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Sustainable finance label services

As investors seek meaningful investments, sustainable finance labels are gaining traction, meeting demand for credible investment solutions, while meeting regulatory expectations for transparency and clarity. Labels demonstrate sustainability commitments, build trust, and differentiate products.

However, challenges like limited understanding of label criteria and application process may hinder adoption. Arendt can help you navigate these complexities, offering comprehensive support to simplify the application process and ensure a smooth experience.

Why choose a label?

A label is a useful marketing tool for promoting sustainable investing. Studies have shown that obtaining a sustainability label can attract investors⁽¹⁾ and gives the financial product a competitive edge in standing out from the crowd. There are several advantages, including:

▪ Simplified decision-making:

Although many investors prioritise sustainability, it can be difficult to find the right financial product without comprehensive knowledge of the field. However, a label helps investors to more easily identify those that align with their sustainability preferences, thus ensuring that their investments deliver both financial returns and positive environmental and/or social impact.

▪ Enhanced legitimacy:

With the ever-increasing need for transparency in sustainability-related disclosures, it is becoming more difficult for investors to discern the legitimacy of a financial product's sustainability ambitions and how they differ from other financial products. A label helps make this distinction more obvious by demonstrating a clear commitment to sustainability with rigorous criteria and regular reporting, which help investors understand their investments and compare different products.

▪ Trustworthy verification:

As emphasised by the Luxembourg regulator in its latest recommendations for safeguarding investors from greenwashing,⁽²⁾ a label's third-party verification requirement shows investors that the ambitions and implementation of the financial product have been thoroughly and independently verified. Investors can trust these labels as an impartial mark of quality, confident that their investments adhere to rigorous sustainability standards.

How to choose the right label?

Several European countries have established their own labelling agencies, including Luxembourg. For those seeking an internationally recognised certification, the Luxembourg Finance Labelling Agency (LuxFLAG), founded in 2006, is a pioneer in the field. LuxFLAG offers rigorous standards and a diverse range of impact and sustainability labels for financial products across multiple jurisdictions.



This is a non-exhaustive list, and Arendt does not endorse any of these labels. The images are used for illustrative purposes only.

Each label has different ambitions and requirements: some focus specifically on environmental or social matters, while others rely on broader ESG requirements.

This means that financial market participants have to figure out whether a specific label matches their financial product and business strategy, taking into account factors such as:

- Geography and distribution markets
- Target investors
- ESG strategy of the financial product
- Extent to which financial product ambitions are already aligned with label criteria
- Application timeline
- Cost

How can Arendt help?

1. Financial product eligibility assessment and gap analysis:

Each label has its own requirements and criteria, which can be tricky to untangle. Therefore, we compare the existing portfolios and/or pre-contractual disclosures to these specifications to determine to what extent the financial product might already be aligned with the criteria of certain labels. We also anticipate potential pain points ahead of the application process and suggest remedies for each gap identified.

2. Label selection process:

In addition to aligning with the label criteria, there may also be commercial benefits to choosing one label over the other. We carry out a market analysis to evaluate the pros and cons of each label relative to the market product, thus allowing for a more strategic choice.

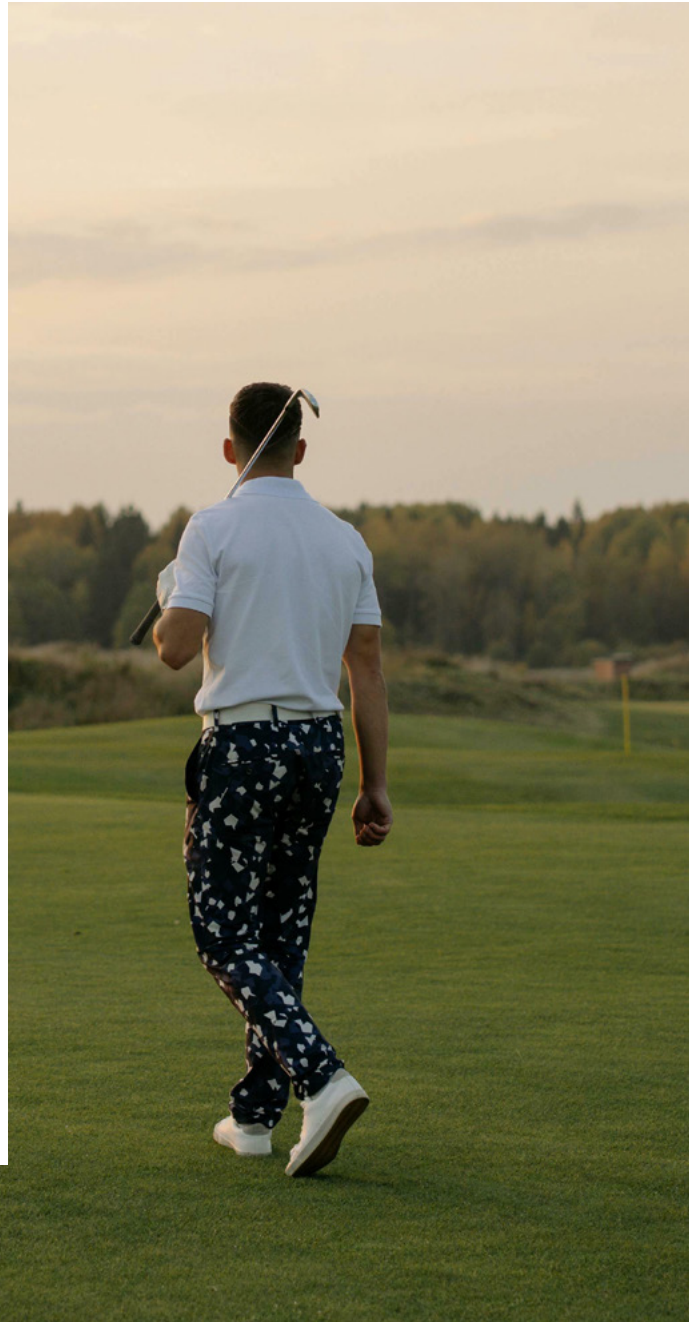
3. Application support:

The application process can be time-consuming and onerous. We provide support at every stage, from drafting the application and compiling all the relevant information to answering any follow-up questions that the labelling agency may have. So you actually don't have to do a thing!

4. Label maintenance and ongoing support:

As label requirements are constantly evolving in line with the latest scientific research and political consensus, it can be difficult to stay on top of what is needed when re-applying for the same label, even just a year later. We help with this by preparing a gap analysis comparing the changes made to the label criteria and the financial product's strategy. This provides you with a list of all the requirements to which the financial product still needs to adapt. We can then help you address these gaps to remain compliant with the new label requirements.

(1) Fox, M., Nguyen, A., & Dumas, C. (2024). Efficacité des labels à but non lucratif et des notations commerciales pour orienter les flux financiers vers des fonds durables. (2) CSSF (2024/15 November 2024) Greenwashing and green finance: the CSSF calls for vigilance and informs on www.letzf.in.lu. Available here.



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