an entity tracking progress in the space of sustainable finance for the ecosystem and data partner for financial institutions on gender balance, publishing objective analysis of sustainable finance trends in Luxembourg. It will deliver this by:

- **Renewing its commitment to publish the annual Sustainable Finance in Luxembourg Study and other Studies:** The LSFI will continue providing fact-based analysis of sustainable finance trends and progress on sustainability through the *Sustainable Finance in Luxembourg Study*. The LSFI will continue to publish an annual study going forward, building on the existing studies and focusing on new trends, and sectors when the data allows, with the objective of tracking Luxembourg's progress in sustainable finance, including measuring progress on impact finance, capital flows in line with the Paris Agreement, and the transition to net zero. Whenever needed, additional sectorial studies will be published.
- **Continuing to support the Women in Finance Charter and exploring similar initiatives:** The LSFI will continue to support the Founders of the *Women in Finance (WiF) Charter* as a data partner. Going forward, the LSFI will continue to invite new signatories to join the *WiF charter* and publish the annual report. It will also explore opportunities to launch similar charters on different ESG themes, where these could help accelerate progress and increase the availability of data in the ecosystem.
- **Creating data dashboards on Luxembourg sustainable finance:** The LSFI will create data dashboards with existing data providing a visualisation of sustainable finance in the country. In addition, it will aim to expand the data it provides by measuring the capital flows in Luxembourg's sustainable finance ecosystem. By tracking the sources of capital, the financial instruments used, and the sectors and technologies this capital is used to fund, data dashboards on these flows will build a more complete picture of how sustainable finance is impacting sectors across Luxembourg and the wider world economy.

### Working with Financial Institutions to Explore Innovative Data Solutions

Sustainability disclosures remain a challenge for firms in the financial sector, particularly for smaller organisations with fewer resources and less expertise in this area. The LSFI will explore opportunities to partner with international bodies to support financial institutions with disclosures, as peers have done in other jurisdictions. As it explores this, the LSFI will assess whether opportunities are appropriate for Luxembourg financial institutions given evolving EU disclosure requirements.

### How the LSFI will measure success on Pillar 3

LSFI will measure the success of Pillar 3 by tracking the amount of high-quality sustainable finance data available in the ecosystem and by publishing an annual study measuring the progress of the sector towards net zero, sustainability, and impact finance.



# How the LSFI will deliver its ambition and strategic initiatives



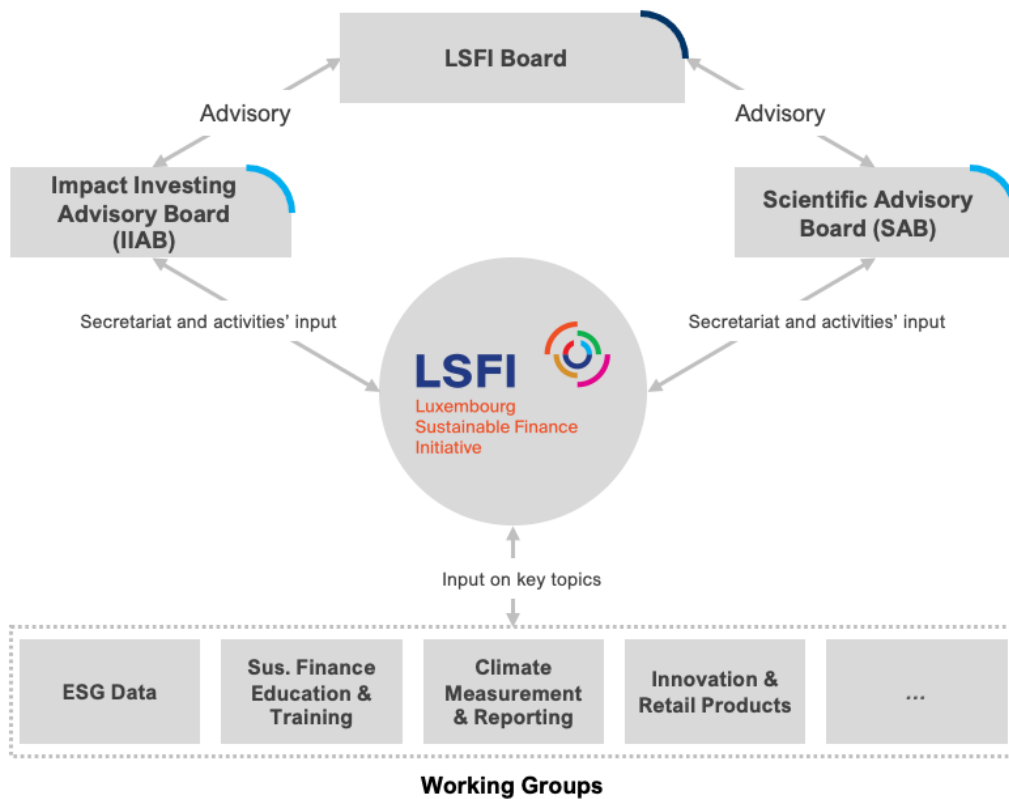
Implementing the LSFI's new 2030 strategy will require significant changes in how the LSFI operates as an organisation, including to continuously build capabilities across the organisation and ensure its operating model remains effective going forward. Alongside this, the LSFI will establish an enhanced delivery mechanism to increase financial sector engagement, creating a continuous feedback loop between the LSFI and the financial institutions it serves.



## The LSFI's operating model

The LSFI consists of its core team, the Board of Directors, two Advisory Boards and its Working Groups.

Figure 6: The LSFI's operating model (as of the beginning of 2025)



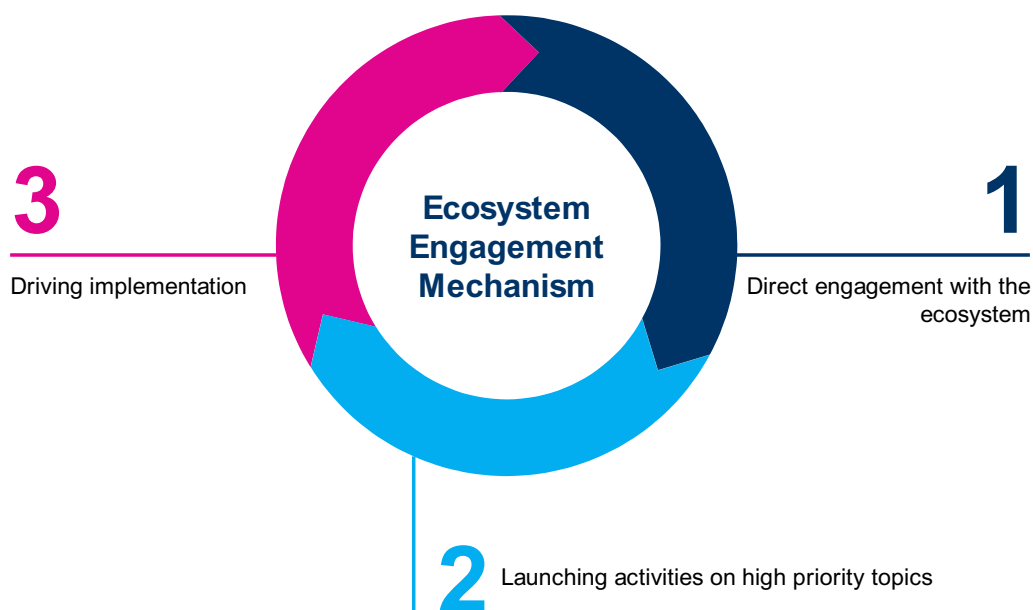
To effectively deliver on the ambition of the new 2030 strategy, the LSFI will look for opportunities to continuously build its capabilities across all parts of the organisation and ensure its operating model remains effective going forward. In particular, this will include developing:

- **Research capabilities and expertise in emerging sustainable finance topics:** Expanding the LSFI's expertise on new and emerging topics and incoming sustainability regulations, including sector-specific ones. To achieve this, the LSFI will deepen its research capabilities, leveraging expertise from Advisory Boards and Working Groups to produce horizon scanning reports and other thought leadership.
- **Coaching capabilities:** Further developing the LSFI's coaching expertise to deliver practical insights and guidance to financial institutions.
- **Data capabilities:** Strengthening data expertise and developing the LSFI's role as a data partner for associations across the ecosystem, partnering to use their data to develop new insights.
- **Implementation capabilities:** Further developing the LSFI's implementation and project management capabilities to drive change in the ecosystem, enabling the organisation to efficiently implement the initiatives and solutions developed to serve the financial sector.

## Delivery mechanism for engaging the financial sector

As the coordinating entity for sustainable finance in Luxembourg, today the LSFI engages the financial sector through its events, masterclasses, publications, working groups, advisory boards, and various informal touchpoints; it also engages a broader set of stakeholders in the ecosystem via the periodical Stakeholder Forums and the annual Stakeholder Assembly. Building on these engagement activities, the LSFI will establish an enhanced delivery mechanism to increase financial sector engagement, creating a continuous feedback loop between the LSFI and the financial institutions it serves.

**Figure 7: The LSFI's approach to creating a feedback loop with the ecosystem**



The LSFI will aim to work with the financial sector following three recurring steps:

- **Direct engagement with the ecosystem:** As the LSFI looks to drive change with the financial sector, it will take an updated approach to engaging financial institutions across the ecosystem. The LSFI will look to further structure, formalise, and increase direct engagements with financial institutions across Luxembourg to understand their top-of-mind priorities and challenges, and guide them on sustainable finance topics. These engagements will inform the areas of focus for the LSFI over the lifecycle of the strategy. In addition to the financial sector, the LSFI will continue to engage its stakeholders and other partners (e.g. via its Stakeholder Assembly and Stakeholder Forums).
- **Launching new activities or projects on high priority topics:** Using insights from direct engagement activities, the LSFI will look for ways to enhance its activities, in its existing working groups and advisory boards, as well as in new working groups, masterclasses, and horizon scanning thought leadership reports. For example, if high priority topics are not covered by existing working groups, the LSFI will also consider establishing new ones to address market needs. These will enable the LSFI to develop new areas of expertise that it

will offer to the ecosystem (e.g. through new masterclasses, toolkits, horizon scanning thought leadership reports).

- **Driving implementation:** Where the LSFI identifies opportunities to create new solutions in partnership with financial institutions, it will help drive implementation. For instance, if a working group suggests a new product for the private banking market, it will assist in development and delivery: the LSFI will serve as the project manager, bringing together the appropriate stakeholders, creating roadmaps, and guiding the delivery process.

This new delivery model will ensure that the LSFI delivers effectively on its commitment to unlock the potential of the financial sector by understanding their priorities and fostering collaboration, and mobilising this to accelerate the transition.

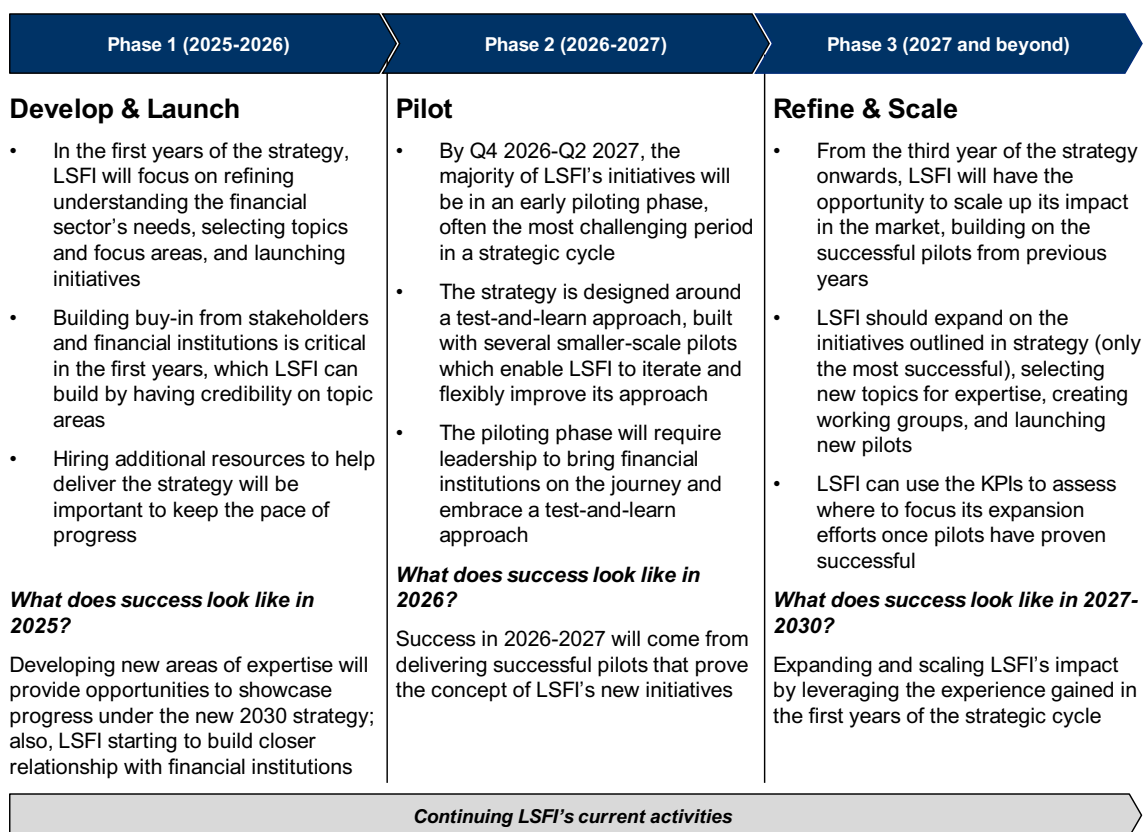
# Action plan

To deliver on the new commitments outlined in this document, the LSFI will need to continue to drive change in the market through its current initiatives, while at the same adopting a strategic approach to new initiatives which evolves over time.

New initiatives will be launched following a three-phased strategic approach: *Develop & Launch*, *Pilot*, and *Refine & Scale*. As part of this approach, the LSFI will aim to develop, launch and then pilot a range of new initiatives in the earlier part of the strategy cycle, to be refined and scaled over time; this is an agile approach to enable the organisation to build experience early on while making swift progress against its strategic goals. Throughout, the LSFI will continue to be responsive to the changing sustainable finance landscape, ensuring that it focuses on the most important needs of financial institutions and stakeholders in the Luxembourg ecosystem. Alongside its new commitments, the LSFI will also continue to drive change in the market through its current activities, events and studies.

The graphic below highlights the different phases of the strategic evolution, which the LSFI will follow to deliver on its new commitment to driving meaningful change in Luxembourg.

**Figure 8: Strategic evolution to support LSFI's new initiatives**



# Appendix: Sustainable finance in Luxembourg's financial sector

## Luxembourg's strength in sustainable finance

Luxembourg is recognised as a leader in sustainable finance. The Global Green Finance Index (GGFI) consistently ranks the country as one of the top green finance centres in the world and the top centre in Europe.<sup>19</sup> Alongside this, it ranks in the top quartile of European countries for the depth of green finance within the economy, as a proportion of GDP.<sup>20</sup> Luxembourg has achieved this position thanks to its strength across a range of areas within the financial sector.

### Green, Social, Sustainability, and Sustainability-linked bonds

- Luxembourg is a leading jurisdiction for listing debt securities with a 34% worldwide market share<sup>21</sup>
- The world's first green bond was launched on the Luxembourg Stock Exchange in 2007
- The Luxembourg Green Exchange (LGX) is the world's first and leading platform exclusively dedicated to sustainable finance, displaying 50% of worldwide sustainability bonds (~ €1Tn aggregate volume in 2023)<sup>22</sup>
- In 2020, Luxembourg launched the first sovereign sustainability bond after the EU taxonomy for sustainability; 50% of its €1.5bn value was spent on social projects (e.g. education, healthcare, social inclusion, and affordable housing)<sup>23</sup>

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<sup>19</sup> 14<sup>th</sup> edition, Global Green Finance Index, 2024

<sup>20</sup> *A Reality Check on Green Finance*, New Financial and Luxembourg for Finance, 2024

<sup>21</sup> *2023: A year in review*, Luxembourg Stock Exchange, 2024

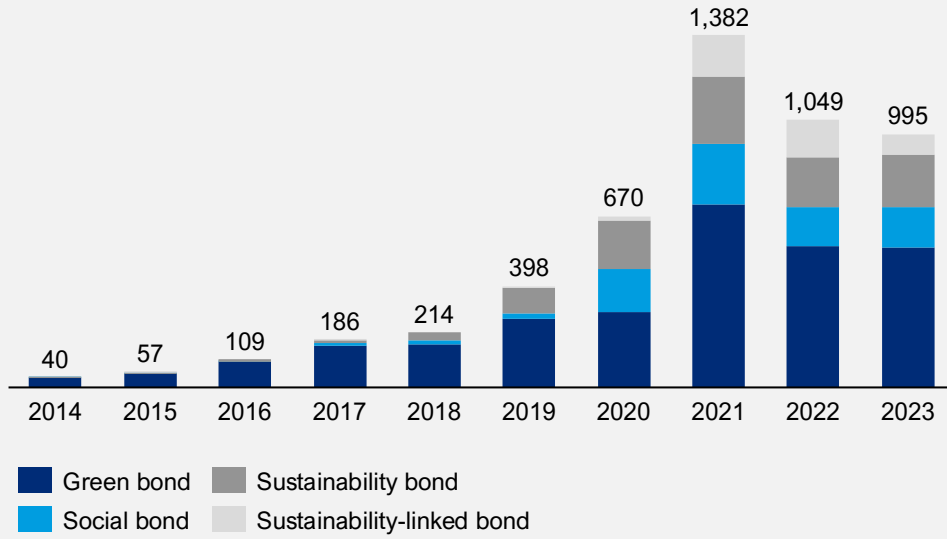
<sup>22</sup> *Sustainable Finance Report*, Luxembourg for Finance, 2023

<sup>23</sup> *Sustainability Bond Framework*, Luxembourg for Finance, 2024



### Annual value of green, social, sustainability and sustainability-linked (GSSS) bonds issuance by type

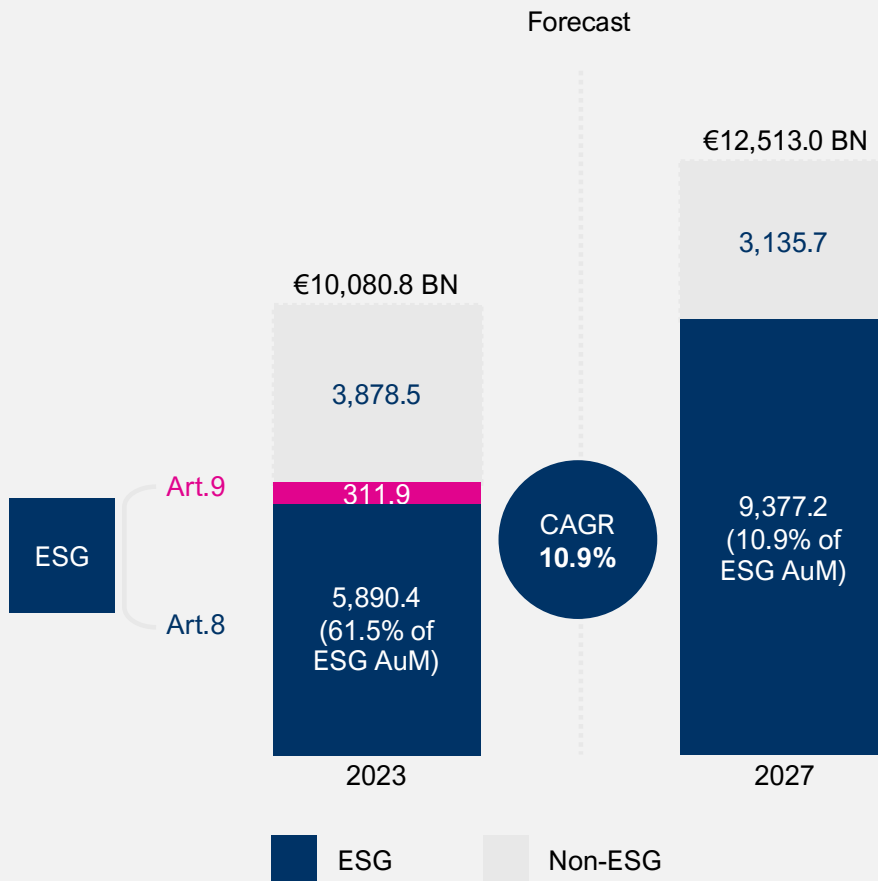
In USD BN, 2014-2023



## ESG UCITS

- Luxembourg is the world's second largest centre for investment funds with over €5Tn in assets under management (AuM) in 2024<sup>24</sup>
- ESG funds account for 72% of total UCITS AuM in Luxembourg<sup>25</sup>
- Luxembourg is the European centre for ESG UCITS, with 45.7% of the total AuM of funds disclosing as per SFDR Article 8 and 60.5% of funds disclosing as per SFDR Article 9 being domiciled in the country<sup>26</sup>
- Forecasts indicate ESG UCITS AuM in Europe will continue to grow rapidly, at a CAGR of 11%<sup>27</sup>

### Forecast Growth of ESG UCITs in Europe 2023-2027<sup>27</sup> In EUR BN



<sup>24</sup> *Setting up in Luxembourg*, Association of the Luxembourg Fund Industry (ALFI)

<sup>25</sup> *Sustainable Finance in Luxembourg*, LSFI, 2024

<sup>26</sup> *Ibid*

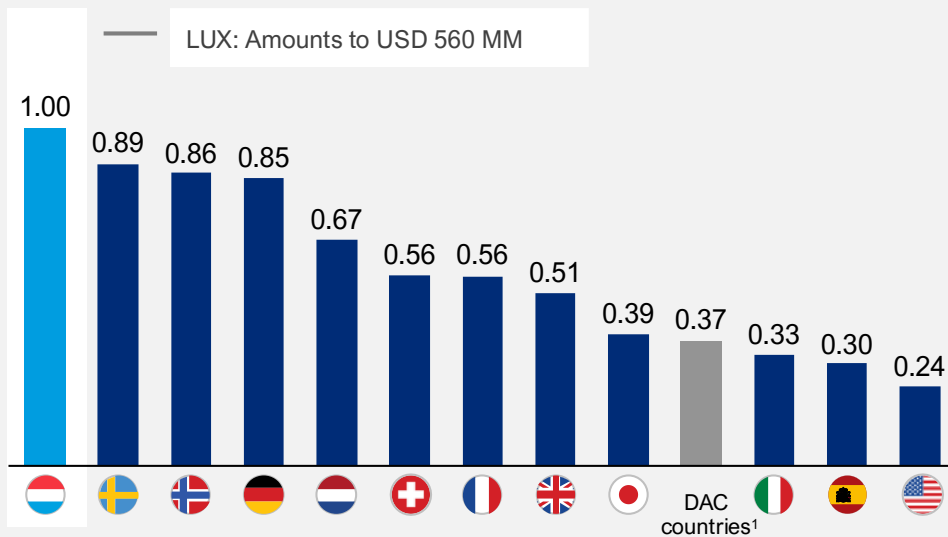
<sup>27</sup> *ESG UCITs poster*, PwC, 2024

## Impact investing and development finance

- Luxembourg is consistently amongst the most generous contributors of Official Development Assistance worldwide (1% of Gross National Income)<sup>28</sup>
- Luxembourg provides additional, grants-based climate finance on top of its Official Development Assistance, such that Luxembourg ranks among the highest per-capita international climate finance contributors.
- The country has a track-record of establishing blended finance initiatives including the Luxembourg-EIB Climate Finance Platform (LCFP), Investing for Development (Iford) and its sub-funds the Luxembourg Microfinance and Development fund (LMDF), the Forestry and Climate Change Fund (FCCF) and the Female Entrepreneurship Facility (FEF), and the Luxembourg Earth Impact Fund (LEIF) with the Green Earth Impact Fund as its first sub-fund
- In addition, Luxembourg also launched the International Climate Finance Accelerator (ICFA) in 2018 and the International Social Finance Accelerator (ISFA) in 2024 to support first-time fund managers set up fund addressing climate change and social issues through sustainable investments
- The LSFI also established in 2024 an Impact Investing Advisory Board (IIAB) with leaders from across the sector to further strengthen Luxembourg's leadership in the sector

### Net Official Development Assistance (ODA grant equivalent), selected OECD countries<sup>28</sup>

In % of gross national income (GNI), 2022<sup>29</sup>



<sup>28</sup> Net Official Development Assistance (ODA), OECD, 2022

<sup>29</sup> This graph only compares Official Development Assistance (ODA). Luxembourg supplies additional climate finance, with €320 million pledged for the period 2025-2029

### Sustainable finance innovation

- Luxembourg has a track-record of pioneering innovative initiatives in sustainable finance, setting up multiple organisations and Public-Private-Partnerships to incubate new activities and bolster the transition towards sustainability
- The Luxembourg Finance Labelling Agency (LuxFLAG) was launched in 2006 and developed the first sustainable finance label in Europe. With labelled investment and insurance products representing more than €132 billion in assets (Q3 2024), LuxFLAG is the only agency in Europe that labels financial products from many different jurisdictions offering a unique range of both impact labels and sustainability transition labels
- The Luxembourg House of Financial Technology (LHoFT) was established in 2017 to incubate innovation in the financial sector. In 2024 it launched the first catapult accelerator programme for green fintechs, co-facilitated by LSFI and sponsored by the Ministry of Finance

### Gender finance

- Gender Finance is a key priority for Luxembourg's financial ecosystem, as demonstrated in the Ministry of Finance's 10-point action plan for sustainable finance that articulated the country's goal to become a Centre of Excellence in gender finance<sup>30</sup>
- The Luxembourg Women in Finance Charter was launched in 2023, which now has 78 signatories from organisations across Luxembourg's financial sector<sup>31</sup>
- The Luxembourg Gender Finance Task Force was established by the Ministry of Finance in 2023 to support women in the sector and improve financing for women-led organisation

### Inclusive finance and microfinance

- Luxembourg has been a leader in inclusive finance and microfinance for 30 years, and launched the Luxembourg Microfinance and Development Fund (LMDF) in 2009
- One in three microfinancing investment vehicles globally are based in Luxembourg and the country accounts for over 50% of global microfinance AuM<sup>32</sup>

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<sup>30</sup> *10-Point Action Plan for Sustainable Finance*, Ministry of Finance, 2024

<sup>31</sup> *Women in Finance Charter*, LSFI, 2024 (n.b. number of signatories accurate as of December 2024)

<sup>32</sup> *Microfinance: small amounts, big impact*, Luxembourg for Finance, 2024

- ADA (Appui au Développement Autonome) and the Luxembourg Inclusive Finance Network (InFiNe) recently celebrated their 30-year and 10-year anniversary



## Philanthropy

- Philanthropists establish their foundations in Luxembourg thanks to its financial experts that can bridge with associations, NGOs and other entities working in the social field
- Established in 2008, the Fondation de Luxembourg promotes private philanthropic activities in the country. To date, over 80 foundations supporting a broad diversity of more than 150 projects worldwide are being managed under the aegis of the Fondation de Luxembourg<sup>33</sup>
- It has received over €360m in donations for charitable projects (with €85m already distributed to social causes)<sup>34</sup>
- In April 2024, the Fondation de Luxembourg launched a climate foundation to help connect corporate donors with local climate change and biodiversity projects

## Further opportunities to harness the financial sector in Luxembourg

Luxembourg will continue to find new ways to harness its strength in investment funds and capital markets. For instance, it can take advantage of emerging areas such as green securitisation to further enhance its sustainable finance offerings. To consolidate its position as a leading sustainable finance hub, Luxembourg can also leverage its strengths across additional segments of the financial sector. Growth areas such as private banking, private assets, insurance, and trust and company service providers present significant opportunities to attract additional capital into sustainable investments. Furthermore, the diverse investment strategies and areas of expertise within these sectors can create new avenues for innovation and collaboration, enhancing Luxembourg's overall impact in the sustainable finance landscape.

Moreover, Luxembourg can continue to build on its strengths in both financial technology and advanced technologies. Numerous organisations across the country, such as LuxInnovation, the Luxembourg House of Financial Technology, and the Luxembourg Space Agency are focused on incubating and supporting firms innovating in leading-edge technologies. Given the potential of the financial sector to leverage Artificial Intelligence, Distributed Ledger Technology, and other innovations for sustainable purposes in the coming years, Luxembourg should continue to focus on how best it can support firms working in these areas.

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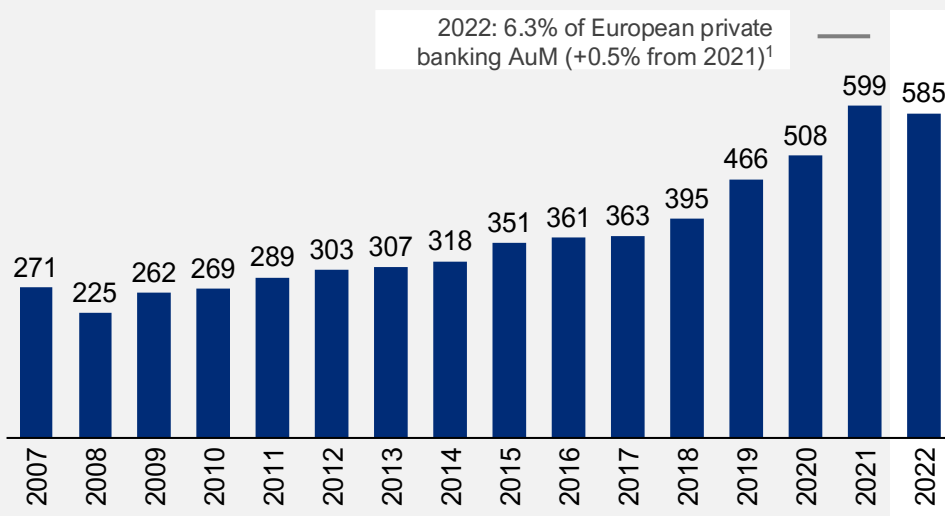
<sup>33</sup> *Fondation de Luxembourg: Empowering Philanthropy*, Luxembourg for Finance, 2024

<sup>34</sup> *Annual Report*, Fondation de Luxembourg, 2023

## Private banking

- Luxembourg is a major European centre for private banking with almost €600Bn AuM<sup>35</sup>
- The sector has had an accelerated growth rate of 5.3% between 2007-2021, consolidating its position within the EU after Brexit<sup>36</sup>
- For Luxembourg there is an opportunity to leverage the long-term growth of private banking, and increasing desire by High-Net-Worth Individuals (HNWI) to align investments with their values, to scale up impact investing and philanthropic activities

### Private banking AuM in Luxembourg<sup>35</sup> In EUR Bn, 2007-2022



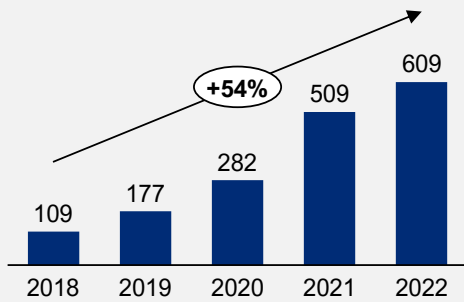
<sup>35</sup> Sustainable Finance in Luxembourg, LSFI, 2024

<sup>36</sup> *Wealth Management*, Luxembourg for Finance, 2023

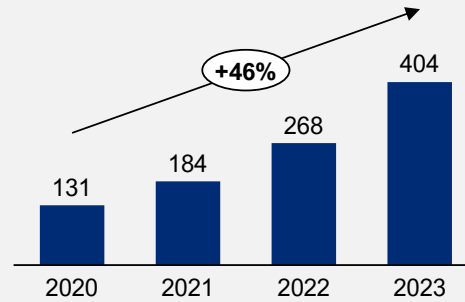
## Private assets

- Luxembourg has become a global hub for private assets in recent years, with 7.6% of global private equity assets domiciled in the country<sup>37</sup>
- Luxembourg's share of aggregate capital raised by private equity funds domiciled in Europe grew from 7.4% to 51.5% in 2022<sup>38</sup>
- Private debt AuM has shown similar growth, having increased by 51% to €404.4Bn AuM in 2023<sup>39</sup>
- For Luxembourg there is an opportunity to leverage the growing size of the private assets to increase capital flows into sustainable initiatives, taking advantage of the long-term investment horizon of this sector

**Private equity-related net asset value**  
In EUR Bn



**Private debt AuM in Luxembourg**  
In EUR Bn



<sup>37</sup> *Key Figures, Luxembourg for Finance, 2023*

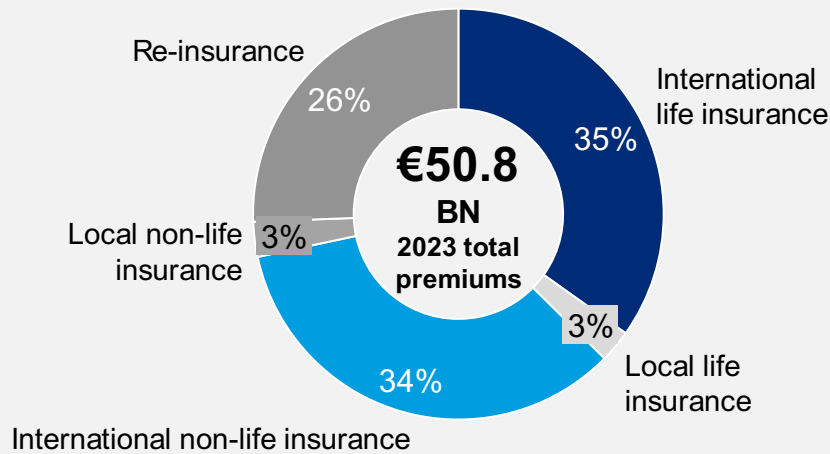
<sup>38</sup> *Ibid*

<sup>39</sup> *Private Debt Fund Survey, KPMG, 2021-2023*

## Insurance and Reinsurance

- Luxembourg has emerged as a key European Insurance hub following Brexit, as many insurers have relocated their bases from the UK, with over €50Bn of premiums in 2023<sup>40</sup>
- International non-life insurance has increased by 51% between 2019-2023, reaching €18.8Bn in premiums<sup>41</sup>
- In 2023, Luxembourg had €580Bn of life insurance premiums and €420Bn of non-life insurance premiums<sup>42</sup>
- For Luxembourg there is an opportunity to leverage the insurance and reinsurance industry's risk expertise to climate adaptation and mitigation initiatives

**The Luxembourg insurance industry premiums**



## Trust and company service providers

- The strength of Luxembourg's financial sector has led to a growing presence of trust and company service providers (TCSPs) in the country
- Thanks to the role they play in the set-up, administration, and servicing of many entities based in Luxembourg, there is an opportunity to leverage TCSP expertise to assist with the strengthening of sustainability assessment and compliance efforts

<sup>40</sup> Key Figures, ACA, 2023

<sup>41</sup> Ibid

<sup>42</sup> Ibid

# Acronyms

**ADA** - *Appui au Développement Autonome*: A Luxembourg non-governmental organisation focused on inclusive finance and supporting vulnerable people.

**AuM** - *Assets under Management*: The total market value of assets that a financial institution manages on behalf of clients.

**COP** – *Conference of the Parties*: An annual meeting of countries that are parties to the United Nations Framework Convention on Climate Change (UNFCCC) to discuss and negotiate climate action.

**CSDDD** - *Corporate Sustainability Due Diligence Directive*: A EU directive requiring companies to identify and mitigate the environmental, social, and governance (ESG) impacts of their operations and supply chains.

**CSRD** - *Corporate Sustainability Reporting Directive*: A EU directive expanding sustainability reporting and disclosure obligations for companies.

**ESG** - *Environmental, Social, and Governance*: A set of criteria used by investors to evaluate an organisation's operations and performance in relation to sustainability and ethical impacts and inform investment decisions.

**EU ETS** - *EU Emissions Trading System*: A market-based approach to controlling pollution by providing economic incentives for reducing emissions.

**FCCF** - *Forestry and Climate Change Fund*: A Luxembourg fund aimed at financing projects that address climate change through sustainable forestry practices.

**GNI** - *Gross National Income*: The total income earned by a nation's residents and businesses, including any income earned abroad.

**GGFI** - *Global Green Finance Index*: An index that ranks financial centres based on their green finance capabilities and performance.

**GSSS Bonds** – *Green, Social, Sustainability, and Sustainability-Linked Bonds*: Financial instruments designed to raise capital specifically for projects that have positive environmental or social impacts.

**HNWI** - *High-Net-Worth Individuals*: Individuals with a net worth exceeding a specific threshold, typically defined as \$1 million or more in liquid assets, often targeted for bespoke financial services, wealth management, and investment opportunities.



**ICFA** - *International Climate Finance Accelerator*: A Luxembourg public-private partnership that supports first-time fund managers in climate finance, increases the number of climate investment funds in the country and supports fund managers to adopt climate finance.

**IIAB** – *Impact Investing Advisory Board*: Advisory board established by the LSFI to convene experts on impact investing from across Luxembourg and further progress in the ecosystem.

**InFiNe** - *Inclusive Finance Network*: Luxembourg’s platform that brings together public, private and civil society actors involved in inclusive finance.

**ISSB** - *International Sustainability Standards Board*: An independent body that develops and maintains sustainability disclosure standards for the global financial markets.

**ISFA** - *International Social Finance Accelerator*: A Luxembourg public-private-partnership aimed at supporting first-time fund managers in social finance.

**LGX** - *Luxembourg Green Exchange*: The world’s first dedicated platform for green, social, and sustainability and sustainability-linked bonds, facilitating the listing of sustainable financial instruments.

**LCFP** - *Luxembourg-EIB Climate Finance Platform*: A collaborative initiative aimed at mobilising private investment for climate-related projects.

**LSFI** - *Luxembourg Sustainable Finance Initiative*: Luxembourg coordinating entity established to coordinate and drive sustainable finance efforts in the country.

**LuxFLAG** - *Luxembourg Finance Labelling Agency*: Luxembourg-based agency that provides labels for sustainable investment funds in any geography to enhance transparency and credibility.

**LHoFT** - *Luxembourg House of Financial Technology*: Luxembourg’s fintech innovation hub, that fosters innovation in the financial sector.

**LMDF** - *Luxembourg Microfinance and Development Fund*: A Luxembourg fund established to support microfinance initiatives and promote inclusive finance.

**SAB** – *Scientific Advisory Board*: Advisory board established by the LSFI to guide on scientific topics and provide expertise on the latest academic research as well as scientific guidance in sustainability-related topics.

**SFDR** - *Sustainable Finance Disclosure Regulation*: An EU regulation that requires financial market participants to disclose sustainability-related information.

**TCSP** – *Trusts & Corporate Service Providers*: Specialist firms that support the set-up and management of trusts, companies and other legal entities and provide support for compliance, administration etc.

**TFND** - *Task Force on Nature-related Financial Disclosures*: An initiative aimed at developing and promoting a framework for companies to disclose their nature-related risks and opportunities.

**UHNWI** - *Ultra High Net Worth Individuals*: Individuals with a net worth of at least \$30 million in liquid assets, often targeted for specialised financial services, estate planning, wealth management, and exclusive investment opportunities.

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Association des Compagnies d'Assurance et de Réassurance	Inspiring More Sustainability
Association Luxembourgeoise des Fonds d'Investissement	Luxembourg Capital Market Association
Banque Centrale du Luxembourg	Luxembourg Finance Labelling Agency
Chambre de Commerce	Luxembourg Stock Exchange
Commissariat aux Assurances	Luxembourg House of Financial Technology
Commission de Surveillance du Secteur Financier	Luxembourg Institute of Science and Technology
Conseil Supérieur pour un Développement Durable	Luxembourg for Finance
European Investment Bank	Luxembourg Private Equity Association
European Microfinance Platform	LuxDevelopment
Fondation de Luxembourg	Ministry of the Environment, Climate and Biodiversity
Global Green Growth Institute	Ministry of Finance
Inclusive Finance Network	Social Performance Task Force
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