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# Accelerating Impact and LuxFLAG release a Comprehensive Social Investment Framework

Luxembourg, 3 February, 2025 – Accelerating Impact and LuxFLAG announce the release of the Social Investment Framework, a consolidated and aligned tool designed to support the development of social finance by providing a clear and comprehensive structure for social impact investing. This framework addresses key gaps in the sector and aims to drive greater alignment of capital flows with social objectives.

## Challenges in Social Finance

One major challenge in social finance is the lack of a universally accepted definition and framework for "social finance" and "social impact". Different organizations use varying definitions and criteria, leading to inefficiencies and confusion, especially for new fund managers and investors.

Unlike financial returns, social outcomes are context-specific and complex, making them harder to measure and compare. Furthermore, measuring social metrics, specifically non-quantitative indicators, is more time-consuming than environmental metrics.

Additionally, there is a significant funding gap in social finance. Despite rising interest, social SDGs receive the lowest funding levels compared to other development goals. The European Commission estimates a funding gap of over EUR 1 billion per year in Europe alone. Addressing this requires fostering dialogue among key stakeholders and partnering with the private sector.

This Social Investment Framework is the result of an extensive research process conducted over six months. It aims to provide a clear definition of social impact investing, explain the basis of the defining elements, provide a non-exhaustive list of social activities, and nurture the development of social investment products.

## Key Highlights of the Social Investment Framework:

- **A Shared Definition:** The framework offers a definition of social impact investing, emphasizing the importance of generating substantial positive impact while avoiding or mitigating negative impacts.
- **Eligible Activities:** By mapping current market practices, a non-exhaustive list of eligible activities has been compiled related to social themes such as promoting decent work, adequate living standards, and inclusive and sustainable communities.
- **Exclusions and Safeguards:** The framework also includes suggested list of exclusions and minimum safeguards to ensure adherence to social and environmental standards. These measures are designed to avoid or mitigate negative impacts and promote responsible investing practices.

The framework emphasizes importance of key concepts for impact investing: financing of activities made with the **intention** to generate **measured and managed substantial positive impact**, implying that the activity should address an **unmet need** for a **target population**, while **avoiding or mitigating negative impact**, alongside a **financial return**.

This framework is expected to drive greater alignment of capital flows with social objectives, fostering the growth and legitimacy of the social investing ecosystem. By setting clear standards and providing meaningful recognition, the Social Investment Framework aims to encourage more investors to allocate portions of their portfolios to impact investments.

**About Accelerating Impact:** Accelerating Impact supports emerging investment managers focused on the Sustainable Development Goals to develop the impact finance leaders of tomorrow.

Accelerating Impact was founded in 2018 as an independent non-profit initiative in the form of a public-private partnership between the Luxembourg State and private entities of the Luxembourg impact finance sector (Arendt & Medernach, Deloitte, Elvinger Hoss, EY, Innpact, Investing for Development, KPMG, LuxFLAG, Opportunity Financial Services, PwC, TIIME and 4Climate). The initiative furthermore collaborates with the European Investment Bank Group and Spuerkeess, Luxembourg's national savings bank.

Accelerating Impact powers the International Climate Finance Accelerator Luxembourg ([www.icfa.lu](http://www.icfa.lu)) and the International Social Finance Accelerator Luxembourg ([www.isfa.lu](http://www.isfa.lu)). Through these programmes, the initiative offers technical and financial support to impact investment managers in their start-up phase with strong, innovative impact investment strategies in process of fundraising.

**About LuxFLAG:** The Luxembourg Finance Labelling Agency (LuxFLAG) is an independent and international non-profit association created in Luxembourg in July 2006 by seven private - public founding partners to support sustainable finance: ABBL, ADA, ALFI, the European Investment Bank, Luxembourg for Finance, the Luxembourg Stock Exchange, and the Government of Luxembourg. In 2023, ACA has become the eighth Charter Member of LuxFLAG. LuxFLAG is dedicated to supporting investors on their sustainability journey. LuxFLAG's mission is to bring clarity and transparency to the financial landscape by awarding unique labels designed for global use on eligible financial and insurance products. LuxFLAG's Labels are tailored for all financial instruments, reflecting their commitment to fostering a more sustainable and responsible world. Their global diverse label portfolio can be classified into: Impact Labels: Microfinance, Environment, Climate Finance, Green Bonds Sustainability Transition Labels: ESG, ESG Insurance Product, ESG Discretionary Mandate.