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From ajar to wide open: LGX opens a social and sustainable window

- Luxembourg Green Exchange (LGX) introduces new segment dedicated to social and sustainable (S&S) projects.
- New window will increase visibility of S&S projects so investors can make their decisions in a more informed manner.
- LuxSE is committed to mainstreaming social and sustainable projects, in addition to green projects, and facilitating the financing of such initiatives.

After a successful launch of the [Luxembourg Green Exchange](#) (LGX) in September last year, the platform opens a window dedicated to social and sustainable bonds. Interest in such instruments is growing rapidly. The global value of SRI products and strategies amounts to more than \$23 trillion¹. Such a major paradigm shift can no longer be ignored.

“Since the launch of LGX, there’s been a push, from both investors and issuers side, to expand the green bond market from simply a climate remit, to other aspects of socially responsible investment”, explains Robert Scharfe, CEO of LuxSE.

Due to the flexibility offered by sustainable bonds allowing for a much broader range of projects than just green, they are likely to produce a larger market. For the same reasons, they can attract more corporates to issuing such instruments.

Who can join

To be accepted to the S&S window of LGX, a similar process as for green bonds applies: once a social or sustainable bond is listed on one of LuxSE’s markets, an issuer can apply for LGX display. The issuers must commit to disclosing detailed information relating to planned use of proceeds, provide an ex-ante external review, as well as a post-issuance report presented regularly throughout the lifespan of the security.

As with green bonds, transparency will remain the focal point in mainstreaming this instrument. “We hope that the current momentum will convert into building a solid and flourishing market,” says Jane Wilkinson, Head of Sustainable Finance at LuxSE.

Benefits for the market

Having securities on LGX is beneficial for all market participants. “From the issuers’ perspective it enhances the instrument’s visibility and recognition; eases communication with investors, and in particular, translates into reaching new ESG-focused investors; on top of that, it adds real value for those making enhanced disclosure efforts via a free display of documents in the structured form of a security card,” Jane Wilkinson adds.

¹ GSI Alliance, *Global Sustainable Investment Review*, 2016

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Investors, on their side, get access to unrestricted free information that is structured in a smart way including material elements described in security cards; access to LGX translates into lower costs of research, due diligence and comparison.

LuxSE's role is, again, like in the case of green bonds, that of a caretaker of information, i.e. through (1) imposing additional disclosure as mandatory (2) imposing a form of an external review (3) monitoring post-issuance reporting (consistency with ex-ante objectives and exhaustive information). It is not just about avoiding green washing, but also about monitoring systemic risk, e.g. market bubbles, stranded assets, etc., that contribute to financial stability and longer term objectives.

"The brightly shining green bond market may soon be overshadowed. But not to its detriment! Green bonds may be experiencing a record year of issuance, but the social and sustainable bond market will soon be booming. The key attraction point of sustainable instruments is their ability to blend proceeds from environmental and social projects, therefore encouraging more issuers, including corporates, to tap into the market," concludes Robert Scharfe.

For more information visit: www.bourse.lu/social-sustainable-bonds

ENDS

Social and sustainable bonds on LGX:

There are 10 securities displayed in the S&S window of LGX issued by:

- Bank Nederlandse Gemeenten (BNG), focusing on social housing
- Council of Europe Development Bank, who recently listed the first social inclusive bond
- Development Bank of Japan (DBJ)
- Instituto de Credito Oficial (ICO), the Spanish governmental organisation dedicated to employment creation among SMEs;
- Nederlandse Financierings Maatschappij voor Ontwikkelingslanden (FMO)

The combined value of these securities exceeds EUR 5 billion.

Eligibility categories

LuxSE recognises several broad eligibility categories of social and sustainable projects:

- Affordable basic infrastructure
- Access to essential services
- Affordable housing
- Employment generation including through the potential effect of SME financing and microfinance
- Food security
- Socioeconomic advancement and empowerment

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About the Luxembourg Stock Exchange (LuxSE)

The first exchange to go green

In 2007, LuxSE became the first exchange in the world to list a green bond – issued by the European Investment Bank (EIB) to finance part of its climate projects. A number of issuers have since listed, and earlier this year LuxSE marked its 100th listed green bond. The value of all green bonds on LuxSE has surpassed \$54 billion. Green listings on LuxSE represent the highest number of listed green bond offerings globally (September 2016).

Green bonds on the Luxembourg Green Exchange

- 110+ listed green bonds
- Over EUR 50 billion
- 18 different currencies
- 27 international issuers

2 markets, 3,000 issuers, 37,000 securities

The Luxembourg Stock Exchange (LuxSE) is the gateway to access international investors. With 37,000 listed securities, including some 26,000 bonds, from 3,000 issuers in 100 countries, LuxSE is the world's number one exchange for the listing of international securities and offers a unique full service throughout listing, trading and reporting.

LuxSE operates two markets: an EU-regulated market ("Bourse de Luxembourg") and an exchange-regulated market ("Euro MTF"). All securities are tradable on Euronext's UTP platform.

LuxSE also operates a specialist subsidiary, Fundsquare, which provides services to substantially support and standardize cross-border distribution of investment funds.

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