

Sustainable Development Report

2022





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Message from the Executive Committee

2022 was a challenging year. In addition to the slowly phasing-out Covid-19 pandemic, we experienced an alarming increase in heatwaves, floods and the beginning of the war in Ukraine. Thereupon, an energy crisis, high inflation and simmering tensions between the USA and China took their toll on European economies.

Nevertheless, sustainable finance and ESG initiatives at large remain prominently on the political agendas and the transition process is enhanced by State subsidies to foster the energy transition.

As a transition enabler, we at Spuerkeess continue to take up the challenge and strive towards a resourceful and sustainable business model as our performance driver. This year's Sustainable Development Report has been set up to reflect the start of the GRI 2021-based reporting standards. Adhering to the criteria of the new reporting standards, the 2022 Spuerkeess Sustainable Development Report will be the first Spuerkeess document to tackle the various sections of the GRI 2021 and will lead the way to a more coherent and standardised reporting in the future. A major challenge for the banking industry as of today are human rights and the proposed corporate sustainability due diligence directive (CSDDD), which deals with the identification of potential non-compliance with human rights in the supply chain of customers and raising of customer awareness regarding positive impact creation. In 2022, we conducted a gap analysis in order to spot the impacts, the boundaries and the objectives for the integration of the CSDDD directive into our banking activities, our procurement management and in our human resources management, resulting in a roadmap which ensures our readiness when it comes into force by the end of 2024.

While banks are subject to increasingly complex regulations challenging the resilience of their business models in relation to transition and physical risks, these regulations pave the way for the definition and adoption of long-term visions, such as 2050 climate scenarios. Additional challenges to be tackled in the near future are customer data collection and the complexity linked to the disparity of supply chains, as well as the impact of ESG initiatives on the production costs in a world where the race for low prices persists. Data availability and quality remain a major issue and we expect the EU taxonomy and Corporate Sustainability Reporting Directive (CSRD) to bring improvements in that respect, which may lead to an increased cooperation between banks and other industries.



"EXECUTIVE COMMITTEE" FROM SPUERKEESS. FROM LEFT TO RIGHT: M. OLIVIER WANTZ, M. ALY KOHLL, MME FRANÇOISE THOMA, M. ROMAIN WEHLES, MME DORIS ENGEL

About the report

Scope of the report

Over the past few years, Spuerkeess published a yearly report on its non-financial performance. This report provides an overview of the main sustainable development advancements for the period from 1 January to 31 December of 2022. The current report, aligned with Spuerkeess' annual report and based on the data of the year 2022, will be published in April 2023. This sixth report is in response to the application of the law of 23 July 2016 transposing European Directive 2014/95/EU into national law on the disclosure of non-financial information.

As a result of the adoption of the Corporate Sustainability Reporting Directive (CSRD), which will replace the Non-Financial Reporting Directive (NFRD) in 2024, Spuerkeess has taken a first step to integrating the GRI 2021 principles in its Sustainable Development Report 2022. The goal is to enhance transparency and to improve the quality of ESG data, providing companies and investors with comparable and reliable sustainability information.

The report covers, in accordance with legal requirements, all activities carried out by the Group's main legal entity, Banque et Caisse d'Epargne de l'Etat, Luxembourg. Our head office is situated at 1, Place de Metz L-2954 Luxembourg. Spuerkeess is an autonomous public institution incorporated under the law of 24 March 1989 with the NACE Code 64.191 "Activities of commercial banks including branches of foreign banks". The activities of Spuerkeess' management company are taken into account in this report where relevant and the ESG strategy is overall coordinated between these two entities in order to guarantee a coherent group approach. A more intensive cooperation will be put in place for the future sustainable development reports.

Standards

This report has been drafted in accordance with the GRI Standards 2021 and with reference to the European Sustainability Reporting Standards from the European Financial Reporting Advisory Group (EFRAG).

External assurance

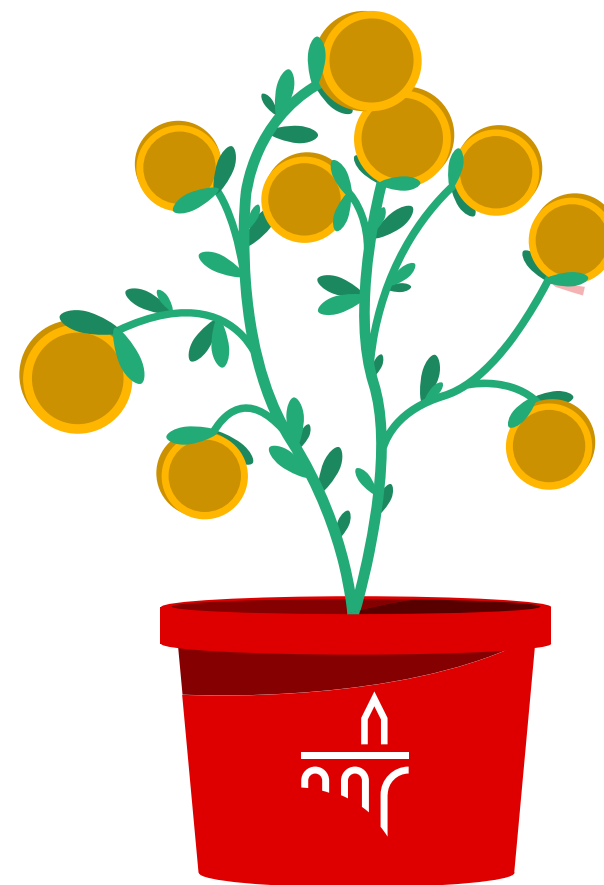
The present report is not subject to stand-alone external assurance. Spuerkeess has, for the second year in a row, appointed an independent practitioner, to provide a limited assurance report on the Principles for Responsible Banking (PRB) Progress Report in our Sustainability Development Report. We foresee to extend the limited assurance to our 2023 reporting.

The strategic orientation of Spuerkeess, including ESG issues is defined by Spuerkeess' Board of directors, which also oversees the implementation of said strategic orientation by the Executive Committee, responsible for the day-to-day management of the Bank. Our report was approved by Spuerkeess' Board of directors on 26 April 2023.

Further information

The report is published on the Bank's website: www.spuerkeess.lu

For further information, please contact the Strategic and Sustainability Office in the Secretary General Department via e-mail sustainability@spuerkeess.lu



Material impact, risks and opportunities

From the dialogue with our stakeholders and our materiality analysis, we identify the following priority and voluntary themes:

Theme	Topic	Priority topics	Voluntary topics
E	5 - Reduction of energy consumption and emissions		✓
	15 - Developing products/services that promote the environmental transition	✓	
	19 - Promoting the environmental transition and supporting our customers in this process	✓	
S	8 - Measures to guarantee employee well being in the workplace		✓
	9 - Importance placed on employee health		✓
	11 - Training and professional development	✓	
	12 - Equal opportunities in recruitment and promotion		✓
	14 - Developing products/services that encourage social inclusion	✓	
G	1 - Guaranteeing the Bank's long-term sustainable profitability	✓	
	13 - Adopting ethical behaviour towards employees, customers, partners and suppliers	✓	
	16 - Protecting customer interests and personal data	✓	
	17 - Transparency regarding activity and products		✓
	18 - Developing dialogue with customers, suppliers, partners, etc.	✓	

These commitments structure our ESG strategy and help us meet the expectations of our stakeholders in order to implement our shared vision of a sustainable world. More details on the methodology applied to the materiality analysis (to define the priority themes) are to be found under appendix 1.

PART I.

GENERAL INFORMATION

1. Our purpose and values
2. Our ESG strategy and business model
3. Governance and organisation

1. Our purpose and values

1.1. Our purpose

Spuerkeess has played an important role in the country's economic and social development since its creation in 1856. For nearly 170 years, Spuerkeess has thus been developing its role as a socially responsible company. The objective of social responsibility is enshrined in Article 5 of the Organic Law of 24 March 1989:

"As a state-owned Bank, Spuerkeess seeks to:

- a. contribute to the economic and social development of the country in all areas through its activities; and
- b. promote all forms of savings."

Our core activity consists of collecting deposits and granting loans and credits to the country's economy. More than two-thirds of Spuerkeess' liabilities are therefore made up of deposits from our individual, SME and institutional customers in Luxembourg.

1.2. Our ambition

Spuerkeess' role is defined through our social and economic mission, from which our main values are derived. According to the "Spuerkeess 2025" strategic plan, these values are:

- **Customer centricity,**
- **Responsible lender,**
- **Sustainable performance, and**
- **Responsible employer.**

As part of our "Spuerkeess 2025" strategy, we have chosen to adopt a "Transition Enabler" strategy, whose purpose is to raise awareness and support economic players to help them move towards a sustainable economy, while showing an understanding of the sectoral and sociodemographic challenges involved.

To achieve this ambition, we have defined our priorities based on an analysis of our impact on the environment and society. All our efforts will therefore be focused on:

- **Climate change** by gradually aligning with the Paris Agreement, the EU Action Plan for Sustainable Finance, and the Luxembourg Integrated Energy and Climate Plan,
- **Digitalisation** of the Bank and its contribution to the digitalisation of the Luxembourg economy,
- **Social inclusion** through education and awareness-raising for all our communities.

Spuerkeess will continue to encourage the stakeholders within its sphere of influence to gradually shift towards new business models and sustainable companies.



2. Our ESG strategy and business model

Spuerkeess has set up a strategy and put into place commitments which we are aiming to achieve in the short (2025), medium (2030) and long term (2050). The objective of these products and services is to put profitability and sustainability at par.

2.1. Our value chain and ESG strategy

In addition to its role as a leading financial institution in Luxembourg, Spuerkeess aims to create a positive impact in terms of its management (**corporate operations**), its products and services (**banking activities**), as well as its territorial impact on communities (**communities**).

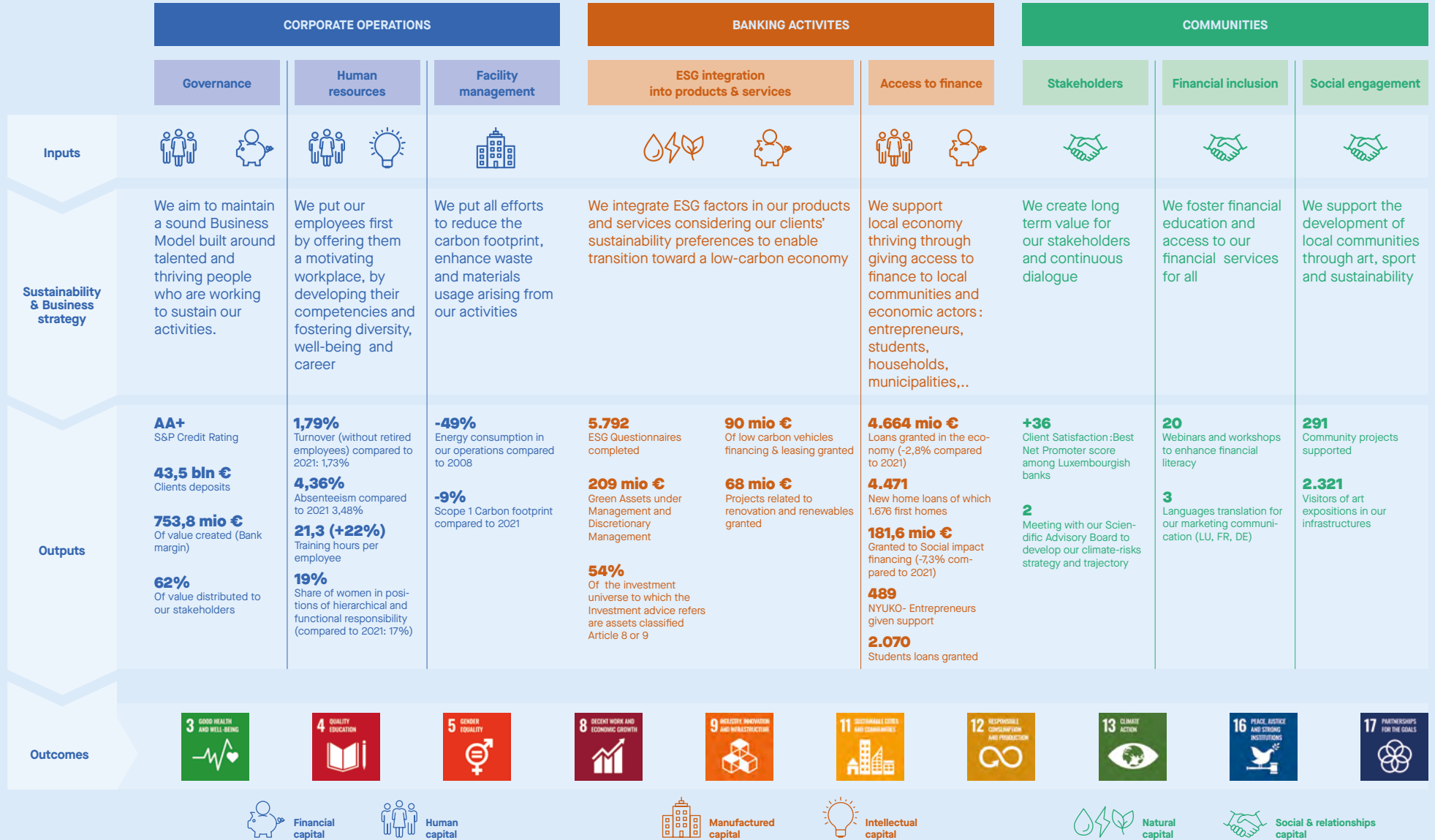
The three spheres of impact:

Thus, from its existing capital and through its business model and ESG strategy, the Bank creates value for its ecosystem of stakeholders and maximises its contribution to the United Nations Sustainable Development Goals (SDGs).



2. Our ESG strategy and business model

The following figure highlights our sustainability performance of our value chain during 2022 generated by the three spheres of impact presented above:



After having highlighted the performance of our value chain for the year 2022, we present the main sustainability-related targets by the three spheres of impact. The target setting mechanism foresees an annual review.

Spheres of impact	Main pillars of Commitments	Metric used	Value 2022	Main targets 2025	
CORPORATE OPERATIONS	E We put all efforts to reduce our carbon footprint, enhance waste management and materials usage arising from our operations	Carbon footprint (Scope 1&2): Ton CO ₂ e / FTE	1,17	1,05	
		After having reached a reduction of 9% of scope 1&2 emissions in 2022, and having globally reduced the energy consumption of 49% since 2008, we put additional efforts in reducing our carbon footprint per FTE from 1,17 to 1,05 at end 2025. Main levers to reach this target are: Digitalisation efforts, introducing further energy cost containment measures and innovative projects			
	S We put our employees first by offering them a motivating workplace, developing their competences and fostering diversity	Average hours of training per employee	21,3h	25h	
		Implementation of a general training on ESG topics for all staff members in 2023, launch of specific trainings and continuous adjustments of these trainings in order to include relevant developments (regulations, initiatives, ...) in the coming 2-3 years			
		Share of women in hierarchial or functional responsibilities	19%	30%	
G We aim to maintain a sound Business model building on competent and thriving people who are working to sustain our activities	Spuerkeess aims at promoting an inclusive work environment that values employee diversity where equal opportunities allow everyone to flourish, develop their individual potential and progress in their careers. Through concrete initiatives (diversified leadership program, signature of the woman in finance charter), we aim actively at encouraging women to seize career opportunities				
	Annual Value Creation (Banking margin)	753,9 mio €	Average increase of 7% per year		
		We foresee an average annual increase of value creation of 7% until 2025			
BANKING ACTIVITIES	E We align progressively our climate relevant banking activities to 2°C respectively 1.5°C scenarios	Coverage rate of climate relevant exposures to align progressively with 2°C respectively 1.5°C transition pathways	73%	82%	
		This 73% (17 bln) contribute to 65% of total financed GHG emissions on climate relevant exposures (NZBA Approach)			
	We develop banking solutions with environmental benefits	Share of annual low carbon financing in total annual financing	23,60%	30%	
		Green AuM	209 mio €	300 mio €	
S We develop banking solutions with social benefits	Total annual social financing	181,6 mio € granted			
G We further develop the sustainability framework for transparency purposes and further develop and improve the quality of ESG data to better measure our progress in this area					
COMMUNITIES	S We are financial inclusive by promoting financial awareness raising and education by developing a concept of financial education and set up a dedicated team to carry out targeted actions and have more impact	We support the development of local communities through cultural, sporting, humanitarian and social initiatives	Annual number of donations	291	Maintain the same level of support
	G We promote a structured dialogue with relevant stakeholders				

2.2. Our banking activities: products and services

The table¹ below showcases Spuerkeess' main products and services, explaining how these answer the needs of our society and the economy, as well as how value is created through the banking activity. We finally highlight, among these products and services, those with a particular contribution to sustainability.

	What the economy needs	What the bank provides	How Spuerkeess value is created	Products and services with environmental benefits	Products and services with social benefits
Deposits	<ul style="list-style-type: none"> – Safe house for surplus liquidity (interest-free accounts: current accounts) – Low risk returns (interest-bearing accounts: saving accounts, term deposits) 	<ul style="list-style-type: none"> – Convenience – Transparency – Safety 	<ul style="list-style-type: none"> – Providing protected access to the money market and returns on excess liquidity – Bearing the risk between long-term lending and short-term funding 	<ul style="list-style-type: none"> – Alternative savings account ETIKA 	<ul style="list-style-type: none"> – Alternative savings account ETIKA – Youth offer: Tweens, Axxess, Zebra (which are offered with diversity and educational initiatives) – Offer to entrepreneurs and start-ups: Zebra Business “Welcome offer”
Lending	<ul style="list-style-type: none"> – Funds against future cash flow (personal & corporate loans, credit card, factoring); – Funds against tangible assets (mortgage loans, car loans, leasing) 	Risk assessment	Assessing and pricing credit risk, allowing available funds to generate positive yields	<ul style="list-style-type: none"> – ETIKA financing – E-Mobility financing and leasing – Sustainable housing: mortgage loans, sustainable renovation and energy financing (solar panels, photovoltaic installations, ...) – Corporate projects financed (wind parks, e-mobility, ...) – Sensitisation and incentives: One stop Shop, Questionnaire ESG, Ecobonus 	<ul style="list-style-type: none"> – Student loans – ETIKA financing – Financing of projects with a social benefit (educational structures, social housing, etc.)
Transactions / Services	<ul style="list-style-type: none"> – Ability to make and receive payments accurately and efficiently – Efficient conversion of currency across markets 	<ul style="list-style-type: none"> – Efficient infrastructure – Connectivity 	Providing benefits of economies of scale and guaranteeing security of transactions		<ul style="list-style-type: none"> – Youth offer free of charge – Special conditions for elderly clients or clients needing a specific assistance – S-Bus
Advisory	<ul style="list-style-type: none"> – Advice to retail customers on adjacent financial needs investments, retirement and protection – Advice to corporates, capital markets, and risk management 	Risk assessment	Leveraging scale, professional skills, and market access to create opportunities for customers	<ul style="list-style-type: none"> – Green Lux funds (Lux-Equity Green, Lux-Bond Green); – Activmandate GREEN (discretionary management); – Activinvest (Investment advice) 	<ul style="list-style-type: none"> – Speedinvest (Robo Advisor) – S-Invest

 Balance-sheet business

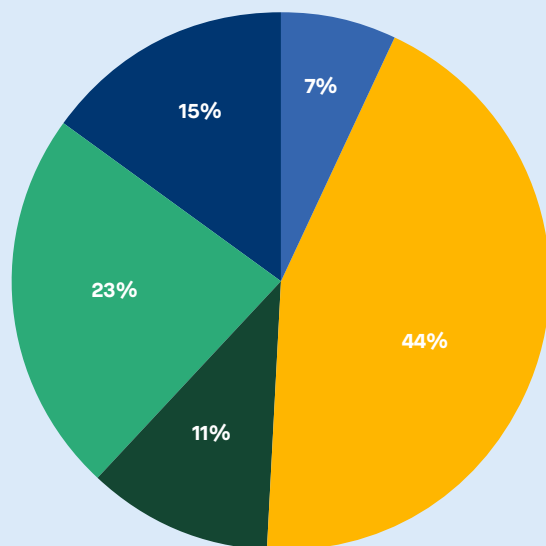
 Fee-based business

In order to assess the degree of alignment of our sustainable assets, products and services with the EU Taxonomy, please refer to Appendix 2.

¹ The structure is based on an article from KEARNEY: “Banking on our future: framing a vision for the Australian banking industry”.

2.3. Our business lines

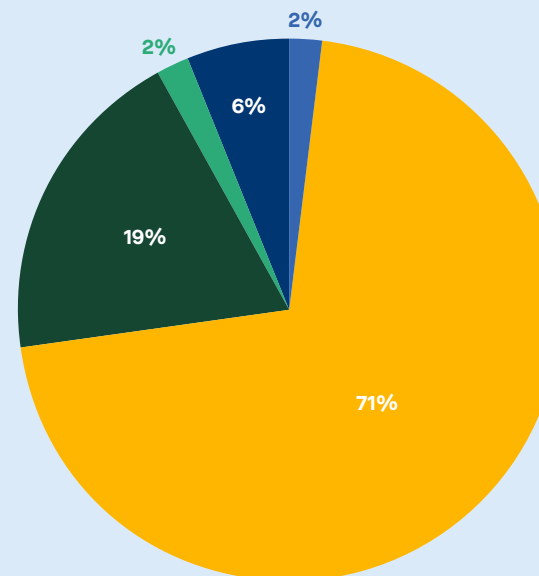
The figure below provides the deposits broken down by the Bank's main business lines:



Total deposits: 43.525 mio €

01 - PRIVATE BANKING 02 - RETAIL 03 - CORPORATE AND SMEs 04 - INSTITUTIONAL 05 - PUBLIC SECTOR

The figure below provides the loans broken down by the Bank's main business lines:



Total loans: 26.468 mio €

The liquidity excess that results from the deposit-driven core business of the Bank is mainly invested via a diversified bond portfolio, as well as money market operations and the Deposit Facility of the ECB. The main purpose of the bond

investment portfolio is to achieve and fulfil the required liquidity and solvability targets, provide sectorial and geographical diversification with respect to the Bank's core business lines and generate a stable medium to long-term return.

2.4. Our stakeholders

MATERIAL TOPIC: G - 18 - DEVELOPING DIALOGUE WITH CUSTOMERS, SUPPLIERS, PARTNERS, ETC.

We engage with relevant stakeholders for a clear purpose to achieve agreed outcomes. The Bank liaises with a broad ecosystem of stakeholders throughout the year in addition to preparing its non-financial report. Spuerkeess is oriented

to serve the interests of all its stakeholders and to create long-term value for them. Hereunder a summary of how we involved our priority stakeholders² in 2022 and which sustainability issues were raised.

Stakeholder type	Interest and concerns	Incoming Engagement Flow	Outgoing Engagement Flow (methodology of engagement during 2022)
State of Luxembourg (owner)	<ul style="list-style-type: none"> Regulatory compliance Financial inclusion Climate change Sustainable profit 	Article 5 of Spuerkeess' founding charter prescribes a broader societal purpose and public interest for Spuerkeess.	As the eldest Luxembourg-headquartered financial institution, Spuerkeess is one of the country's most significant employers. It serves as a national representative of the Luxembourg banking and financial sectors, as well as banking leader in the transition towards more sustainability of the financial sector.
Staff	<ul style="list-style-type: none"> Health and well-being Social dialogue Training and development Incentives Social and labour rights 	As the largest Luxembourg-headquartered financial institution, Spuerkeess receives many applications from potential recruits, and tries to conduct its recruitment via fair and transparent merit-based processes. Furthermore, employees have many avenues for professional development through internal training and feedback through committees. Employees also interact with Spuerkeess through union representation.	<ul style="list-style-type: none"> Satisfaction survey Meetings with staff delegation Intranet: The Bank interacts with its workforce through its internal institution-wide communication platforms Initiatives to collect ideas (i.e. idea box, groupworks on a specific thematic)
Customers	<ul style="list-style-type: none"> Financial inclusion Financial education ESG investments and financings 	Customers (retail and commercial) have many channels to directly communicate with Spuerkeess representatives, either through in-person meetings at local branches or via online communication tools such as through online banking direct messaging system.	Spuerkeess provides many channels for customers to engage and provide feedback on products and services. Spuerkeess already engages with young, teenage, university-level, and recent graduates through a variety of avenues such as targeted outreach and products based on direct customer feedback and preferences. Spuerkeess provides direct access to the Bank via one of the largest networks of local bank branches in Luxembourg or via Spuerkeess Direct, which is an online branch offering the same services as a traditional branch. In addition to in-person seminar and online activities (webinars and blogs), Spuerkeess is also communicating its sustainability objectives and activities through social media. In 2022, meetings took place with the Advisory Boards for each of the following business lines: institutional, professional and retail.
Suppliers	<ul style="list-style-type: none"> Responsible procurement practices Local procurement Due diligence process 	Suppliers have the possibility to engage with teams that will aim at addressing any potential issues that might arise throughout service/product provision contract periods.	Spuerkeess aims at properly communicating any sustainability objectives through updated procurement policies and integration of ESG criteria into due diligence of supplier.
Equity interests	<ul style="list-style-type: none"> Stakeholder engagement Support for climate transition Economic sustainability 	Affected industries and sectors usually engage via direct meetings (in-person or virtual) to have constructive discussion on how Spuerkeess' sustainability strategy would affect them and how they are progressing in integrating ESG factors and sustainability strategies.	We engaged with high emitting shareholdings (airlines and power generation) to set carbon intensity targets to contribute to the reduction of GHG emissions. Sectoral targets will be disclosed in Spuerkeess' Net Zero Climate Target report. In 2022, 5 meetings took place with 3 of our stakeholders end 2022 to set intermediate client targets.
Industries	<ul style="list-style-type: none"> Support for sustainability transition Financial inclusion Proximity 		We will support SMEs and corporates in their transition towards more sustainability, by helping to set targets and financing the transition. We use modern tools (EIB Green Checker, One Stop Shop) during advisory sessions. In parallel, we also support entrepreneurs via NYUKO.
Science (operational and social partners)	<ul style="list-style-type: none"> Climate change and biodiversity Economic sustainability ESG investments and financings 	Spuerkeess is actively encouraging exchanges with academia, researchers and scientists, often via the input from members of the Scientific Advisory Board who either directly communicate with Spuerkeess or forward messages from members of academia in their networks.	We rely on science, mainly through our members of the Scientific Advisory Board, to define and apply scientific methodologies in our loan and investment policies to create meaningful impact (considering risks and opportunities) and to avoid greenwashing.
NGOs (operational and social partners)	<ul style="list-style-type: none"> ESG investments and financings Stakeholder engagement Transparency 	Spuerkeess addresses findings from NGOs. It responded to a report by the Luxembourg branch of an internationally operating NGO around greenwashing in that banking sectors around sustainability-related financial products and services. It met with the NGO's representatives and transparently presented its perspective and then invited the NGO to actively collaborate on addressing the greenwashing concerns through joint solutions.	Spuerkeess collaborates in various ways with NGOs. It listens to their sustainability concerns and maintains an open and constructive dialogue with them in order to define a common approach towards sustainability.

2.5. Our memberships, labels and awards

Spuerkeess is a member of the following organisations in the financial sector, namely the “Luxembourg Bankers’ Association” (ABBL) and the “European Savings Banks Group” (ESBG).

Further, in 2006, the Bank demonstrated its long tradition of social and environmental responsibility through signing the “Charter of Corporations for Social Responsibility and Sustainable Development” and the “ESBG (European Savings Banks Group) Charter for Responsible Business”.



Then, in 2008, Spuerkeess became a member of “Inspiring More Sustainability” (IMS), which is an association of businesses committed to the development of corporate social responsibility policies in Luxembourg. IMS Luxembourg is the national branch of CSR (Corporate Social Responsibility) Europe: Europe’s leading promoter of corporate social responsibility.



In order to promote transparency in its reporting, the Bank has applied the GRI standards since 2018 and became the first bank from the Luxembourg financial centre which adhered to the UNEP FI’s (United Nations Environment Programme Finance Initiative) “Principles for Responsible Banking” (PRB) in October 2019, so that it could develop a methodology that would allow it to implement its “Transition Enabler” strategy in a coordinated way.

As climate change has been identified as being a high impact factor, we signed the “Net-Zero Banking Alliance” (NZBA) end of 2021, to commit to a net zero economy by setting targets and developing a transition plan to decarbonise our most climate relevant sectoral exposures in our balance sheet.



In 2022, Spuerkeess has been awarded the ESG LUXFLAG label for Lux-Equity Green and Lux-Bond Green, its sustainable investment solutions.

In May 2021, for the fourth time after 2012, 2015 and 2018, Spuerkeess was awarded the “Socially Responsible Company” label from the National Institute for Sustainable Development and Corporate Social Responsibility.

The Bank’s efforts to operate as a responsible and attractive employer when it comes to CSR were acknowledged in particular by its ranking first (2017) and second (2019) respectively as the “Most Attractive Employer in Luxembourg” – an honour bestowed by the Randstad Group.

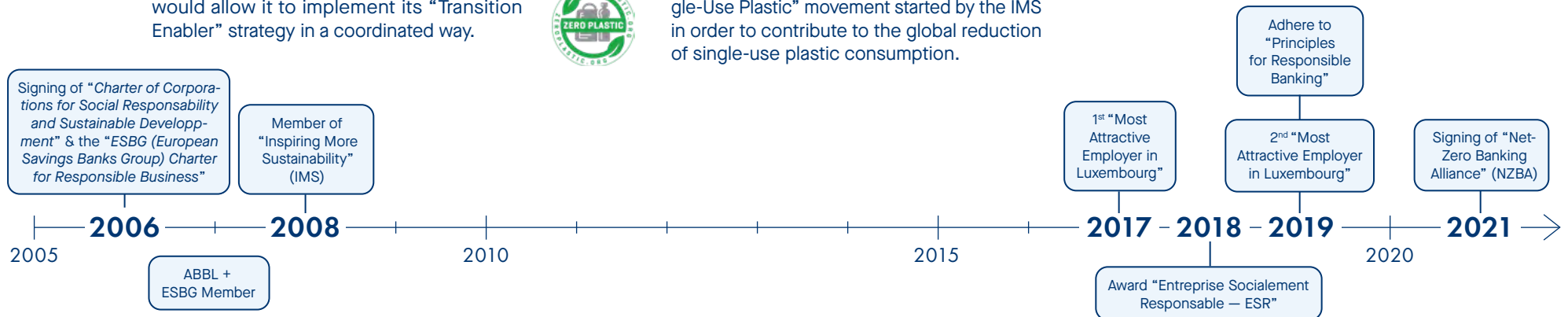


Since 1996, Spuerkeess was awarded the national “Super DrecksKrëschtfir Betriber” (SDK) for good practice in the management of internally generated waste and also for raising the awareness of employees to waste separation. In keeping with its environmental efforts, the Bank joined in 2020 the “Zero Single-Use Plastic” movement started by the IMS in order to contribute to the global reduction of single-use plastic consumption.



Our S-Net mobile application has been voted best banking application in Luxembourg according to an independent study conducted by SIA Partners.

Furthermore, in 2022, the magazine “The Banker and Global Finance” named Spuerkeess “Bank of the Year 2022 - Luxembourg” and awarded the Bank the “Sustainable Finance 2022 – Country Award” respectively.



2.6. Our human capital

We are of the opinion that our workforce is the cornerstone of our performance and sustainability and as a responsible employer, we do not employ temporary employees or non-guaranteed hours employees, i.e. all Spuerkeess employees are permanent employees who have full-time or part-time contracts. In addition, all our employees work within the Luxembourg territory, with the exception of employees who partly remotely work from their home country under a “home office” formula (BE, FR and DE).

		2020	2021	2022
Employees	Total (in FTE Full time equivalent)	1665,00	1657,40	1.638,95
	Male	1.051,70	1.053,10	1.045,45
	Female	613,30	604,30	593,50
Permanent employees	Total (in FTE)	1665,00	1657,40	1638,95
	Male	1.051,70	1.053,10	1.045,45
	Female	613,30	604,30	593,50
Full-time employees	Total (in FTE)	1.404,00	1.379,00	1.331,00
	Male	1.004,00	997,00	965,00
	Female	400,00	382,00	366,00
Part-time employees	Total (in FTE)	261,00	278,40	307,95
	Male	47,70	56,10	80,45
	Female	213,30	222,30	227,50

The most common types of workers and their contractual relationship with subcontractor companies can be classified as follows:

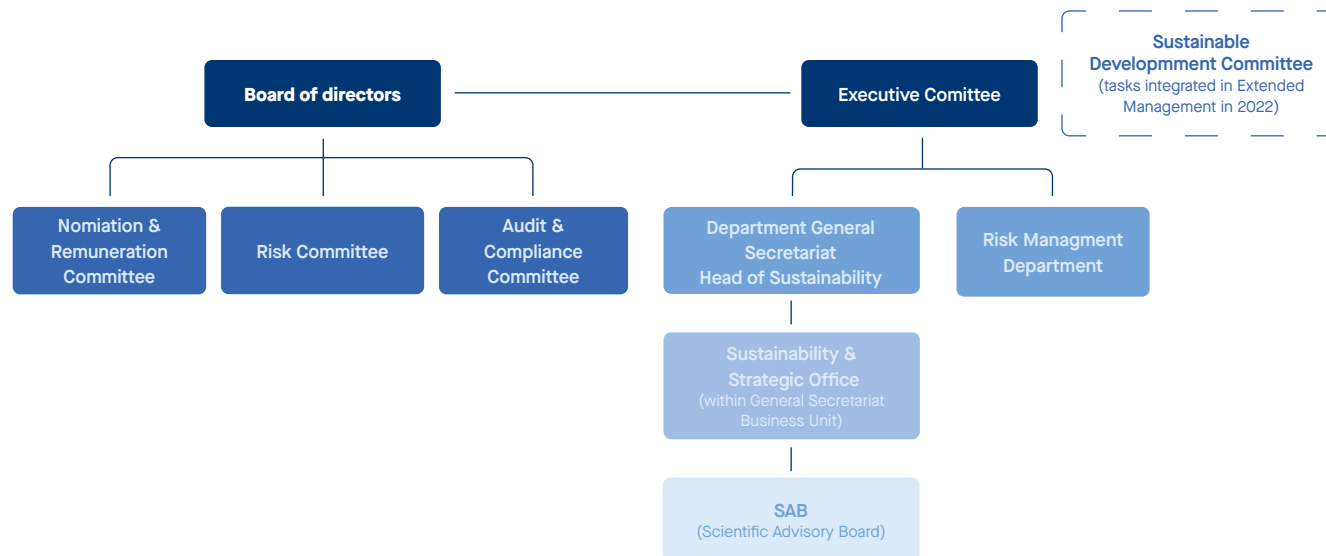
	Total (in FTE Full time equivalent)	242,14
Workers who are not employees	Catering	40,00
	Cleaning	46,69
	Security	31,00
	Building maintenance	25,00
	Consulting / IT support	99,45



3. Governance and organisation

Building and maintaining the trust of our customers, employees, partners and our owner (Luxembourg State) is at the heart of Spuerkeess' governance. Responsible growth requires an experienced and independent Board of directors, competent management, as well as clear and effective governance practices.

Sustainability is a core part of Spuerkeess' business and is fundamental to everything we do. Consequently, our ESG strategy is integrated into our business strategy. Our governance ensures that ESG impacts are effectively managed. Roles and responsibilities are defined for each governance body, and each employee at his or her level is responsible for implementing the Bank's strategy. In view of the changes in European regulations in favour of sustainable development, the strengthening of expertise at all levels of the hierarchy is essential.



ESG involvement of committees and relevant entities in managing the impacts on economy, environment and people

1. The **Board of directors** approves the sustainability strategy and the sustainability policies, as well as their respective updates, as validated and submitted by the Executive Committee.
2. The **Nomination and Remuneration Committee** is, inter alia, in charge of analyzing and validating the remuneration policy, and to review the global variable remuneration granted to the Bank's material stakeholders. The remuneration policy does not contain any quantitative criteria which would encourage an undue risk taking, including at the level of ESG related matters.
3. The **Risk Committee, in its role of 2nd line of defense**, monitors and analyses the adequacy of the risk management framework including the risks related to ESG

which are embedded within the risks identified for the Bank (credit risk, liquidity risk, reputational risk, etc).

Commercial services and the Credit Management department assume tasks and responsibilities as the "first line of defense". These departments manage specific ESG projects, which fall within their area of expertise, and are responsible for the implementation of first line of defense controls. The Head of Sustainability as well as the General Secretariat department through its SSO division also assume responsibility as a first line of defense unit. Their responsibility is, as topic owner of ESG related regulations and commitments to verify compliance therewith. Risk Management and Compliance functions constitute the "second line of defense", and the Audit function, the "third line of defense".

4. The **Audit and Compliance Committee** monitors and challenges the risks of non-compliance of Spuerkeess

against the regulatory frameworks and the commitments signed.

5. The **Executive Committee** validates the ESG strategy to be submitted for approval to the Board of directors and is in charge of the implementation thereof; the Executive Committee informs the Board of directors on a regularly basis about the progress made in the implementation of the strategy.
6. Responsibilities on ESG-related themes have been assigned to the **CEO**, President of the Executive Committee. ESG, as an important pillar of the Bank's strategy Spuerkeess 2025, has become a regular topic on the **Executive Committee** meetings' agenda and all members are duly informed of the strategy implementation progress.

3. Governance and organisation

7. The **Sustainable Development Committee**, chaired by the CEO of the Bank, ensures that the objectives of the Bank’s ESG strategy are met within the given timeframe. During 2022, the Executive Committee granted decision-making power on sustainability and climate-related issues (subject to veto right of the Executive Committee Members) to the newly created **Extended Management**, due to the crosscutting nature of the ESG strategy. The Extended Management hence takes over the responsibilities of the Sustainability Development Committee which was resolved in 2022.

The responsibilities of the **Extended Management** are, inter alia:

1. Defining and updating ESG policies, addressing ESG-related risks, defining the strategic and commercial aspects of the ESG program across the Bank;
2. Making proposals to the management bodies for the ESG strategy and its update and ensuring that the objectives of the Bank’s ESG strategy and ESG program are met within the given timeframe;
3. Taking into consideration and including climate-related and environmental risks in the risk management framework.

The Extended Management acts in close partnership with the Bank’s General Secretariat and the Head of Sustainability, providing the necessary information and reporting.

8. The **Risk Management**, in its role of 2nd line of defense, is responsible for the development of the Bank’s holistic climate risk management framework and oversees the management of climate-related and environmental risks and its impacts on Spuerkeess’ business model as well as the definition of key metrics and risk appetite thresholds. A climate risk policy which outlines roles, responsibilities as well as qualitative risk appetite principles and quantitative risk appetite metrics was set in 2022.

9. The **Compliance department** is in its capacity as a second line of defense, inter alia, in charge of the regulatory watch and ensures the supervision of the reputational risk incurred by the Bank, including more particularly with respect to ESG related matters

10. The **Head of Sustainability** is responsible to propose to the management bodies the ESG strategy to be included in the Bank’s overall corporate strategy Spuerkeess 2025. The **Sustainability and Strategic Office (SSO)**, within the General Secretariat, is, inter alia, in charge of the review and the monitoring of the implementation of Spuerkeess’ strategy by delivering quarterly progress reports to the Board of directors and the Executive Committee. The SSO is the centre of competence pertaining to ESG related matters and as such assists the various business units in integrating ESG elements within their respective activities.

11. Since its creation in 2021, the **Scientific Advisory Board (SAB)** works closely with the Sustainability and Strategic office. The main objective of the SAB is to advise the Bank on its sustainability journey by scientific integrating environmental management while taking regulatory requirements into account. Please refer to Spuerkeess’ website for the composition of the SAB and activity during the exercise 2022.

Composition of the highest governance body

Spuerkeess, established in its current form by law on March 24th 1989, is 100% owned by the Grand-Duchy of Luxembourg. The Bank has a 2-tier governance structure, made up of two distinct elements of management body:

- a Board of directors with 9 non-executive members, in charge of the supervisory function,
- an Executive Committee with 5 members, in charge of the management of the Bank.

By law, a supervisory commissioner participates in the meetings of the Board.

The Board has 3 specific sub-committees:

- Nomination and Remuneration Committee (NRC),
- Risk Committee (RC),
- Audit and Compliance Committee (ACC).

Only members of the Board are members of these sub-committees.

Among the 9 members of the Board of directors, 2 are staff representatives (elected by the Bank’s staff), 2 represent the owner (Grand-Duchy of Luxembourg) and 5 are independent members.

Regular follow-ups throughout 2022 allowed the Board and its Audit and Compliance Committee to evaluate progress made by Spuerkeess with regard to ESG-topics and to identify possible gaps and shortcomings with regard to regulatory or other engagements by the Bank.

Board of directors (as of 31.12.2022):

Membership duration

Years	Number of Board members
<= 1 year	1
1 year < X <= 2 years	1
2 years < X <= 3 years	
3 years < X <= 4 years	3
4 years < X <= 5 years	2
> 5 years	2

Board member status

Board members main activities	Number of members	Of which: to be considered as independent members
Retired	2	2
Lawyer	1	1
Chartered accountant	1	1
Teacher at university	1	1
Public employees	2	0
Bank employees	2	0

Background/professional experience of Board Members

Studies	Main current or former professional experience	Number of Board members concerned
Economics/finance/business	Banking, Supervision, External Audit, Research, Public service	7
Law	Lawyer, Banking	2

Nomination and selection of the highest governance body

Spuerkeess is a systemically important bank, supervised by the Single Supervisory Mechanism (SSM). The selection and nomination process has a few stages, except for staff representatives:

1. Candidates for the Board are assessed upon their potential expertise contribution to the collective knowledge of the Board of directors as required in its supervisory function.
2. The candidate considered most suitable is submitted to the “Fit and proper” procedure of the SSM.
3. Following a “nihil obstat” conclusion by ECB / CSSF, and upon proposal by the Board of directors and its Nomination and Remuneration Committee respectively, the members of the Board of directors are, by prevailing law, appointed by the Government, remaining sovereign in its decision.

Staff representatives who are, according to prevailing law, approved by the Government following the “Fit and proper” procedure of the ECB.

The Bank has a diversity policy, which foresees among other, with regard to the management body (Executive Committee, Supervision and Board of directors) to consider candidates such that the share of “under-represented” gender will not be below 40% among the members which are not elected as staff representatives by Spuerkeess’ employees in accordance with the legal applicable requirements.

Stakeholder engagement

Three advisory boards were created in 2019, with members representing our main customer segments (retail, corporate and institutional). From the start, these advisory boards have also discussed various ESG issues. The relevant topics are

reported to the Board of directors and are taken into account during development and/or enhancement of products and services and the Bank’s corporate strategy Spuerkeess 2025.

Conflicts of interest

All Board members have to declare potential conflicts of interest with regard to the agenda of a meeting; a list of significant positions held by Board members is updated on a yearly basis by the Board secretary.

Conflicts of interest are reported to the Supervisory Authorities during “Fit and proper” checks. Supervisory authorities receive minutes of Board, Audit and Compliance Committee and Risk Committee meetings.

Strengthen expertise on sustainable finance

As global changes in sustainability increasingly affect the business environment in ways that present both risks and opportunities for the financial sector, Spuerkeess recognises the need for our management to be equipped with the tools necessary to cope with and benefit from these changes.

Therefore, in addition to internal continuous training, courses are organised to gain a deeper understanding of the pressures facing the current financial system and to explore how sustainable financing strategies can create long-term value for society, the environment and Spuerkeess.

As a result, the members of the Executive Committee and the Board of directors are regularly informed on ESG issues. At the beginning of 2023, several Board members will follow an online course “The Sustainable Finance” held by the Institute for Sustainability Leadership at the University of Cambridge.

PART II. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCES

- I. Corporate operations
- II. Banking activities
- III. Communities

I. Corporate operations

1. Facility management: Carbon footprint of our own operations

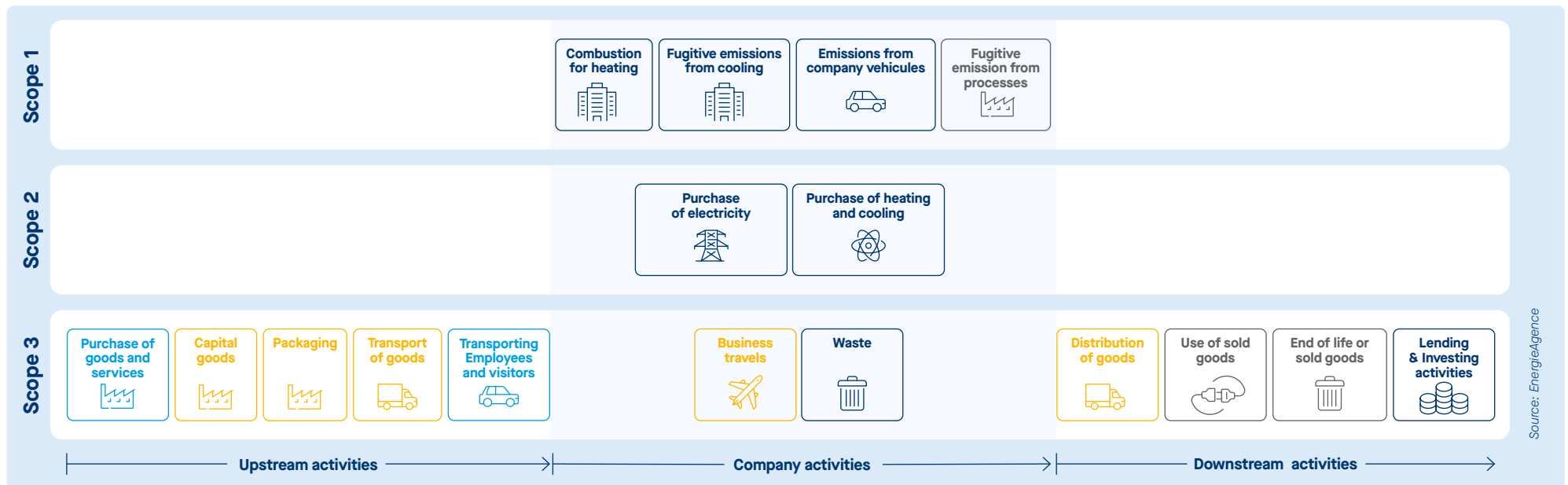
MATERIAL TOPIC: E - 5 - REDUCTION OF ENERGY CONSUMPTION AND EMISSIONS

Our approach, in line with our Net Zero Banking Alliance (NZBA) engagements, is twofold:

- On the one side, we aim at decarbonizing the GHG emissions stemming from our own operations, and
- On the other side, we focus on reducing the “financed GHG emissions” (cf.: Chapter II Banking Activities) stemming from our lending and investment portfolios to reach net-zero by 2050 or sooner.

Since 2020, Spuerkeess has been collaborating with an independent expert in GHG emissions calculation to establish the annual carbon footprint of its own operations. We will continuously improve the coverage of the emissions related to our own operations.

The figure below highlights the different activities included in Spuerkeess’ carbon footprint of its own operations (scope 1, scope 2 and upstream scope 3 emissions related to its headquarter and branch network buildings), as well as of its banking activities (downstream scope 3 emissions related to its lending and investment activities):



Source: EnergieAgence

*Our financed GHG emissions stemming from our Lending & Investing activities are detailed under “Chapter II Banking Activities”.

Our performance 2022

In terms of absolute emissions, our own operations' carbon footprint is as follows:

in tons CO ₂ e ³	2020	2021	2022 ⁴	Change in % (2022/2021)
Scope 1 direct emissions	1.843	1.873	1.637	-13%
Emissions due to the combustion of natural gas	1.536	1.598	1.492	
Emissions due to the use of company vehicles	70	38	28	
Emissions due to refrigerant use	237	237	117	
Scope 2 indirect emissions (market-based)⁵	75	85	132	55%
Emissions due to the purchase of electricity	64	72	69	
Emissions due to the purchase of district heating	11	13	63	
Scope 3 other indirect emissions	2.612	1.640	1.502	-9%
Emissions due to products and services purchased ⁶	2.172	1.233	1.103	
Fuel and energy-related emissions	326	325	310	
Emissions due to waste treatment	114	82	89	
Total (market-based) – same coverage as of 2021	4.530	3.599	3.271	-9%
Emissions related to employee commuting			809	
Total (market-based) – including employee commuting	4.530	3.599	4.080	13%

We expanded in 2022 the coverage of operations by integrating for the first time the emissions related to “employee commuting to work activity” (scope: employees working in our headquarter buildings and journeys between home and work). This amount, based on an internal proxy method taking into account average distance of our employees and the national car statistics, to 809 tons of CO₂e (i.e. CO₂ equivalent, including where relevant other greenhouse gas like methane). In order to rightly appreciate the efforts made by our facility management team during 2022, we compare the total of CO₂e emissions based on the operations that were covered by the calculation in 2021. The conclusion is that we managed to further reduce our total emissions by 9% during 2022, following a reduction of 21% in 2021.

The reduction in our scope 1 emissions is mainly due to a decrease in

- fugitive emissions from cooling which results from:
 - the set temperature of air-conditioned offices that has been increased to 25° C;
 - a change in the methodology for calculating leak rates.
- combustion for heating due to energy saving measures put in place.

Our indirect scope 2 emissions related to the steam and heat consumption slightly increased in 2022 mainly due to the fact that the new “*Règlement grand-ducal du 9 juin 2021 concernant la performance énergétique des bâtiments*” adjusted the emission factors to apply to steam and heat consumption. With respect to our scope 2 emissions, our electricity consumption already relies on 100% renewable sources since 2019.

For our indirect scope 3 emissions⁷, we account for a reduction of our purchased goods and services. Adversely, by including the employee commuting to work activity for the first time, we have a bounce of 809 t CO₂e. We are currently elaborating an action plan allowing us to reduce the emissions related to the employee commuting to work activity.

We consider that the efforts that were made in the past have been important as we managed to reduce our energy consumption (Scope 1 & 2) by 49% compared to 2008.

Target 2025

In light of decarbonising our own operations (scope 1 and scope 2 GHG emissions), Spuerkeess set the following targets:

Metric	2022	2025
t CO ₂ e / FTE	1.17	1.05

Measures to be taken

For the forthcoming years, Spuerkeess will continue its digitalisation efforts, introduce further energy cost containment measures (i.e. installation of photovoltaic panels on its buildings, etc.) and innovative projects (i.e. flexdesks, rent of office space, etc.) to reduce its carbon footprint and thus the negative impact on the environment of its own operations.

3 The definition of Spuerkeess' activity data, the data collection process and the CO₂ emissions calculated have been verified by the external company.

4 For the reporting period from 1 January to 31 December 2022, the 2021 carbon assessment method® (version 8.5) was applied to calculate carbon emissions. This methodology is based on international standards, such as the GHG Protocol and the ISO 16064 and 16069 standards.

5 These emissions are deduced from electricity consumption and are based on the market-based method defined by the GHG Protocol standard. The emission factor was calculated based on the Ecomix product's life cycle analysis.

6 The “Emissions due to products and services purchased” includes office and facility management materials.

7 Our scope 3 emissions are only partially covered for the time being (i.e. the use of cloud servers is not yet integrated, also).

2. Human resources

2.1. Health and well-being

MATERIAL TOPIC:

S - 8 - MEASURES TO GUARANTEE EMPLOYEE WELL-BEING IN THE WORKPLACE

S - 9 - IMPORTANCE PLACED ON EMPLOYEE HEALTH

The Bank is convinced that providing a healthy and safe working environment is important to enable employees to develop professionally.

Job stress can lead to poor mental and physical health, as well as job dissatisfaction and failure. Our goal is to increase well-being in the workplace and to reduce the level of stress among our employees. We are aware of the fact that, in the age of digital communication, it is not easy to juggle between work and private life.

Our performance 2022

Occupational health and safety principles and requirements for financial institutions are developed in the *Code administratif de la Fonction Publique - Sécurité et santé dans la fonction publique (Version consolidée applicable du 10 octobre 2022)* and *Code du Travail - Livre III Protection, Sécurité et santé des salariés (Législation Mémorial A-172 du 12 avril 2022)*. Thus, 100% of our employees are covered by the occupational and safety management system.

Security

The physical security team is an operational team that implements and monitors the security of people and systems. The central security station is made up of operators, who carry out surveillance and monitoring. It monitors physical security installations, reacts to fire, intrusion and access control

alarms or any other suspicious event via video surveillance and manages incidents in relation to physical security activity. Debriefings are held during which lessons learned are identified and improvements made.

The document “*Physical security instructions*” is distributed to new employees on the first day of their presence at Spuerkeess via internal messaging or via direct instruction where necessary.

As a legal obligation, a certain number of employees are first aiders and must intervene where necessary; refresher courses are organised regularly. There are also a number of employees who are floor manager and who must intervene in the event of an incident and/or evacuation.

As required by law, the Bank has put in place a BCP (business continuity plan) and a DRP (disaster recovery plan) which is validated by the Board Risk Committee and the Board of directors of Spuerkeess upon proposal of the Executive Committee.

Health and well-being

Spuerkeess offers a wide range of non-occupational medical and healthcare services to all its employees on a voluntary basis. Thus, they have the possibility of having a free health check-up and flu vaccinations. All Spuerkeess employees can join our Optional Health Insurance thanks to the Bank’s support. The Bank also offers its employees additional DKV insurance for medical treatment abroad (outside of Luxembourg).

Spuerkeess regularly carries out an inventory of its high-risk positions (+/- 15 positions). These include positions in which employees are regularly exposed to dust, noise, night work and the handling of heavy loads. Agents occupying a high-risk

position report regularly to the occupational medicine. Employees at branches regularly participate in hold-up trainings.

Occupational health and safety trainings are provided to our employees, including generic training, as well as training on specific work-related hazards, hazardous activities, or hazardous situations:

- Safety training in agencies (new hires),
- Refresher training,
- General safety training (periodic e-learning),
- First aid training,
- First fire witness training (PTI - Premier Témoin Incendie).

Spuerkeess conducts a survey on the stress level of its employees once a year to prevent psycho-social risks. For the second year in a row, Spuerkeess launched the project *MindyourSelf@Energy* and conducted quantitative research asking our employees to provide insight into their perceived energy levels. 523 employees (29% of our total workforce) participated in the survey. Although the participation ratio is unsatisfactory, this sample has been considered as representative. For the next survey, a pre-campaign will be launched in order to sensitize our employees to its importance, ensuring a higher participation ratio. The results of the survey showed that the majority (89%) lead a balanced work life, 10% however, feel slightly stressed while 1% of our employees claim to operate under high stress. Based on this insight, we are planning future workshops to help our employees increase their energy levels.

Following the analysis of the results of this survey, proposals for remediation are put in place (e.g. training on ergonomics, prevention of psychosocial risks, etc.).

The introduction of flexible working hours and home office further offers all employees the possibility to efficiently combine professional obligations and private activities and assure work life balance. The use of S-FIT, a fitness centre on Spuerkeess premises, offers the possibility to strengthen the body and relax the mind.

In addition, the Bank has an on-site corporate psychologist, whom employees can consult if necessary.

Attracting talent and providing the opportunity to develop professionally and in their personal lives is a key aspect of the Bank’s human resources strategy. It is reflected in the Bank’s turnover rate of 1,79%, well below the average of the financial sector.

We aim to equip our employees with the knowledge, skills and mindset to put sustainability into practice both inside and outside the workplace.

To this end, Spuerkeess is developing a sustainability learning program that is being implemented in 2023. General trainings on ESG topics for all staff members will be launched in the form of e-learnings as well as specific ESG trainings which are activity- and practical-oriented. These trainings will be continuously updated in line with the evolving regulations.

Targets

- Monitor the turnover rate,
- Monitor the rate of absenteeism.

Measures to be taken

- Mentoring program (initiative to ensure internal networking, support and exchange for those who wish to take on more responsibility or who are already in charge)
- Establishment of a program to provide support after reintegration (maternity leave, parental leave, extended sick leave, unpaid leave etc.)

We will offer our employees, on a voluntary basis, access to a digital platform which will allow all interested parties to benefit from a whole range of services from health experts: Psychology, dietetics, sport, sophrology, pilates, coaching, reiki, etc.

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KPI	2021	2022	Δ 21/22
Turnover rate	1,73%	1,79%	3%
Recruitment rate	3,67%	4,23%	15%
Average year of seniority	43,58	43,83	1%
Rate of Absenteeism	3,48%	4,36%	25%

To take into account the new way of working (face-to-face or hybrid mode), we offer flexible training programs (large choice of sessions), modular pre-recorded short sessions broadcast as well as workshops in small groups and individualized coaching.

As Spuerkeess puts sustainability at the heart of its business, we make sure that our employees are highly committed to the subject, especially when it comes to climate action.



2.2. Training and professional development

MATERIAL TOPICS:

S - 11 - TRAINING AND PROFESSIONAL DEVELOPMENT

S - 12 - EQUAL OPPORTUNITIES IN RECRUITMENT AND PROMOTION

Being aware that the continuous development of skills is essential for employability, the Bank provides adequate training. The table below provides an overview on the average hours of training per year and per employee (broken down by salary groups and by gender⁸):

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⁸ Within Spuerkeess there are different salary groups, similar to the Luxembourg state careers

Average hours of training per year per employee		2020	2021	2022
A1	Total of employees	519	535	565
	Total of hours of training	11.235	14.471	16.348
	Of which hours of training on sustainability topics	na	na	285
	Average hours of training	22	27	29
A2	Total of employees	165	178	183
	Total of hours of training	4.460	4.591	5.254
	Of which hours of training on sustainability topics	na	na	184
	Average hours of training	27	26	29
B1	Total of employees	876	853	817
	Total of hours of training	14.041	11.731	14.586
	Of which hours of training on sustainability topics	na	na	893
	Average hours of training	16	14	18
Others	Total of employees	299	288	278
	Total of hours of training	2.871	1.695	3.121
	Of which hours of training on sustainability topics	na	na	178
	Average hours of training	10	6	11
Male	Total of employees	1.080	1.085	1.081
	Total of hours of training	19.400	21.075	26.098
	Average hours of training	18	19	24
Female	Total of employees	779	769	762
	Total of hours of training	13.207	11.411	13.212
	Average hours of training	17	15	17
TOTAL	Total of employees	1.859	1.854	1.843
	Total of hours of training	32.607	32.486	39.310
	Of which hours of training on sustainability topics	na	na	1.540
	Average hours of training	18	18	21

Trainings are equally accessible to female and male employees and HR will continue to strive to encourage people working in part time to participate actively in the training program of the Bank. This is an explanation to the difference of average hours of training between male and female employees.

The Bank has a set of tools and procedures within the framework of the management of its human resources, for instance a detailed organization chart, a description of individual positions for each role, individual work plans discussed during individual interviews which take place on an annual basis.

In the same context, throughout the career-path of every employee, the Bank has set up an evaluation system, called “professional performance appraisal” (PPA). The PPA is scheduled at least 3 times in the career. The individual interview is an opportunity for fruitful exchange between manager and employee to:

- reiterate the job description of the employee; define respectively update the agent’s individual work plan;
- take stock of the staff member’s situation in relation to their job description (role(s), tasks, knowledge, skills) respectively to their individual work plan;
- take an interest in the well-being of the employee;
- take stock of the work done since the last personal interview;
- promote communication;
- help to detect and solve potential problems;
- identify people who are open to mobility which is and remains an important mean for preparing employees for taking over hierarchical and functional responsibilities through the increase of working experience and knowledge of the Bank’s activities;
- determine training needs.

Total employees participating in performance and career development reviews in 2022

Annual individual interviews	1.696
Professional performance appraisal (PPA)	330
A1	41
A2	7
B1	201

A1: Master or equivalent,
 A2: Bachelor or equivalent,
 B1: Secondary school diploma
 (+ 2 years of higher education).

Targets 2023

We are aiming to increase the average annual hours of training from 21,33 hours to 25 hours by 2023. Thanks to technology and the opportunities of the e-learnings provided within the Bank, training efficiency has improved.

Measures to be taken

For the next three years, general trainings on ESG topics for all staff members will be launched in the form of e-learnings as well as specific ESG trainings which are activity- and practical-oriented. These trainings will be continuously updated in line with the evolving regulations.



2.3. Leadership and future talent

Spuerkeess pays particular attention to a good match of skills to the respective positions and actively encourages internal mobility. The HR & People Management business unit is responsible for monitoring employees who have expressed a desire for mobility within the Bank. For all open positions, job profiles are drawn up containing the technical and transversal skills sought on the basis of the skills reference system. This exercise makes it possible to find the candidates best suited for the position in question, but also to determine a possible gap in skills in view of establishing a tailor-made training program. A training program is then drawn up individually or for a group of people who need additional skills to be able to succeed in the new position.

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Our Talent Management Program aims:

- the continuous development of technical, transversal and leadership skills,
- to facilitate the planning of the succession of key positions within the Bank,
- to detect promising talents.



2.4. Diversity

Spuerkeess attaches great importance to the quality of the environment in which the various stakeholders operate and make sure to introduce the necessary measures to promote an environment that is open, respectful and free from any form of discrimination.

Initiatives promoting an inclusive atmosphere at all times of the employee's life will have a beneficial effect on employee motivation, on the quality of the work provided and on the alignment of employees with the Bank's values.

Our performance 2022

Various initiatives took place in 2022 as part of the promotion of diversity and inclusion within the Bank:

- Organisation of a conference as a first action to raise awareness of unconscious bias, an essential element in encouraging employees to be tolerant and non-judgmental.
- Launch of a challenge on the SPARK communication platform, the objective of which was to encourage the involvement of all staff to formulate ideas on diversity and inclusion.

Targets (subject to legal requirements pertaining to collective expertise and knowledge) and current situation:

- Representation of at least 40% of the under-represented gender on the Board of directors; on December 31st 2022 gender distribution is 3 to 4 with regard to Board members, i.e. under-represented gender has a share of 43% (Staff representatives not considered),
- Representation of at least 40% of the under-represented gender on the Executive Committee,
- Increase the representation of women in positions of hierarchical responsibility to at least **30% by 2025** and **40% by 2030**.

Measures to be taken

- Increase initiatives to promote diverse leadership by organizing an inspiring conference, an image campaign, a mentoring program and the signing of the Women in Finance Charter (ABBL),
- Propose actions in terms of work life balance and mental health,
- Organize specific sessions on the prevention of unconscious bias,
- Prepare female employees to taking over hierarchical positions through an increase in female vesting of functional responsibilities,
- Proactively promoting part-time work for female and male employees.



I. Corporate operations 2. Human resources

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Diversity by hierarchical function and gender

		2020		2021		2022	
		M	F	M	F	M	F
Executive Committee	Members	3	2	3	2	3	2
	%	60,00%	40,00%	60,00%	40,00%	60,00%	40,00%
Head of Department	Members	10	0	10	0	15	1
	%	100,00%	0,00%	100,00%	0,00%	93,75%	6,25%
Vice President & Head of Business Unit	Members	27	1	24	2	27	4
	%	96,43%	3,57%	92,31%	7,69%	87,10%	12,90%
Deputy Head of Business Unit	Members	34	7	38	5	40	8
	%	82,93%	17,07%	88,37%	11,63%	83,33%	16,67%
Head of Finance Centre	Members	11	0	10	2	5	2
	%	100,00%	0,00%	83,33%	16,67%	71,43%	28,57%
Deputy Head of Finance Centre	Members	12	2	12	1	11	3
	%	85,71%	14,29%	92,31%	7,69%	78,57%	21,43%
Team Manager	Members	71	12	79	12	81	16
	%	85,54%	14,46%	86,81%	13,19%	83,51%	16,49%
Assistant Team Manager	Members	54	12	63	17	64	17
	%	81,82%	18,18%	78,75%	21,25%	79,01%	20,99%
Branch Manager	Members	35	11	32	8	35	8
	%	76,09%	23,91%	80,00%	20,00%	81,40%	18,60%
Assistant Branch Manager	Members	18	18	15	10	12	6
	%	50,00%	50,00%	60,00%	40,00%	66,67%	33,33%

In 2022, 293 male staff are occupying hierarchical functions against 67 female staff (19%).

Diversity by nationality

Nationalities	Number of agents	%	Men	%	Women	%	
Luxembourgish	1.497	81,23%	829	44,98%	668	36,25%	
French	186	10,09%	147	7,98%	39	2,12%	
Belgian	69	3,74%	56	3,04%	13	0,71%	
Portuguese	46	2,50%	25	1,36%	21	1,14%	
Italian	23	1,25%	12	0,65%	11	0,60%	
German	6	0,33%	4	0,22%	2	0,11%	
Spanish	4	0,22%	3	0,16%	1	0,05%	
English	2	0,11%	0	0,00%	2	0,11%	
Dutch	2	0,11%	1	0,05%	1	0,05%	
Romanian	2	0,11%	0	0,00%	2	0,11%	
Polish	1	0,05%	1	0,05%	0	0,00%	
Tajik	1	0,05%	0	0,00%	1	0,05%	
Bulgarian	1	0,05%	0	0,00%	1	0,05%	
Tunisian	1	0,05%	1	0,05%	0	0,00%	
Canadian	1	0,05%	1	0,05%	0	0,00%	
Moroccan	1	0,05%	1	0,05%	0	0,00%	
Total:	1.843		1	1.081	58,65%	762	41,35%
Number of nationalities	16						100%

Diversity by age class

	Agents	%
Babyboomer (born before 1965)	76	4%
Generation X (born between 1965 and 1980)	938	51%
Generation Y (born between 1980 and 2000)	822	45%
Generation Z (born after 2000)	7	0%
Total	1.843	100%

Diversity by gender (contracts)

	2020	2021	2022
Male	1.080	1.085	1.081
Female	779	769	762

Diversity by hiring

	2020	2021	2022
Male	42	47	55
Female	30	15	23
Total	72	62	78

3. Governance

3.1. Sustainable profitability

MATERIAL TOPIC: G - 1 - GUARANTEEING THE BANK'S LONG-TERM SUSTAINABLE PROFITABILITY

The overall strategic objective of Spuerkeess strategic plan "Spuerkeess 2025" reads as follows:

"To guarantee the sustainable profitability of our business model"

Sustainable profitability is a key element of stability, representing one of the Banks' core values, and is therefore a primary objective of Spuerkeess' strategic plan.

Besides the context of pure financial profitability, Spuerkeess extends the notion of sustainability to the field of ESG, underlined by its ESG strategy which is a fully integrated strategic plan.

Our performance 2022

We create value from two main sources via fees and interests received in connection with our financing, as well as the commissions generated by our customers' investments or by investing in our own funds. This value is redistributed to stakeholders through:

- Salaries paid to our employees;
- General expenses (mainly in favour of our suppliers);
- The distribution to the Luxembourg State, the owner of Spuerkeess, of part of the early net profit of the Bank as remuneration of the capital made available to the Bank;
- Community investments (sponsoring, humanitarian aid, etc.).

The Bank recorded a total distributed value⁹ of 463,3 million € in 2022 (compared with 435,1 million € in 2021).

In million euros	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Economic value created (Bank Margin) ^A	603,6	595,5	647,1	753,9
Value adjustments ^B	-64,8	-109,6	-15,2	-115,9
Distributions from the income statement	-354,9	-350,5	-395,1	-403,3
of which staff costs	-229,7	-237,5	-243,7	-252,8
of which non-staff-related general expenses	-87,2	-85,8	-97,9	-101,8
of which taxes	-38,0	-27,2	-53,5	-48,7
Income for the year	183,9	135,4	236,8	234,7
Change in valuations in own funds ^C	-66	144	579,6	13,3
Total Comprehensive Income for the year	117,9	279,4	816,4	248,0
Distributions from own funds	-40	-40	-40,0	-60,0
of which distribution to the state as owner	-40	-40	-40,0	-60,0
Value retained after distribution (change in own funds)	77,9	239,4	776,4	188,0

"For the sake of consistency with the accounting standards adopted by Spuerkeess for its financial statements, we consider the "direct economic value generated" as defined by the GRI Standards to be equivalent to the "Bank Margin".

A. Bank Margin = sum of interest income, fees, income from securities and income from financial instruments.

B. The "Value adjustments" heading contains allowances for the impairment of tangible and intangible assets, net allowances for individual and collective credit risks, provisions and reversals of provisions, and profit from non-current assets.

C. The "Change in valuations in own funds" heading contains the actuarial gains/losses on pension funds and the change from the valuation of the Bank's holdings in the Luxembourgish economy."

Target 2025

We forecast that the creation of economic value (Bank margin) grows by an average annual rate of 7% until 2025, based on the assumptions underlying our 3-year budget exercise.

⁹ Sum of the "Distributions from the income statement" and "Distributions from own funds" headings.

3.2. Our responsible business conduct

We rely on our commitment and the involvement of our entire organisation to reflect the Bank's values. Our employees demonstrate their support on a daily basis.



3.3. Ethical conduct

MATERIAL TOPIC: G - 13 - ADOPTING ETHICAL BEHAVIOUR TOWARDS EMPLOYEES, CUSTOMERS, PARTNERS AND SUPPLIERS

Spuerkeess ensures the implementation of the Code of Conduct, which brings all the employees of Spuerkeess together in a single community of values. The code of conduct stresses the importance of confidentiality, data protection, the management of conflicts of interest, the fight against corruption, money laundering and terrorist financing. Continuous training regarding the aforementioned topics is key to mitigate those risks as shown in the figure below:

Regulatory trainings in 2022 (in hours)

A1	3.867,7
Female	788,6
Male	3.079,2
A2	1.681,0
Female	603,0
Male	1.078,0
B1	5.926,0
Female	2.549,0
Male	3.377,0
Autres	1.350,0
Female	843,0
Male	407,0
Total	12.824,7

3.4. Whistleblowing channel

Based on the code of conduct, an internal alert (whistleblowing) mechanism has been implemented in accordance with the applicable legal requirements.

Through this mechanism, Spuerkeess' employees can confidentially report any problems or negligence to the Chief Compliance Officer designated for handling whistleblowing, such as infringement of a law, a regulation or the code of conduct.

To report any concerns regarding the conduct of Spuerkeess' business, complaints can be made in writing by e-mail, by S-Net or by telephone to the Spuerkeess Compliance Department.

Mechanisms to raise concerns for our clients

Our website provides customers with instructions on how to file a complaint as well as an overview about how complaints are handled by our bank.

In 2022, Spuerkeess has registered 320 complaints filed by our clients all of which have been treated and closed. 6 complaints have been subject to requests for an out-of-court complaint resolution at the CSSF (Luxembourg Financial Regulator) according to the provisions of the "Règlement CSSF N° 16-07 relatif à la résolution extrajudiciaire des réclamations".

As described on our website, complaints can be filed by any written means or by telephone call. Any complaint registered in our tool implies an automatic acknowledgment of receipt to the complainant. Spuerkeess undertakes to ensure that complaints will be answered within one month from the date of receipt.

Compliance with laws and regulations

Spuerkeess relies on a governance model that corresponds to the concept of the three lines of defense, as defined in the latest version of the CSSF Circular 12/552. Spuerkeess has opted for a federated model with regard to its govern-

ance in terms of regulatory monitoring. As such, standards are centrally defined and implemented throughout the Bank. On a monthly basis, Spuerkeess monitors publications which may have a significant impact on the institution (regulatory watch). This has also been the case for regulations related to sustainability matters such as SFDR, EU Taxonomy, Mifid II, CSRD, etc.

These publications are grouped into topics which are categorized by the designated topic owner, considering two dimensions, i.e.:

- a. criticality, which is composed of two key elements:
 - potential reputational impact on the organisation;
 - potential financial impact on the organisation;
- b. complexity, which breaks down into two key aspects:
 - number of business units internally impacted in order to ensure the organisation's compliance;
 - number of staff members to be allocated to corresponding regulatory works.

On a 3 months basis, the topic owner is asked to report about the progress of regulation implementation. For SFDR, EU Taxonomy and CSRD, the Strategic and Sustainability Office is the topic owner; for Mifid II it is the Private Banking Business Unit.

Non-compliance issues, as well as any other operational incident, are analysed by a dedicated team in the non-financial risk management unit.

Non-compliance issues, as well as any other operational incident, are analysed by a dedicated team in the non-financial risk management unit.

Statistics about non-compliance during 2022

Significant instances of non-compliance	3
Among which issues in the regulatory reporting led to an internal analysis of the problems	3

3.5. Remuneration

As an autonomous public establishment, the staff of Spuerkeess has a public law status assimilated to that of State employees.

The status and salaries are defined by the law of 24 March 1989 on the Banque et Caisse d'Épargne de l'État, Luxembourg. Articles 33 and 35 allow for payment of non-pensionable supplementary remuneration to employees of the institution, distinct from the law on the civil service.

Promotion within a salary group is based on the promotion table for civil servants as well as the specific promotion conditions defined by Spuerkeess.

Spuerkeess' remuneration policy is applicable to all staff of the Bank and provides that fixed remuneration as well as the granting of variable remuneration are not linked to quantitative financial performance criteria, neither at individual nor at collective level. These remunerations are not structured in such a way as to act as an incentive for behaviour that has an impact on the financial situation of the Bank or on its risk profile.

The remuneration policy guarantees absolute neutrality with regard to gender or any other distinctive characteristic linked in particular to sexual orientation, religious belief, nationality and origin or ethnicity.

In order to ensure sound and effective risk management, the granting and amount of remuneration supplements are disconnected from any quantitative criteria related to the financial result of Spuerkeess.

In addition thereto, variable remuneration granted to "Material Risk Takers" are validated beforehand by the Nomination and Remuneration Committee which ensures that no supplement of remuneration is paid which might be of a nature of impacting adversely a sound risk control behaviour and / or an independent risk control attitude in the internal decision process and governance framework.

Based on the regulatory framework applicable to Spuerkeess, remuneration follows the principles applicable to civil servants.



II. Banking activities

We are committed to contribute to a more sustainable society, both directly through our operations (as shown under Section I. Corporate operations) and indirectly through our investing and lending activities helping our clients in the transition process to become more sustainable. This section of the sustainable development report details our approach to sustainable finance and also provides examples of our products and services in support of the transition towards a more sustainable society.

Our sustainability approach aims to progressively meet the expectations of society's stakeholders in respect of the main environmental, social and governance topics by adapting our portfolios and our processes accordingly. We support our clients in their sustainability transition by offering them solutions for this transition. Among the different topics, the fight against climate change is especially high on the agenda.

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Furthermore, through our sustainability policies, we are gradually restricting the investments in the most harmful activities. Through our sustainability policies we direct capital towards a more sustainable economy and by analogy take sustainability risks into account in our banking activities.

How we direct capital towards a more sustainable economy:

- We set decarbonization targets for carbon-intensive balance sheet exposures and develop a strategic transition plan to achieve these targets;
- We promote sustainable business solutions to a wide range of customers;
- We have created a team dedicated to innovation and product development for our retail and professional customers. Our ambition is to further develop the ESG dimension in our business solutions;
- Spuerkeess believes that active collaboration with its stakeholders is key to making a significant impact in addressing sustainability-related challenges;
 - In 2022, Greenpeace carried out a “Climate Mystery Shopping” on climate-friendly investments at six banks based in Luxembourg, including Spuerkeess. Following the general critics towards the six banks having shown during the mystery shopping deficiencies in the products offered and in the expertise of advisors, Spuerkeess and Spuerkeess Asset Management organised three workshops together with Greenpeace and two Scientists to exchange on sustainability topics. The process made it possible to identify ways and opportunities to turn our products and services more sustainable.
- Implementing the Mifid regulations on sustainability, we adapted our existing Mifid profiles to integrate our clients' preferences in terms of sustainable investment.



1. The carbon footprint of our banking activities

ESG Impact Analysis

Spuerkeess performed an impact analysis on its balance sheet in early 2020 based on UNEP FI's Portfolio Impact Analysis methodology which showed that climate change constitutes a major area where Spuerkeess can create positive impact and/or reduce negative impact.

Consequently, one of the main pillars of our corporate strategy Spuerkeess 2025 is to adopt a role as Transition Enabler. Our ambition is to raise awareness among our clients (lenders and investors) and to support them in their projects towards a more sustainable economy, and when it comes to climate change, enhancing their resilience towards climate risks ("risk mitigation").

This creates a win-win situation for the **planet**, the **customer** and the **Bank**. Climate risks contain mainly two factors:

- **Transition risks:** These are financial losses that an institution might incur, directly or indirectly, as a result of the process of adapting to a low-carbon economy. It can arise, for example, from relatively abrupt adoption of climate policies, technological progress, shift in customer demand, etc.
- **Physical risks:** These are the financial effects of climate change such as increased extreme weather events and gradual change in climate patterns. They can result from floods, droughts, storms, etc.

Among the objectives of the "European Green Deal", the EU developed the EU Taxonomy. It describes a classification framework to determine whether an economic activity is environmentally sustainable which requires the reporting on eligibility and alignment against six environmental objectives.

The European Banking Authority (EBA) issued the Pillar 3 disclosures on ESG risks, with a main focus on climate risks for its first year disclosure, which was disclosed by Spuerkeess on 30 April 2022¹⁰.

In late 2020, the European Central Bank (ECB) published its climate-related & environmental risks guide, which explains how ECB expects banks to prudently manage and transparently disclose such risks under current prudential rules:

- Spuerkeess participated in the ECB's stress test on climate-related & environmental risks. First analysis and results from the ECB climate stress test have revealed that climate and environmental risks have a rather low impact on the Bank's risk profile compared to peers.
- Spuerkeess developed an internal climate stress test framework, which aims to simulate the impact of different climate scenarios on credit risk (i.e. probability of default, loss given default, etc).

ESG risk management

The following sections give a deeper insight into Spuerkeess' approaches used to prudently manage and transparently disclose climate-related and environmental risks that reduce our financial risks and thus the impact on our business model.



¹⁰ Please refer to our publications

– **Physical risk**

Since one of our main activities consists in granting credits, we analysed the potential impact of flood events on our residential mortgage portfolio by:

- Identifying the location of the Bank’s collateral based on geographical location data,
- Mapping these data into granular flood maps, based on the usage of historical data about floods provided from GEOPORTAIL¹¹, that allowed us to detect the probability of occurrence, number and exposure of assets in 100 and 10 years flood zones,
- aggregation of this assessment at portfolio level to evaluate the total exposure at risk of flooding.

The outcome of this methodology allows us to determine the existing exposures on financed buildings which are located in known flood zones:

Exposures concerned by floods

Risk	Flood 10 years	Flood 100 years	Extreme flood
% of exposure concerned	1,00%	2,60%	4,50%

Granularity of geographical data used for floods

Data quality	Data quality description	% of exposure covered
1.0	Building geolocated	93,30%
2.0	Use of proxy: the postal code	5,50%
3.0	Use of a proxy: the city	1,20%
4.0	No use of a proxy	0,00%
Total		100,00%

Beside this analysis on historical data, Spuerkeess, in close collaboration with LIST¹², is currently working on the establishment of a model taking into account forward looking data based on climate scenarios for the short, medium and long term, allowing us to measure:

- vulnerabilities on asset level of clients through floods,
- the potential impact of those physical risks on the Bank’s business model.

The intended early stage/preliminary scenario modelling of domestic housing loans will be limited to a flood risk indicator at client/asset level.

– **Transition risk**

Spuerkeess ambition is to align with the objectives of the Paris Agreement as well as aligning to the objectives of the National Energy and Climate Plan (NECP) of Luxembourg by progressively decarbonising its banking activities and thus its exposure to transition risks.

Willing to strongly engage on this pathway, Spuerkeess joined in 2021, as the first Luxembourgish Bank, the Net Zero Banking Alliance (NZBA). The goal of the Banking Alliance is to align the Bank’s financed greenhouse gas emissions (GHG) associated with its lending and investing activities with credible and well recognized scientific transition benchmark pathways to become net zero by 2050 and thus limit global warming to 1.5°C.

The section below gives a deeper insight into Spuerkeess’ methodology and the management of transition risks.

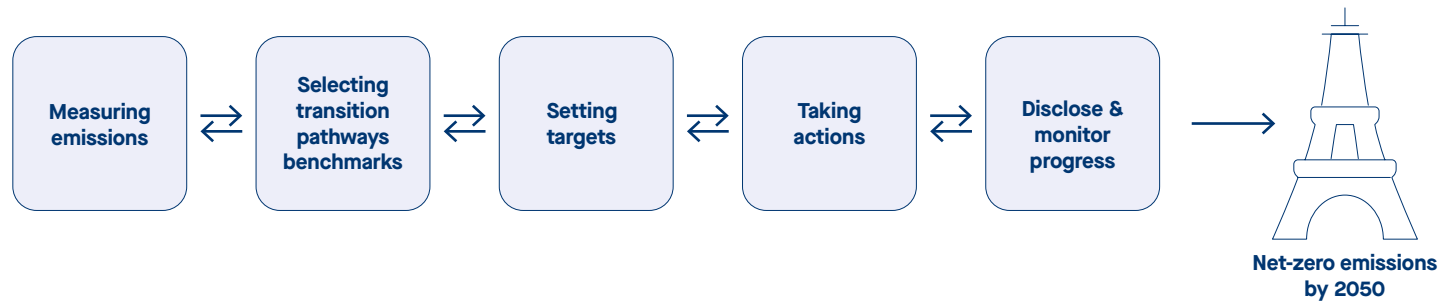


¹¹ Geoportal is Luxembourg’s national official geoportal, a governmental platform to collect, describe, show and deliver geospatial data and related products (Geoportal - Home (geoportail.lu)).

¹² LIST, The Luxembourg Institute of Science and Technology is a mission-driven Research and Technology Organisation (RTO) that develops competitive and market-oriented product/service prototypes for public and private stakeholders (Home | Luxembourg Institute of Science and Technology (list.lu)).

Our performance 2022

With respect to the establishment of our banking activities carbon footprint, our approach consists of five phases that will enable us to transparently achieve emissions reductions across the Bank’s entire value chain:



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Thus the measuring of our financed GHG emissions allow us to

- establish the carbon footprint of our loan and investment activities based on the PCAF¹³ methodology;
- identify the most GHG-intensive and GHG-emitting sectors in our portfolios;
- set science-based short-, medium- and long-term targets based on scientifically recognised transition benchmarks pathways in line with NZBA guidelines;
- design strategies, implement concrete actions and monitor the reach of our targets set to become Paris aligned and net zero by the latest in 2050.

The table below provides an overview of the carbon footprint stemming from our exposures on climate relevant sectors¹⁴. As of 31 December 2022, about 43% (46 % in 2021) of our balance sheet stem from climate relevant sectors. The calculation of financed GHG emissions covers about 96% of these climate relevant exposures.

Spuerkeess’ carbon footprint of its lending and investment activities includes its clients/issuers scope 1, scope 2 and scope 3 emissions where relevant and appropriate reliable data exists. We cover scope 1 and scope 2 emissions for all our asset classes. For Oil, Gas and Mining activities, we

additionally take into account scope 3 emissions as required by PCAF¹⁵. From 2023, Spuerkeess will, as required by PCAF, include the scope 3 emissions for five additional sectors (i.e. transportation, construction, buildings, materials and industrial activities) and from 2025 for every sector in its financed GHG emissions calculations.

13 The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative which enables financial institutions worldwide to consistently measure and disclose the greenhouse gas (GHG) emissions of their financial activities. PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition

14 We applied the definition of climate relevant sectors / activities as given by the Regulation (EU) 2020/1818, namely code nace A - H & L.

15 PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

II. Banking activities 1. The carbon footprint of our banking activities

Our average data quality score¹⁶ improved from 3,4 in 2021 to 3,17 in 2022. As indicated in the following table, our average data quality score for corporate bonds and equities displays a rather high quality score (around 2) whereas the data quality score of business loans shows low quality as we rely on sectoral estimates in the absence of GHG emissions data from SME's (data quality score 5). Regarding our residential mortgage loan portfolio, the average data quality score is mid-range 2,92 as we refer to PCAF emission factors (tons CO₂e/sqm) applied for Luxembourg.

Exposures per asset class	Financed absolute GHG emissions 2022						
	Gross carrying amount (in mio €)	Scope 1 & 2 (in tons of CO ₂ e)	Scope 3 (in tons of CO ₂ e) only Oil, Gaz & Mining	Scope 1&2&3 (in tons of CO ₂ e)	PCAF coverage (in %)	Average data quality score	Financial intensity (tons of CO ₂ e/exposure)
Total climate relevant exposures included in GHG calculations	23.468	1.259.349	1.086.303	2.348.305		3,17	100
of which corporate bonds	2.615	250.387	1.046.375	1.296.762	100%	2,11	96
of which exposures from automotive sector	147	1.534		1.534			
of which exposures from power generation sector	270	84.366		84.366			
of which exposures from oil & gas sector	296	69.067	828.610	897.677			
of which corporate equities	1.098	398.868		398.868	100%	1,48	363
of which exposures from passenger airline sector	496	32.268		32.268			
of which exposures from freight airline sector	535	366.600		366.600			
of which residential mortgage loans	15.257	146.033		146.033	94%	2,92	10
of which business loans	4.497	464.061	39.927	503.988	100%	5	103
of which exposures from construction sector	1.242	31.051		31.051			
of which exposures from transportation & storage sector	464	135.451		135.451			
of which exposures from manufacturing sector	426	113.182		113.182			
of which exposures from electric utilities sector	333	109.704		109.704			
Total climate relevant exposures not included in GHG calculations	1.081						
Total non climate relevant sectors	32.466						
of which financials	21.338						
of which governments	4.125						
Total Gross Carrying Amount	57.015						
Own operations		1.770	2.312	4.082			

16 The PCAF data quality score gives an indication of the data used to calculate financial institutions financed GHG emissions. Scores are ranging from 1, highest data quality score (= reported verified / unverified GHG data) to 5, lowest data quality score (= estimated sectoral GHG data).

II. Banking activities 1. The carbon footprint of our banking activities

Targets 2025 / 2030

In compliance with the NZBA guidelines, we chose to set “sectoral” decarbonization targets on an intensity basis (instead of absolute basis). The carbon intensity of a company is determined against its primary output (e.g. kg CO₂ per MJ of electricity produced) and compared with relevant sectoral transition benchmark pathways¹⁷.

The table below summarises Spuerkeess’ decarbonisation targets for its climate-relevant sectors over the coming years to become net zero by 2050 (or earlier).

Spuerkeess’ climate relevant sectors	Metric	Baseline 2022	Target 2030		Measures to be taken
		Value	Value	Scenario*	
Corporate bonds portfolio					
Oil & Gas	gCO ₂ e/MJ	69,66	49,73	IEA 2°C	Partial divestment & reinvestment of 100% of matured bonds into best in class companies
Power generation	gCO ₂ e/Mwh	0,15	0,06	IEA 1,5°C	Invest into best-in-class companies
Automotive	gCO ₂ e/km	129,60	80,91	IEA 2°C	Partial divestment & reinvestment of 100% of matured bonds into best in class companies
Corporate equities portfolio					
Cargo airlines	gCO ₂ e/RTK	463,00	370,00	IEA 1,5°C	Use of sustainable air fuel (SAF), investing into a new fleet (Boieng 777 substituting 747)
Passenger airlines	gCO ₂ e/RTK	1.052,00	616,00	IEA 1,5°C	Use of sustainable air fuel (SAF), investing into a new fleet ...
Residential mortgage loans					
Mortgage loans	kgCO ₂ e/m ²	50,25	24,10	NECP	Collection of clients’ EPC, Renovation effort to enhance average EPC, ...
Other commitments					
Own operations	tCO ₂ e / FTE**	1,17	1,05		Digitalisation efforts, introducing further energy cost containment measures and innovative projects,...

*Based on the carbon intensity forecasts performed by TPI on individual companies, we considered that the 1,5°C transition pathways could not be followed by certain sectors. For these reasons, we chose 2°C transition pathways for Oil & Gas and automotive sectors.

** FTE: Full-time equivalent

Please refer to our “Net Zero Climate Target Report” which gives deeper insights into our approaches and methodologies used to establish our carbon footprint, identifying our most

GHG intensive and emitting sectors, targets setting and the establishment of the action plan to achieve the targets set above (Spuerkeess: CSR Reports of Spuerkeess).

¹⁷ We used IEA (International Energy Agency) sectoral benchmark pathways and individual company pathways estimated scientifically by the Transition Pathway Initiative.

2. EU Taxonomy: measuring the EU Taxonomy eligibility of our banking assets

In response to the Paris Agreement Goals, the European Union published its EU Green Deal in 2020 with climate and energy targets for 2050 by showing its ambition to redirect investments (capital flows) towards sustainable projects and activities.

In light of the aforementioned EU Green Deal was born the EU taxonomy which is a classification system that establish a list of environmentally sustainable economic activities. The Taxonomy Regulation establishes six environmental objectives:

- Climate change mitigation,
- Climate change adaptation,
- The sustainable use and protection of water and marine resources,
- The transition to a circular economy,
- Pollution prevention and control,
- The protection and restoration of biodiversity and ecosystems.

An economic activity has to meet four overarching conditions in order to qualify as environmentally sustainable.

- Substantially contributes to one or more of the environmental objectives;
- Does not significantly harm any of the environmental objectives;
- Is carried out in compliance with the minimum safeguards;
- Complies with technical screening criteria that have been established by the Commission.

Spuerkeess as a financial institution falling under the Non-Financial Reporting Directive (NFRD) is required to disclose:

- By 2022, the part of their taxonomy-eligible assets that make a substantial contribution to one of the first two environmental objectives of the Taxonomy
- By 2024, the part of their eligible assets that make a substantial contribution to at least one of the climate and environmental objectives, while also doing no significant harm to the remaining objectives and meeting minimum standards on human rights and labour standards.

Information on how and to what extent Spuerkeess economic activities are associated with economic activities that qualify as being considered environmentally sustainable (Taxonomy Eligible) are presented in appendix 2.

Furthermore, Spuerkeess calculated the Banking Book Taxonomy Alignment Ratio (BTAR) on its corporate bonds portfolio which gives an indication of the taxonomy-alignment of the bank's corporate bonds portfolio. Over the forthcoming months, Spuerkeess will continue to apply the BTAR¹⁸ to its remaining portfolios in order to disclose the part of their sustainable assets of its balance sheet by 2024.



¹⁸ The "Banking book Taxonomy Alignment Ratio" (BTAR), is one of the metrics published within the Pillar 3 disclosures and is considered as a "tool to show how institutions are embedding sustainability considerations in their risk management, business models and strategy and their pathway towards the Paris agreement goals." (source: www.eba.europa.eu) This metric is based on the entire banking book.

3. Our banking solutions with environmental benefits

MATERIAL TOPICS:

E - 15 - DEVELOPING PRODUCTS/SERVICES THAT PROMOTE THE ENVIRONMENTAL TRANSITION

E: 19 - PROMOTING THE ENVIRONMENTAL TRANSITION AND SUPPORTING OUR CUSTOMERS IN THIS PROCESS

G - 18 - DEVELOPING DIALOGUE WITH CUSTOMERS, SUPPLIERS, PARTNERS, ETC.

The climate aspect is included in the majority of sustainable products and services we promote.

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Generally speaking, sustainable finance is reflected in the main categories of product and services, which are the following:

- deposits,
- transactions,
- lending,
- advisory.

A good overview of our sustainable products and services is given under the section “Our banking activities: products and services” at page 12.

In terms of governance, and in order to comply with GRI 2021, the EBA transparency directive and in preparation of the CSRD, we are currently in a process of implementing the “Sustainability Framework”, which incorporates a set of ESG Policies under development which are listed in the appendix 3. Among these policies we concentrate more particularly in this chapter on product and service related policies such as the “policy for managing exclusions and controversies”, the “Responsible policy for credits and investments”, “the policy for fair design and marketing of banking” as well as the “human rights policy”. These policies have recently been developed

and will be published on our website end Q2 2023, after having been approved by the Bank’s management bodies.

In order to orient the customer towards sustainable products, we:

- create ESG awareness among our sales representatives who are continuously trained in the ESG aspects of their activity and the products;
- implement the tools that help customers make conscious choices about investing into sustainable products.

3.1. Deposits

Alternative savings account in collaboration with ETIKA

The alternative savings account, which was brought to life in 1996, is the result of a collaboration between Spuerkeess and ETIKA asbl. The savers, retail and professional clients, are informed of the destination of their funds and support initiatives aimed at national and international sustainable development without financial risk and with total transparency. As a result of the solidarity of the account holders, who give up part of the financial return, savings are used to grant loans. Savings are only converted into loans if projects meet strict social and ecological criteria. Projects are selected jointly by ETIKA and Spuerkeess. ETIKA is focused on the ecological and social factors of a project, while Spuerkeess focuses on the commercial viability.

Overview of the total savings at end 2022 (millions of euros)

Indicator	2020	2021	2022
End of year data	51,7	49,4	46,6

Sustainable account management

Actively promoting the paperless account among our customers has led us to achieve a 63% coverage of retail customer accounts receiving only electronic statements at end of 2022 (against 59% in 2021). Continuing at this pace, we believe that we will reach 70% by 2025.

3.2. Lending

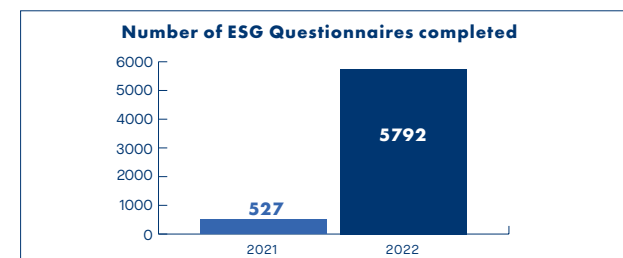
The strong relationship we keep with customers allows us to engage more consistently to orient funding towards sustainable projects. This constitutes a major lever in our role as transition enabler.

A) Lending activity for retail customers

ESG questionnaire for residential mortgage loans

To collect ESG information from clients and to raise awareness on the importance of generating and delivering the energy performance certificate of their building, the completion of an ESG questionnaire via an application is mandatory for all relevant applications. Moreover, this questionnaire allows the Bank to better understand how to support its clients in the ecological transition.

The low volume of questionnaires completed in 2021 is due to the fact that we started the collection process in late 2021.



Energy-efficient housing loans: EPCs¹⁹ A&B

As a key player on the real estate market in granting housing loans, our aim is to constantly improve the average energy performance class of our residential mortgage loan portfolio.

The table below gives an overview of the sustainable housing financing

Low carbon housing financing (granted in 2022)

Indicator	2020	2021	2022
Financed projects (in numbers)	1.633,00	1.744,00	1.537,00
Mortgage for energy-efficient housing (in mio €)	943,90	1.035,61	937,76
Share of energy efficient housing loans	40%	37,80%	35,80%

The granted amount of energy efficient houses in 2022 declined by 9,4% compared to 2021, which can be traced back to the slowdown in the real estate market, mainly due to general construction costs and the increase of interest rates in Q4 2022.

Target 2025

In order to reach our ambitious targets in decarbonising our residential mortgage loan portfolio to align with 1.5°C climate target, we have to further increase the share of energy-efficient houses in our residential mortgage loan portfolio, as well as promote housing-renovation finance. Please refer to our “Net Zero Climate Target Report” for further details.

Renovation and renewable energy financing

We encourage retail clients to improve the energy efficiency of low EPC class homes. We succeeded in improving our “Aid and Finance Advice” concept, to further accelerate energy renovation

The aid and finance advice is an online simulator to support our clients in their energy efficiency projects and help them understand the aid and grants that are available to them. We have implemented tools to identify projects that are eligible for these grants and subsidies, guide our clients on actions they can take, propose types of financing adapted to different projects, and support them in their ecological, energy efficiency or sustainable development projects.

In 2022, we provided energy improvement advice to approximately 1.600 customers (including retail and SME customers) as compared to approximately 1.300 customer in 2021. This 23% increase is, among others, the result of more adequate training for housing advisors.

A dedicated product for financing environmentally responsible projects is our **EcoPrêt** product that allows a financing of up to an amount of 100.000 € and provides an attractive interest rate.

Eligible projects for financing are: renewable energies (i.e. photovoltaic, heat pumps, solar thermal collectors, wood pellet central heating) and energy transformations contributing to the improvement of the energy performance of the building (thermal insulation of various elements, replacement of doors and windows, etc.).

We also offer renovation and **sustainable renovation** loans for amounts exceeding 100.000 €.

In 2022, the figures²⁰ for the financing of sustainable renovation and renewable energy projects were as follows:

Low carbon renovation and renewable energy financing

Indicator	Granted amounts (in millions of euros)	Financed projects
Financing Ecoprêt (<=100.000 €)	12,01	390
Sustainable renovation loans (>100.000 €)	38,04	168
Total	50,06	558

Thanks to aid program granted by the Luxembourg government in 2023, as well as private aids in the context of rising energy prices, we foresee a rush on solar panels and photovoltaic installations. This factor, combined with the rise in interest rates, which is curbing demand for financing, should make it possible to stabilize financing for sustainable renovations at 50 million € per year for 2023-2025.

Additional Incentive for energy renovation: Ecobonus

Ecobonus powered by ETIKA is a grant of up to 1.000 € for customers carrying out energy renovations to their homes, such as new windows, insulation and new heating, which reduces energy consumption and GHG emissions. It applies when the initial energy class associated to the EPC improves by at least two classes once the renovations are carried out.

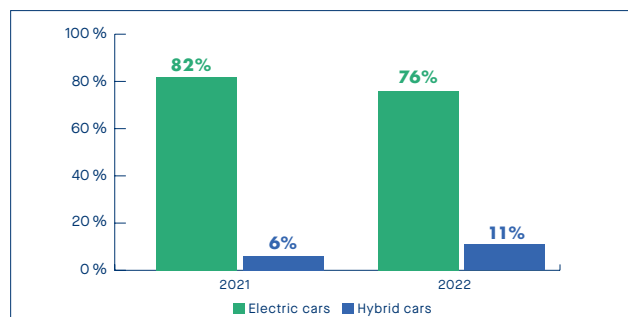
19 The Energy Performance Certificate “provides information on a building’s calculated energy consumption and its CO₂ emissions”. (source: www.guichet.public.lu)

20 With the aim of improving the quality of ESG data, changes have been made to our databases from 2021 on. For data consistency reasons, figures for previous years are not displayed.

Low carbon mobility solutions²¹

In 2022, the share of electric cars financed was 5,4%, whereas electric car leases which are actively promoted by the bank represent a share of 76% of total car leases.

The figure below provides the breakdown per type of leased cars.



2021 was an exceptional year following a special commercial offer by Spuerkeess that was very successful with retail customers. In 2022, 76% of leased cars were electric (2021: 82%), and 11% hybrid (2021: 6%).

B) Lending activity for corporates and SMEs

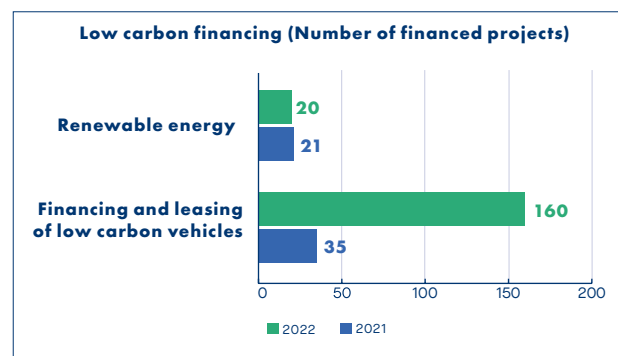
Solutions contributing to environmental objectives

The focus is on financing sustainable projects for SMEs and corporates, green innovations as well as clean and efficient energy projects, which are considered to be compliant with the substantial contribution criteria of the EU taxonomy.

Among the financed projects, we mainly count projects with climate goals like photovoltaic and solar projects, wind turbines or green mobility solutions, for which we apply preferential terms. We assess these types of projects with a tool developed by the European Investment Bank, called the “EIB Green Eligibility Checker²²”.

The Green Eligibility Checker supports financial intermediaries in originating, appraising, and reporting on green investments financed through the EIB's intermediated debt products or through other financing sources. The EIB green (climate action criteria and environmental sustainability) criteria are aligned with the substantial contribution (SC) criteria as defined in the first Delegated Act developed under REGULATION (EU) 2020/852 (EU Taxonomy), where applicable.

During 2022, green financing increased significantly mainly due to low carbon mobility financing as our financial advisors helped customers in accelerating their energy transition to anticipate the impacts of rising energy prices on their businesses.



The table below shows a breakdown by use of proceeds in 2022.

Low carbon finance (millions of euros granted in 2022)

Indicator	2020	2021	2022
Renewable energy	97,6	24,1	18,0
Loans and leasing of low carbon vehicles	20,1	22,3	74,2
Total amount	117,7	46,5	92,3

We have to create customer awareness, beyond climate topics, in assisting the customer in assessing his ESG performance with the objective to enhance his performance. This will create positive impact on nature and society, will optimize cost management for the long term and reduce risks for the customer and the Bank.

To do so we need to prepare our Corporate/SME advisors to guide their customers' transition pathways towards more sustainability.

This means, that we have to

- Train our advisors around the sectoral ESG risks and opportunities,
- Establish an ecosystem with professional partners and adequate tools,
- Collect relevant data to monitor the evolution of our customers ESG performance, evaluate the risks and the impacts,
- Apply a clear understandable sustainability framework.

²¹ Before 2022, mobility financing included electric, hybrid and hydrogen cars. The distinction by category is not possible before 2022.

²² EIB Green Eligibility Checker

InnovFin SME Guarantee Facility

In order to support SMEs with research-based or innovative projects, Spuerkeess has been participating in EIF’s European-scale program “InnovFin SME Guarantee Facility” (by European Investment Fund) since July 2018.

InnovFin was established by the EIB and the European Commission under the Horizon 2020 program for research and innovation. It provided for Spuerkeess and other European financial intermediaries financial guarantees in order to share risk which allowed banks to support financially innovative companies.

In 2023, Spuerkeess has decided to submit for the new InvestEU Program, which is the continuation of the above mentioned InnovFin program and will be implemented in the course of 2022-2027. InvestEU will offer to the banks capped and uncapped guarantees which will partly cover the credit risk of eligible debt financing transactions granted to predefined categories: SME competitiveness, Sustainability, Innovation & Digitalisation, and other specific categories. The projects are subject to the acceptance of EIF. In participating in this program, we commit to support projects linked to these categories.

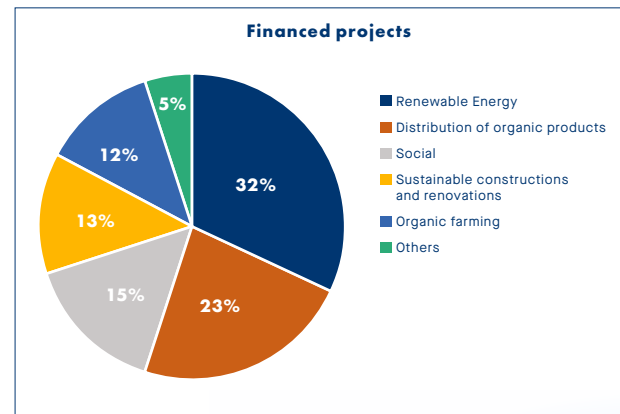
ICFA: International Climate Finance Accelerator

At the same time, the Bank supports climate initiatives such as the International Climate Finance Accelerator Luxembourg (ICFA), which has the objective to create an attractive and supporting environment for young, innovative and high impact climate finance fund managers. Spuerkeess is one of the banks participating in the financing of initiatives selected by ICFA.

ETIKA financing

As mentioned under the section “Deposits”, ETIKA finances environmental and social projects funded through the deposits.

ETIKA’s portfolio breakdown by use of proceeds:



3.3. Advisory

In this section we put the focus on sustainable investments and advisory services. Our approach is to strongly engage with our clients in order to transition their assets towards sustainability, all while guaranteeing transparency on sustainability risks and environmental impacts of our products and services. Integrating ESG criteria into the investment and advisory process, reduces our clients' financial risks related to sustainability issues and helps to align the invested amounts towards more sustainable assets.

One of the measures to mitigate sustainability risks is our exclusions and controversies handling policy (see appendix 3), which applies to all investment products and advisory services. It additionally prevents us from investing in companies which create significant harm on the environment or achieve impact by avoiding high transition risk.

We are progressively aligning our framework to new EU regulations such as SFDR (Article 8 or Article 9 funds) and MiFID II. The objective of the SFDR regulation is to make sure that investors are informed of the different sustainability aspects of their investments. In the context of MiFID II ESG, Spuerkeess ensures that investors' environmental, social and governance preferences are taken into consideration during the investment advice and portfolio management processes.

Investment in green funds and discretionary portfolio management:

Spuerkeess promotes two flagship "Green" funds.

- **Lux-Bond Green** follows a sustainable development objective as defined in Article 9 of the SFDR. The fund is committed to climate change mitigation while aiming to perform in line with or better than the international bond market by financing green projects. The fund which applies ICMA's Green Bond Principles was awarded the LuxFlag ESG since December 2020 and belongs to MSCI's best ESG rated funds.

- **Lux-Equity Green** promotes sustainable characteristics as defined in Article 8 of the SFDR. The fund is committed to aligning the economy with a below 2°C global warming trajectory in line with the Paris Agreement and applies an exclusionary strategy to screen out the riskiest or least suitable stocks for climate change mitigation and a best-in-class strategy (LuxFlag ESG since June 2021).

Besides promoting its green funds, Spuerkeess also promotes a green discretionary portfolio management product: **Activmandate GREEN**.

Activmandate GREEN aims at contributing to the Sustainable Development Goals and seeks long-term performance by accepting the risks associated with equity and bond markets with a focus on climate change. Activmandate GREEN also aims at selecting best-in-class companies and industry-leading asset managers with a strong and robust investment process. Our fund selection team is in close contact with the underlying fund managers, who are screened on their ESG approach, the integration of ESG criteria into their investment process, their team spirit and their commitment to sustainability.

Activmandate GREEN is mainly composed of investment funds that comply with Article 9 of the SFDR and contribute to the Sustainable Development Goals (SDG). Our selection process gives priority to four SDGs:

- 6 - Ensure availability and sustainable management of water and sanitation for all,
- 7 - Ensure access to affordable, reliable, sustainable and modern energy for all,
- 12 - Ensure sustainable consumption and production patterns,
- 13- Take urgent action to combat climate change and its impacts.

The table below gives an overview of assets under management.

Indicator	2020	2021	2022	Target 2023-2025
Lux-Bond Green	42,9	90,7	76,3	
Lux-Equity Green	29,2	110,6	101,6	
Activmandate GREEN	Not available	14,7	31,5	
Total	72,1	216	209,4	300

In order to achieve these objectives, Spuerkeess will continue to promote these investment funds by integrating them in the model portfolios proposed to clients in our investment advice. By regularly renewing the investor profiles of our clients and integrating their sustainability preferences, Activmandate GREEN will more systematically be offered to them.

Investment advice

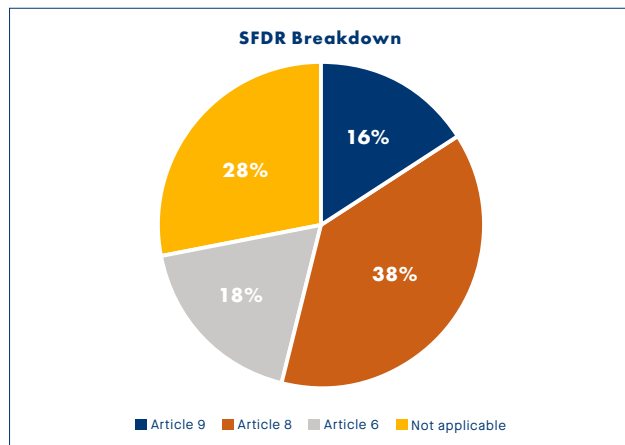
In its investment advice, Spuerkeess bases its investment universe on the Lux|Funds, as well as third party investment funds, ETFs, stocks and bonds. Spuerkeess' investment advice combines performance with non-financial data to offer the most appropriate solution to each client. Our fund selection team is in close contact with the underlying fund managers and favours sustainable funds and issuers.

Spuerkeess also ensures that the "model portfolios" underlying the investment decisions are at least rated MSCI ESG "AA" and are composed of financial instruments with a MSCI ESG rating of at least "A".

Over the course of 2022, 95% of the financial instruments from our investment universe take into account ESG criteria.

47% of the recommended financial instruments in investment advice are leaders in terms of sustainability.

The breakdown of our investment universe shows that more than 50% of the assets under management comply with article 8 or 9 from the SFDR at 31/12/2022.



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Over the next years, Spuerkeess will continue its efforts on the promotion of environment investment funds. Spuerkeess aims at enlarging investment universe by choosing environmental impact investment solutions. Also, our advisors will continue to benefit from additional ESG trainings.



4. Our banking solutions with social benefits

Material topic:

S - 14 - DEVELOPING PRODUCTS/SERVICES THAT ENCOURAGE SOCIAL INCLUSION

Spuerkeess, as a state-owned bank, has an exemplary duty to support the local economy and society.

Our social approach can be defined as follows:

- We consider that our role goes beyond offering purely products and services, but that it should drive social integration by covering basic needs of customers, such as through
 - facilitating access to banking,
 - enabling affordable banking,
 - enabling affordable housing as well as affordable investments,
 - facilitating access to education,
 - social impact financing.

Moreover, through adequate business solutions, we support entrepreneurs, women in business, and other social groups in the development of their business or projects.

- We finance projects which on **a communitarian level**, contribute to and provide access to social goods and services such as basic infrastructure, essential services, health and employment. Through the funding granted to the municipalities, we also support the development of the municipality and contribute to the well-being of the Luxembourg's citizens. Social financing is furthermore reflected through the financing activity of our partner ETIKA.
- We **apply rules** to our own investments and also to assets under management for our customers to commit to a better society through our **exclusion and controversies handling policy**. Severe and very severe ongoing controversies relating to environmental, social and governance issues, as well as the disrespect of the principles of the United Nations Global Compact (UNGC) may cause a company's exclusion. This policy reflects our intent to take action

to limit global warming but also to act towards a more socially responsible world, where the human rights are to be respected.

- In addition to the aforementioned points, we believe that we are also responsible to engage with society through education focusing on the sound management of people's finances. Part of this responsibility is to teach people how to manage their finances, which we do using our products and services. Most of our products are accompanied by initiatives to educate our customers in their daily management.

4.1. Accessible banking

We have taken a number of steps to ensure that all our clients or potential clients no matter their age, gender and backgrounds are able to access our banking services:

- a. Access to a bank account for anyone with a valid reason (salary, income support, family allowance, etc.) and without considering commercial reasons. In 2022, Spuerkeess served more than 400.000 retail clients.
- b. Access to banking infrastructure:
 - Largest physical banking network (53 branches) with personal human banking services in all our branches and largest ATM networks, with multiple access facilities, such as the possibility of interviews by appointment to limit waiting time, extended time slots, etc.
 - Avoiding exclusion by supporting the transition towards digitalisation assured by our employees and a number of seminars, all while making it possible to take physical appointments at our branches.
 - Addressing language barriers by communicating in at least 3 languages (Luxemburgish, French, German) to ensure the understanding of majority of people.
 - Improving our digital self-banking system S-Net with new solutions and functions, such as video call advi-

sory, digital signature of official documents, payment facilities, help desk, multi-banking access, etc. In 2022, 13.210.606 electronic transactions (+12% compared to 2021) were carried out through our banking channel S-Net and 3.846.614 instant payments (+19% compared to 2021) were made through our mobile banking payment solutions Digicash and Payconiq.

- Spuerkeess Direct (SDI), a banking Service Desk where 44 employees take care of the different banking issues of our retail clients, offer a complete coverage of banking services via phone call, execute orders communicated via S-net mail and give support/advice in all banking matters. SDI's overall satisfaction rate in 2022: 95,6% (+2,2% compared to 2021).

Additional steps for vulnerable people:

- 45 of our 53 branches are wheelchair accessible,
- 39 of 47 isolated ATM sites (outside our branches) further ensure full accessibility to disadvantaged people,
- S-Bus serving 7 different locations throughout the country, with inadequate banking-branch-coverage, allowing customers to carry out physical banking services like they were used in a classical branch.
- We support Touchpoints asbl, which creates meeting points between the local and migrant populations in Luxembourg in order to improve cooperation between the two parties.

Global support of our clients

We estimate that an important differentiating factor for our Bank in the domestic market is the proximity we have with our clients and our proactive approach. Especially during times of crisis (e.g., Ukraine war, energy crisis, rising interest rates, COVID, etc.) and particularly with regards to our corporate clientele, we do not hesitate to reach out to them individually to personally explain the consequences and risks which their companies might encounter. We make it a point that our advisors are specialized in the nature of our corporate clients' businesses in order to address their needs as efficiently as possible.

4.2. Affordable banking

Our business solutions are set to comply with the specific needs of our customers through their lifecycle. For more vulnerable customer segments, we make the access more affordable in order to create equal chances.

These are typically:

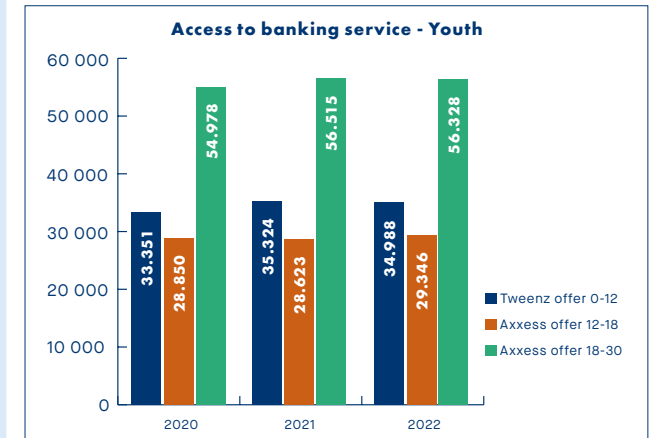
Youth: ensure equal opportunities to start in life, study and working

One of our missions is the promotion of savings in all its forms. We aim at providing children and young people the opportunity to save money for their future. We therefore offer advantageous products and a personal advisor to young people, while proactively launching initiatives to support financial education. This approach does not only include savings accounts, payment cards, and other products and services, but also encompasses blog articles, newsletters, “Schoulspuerfester”, and other events to foster young people’s awareness on their finance management. The assumption is that educating children on financial matters induces a healthy financial behavior from an early stage on contributing to building their life and reducing financial risks such as over-indebtedness.

Our banking solutions for young people aged 0-30 years

Banking solution	Targets	Main Characteristics
Tweenz youth offer	kids aged 0-12	free of charge account , preferential interest rate, newborn gift voucher, school saving voucher
Axxess Start	young people aged 12- 18	free of charge account , preferential interest rate, secured Axxess Visa Debit card (withdrawals free of charge from all Spuerkeess S-Bank ATMs, on-line payments and stores), S-Net and S-Net mobile access (online banking), Axxess partner discounts an exclusive event throughout the year
Axxess Study/ Job	students and young workers 18-30	free of charge account , preferential interest rate, secured Axxess Visa Debit card (withdrawals free of charge from all Spuerkeess S-Bank ATMs, online payments and stores), free credit cards (Visa Classic, Visa Premier), S-Net and S-Net mobile access (online banking), Axxess partner discounts and exclusive events throughout the year, preferential rate on personal loans and student loans

The figure below provides an overview on the number of young clients having access to banking services, showing how strongly youth engages with Spuerkeess.



Elder people and clients needing a specific assistance

Retail customers with a certain age as well clients with specific assistance needs benefit from special rates and mostly free conditions.

Entrepreneurs

We support entrepreneurship and start-ups by offering a one year free of charge package of products and services, namely our Zebra Business “Welcome offer”, needed for their day-to-day business. The individual value of this package is 150 € per year.

In 2022, 238 customers subscribed to our Welcome Offer.

Moreover, Spuerkeess supports entrepreneurship with a dedicated “welcome offer entrepreneur” and tailor-made business solutions. In addition to this, Spuerkeess is also committed to encouraging start-ups by its engagement with Nyuko²³ in supporting programs for entrepreneurs. In 2022, Spuerkeess raised awareness for entrepreneurship with nearly 500 people.



²³ Nyuko is “an idea challenger and aims at supporting entrepreneurs who wish to create their business in Luxembourg.” (source: www.Nyuko.lu). Spuerkeess has signed a partnership with Nyuko consisting in providing entrepreneur’s with banking expertise.

4.3. Affordable access to housing

We play a social role as the leading bank in the real estate financing business in Luxembourg as we hold a substantial market share in residential mortgage loans. In 2022, the Bank granted 4.471 loans to its customers to buy buildings or access housing, of which 1.676 were first homes, thus supporting its clients in the acquisition of their homes.

As for customers with moderate incomes who wish to become homeowners, we grant preferential conditions to clients applying the financing of properties built by socially engaged promoters such as SNHBM and Fonds du Logement (discount on application fees and ancillary costs). We furthermore apply the system of “garantie de l’Etat” for guarantors of mortgage loans.

Additionally, we issued 1.267 banking guarantees for rental agreements during 2022.

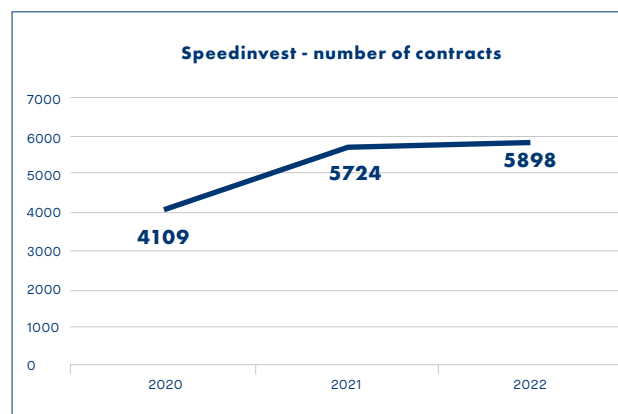
4.4. Affordable access to investment products and socially responsible investments

The Bank has put in place solutions to give access to investments for low budgets and for different types of profiles. Some solutions also allow the investment in social impact assets.

Speedinvest

Speedinvest consists in an optimised digital investment plan (robo advisor) which takes into account the client’s investment objectives and financial situation in order to optimize their return on savings. The product is available for small budgets from an investment of EUR 500 on and its simplicity to use makes it perfect for junior customers starting out on the financial markets.

The figure below illustrates the progression of the number of contracts of SpeedInvest:



The table below provides an overview on the Assets under Management of this product.

Investment in SpeedInvest (millions of euros, assets under management)

Indicator	2020	2021	2022
SpeedInvest	54,4	104,9	89,1

S-Invest

S-Invest is an affordable product which makes access to investment products possible for lower budgets and novices. All Lux|Funds are accessible to small investors via the savings plan “S-Invest” in execution only or through investment advice.

Spuerkeess aims at promoting S-Invest as an alternative to a savings account to help people grow a financial reserve at affordable entry level.

4.5. Access to education

The Bank supports its customers in their education.

Banking solution	Target	Characteristics
State-guaranteed student loan		Participation in the financial aid program granted by the Luxembourg State for student loans (AideFi). Special rate on student loans, capped by the Luxembourg State (2%).
Unif student loan	Students enrolled in a higher education or postgraduate course of study	Supplementary loan to cover study-related expenses, if, for instance, the loan granted by the state is not sufficient or is not eligible for that study/university program. The purpose of the student loan is to finance higher education or specialisations (e.g. pilot's license). The client can freely choose the duration of the loan repayment. Lower margin considered by the Bank for student loans (not guaranteed by the state).

In 2022, the Bank granted 2.070 student loans compared to 1.880 in 2021.

4.6. Social impact financing

The Bank's mission is to develop the economy and society. To contribute to this objective, Spuerkeess finances projects of different types and sizes.

Financing projects with a social benefit

The Bank is a major lender of projects for:

- infrastructure which contributes to education (nurseries, schools, homes (e.g. non-profit organisations), high schools, relay houses, etc.) and to healthcare (hospital equipment, retirement homes, etc.);
- municipal projects as well as non-profit organisation projects (asbls);
- affordable housing by supporting the projects of promoters such as *SNHBM* and *Fonds de Logements* which offer housing at affordable prices on the Luxembourg market.

Social profit institutions, and non-profit organisations in general, such as hospitals, schools, residential care, child care and the unemployed people, as well as start-ups, business starters, and private investors have specific needs and need tailor-made advice.

In 2022, the financing provided to this sector amounted to 181,6 mio €, hence contributing to education, affordable housing for disadvantaged groups, senior living and healthcare infrastructures. The table below provides an overview of our social impact financing for 2022:

Social impact finance (millions of euros, granted amounts in 2022)

Indicator	2021	2022
Financing contributing to educational objectives	65,7	132,9
Financing contributing to affordable housing	129,7	43,5
Financing contributing to healthcare, unemployment and others	0,5	5,2
Total	195,9	181,6



5. Our sustainability framework for our banking solutions

MATERIAL TOPICS:

G – 1 GUARANTEEING THE BANK’S LONG-TERM SUSTAINABLE PROFITABILITY

G - 16 PROTECTING CUSTOMER INTERESTS AND PERSONAL DATA

G - 17 TRANSPARENCY REGARDING ACTIVITY AND PRODUCTS

In 2022 the Bank continued its progress by starting the implementation of a sustainability framework, whose goals is to provide guidance on sustainable business and ventures to progressively align our activities with our sustainable development strategy.

The elements of this framework will be reviewed on a regular basis in order to integrate the developments and expectations of stakeholders and regulations such as the taxonomy, SFDR regulations, MiFID II, etc., into our banking activities, products and services.

ESG policies are an important element of the sustainable framework. Most relevant for the banking activities are the following:

- ESG Exclusions and Controversies Handling Policy,
- Responsible Financing and Investment Portfolio Policy,
- Fair Advertising and Marketing Policy.

These policies will be published on our website after having been validated by the Executive Committee and approved by the Board of directors. The content of the above-mentioned policies is summarized hereafter:

5.1. Exclusions and controversies handling policy

In order to limit financing flows to harmful activities, Spuerkeess has developed the “exclusions and controversies handling policy”.

This policy is based on a set of business activities (e.g. production of controversial arms, deforestation without durable compensation measures, coal-based electricity production) as well as the handling of ESG controversies on a company level. The Bank continuously monitors any ESG misbehaviour that could lead to an exclusion of its investment portfolio depending on the level of severity. Spuerkeess has implemented ambitious Key Performance Indicators (KPIs) for investments on a portfolio level and a sectoral level.

The following table gives an overview of the criteria for the detection of restrictions and controversies.

Exclusions - sectoral level	<ul style="list-style-type: none"> – Coal activities (e.g. coal production and power generation generated from coal) that exceed more than 10% of their total revenue – Companies whose revenues from unconventional fossil fuels (e.g. oil sands extraction and processing, combustion and thermal treatment of oil shale and shale gas extraction) exceed more than 5% of their total revenue; – Uncertified RSPO palm oil production that exceeds more than 10% of their total revenue; – Deforestation (exclusion of forest and paper companies without sustainable compensation practices); – All controversial weaponry production and trade in all circumstances.
Exclusions - controversies	<ul style="list-style-type: none"> – Status of the controversy (ongoing); – United Nations Global Compact “UNGC” evaluation (Watch List or Fail); – MSCI evaluation (Severe or Very Severe).

Given the position of the Luxembourg Government with regard to the exclusion of nuclear and gas related activities from the scope of the EU taxonomy, Spuerkeess and its Management Company will before the end of Q4 2023 assess the risks and develop an action plan in order to exclude from the various portfolios (own portfolio and asset management), the issuers exercising one of the aforementioned activities.

5.2. Responsible financing and investment policy

This policy describes the commitments, strategy and governance for the integration of (ESG) criteria into the Bank’s financing and investment portfolio. The objective is to ensure that the Bank pursues its continuous improvement approach to reduce negative impacts that occur indirectly from financing and investment activities.

In line with the strategic guidelines and reference to sustainability and ESG aspects, the policy aims to define our voluntary commitments of aligning our business strategy with the national and international objectives defined in the Paris Climate Agreement, the Sustainable Development Goals (SDGs) and the UN Global Compact. The adherence to the Principles for Responsible Banking (PRB) and the Net Zero Banking Alliance (NZBA) are also part of this ambition to make Spuerkeess the leading transition enabler in Luxembourg.

The policy also refers to our “socially responsible lender” role in keeping with our social mission. Our commitments derived from this role are expressed particularly when:

- We finance housing for individuals, and especially first-time buyers;
- We help individuals to plan their future savings;

- We prevent our customers from taking on too much debt when we grant them loans;
- We are actively involved in raising awareness among young people of the need for savings and financial planning in all its aspects;
- We support the development of local businesses, particularly by financing small and medium-sized enterprises;
- We act as a good corporate citizen by granting financing to local public and para-public authorities.

The policy is aligned with the 2030 Agenda and the Sustainable Development Goals, more specifically with goals 8 on “Decent work and economic growth”, 12 on “Responsible consumption and production” and 17 on “Partnerships for the goals”.

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Activities covered by the policy are the credits granted to our clients included our financing portfolio and investments in bonds included in the Bank’s investment portfolio. The Bank’s investment policy for asset management for client accounts is detailed in a separate investment policy.

At the level of the Bank’s financing portfolio, ESG performance is taken into consideration as part of the granting, pricing, monitoring and decision-making processes.

Through reporting we ensure that our operations uphold our commitment to responsible financing practices and that we measure progress to those commitments.

5.3. Fair advertising and marketing policy

Spuerkeess is committed to responsible marketing practices that meet the stringent standards set by external regulations and codes of practices.

It is important that our customers can take informed decisions about our products and services.

We therefore focus on financial advice and clear communication on our products and services and their impact.

It is part of our DNA to communicate to society in an ethical, and transparent way through responsible marketing, of which sustainability is an important and integral part.

Through our advertising and marketing practices, we strive:

- to encourage responsible spending;
- to fight against over-indebtedness and to help consumers manage their finances sensibly and sustainably;
- to avoid suggesting that repaying a loan is easy;
- to raise general awareness on Environmental Social and Governance (ESG) issues and opportunities.

This policy is aligned with the 2030 Agenda and the Sustainable Development Goals, more specifically with goals 12 “Responsible Consumption and Production” and 17 “Partnerships for the goals”.

Retail and private banking products management policy

For retail products, the Bank complies with the regulations in force relating to the governance and supervision of retail banking products.

In 2022, a dedicated product management team was created with the objective of developing and innovating our business solutions for retail customers, with a focus on “customer-centricity”. Customers are involved right from the design process of the products and services, development and implementation. These are only offered to the pre-defined target markets by our distribution network (advisers), who provide fair, understandable and transparent information to customers.

Regulatory watch

We keep up to date with new regulations through a monthly regulatory watch session with an external expert and through ongoing internal analysis by a dedicated team. Regulatory evolutions affecting our business solutions are implemented in the given timeframe.

Our communication and advertising policies

As a strong brand, we strive to be decent, fair and truthful. We design communication with a fair sense of social and professional responsibility and do not carry out comparative advertising. Our communication strives to maintain the trust and image of the public has towards Spuerkeess. The Bank has thus adopted an internal policy which describes our guidelines for the production/publication of our communication material and additionally adheres to external references:

- the International Chamber of Commerce Marketing’s (ICC) Advertising Code (2018)
- the United Brands Association (UBA), the Belgian association for brands
- the Conseil de la Publicité du Grand-Duché du Luxembourg.

These policies are designed to prevent the publication and communication of incorrect, misleading, deceptive and inconsistent information through our owned and paid media, as well as keep our communication channels up to date.

III. Communities

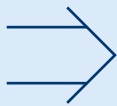
1. Financial inclusion

Financial inclusion goes hand in hand with social inclusion and is about democratizing financial services, giving the general public, as well as SMEs, access to banking products and services via a number of affordable and accessible channels.

Spuerkeess, as a socially responsible bank, considers financial inclusion as a tool to promote social inclusion and, in order to accomplish its social and economic mission, has always been committed to the development of sustainable inclusive finance. We consider three main levers in our strategy to boost financial inclusion:

- Financial literacy and education,
- Accessible and affordable banking²⁴,
- Avoiding and fighting poverty.

Financial literacy & education
Accessible & affordable banking
Avoid & fight poverty



Financial inclusion

How we measure financial inclusion:

- **Access indicator:** The access indicator reveals how specific target groups categorised by age, gender or social disadvantage, have access to financial literacy and banking services/infrastructure.
- **Affordability indicator:** The affordability indicator presents the affordability of banking for more vulnerable target groups such as children or elderly and clients with specific assistance. This is mainly expressed in fees.

– **Usage indicator:** The usage indicator shows how efficient the usage of banking services is for certain target groups. This is expressed in average savings balance or number of transactions.

Spuerkeess' financial education initiatives cover a vast array of financial education topics and address our audience from an early age on to create a fair entry point for each child, no matter the socio-economic background.

This allows us to address the inequity with regards to financial education among young people by integrating the subject in the general school curricula, such as how to save money or how to manage a small budget. Our goals are to:

- inform and raise awareness of the importance of good financial management, thus increasingly impacting future projects;
- give different age groups the opportunity to make informed choices in self-service banking products and transmit the necessary skills allowing the clients to understand and manage their finances and prepare for the next steps in their life cycle.

Spuerkeess, as a partner of the ABBL Foundation for Financial Education, participates in and supports various events and social inclusion projects.

As a Transition Enabler, we also spread the best practices regarding corporate responsibility and sustainable finance within our stakeholder ecosystem:

- Interviews for which selected professional clients (SEO, Enovos, etc.) present their energy projects realised thanks to Spuerkeess funding. These articles aim to show the involvement and support of Spuerkeess in projects for a better future;
- Why does it matter: A bi-monthly series of articles on ESG issues to promote the energy transition and to highlight experts who speak out on topics while relating them to sustainable development, thus linking Spuerkeess to ESG.
- Conference on photovoltaic;
- Podcast Evergreens by Spuerkeess, a podcast all about sustainability, technology and the future of banking and finance;
- Seminars and blog articles to promote corporate responsibility and sustainable finance;
- Parcours de titans: an event in collaboration with Nyuko which tests the resilience of entrepreneurs in collaboration with Nyuko;
- Global Entrepreneurship Week which is promoted in collaboration with Nyuko.

²⁴ Please refer to chapter 2, point 4.

Summary of initiatives for educational purposes

Target group/beneficiary	Initiative
Children and youths	
Primary school children (aged 6-7 years)	Schoulspuerfester Events considered as the longest running financial education tradition at Spuerkeess, a specially-created, easy-to-understand and easy-to-enjoy play about the importance of saving. At the end of the show, the children receive a piggy bank (“Spuerbéchs”) that reminds them of their early learning about saving. In 2022 +/- 5.400 children from more around 140 participating schools received a piggy bank. Due to Covid we were unable to invite them to the theatre.
Tweenz members (aged 6-12)	A financial education section in our Tweenz Newsletter as part of our Tweenz programme, published 3 times a year (3 x +/- 20.000 copies).
Pupils in primary schools in Luxembourg (aged 10 to 12 years)	An ABBL event, supported by the Ministry of Education and for which Spuerkeess provides a coach. The event, which is part of the European Money Week initiated by the European Banking Federation and the Global Money Week headed by the OECD, addresses children and youths.
AXXESS-clients (aged 18-30), economics classes, other clients	Stock Market Learning (SML): A simulation competition that allows participants to learn and become familiar with the stock market. In this context, to become familiar with financial markets, Spuerkeess created a series of 15 x 90 seconds videos on how to invest. The total number of participants is estimated at 1.500.
Students aged 16 to 19 from 17 different high schools	Innovation Camp: 50 students visited Spuerkeess throughout a day to discover a “Business Challenge” set by the bank (in collaboration with Jonk Entrepreneuren).
Beginners in finance	
Beginners in the field of investment and participants of the SML	Short educational videos which roughly explain the concepts of understanding different financial instruments, how to invest, etc. For example: www.spuerkeess.lu/fileadmin/mediatheque/videos/Stock_Market_Learning/Val_Mob_lev2_4_Futures_EN_20210906.mp4 - what are futures?
Beginners in the field of investment (clients and non-clients)	Start2invest 10 Blog articles on investing which introduce young people to the world of money by explaining topics in a simple and more light-hearted way, from opening and managing a securities portfolio, to defining an investor profile, etc. For example: https://www.spuerkeess.lu/fr/blog/autour-de-vos-finances/definir-son-capital-dinvestissement/
All adult audiences combined	
All clients and non-clients	Spuerkeess Blog – 79 articles in 2022 Through the blog articles we strive to provide a good understanding of our products and to highlight their added value for the customer in his daily life. The Blog is used at various points in the buyers’ journey: – Problem awareness - making customers and prospects aware of the problems that our products and services can solve (e.g. why to switch from saving to investing for your children); – Solution awareness - explain how banking products work and how these products solve certain problems. (e.g. understanding investment funds); – Product awareness - explain how our products work and how they solve problems (e.g. choosing the right tool for investing).
Our clients and non-clients	– Webinar myTax – Webinar “Plan d’investissement” (investment plan) – Webinar “Assurances liées aux cartes de crédit” (insurances linked to credit cards)
Start-ups and entrepreneurs	
Start-ups and entrepreneurs	– Collaboration with Nyuko to support actors in launching of their company in Luxembourg. We help them to understand the entrepreneurial landscape for a sustainable business model (489 actors were sensitized for entrepreneurship). – Business Talk (La parole aux entreprises) - interviews that give a more realistic experience sharing effect as coming directly from the client. – Meet an entrepreneur: Monthly articles in which entrepreneurs present their experiences to highlight our partnership with Nyuko and thus our expertise in business creation, using real-life success stories. – Collaboration with Paperjam to publish articles that explain how to launch a company (business plan, corporate management, etc.) – Workshop for expatriates (mostly women) to guide them in starting a business in Luxembourg. – The Bank is part of the House of entrepreneurship to guide young people in participating in entrepreneurships.
Additional specific categories	
Expat women	The Entrepreneurial Knowledge Workshop Series exclusive for expat women. These conferences are organised in collaboration with LUX WMN -City Savvy.
Elderly clients or clients with specific assistance	Cash@Home, a home cash delivery service, which has been introduced for our vulnerable and elderly clients who have no other alternative for withdrawing cash.

2. Supporting the communities

Spuerkeess supports cultural, sporting, humanitarian and social initiatives.

We focus on 5 pillars to accompany our customers through key moments in their lives:

- **Kids in action:** Spuerkeess supports associations and events that encourage children and teenagers to undertake cultural and sporting activities, or those that contribute to their education. For example: children’s sports tournaments.
- **Power students:** Spuerkeess sponsors associations, schools and initiatives that support children and students in their secondary and higher education studies. For example: student societies.
- **Emotions for life:** Spuerkeess supports associations and events, filled with positive emotions, that involve a wide public and their families. For example: running events accessible to all, music festivals, etc.
- **Philanthropy:** Spuerkeess supports initiatives in the environmental, charitable, and humanitarian fields.
- **Sympathy:** Spuerkeess occasionally supports non-profit organizations engaged in local, social, cultural or sporting initiatives for specific, one-off events (anniversaries, outstanding achievements, etc.).

Throughout our selection process we apply our ‘POP’ approach, which is derived from our ‘Brand Personality’ (Pleasant, Open, Leading, Reliable and Sustainable) and where initiatives should fulfil the following 3 criteria:

- **PLEASANT:** be pleasant / be associated with positive emotions
- **OPEN:** be open to a large number / targets the public
- **PROUD:** reflects at least 1 of our brand characteristics, i.e. leading, reliable or sustainable

We introduced the “POP” approach to our strategic orientation and guidelines of our sponsoring and patronage activity in

2020 following the repositioning of our Spuerkeess brand. This is when we introduced sustainability as one of our important personality traits.

In 2022 we updated our Sponsorship & Patronage Policy that defines our missions, operating framework, guidelines, and formalises the roles and responsibilities of our stakeholders. Our sponsorship charter is transparent and publicly available via our website www.spuerkeess.lu

Sustaining communities

Further to our sponsoring and patronage activity, Spuerkeess grants end-of-year donations of a minimum of 50.000 € to charities.

In 2022, we were proud to support:

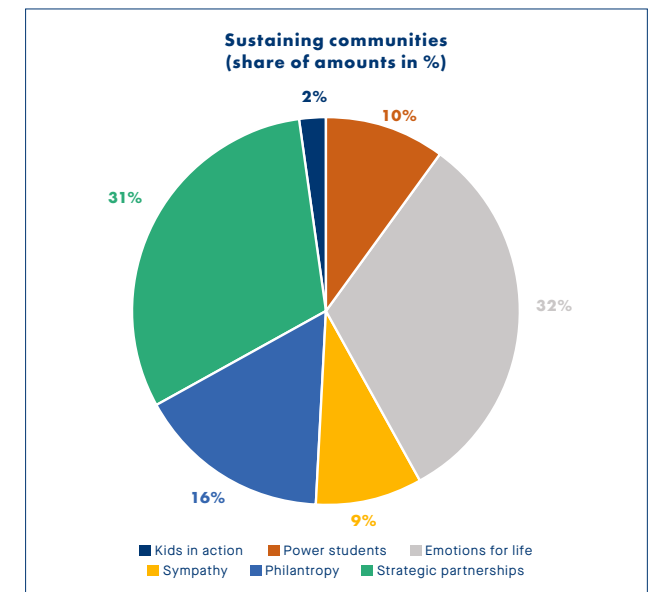
- A.L.P.A.P.S. Special Olympics Luxembourg, an organisation dedicated to the development of people with intellectual disabilities through sports to participate in the upcoming 2023 Berlin Special Olympics.
- Co’Habitage aims to prevent isolation and to promote inter-generational cohabitation through the housing of young people in families or elderly people living alone.
- ETIKA is a non-profit association that aims to promote alternative finance and to accompany the transition to a more sustainable world. The alternative savings/credit mechanism promotes access to loans for projects that prioritize social and cultural benefits, international solidarity, and support for the environment.
- Caritas Luxembourg aims for social inclusion in Luxembourg and in the world. Our donation was granted to support humanitarian aid such as psychological help for people fleeing the war in Ukraine.
- Institut fir Biologesch Landwirtschaft an Agrarkultur Luxembourg (IBLA): IBLA is a competence centre for research and advice in the field of organic agriculture and viticulture in Luxembourg. The focus areas include protection of natural resources (water, soil, climate),

biodiversity, sustainability assessment, preservation and improvement of soil fertility, variety testing, species-appropriate animal husbandry and optimising crop rotation.

Spuerkeess goes beyond these one-off initiatives as within our general sponsorship lines, we additionally support many initiatives supporting a good cause.

Furthermore, Spuerkeess supports innovation through strategic partnerships that bring together initiatives such as start-ups, Fintech, or initiatives to motivate young people to start their own business (i.e. Nyuko, Technoport, Fédération des Jeunes Dirigeants).

We encourage our employees who are committed to a good cause to submit their project in order to win a donation of 10.000 € for their non-profit organisation. Occasionally, we donate computer equipment to people of limited means.



Cultural commitment

Our cultural commitment among others is supported by our contemporary art gallery “*Am Tunnel*” where we organise art exhibitions featuring local and international artists.

Following the great success of the “*De Mains de Maîtres*” exhibition in 2016 at 19 Liberté, Spuerkeess co-founded the “*De Mains de Maîtres Luxembourg asbl*”, together with Her Royal Highness Princess Stéphanie of Luxembourg, the Chambre des Métiers du Luxembourg, and Mr Roland Kuhn in 2017, to enhance, promote and ensure the transmission of Luxembourg’s arts and crafts. Three “*De Mains de Maîtres*”-exhibitions took place at Spuerkeess’ premises since 2016.



3. Governance

Human Rights Policy

We acknowledge that Spuerkeess, its business relationships and clients may impact human rights through their operations and value chains across sectors and geographies. Our ambition in our human rights journey is to understand these impacts and to take appropriate action to avoid or mitigate severe harm and enable remediation if severe harms occurs. In the context of EU's proposed Corporate Sustainability Due Diligence Directive (CSDDD) which aims to endorse greater corporate responsibility, improve sustainability due diligence standards and corporate governance of human rights, the Bank started a due diligence process on salient human rights issues.

Due diligence process

Spuerkeess begun its salient human rights issues risk assessment in 2022 on three of its processes most likely to impact human rights: Procurement, human resources and investments and loans, in compliance with United Nations Guiding Principles on Business and Human Rights framework and methodology.

Spuerkeess' human rights due diligence process consists of:

1. Understand human rights and how they apply to the value chain;
2. Identify and prioritize risks and impact;
3. Assess Spuerkeess' position in relation to existing priorities;
4. Define the roadmap and action plan to neutralize and prevent the identified adverse impact or minimize its extent.

Governance of respect for human rights

Our commitment to do business with respect for human rights will be embedded in a set of policies, some of which apply bank-wide and some of which apply to specific processes of our business. These policies define and set expectations for Spuerkeess on human rights issues and guide how we do business every day. All our employees share responsibility for implementing these policies.

At the decision-making level, the Board will have to approve the policy and its implementation within Spuerkeess. The objectives related to sustainability and those of the human rights policy will be approved by the Board of directors. The implementation thereof will be assigned to the Executive Committee.

Next steps

We will continue our due diligence process by regularly monitoring our action plan, the effectiveness of those actions, and publicly communicate on our progresses.

According to the UN Global Compact, an effective human rights risk management is strategic, incremental, embedded, collaborative and rightsholder-focused. To include the collaborative dimension, we will engage with various stakeholders in order to identify their concerns and interests on sustainability issues, including on human rights. As Spuerkeess is in the early stages of its due diligence process, the governance around human rights is being formalized and will evolve over time.



APPENDIX

1. **Materiality analysis**
2. **Taxonomy eligibility**
3. **Sustainability Policies**
4. **GRI Content Index**
5. **Correspondence table between GRI 2021 and ESRS**
6. **Principles for Responsible Banking reporting index**

1. Materiality analysis

Materiality analysis methodology note

A central focus of our engagement with our stakeholders is the conducting of a materiality analysis based on our internal and external stakeholder dialogue and engagement program, so that we can identify and prioritise the priority sustainability themes. Our last materiality analysis, carried out in 2017, was fully updated in 2020. This analysis enables us to identify the economic, environmental, social and societal themes that shape our activities and monitor their development over time. These themes reflect the impacts of our activities on our community, our country and the environment.

The priority themes that emerge from this analysis incorporate priority ESG issues in line with our strategy as a Responsible Bank. An action plan is defined for each of these themes, which are monitored using non-financial performance indicators.

The steps in the materiality analysis are as follows: 1. Identification of material themes

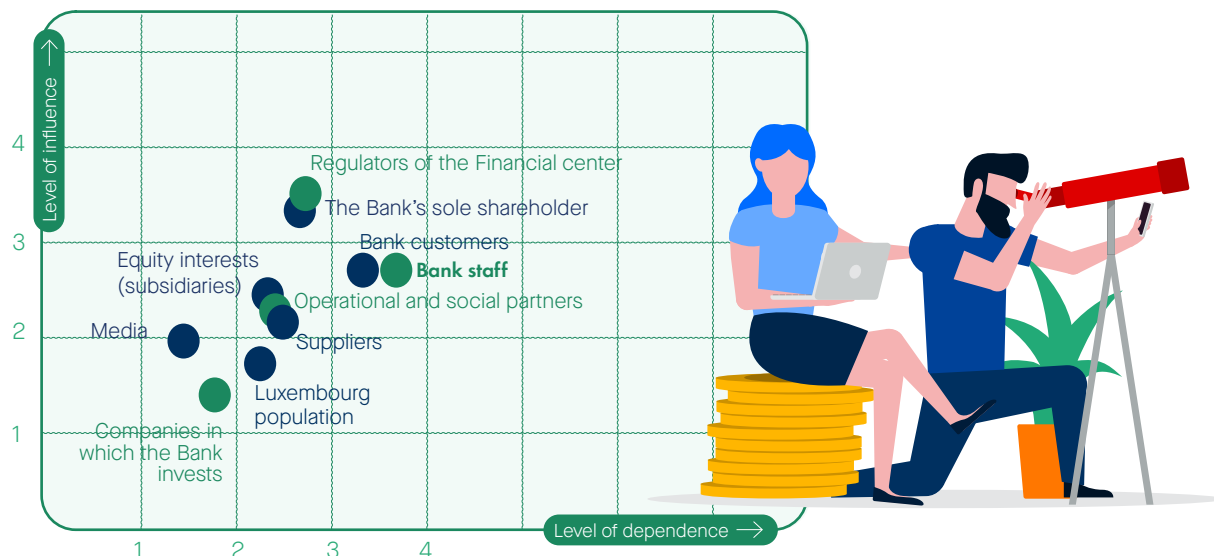
This identification was carried out based on:

- sustainable development standards (GRI Standards, GRI “Sector Disclosure for Financial Services”), and
- a comparative analysis of reports by other actors (used to check the completeness of the themes).

The aim of this step was to establish a list of themes in keeping with the Bank’s language and activities. 19 themes covering economic, environmental, social and societal aspects were identified and prioritised.

2. Mapping and rating of stakeholders

This stakeholder rating process was carried out by the CSR Committee based on an analysis of each category of stakeholders according to their level of dependence and influence (“Can the stakeholder influence the Bank’s decisions, actions and performance?”) with regard to Spuerkeess.



Using this rating as a basis, a matrix linking the influence and dependence criteria allows us to determine the most appropriate methods of dialogue for each category of stakeholder.

We identified the following 4 stakeholders as priority targets for our 2020 engagement program. Our goal is to gradually expand the stakeholder scope for the coming financial years:

- the Bank’s sole shareholder (represented by the Bank’s Board of directors),
- the Bank’s staff (represented by the CSR Delegates),
- the Bank’s customers,
- the suppliers.

Using this rating, an engagement plan was produced for each category of stakeholder in which we distinguished between

4 levels of engagement: monitoring, informing, consulting and involving. This approach was based on the **AA1000SES** principles and standards (Stakeholder Engagement Standard).

While the consultation carried out in 2017 was limited to our internal stakeholders’ expectations (the Board of directors, the Executive Committee, the CSR delegates representing the Bank’s staff, and the CSR Committee), the 2020 consultation allowed us to engage with two additional categories of stakeholders, namely the Bank’s customers (selected based on a random sample) and suppliers (selected according to the percentage of annual expenses, the duration of the relationship with Spuerkeess and their local presence).

3. Stakeholder engagement

In order to gain insight into the situation, we invited our main stakeholders to participate in an online survey.

The participants were able to express their opinions about the level of importance that Spuerkeess should give to each economic, environmental and social theme identified. The assessment was made on a scale from “1. Not important” to “4. Very important”.

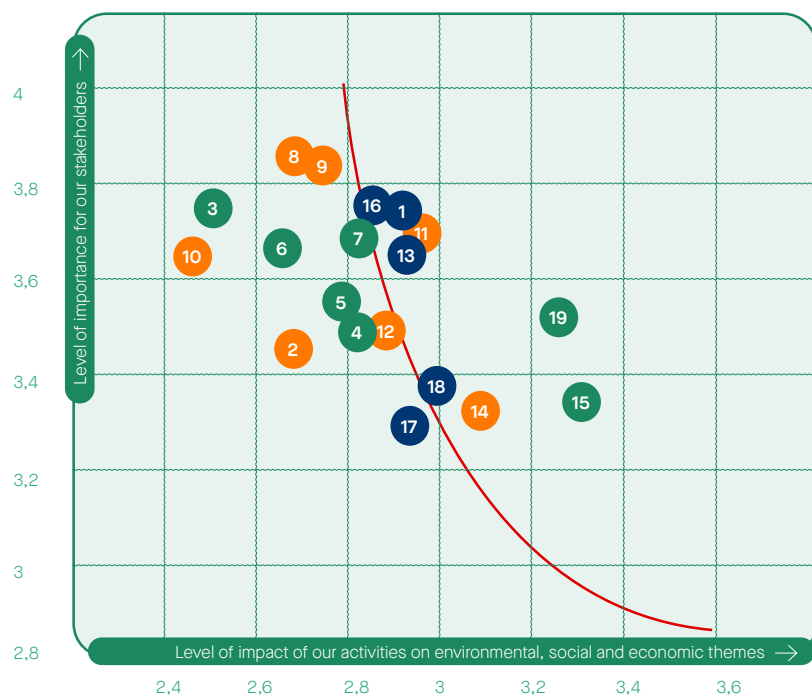
The CSR Committee also assessed the level of mastery for each of the identified themes. 1.434 stakeholders were consulted during this exercise: 4 members of the Executive Committee, 8 members of the Board of directors, 8 members of the CSR Committee, 51 CSR Delegates, 10 suppliers, and 1.353 customers.

4. Result of the materiality analysis

The results for the internal and external stakeholders were consolidated as follows:

- the X axis represents the level of impact of our activities on environmental, social and economic themes. This level of impact was weighted by the level of mastery assessed by the internal stakeholders;
- the Y axis represents the importance of these themes for our stakeholders;
- the materiality threshold was defined at points 2,80 on the X axis and the Y axis;
- no multiplying factor was assigned to guarantee that each respondent had the same weight.





Themes

- 1** Guaranteeing the Bank's long-term profitability
- 2** Sharing our expertise/knowledge with citizens
- 3** Choosing local and responsible suppliers
- 4** Choosing sustainable and reusable materials
- 5** Reduction of energy consumption and emissions
- 6** Reduction of water consumption
- 7** Efficient waste management
- 8** Measures to guarantee employee well-being in the workplace
- 9** Importance placed on employee health
- 10** Measures to guarantee safety in the workplace
- 11** Training and professional development
- 12** Equal opportunity in recruitment and promotion
- 13** Adopting ethical behaviour towards employees, customers, partners and suppliers
- 14** Developing products/services that encourage social inclusion
- 15** Developing products/services that promote the environmental transition
- 16** Protecting the customer's interests and personal data
- 17** Transparency about activities, products and services
- 18** Developing dialogue with customers, suppliers, partners, etc.
- 19** Promoting the environmental transition and supporting our customers in this process

MATERIAL TOPICS

- ECONOMIC PERFORMANCE
- INDIRECT ECONOMIC IMPACT
- ENERGY
- EMISSIONS
- OCCUPATIONAL HEALTH & SAFETY
- TRAINING AND EDUCATION
- DIVERSITY AND EQUAL OPPORTUNITIES

The themes above the materiality threshold are considered to be priorities for Spuerkeess:

- 1 - Guaranteeing the Bank's long-term sustainable profitability,
- 11 - Training and professional development,
- 13 - Adopting ethical behaviour towards employees, customers, partners and suppliers,

- 14 - Developing products/services that encourage social inclusion,
- 15 - Developing products/services that promote the environmental transition,
- 16 - Protecting the customers' interests and personal data,
- 18 - Developing dialogue with customers, suppliers, partners, etc.,
- 19 - Promoting the environmental transition and supporting our customers in this process.

These themes are part of our long-term ambition as priorities with a major impact and/or contribution to the Paris Agreements and the Sustainable Development Goals.

The themes that make up our strategic Sustainable Development priorities, which are monitored on a regular basis, are assigned precise quantitative and qualitative objectives.

Next steps

Action plans have been or will be defined for all the priority themes in order to achieve the objectives presented in this report, and the results will be communicated during the next reporting cycle. Spuerkeess also aims to reinforce its program of dialogue with its external stakeholders by involving them in the analysis of issues and in sustainable development-related matters. With this in mind, the Bank has embarked on a continuous improvement journey based on a gradual and inclusive stakeholder engagement program. This stakeholder engagement program will be updated during 2023 to involve new stakeholders and to identify new sustainability matters in our materiality analysis. In parallel, new and more interactive ways of engagement will be defined.

2. Taxonomy eligibility

Spuerkeess's disclosures relative to the Delegated Act on Article 8

As of January 2022, article 8 of the Taxonomy Regulation (EU 2020/852) requires financial undertakings concerned by the Non-Financial Reporting Directive (NFRD) to disclose informations on how and to what extent their economic activities are associated with economic activities that qualify as being considered environmentally sustainable. The table below highlights Spuerkeess' assets falling under article 8 of the Taxonomy Regulation.

		(Figures in EUR)*	Taxonomy eligible	Taxonomy non eligible	% coverage (over total assets)
Art 10	2a	Total Assets	17.287.930.088	39.727.251.780	69,68%
		<i>of which trading portfolio and on demand inter-bank loans in total assets</i>		1.218.055.850	2,14%
	2b	Total exposure to central governments, central banks and supranational issuers		14.848.924.970	26,04%
		<i>of which exposure belongs to central governments</i>		4.214.046.842	7,39%
		<i>of which exposure belongs to central banks</i>		9.795.351.659	17,18%
		<i>of which exposure belongs to supranational issuers</i>		839.526.469	1,47%
		Total exposure to derivatives		1.594.619.859	2,80%
2c	Total exposure to non-NFRD companies		11.565.701.323	20,29%	

* Gross carrying amount before recognition of provisions and impairment.

Art 10	2d	Annexe XI disclosures	
		Contextual information towards quantitative indicators including scope of assets and activities covered, data sources and limitations.	The figures are based on our 2022 FINREP report. (same source as for EBA Pillar III reporting) Taxonomy eligible assets were defined by considering the Regulation EU 2020/852 and include the following asset types: Residential Mortgage loans, energy renovation loans, automobile loans and takes our bond portfolio (financial- and non-financial-corporations) into account. The eligibility of our bond portfolio was determined based on publicly available data collected by our ESG data provider. The amounts and proportions of eligible / non eligible assets may vary over time as data availability and data quality will improve.
		Description of the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties.	Please refer to the section "Part I - 2.Our ESG strategy and Business Model" and "Part II - 3.1. Sustainable profitability" of our Non Financial Report 2022 to get an overview on how Spuerkeess' integrates ESG factors into its Business Strategy, Risk Management Framework and Product Development as well as on its' role as a Transition Enabler and its Stakeholder Engagements.
		Additional or complementary information in support of the financial undertaking's strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.	With its commitment to the "Principles for Responsible Banking" and the "Net Zero Banking Alliance", Spuerkeess undertakes to define a CSR strategy focused on the major ESG impacts (risks and opportunities) arising from and to the Bank's activities. The products and services that will result from this sustainable finance strategy and its new client-centric approach will comply with the Bank's philosophy of positioning itself as a "Transition Enabler". This philosophy will enable us to help clients meet the challenge of the energy transition and to assist economic players towards a sustainable economy by undertaking consistent efforts in terms of education and financial awareness in this area. As one of the main efforts will focus on Climate change, we are monitoring KPIs such as "Absolute GHG emissions", "Carbon intensities", "GAR" and "BTAR" to calculate the impact of our Climate strategy. But, as data availability relating to taxonomy-eligibility and -alignment from companies further has to improve, calculating the weight of taxonomy-aligned activities in our overall activity, still can't be performed in a reliable way. We are currently implementing a tool with an external provider which will contribute to the determination of the alignment of our asset classes and are concomitantly improving the stock of our Energy Performance Certificates, thereby enabling us to calculate the alignment of our mortgage portfolio for the production up to 31 December 2020.

3. Sustainability Policies

The following sustainability policies represent an important part of our sustainability framework. They will be published on our website during 2023 after having been validated by the Executive Committee and approved by the Board of directors.

Policy	Description
Ethics Policy	it outlines the general principles for how we do business and ensure sound relationships with our stakeholders. We aspire to the highest standards of ethical and professional conduct, as well as conduct our activities in compliance with the applicable laws and internal policies when dealing with shareholders, Clients, Business Partners, communities and each other.
Data Protection Policy	it defines the requirements for Personal Data protection and handling, including data protection and handling requirements, the roles and responsibilities in addressing specific General Data Protection Regulation (GDPR) requirements, the process of controlling compliance with this Policy and the GDPR requirements.
Fair Advertising & Marketing Policy	it outlines the general principles for how we ensure fair advertising and marketing. It is important that our customers can take informed decisions about our products and services. Thus the information we provide should be transparent, clear, accessible, free from any discrimination and sustainable.
Human Resources Policy	it outlines our general principles and objectives for responsible human resources management (labor conditions, occupational health & safety, non-discrimination, diversity, trainings, remuneration, succession planning).
Diversity and inclusion Policy	it outlines our general principles and objectives for guaranteeing non-discrimination and inclusion, and promoting diversity at all hierarchical and functional levels. A stand-alone policy exists to set out the diversity principles in the highest governance bodies.
Human rights Policy	it describes the assessment process of human rights risks, the identification of salient issues and the due diligence process on three main processes namely human resources, investments & loans and procurement.
Responsible financing Policy	it sets out the strategy to include ESG risks and opportunities into our credits granted (lending portfolio), aligning with the commitments taken with the Net Zero Banking Alliance (NZBA) and the Principles for Responsible Banking (PRB).
Responsible investment portfolio Policy	it sets out the strategy to include ESG risks and opportunities into our investments in bonds (investment portfolio), aligning with the commitments taken with the Net Zero Banking Alliance (NZBA) and the Principles for Responsible Banking (PRB).
ESG Exclusion Policy	internal policy in development, it defines the list of high climate risks sectors that the Bank excludes from its financing and investments, as well as the exclusion process based on UNGC-related controversies thanks to a tool developed by a non-financial rating agency.
Sustainability Policy	it defines the sustainability strategy of "Transition Enabler", the commitments, objectives and plans to achieve aspirations on corporate sustainability and sustainable finance through our influence spheres: corporate operations, banking operations and impact banking.
Sustainable procurement Policy	it ensures that the Procurement processes are transparent and compliant with the laws and other regulatory enactments, best practices, as well as integrate ESG risks and opportunities while ensure human rights respect in the supply chain.
Whistleblowing Policy	it outlines the principles to collect and handle internal stakeholder concerns and feedbacks in case of ethical violations. It ensures that the processes are transparent, accessible, anonymous and without reprisals.
Debt collection Policy	it outlines the approach towards debt collection procedures that do not violate the dignity of its customers, do not impose disproportionate and undue coercive measures, and are based on the primary principles of amicable settlement and equal treatment.

4. GRI Content Index



2023

For the Content Index - Advanced Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for all disclosures are included correctly and aligned with the appropriate sections in the body of the report.

Statement of use	Spuerkeess has reported in accordance with the GRI Standards for the period 1st January 2022 to 31st December 2022.
GRI 1 used	GRI 1 : Foundation 2021
Applicable GRI Sector Standard(s)	NA

GRI standard/ other source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	8, 13	A grey cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	5				
	2-3 Reporting period, frequency and contact point	5				
	2-4 Restatements of information	5				
	2-5 External assurance	5				
	2-6 Activities, value chain and other business relationships	9, 10, 12				
	2-7 Employees	16				
	2-8 Workers who are not employees	16				
	2-9 Governance structure and composition	17, 18				
	2-10 Nomination and selection of the highest governance body	17, 19				
	2-11 Chair of the highest governance body	17				
	2-12 Role of the highest governance body in overseeing the management of impacts	17, 18				
	2-13 Delegation of responsibility for managing impacts	17, 18				
	2-14 Role of the highest governance body in sustainability reporting	17				
	2-15 Conflicts of interest	19				
	2-16 Communication of critical concerns	19				

GRI standard/ other source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-17 Collective knowledge of the highest governance body	17, 19				
	2-18 Evaluation of the performance of the highest governance body	17, 19				
	2-19 Remuneration policies	33				
	2-20 Process to determine remuneration	33				
	2-21 Annual total compensation ratio		Not disclosed.	Not applicable	Remuneration at Spuerkeess follows the operation of the salary scale for state employees. Each employee is paid according to their compensation group and seniority.	
	2-22 Statement on sustainable development strategy	4				
	2-23 Policy commitments	51, 52, 57, 63				
	2-24 Embedding policy commitments	51, 52, 57, 63				
	2-25 Processes to remediate negative impacts	32				
	2-26 Mechanisms for seeking advice and raising concerns	32				
	2-27 Compliance with laws and regulations	32				
	2-28 Membership associations	15				
	2-29 Approach to stakeholder engagement	14, 45, 60				
2-30 Collective bargaining agreements	16					

GRI standard/ other source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	59	A grey cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	61				
ECONOMIC PERFORMANCE						
GRI 3: Material Topics 2021	3-3 Management of material topics	30				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	30				
	201-2 Financial implications and other risks and opportunities due to climate change	36,37				
INDIRECT ECONOMIC IMPACTS						
GRI 3: Material Topics 2021	3-3 Management of material topics	53, 55				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	53, 54,55				
ENERGY						
GRI 3: Material Topics 2021	3-3 Management of material topics	21				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	22				
	302-5 Reductions in energy requirements of products and services	22				
EMISSIONS						
GRI 3: Material Topics 2021	3-3 Management of material topics	21, 34, 35				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	22				
	305-2 Energy indirect (Scope 2) GHG emissions	22				
	305-3 Other indirect (Scope 3) GHG emissions	22, 37, 38,39				
	305-4 GHG emissions intensity	39				
	305-5 Reduction of GHG emissions	22				

GRI standard/ other source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(S) Omitted	Reason	Explanation	
OCCUPATIONAL HEALTH AND SAFETY						
GRI 3: Material Topics 2021	3-3 Management of material topics	23				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	23				
	403-2 Hazard identification, risk assessment, and incident investigation	23				
	403-3 Occupational health services	23				
	403-4 Worker participation, consultation, and communication on occupational health and safety	23				
	403-5 Worker training on occupational health and safety	23				
	403-6 Promotion of worker health	23				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	23				
	403-8 Workers covered by an occupational health and safety management system	23				
	403-10 Work-related ill health	24				
TRAINING AND EDUCATION						
GRI 3: Material Topics 2021	3-3 Management of material topics	25				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	25				
	404-2 Programs for upgrading employee skills and transition assistance programs	26, 27				
	404-3 Percentage of employees receiving regular performance and career development reviews	26				
DIVERSITY AND EQUAL OPPORTUNITY						
GRI 3: Material Topics 2021	3-3 Management of material topics	28				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	28, 29				

5. Correspondence table between GRI 2021 and ESRS

Linkage between GRI and ESRS

GRI has been actively engaged in the development of the ESRS, from the initial phase led by the Project Task Force through to collaboration with EFRAG (European Financial Reporting Advisory Group), SRB (Sustainability Reporting Board) and TEG (Technical Expert Group). Work has focused on ensuring optimal interoperability between the GRI global standards, which focus on materiality of impact, and the European ESRS, which focuses on double materiality. In order to comply with the European ESR standards required by CSRD, Spuerkeess has established a mapping of GRI 2021 and ESRS indicators. The new ESRS indicators are gradually being integrated into the non-financial report.

GRI standard/ other source	Disclosure GRI standards 2021	Disclosure ESRS
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-1 Organizational details	
	2-2 Entities included in the organization's sustainability reporting	BP-1 General basis for preparation of the sustainability statements
	2-3 Reporting period, frequency and contact point	
	2-4 Restatements of information	BP-2 Disclosures in relation to specific circumstances
	2-5 External assurance	
	2-6 Activities, value chain and other business relationships	SBM-1 Market position, strategy, business model(s) and value chain
	2-7 Employees	S1-6 Characteristics of the undertaking's employees
	2-8 Workers who are not employees	S1-7 Characteristics of non-employee workers in the undertaking's own workforce
	2-9 Governance structure and composition	2-GOV 1 The role of the administrative, management and supervisory bodies
	2-10 Nomination and selection of the highest governance body	
	2-11 Chair of the highest governance body	
	2-12 Role of the highest governance body in overseeing the management of impacts	2-GOV 1 The role of the administrative, management and supervisory bodies 2-GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies G1-1 Corporate culture and business conduct policies
	2-13 Delegation of responsibility for managing impacts	2-GOV 1 The role of the administrative, management and supervisory bodies 2-GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
	2-14 Role of the highest governance body in sustainability reporting	
	2-15 Conflicts of interest	

GRI standard/ other source	Disclosure GRI standards 2021	Disclosure ESRS
GENERAL DISCLOSURES		
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	G1-3 Prevention and detection of corruption or bribery
	2-17 Collective knowledge of the highest governance body	2-GOV 1 The role of the administrative, management and supervisory bodies
	2-18 Evaluation of the performance of the highest governance body	2-GOV 1 The role of the administrative, management and supervisory bodies
	2-19 Remuneration policies	2-GOV 3 Integration of sustainability-related performance in incentive schemes
	2-20 Process to determine remuneration	
	2-21 Annual total compensation ratio	S1-16 Compensation indicators (pay gap and total compensation)
	2-22 Statement on sustainable development strategy	
	2-23 Policy commitments	2-GOV 4 Statement on sustainability due diligence G1-1 Corporate culture and business conduct policies DC-P Policies adopted to manage material sustainability matters
	2-24 Embedding policy commitments	2-GOV 4 Statement on sustainability due diligence G1-1 Corporate culture and business conduct policies
	2-25 Processes to remediate negative impacts	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns
	2-26 Mechanisms for seeking advice and raising concerns	G1-1 Corporate culture and business conduct policies G1-3 Prevention and detection of corruption or bribery
	2-27 Compliance with laws and regulations	
	2-28 Membership associations	
	2-29 Approach to stakeholder engagement	SBM-2 – Interests and views of stakeholders S1-2 Processes for engaging with own workers and workers' representatives about impacts
2-30 Collective bargaining agreements	S1-8 Collective bargaining coverage and social dialogue	

GRI standard/ other source	Disclosure GRI standards 2021	Disclosure ESRS
MATERIAL TOPICS		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities
	3-2 List of material topics	
ECONOMIC PERFORMANCE		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distribute	
	201-2 Financial implications and other risks and opportunities due to climate change	E1-9 Potential financial effects from material physical and transition risks and potential climate-related opportunities
INDIRECT ECONOMIC IMPACTS		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	S3-4 Taking action on material impacts on affected communities, and approaches to mitigating material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions
ENERGY		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 302: Energy 2016	302-1 Energy consumption within the organization	E1-5 Energy consumption and mix
	302-5 Reductions in energy requirements of products and services	E1-5 Energy consumption and mix
EMISSIONS		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions
	305-2 Energy indirect (Scope 2) GHG emissions	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions
	305-3 Other indirect (Scope 3) GHG emissions	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions
	305-4 GHG emissions intensity	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions
	305-5 Reduction of GHG emissions	E1-7 GHG removals and GHG mitigation projects financed through carbon credits

GRI standard/ other source	Disclosure GRI standards 2021	Disclosure ESRS
MATERIAL TOPICS		
OCCUPATIONAL HEALTH AND SAFETY		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
	403-3 Occupational health services	S1-14 Health and safety indicators
	403-4 Worker participation, consultation, and communication on occupational health and safety	S1-2 Processes for engaging with own workers and workers' representatives about impacts
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8 Workers covered by an occupational health and safety management system	S1-14 Health and safety indicators
	403-9 Work-related injuries	S1-14 Health and safety indicators
	403-10 Work-related ill health	S1-14 Health and safety indicators
TRAINING AND EDUCATION		
GRI 3: Material Topics 2021	3-3 Management of material topics	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	S1-13 Training and skills development indicators
	404-2 Programs for upgrading employee skills and transition assistance programs	S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions
	404-3 Percentage of employees receiving regular performance and career development reviews	S1-13 Training and skills development indicators

6. Principles for Responsible Banking reporting index

In October 2019, Spuerkeess signed the Principles for Responsible Banking (denominated “the Principles” hereafter) of the United Nations Environment Programme Finance Initiative (UNEP FI). The implementation of the Principles is part of our overall sustainability strategy and commitments.

Signing the “Principles” implies aligning progressively the Bank’s strategy and management with the Sustainable Development Goals and the Paris Agreement, establishing objectives and reporting annually on the progress being made towards compliance.

The below table sets out the reporting and self-assessment requirements for signatories of the “Principles”. It is where we provide our response and self-assessment in relation to the “Principles” and provide references and links to where the required information and documentation can be found, both as part of our existing reporting and in the public domain.

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Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

We are a universal bank operating in Luxembourg. We offer a comprehensive range of banking and finance products and services. We cater to all customer categories (private, professional, institutional, etc.) in all sectors, with the objective to satisfy their needs for day-to-day management, financing, savings and investments, means of payment, and more.

Our core activity consists of collecting deposits and granting loans and credits to the national economy. More than two-thirds of Spuerkeess' liabilities are therefore made up of deposits from our individual, SME and institutional customers in Luxembourg.

Residential mortgage loans constitute a main activity in the lending portfolio.

Our lending and credit policy follows the principle of "socially responsible lending". We protect our customers from excess debt by making a prudent assessment of their debts service capacities.

Information about the Bank's on-balance sheet portfolio:

Portfolio of activities: Main activities/Business areas	Main Geographies
Lending Portfolio	Luxembourg
Investment Portfolio	Luxembourg France United States Netherlands Canada
Deposits	Luxembourg

Portfolio of activities: Main activities/Business areas	Main Segments/sectors
Lending Portfolio (46% of total assets)	Retail (71% of total lending)
	Corporate and SMEs (19% of total lending)
Investment Portfolio (26% of total assets)	Financials (52% of total investment)
	Corporates (30% of total investment)
	Public Sector (18% of total investment)
Deposits (76% of total liabilities)	Retail (44% of total deposits)
	Institutional (23% of total deposits)

See chapter "Our Purpose" (on page 6) in our NFR (Non-financial reporting) 2021

See chapter "Our purpose and values" (on page 8) in our NFR 2022

See chapter "Our ESG strategy and business model" (on pages 9-13) in our NFR 2022

Principle 1: Alignment

STRATEGY ALIGNMENT

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

- Yes
 No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- UN Guiding Principles on Business and Human Rights
 International Labour Organization fundamental conventions
 UN Global Compact
 UN Declaration on the Rights of Indigenous Peoples
 Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **EBA ESG Pillar III Reporting**
 Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery
 None of the above

We aim to create a positive impact in terms of our management (corporate operations), our products and services (banking activities), as well as our territorial impact on communities. Thus, from our existing capital and through our business model and ESG strategy, we create value for our ecosystem of stakeholders and maximize our contribution to the United Nations Sustainable Development Goals (SDGs).

As a member of the NZBA, Spuerkeess commits to reach carbon neutrality by 2050 (or earlier) and to define intermediate scientific objectives for 2030 which will be aligned with the Paris Agreement by focusing on the most highly intensive sectors within the climate relevant ones. An action plan will be defined in Q4 2023 (and will be published in April 2024) in order to reduce the transitions risk inter alia the alignment gap of the Paris Agreement of the most emitting GHG sectors and activities.

For our Residential mortgage loans portfolio, we use the decarbonisation rate from the National Energy and Climate Plan (NECP) for the Luxembourg's real estate sectors.

For our Corporate bonds and equities portfolio, we selected the TPI framework (based on IEA climate scenarios) to track the climate transition pathway alignment of companies across four of the most carbon-intensive sectors represented in our portfolios.

See chapter "Our value chain and ESG strategy" (on pages 9-10) in our NFR 2022

See our EBA ESG Pillar 3 (on pages 116, 118 and 126)

See chapter "Residential mortgage loans" in our Net Zero Climate Report (on page 22)

See chapter "Selecting transition pathways benchmarks" in our Net Zero Climate Report (on page 16)

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a. Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

The impact analysis, we performed end of 2020, covered 53% of the assets in our Balance Sheet. These 53% of outstanding assets consisted of exposures to the construction sector (including exposures on mortgage loans), corporate sectors and the public sector. The non-covered part of assets in the Balance Sheet consisted mainly of exposures on financial institutions. The impact analysis showed that Climate Change had to be considered as a relevant impact area for the Bank. As a consequence, we concentrated since 2021 on climate relevant sectors (code Nace A-H & L) measuring the absolute emissions. The screening of climate relevant assets in our Balance sheet 2022 shows the following results:

See chapter “Note Méthodologique d’analyse d’impact” in our NFR 2020 (on pages 54-55)

See chapter “Our purpose and values” (on page 8) in our NFR 2022

See chapter “The carbon footprint of our banking activities” in our NFR 2022 (on pages 35-36)

See chapter “Our carbon footprint” and “Our climate targets” in our Net Zero Climate Report 2022 (on pages 9 and 10)

Sectors not included in the impact analysis:

Portfolio of activities: Main activities/ Business areas	Climate relevant exposures		Main geographies
	Asset Class	Exposure (in mio €)	Country
Lending Portfolio	Residential Mortgage Loans	15.256	LU
	Corporate and SMEs	4.497	LU
Investment Portfolio	Corporates Bonds	2.615	US, FR, NL
	Corporate Equities	1.098	LU

Portfolio of activities: Main activities/ Business areas	Main Segments/ sectors	Reason of exclusion
Investment Portfolio	Financials	We did not yet extend the impact analysis to exposures on financial institutions. This will be addressed at a later stage when more granular ESG banking data is available and financial institutions comply to CSRD and TCFD.
	Public Sector	Not climate-relevant
Deposits		Spuerkeess only focuses on climate-relevant assets.

As we, through our mission, have to contribute to the economic and social development of the country, we focused also on Social Inclusion representing the second relevant impact area.

During 2023, we will perform an update of the impact analysis in order to understand if additional relevant impacts have to be focused on. Nevertheless, Climate Change and Financial Inclusion are still being considered as our significant and material impact areas and are also being taking into account in our internal Strategy Paper 2025, where it is defined that we are taking action in order to intensify our Transition enabler role by setting clear targets and action plans and by committing to contribute and to foster the social/financial inclusion.

Principle 2: Impact and Target Setting

b. Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope
 i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
 ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Our portfolio composition broken down to main asset classes, industries and products presents as follows:

Portfolio of activities: Main activities/ Business areas	Asset classes and Climate relevant key sectors	Climate relevant share in Portfolio
Lending Portfolio	Retail - Residential Mortgage Loans	58% (of total lending)
	Business Loans: Corporate and SMEs	17% (of total lending)
	of which: Construction	28%
	of which: Manufacture	9%
	of which: Electric utilities	7%
	of which: Transportation & storage	10%
Investment Portfolio	Corporate Bonds	16% (of total investment)
	of which: Oil & Gas	11%
	of which: Power Generation	10%
	of which: Automotive	6%
	Corporate Equities	7% (of total investment)
	of which: Passenger airline	45%
	of which: Freight airline	49%

See chapter "The carbon footprint of our banking activities" (on pages 35-36) and see chapter "Our business lines" (on page 13) in our NFR 2022

See chapter "Banking activities" in our NFR 2022 (on page 34)

See chapter "Our carbon footprint" in our Net Zero Climate Report 2022 (on page 9)

See chapter "ESG Risks" in our EBA ESG Pillar 3 report (on page 137)

Additional and more recent information on the exposure per asset and on the most climate relevant sectors may be found in our "Sustainable development report 2022", in our "Net Zero Climate Target report 2022" and in our "EBA ESG Pillar 3 reporting 2022".

Principle 2 : Impact and Target Setting

c. Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Luxembourg's "Plan national de Développement Durable (PNDD)" indicates 10 priority actions retained by the Government to devote to the sustainable development and by aligning with the Sustainable Development Goals (SDGs). By focusing on climate change and financial inclusion, we as a bank, will contribute to the objectives:

- **Number 1:** Ensure social inclusion and education for all (SDGs 1, 4, 5 and 11)
- **Number 8:** Protect the climate, adapt to climate change and ensure sustainability energy (SDGs 7, 13 and 14)

Luxembourg's "National energy and climate plan (NECP)" defines 5 important sectors for which CO₂ emissions reduction have been defined. The residential sector, amid these 5 sectors, represents the highest share in our portfolio. This highlights one of the main priorities related to sustainable development in our main country and for which we are currently contributing by aligning to the objectives set by the Luxembourgish NECP framework going hand in hand with the main goal of the Paris Agreement and the Carbon Neutrality by 2050.

Interests and concerns of main stakeholders in these 2 topics are as follows:

Stakeholder engagement	Climate Change	Financial Inclusion
Spuerkeess owner	x	x
Customers		x
Equity Interests	x	
Industry	x	x
Science	x	

See chapter "Our stakeholders" in our NFR 2022 (on page 14)

See "3e Plan National pour un développement durable" – Portail de l'environnement - emwelt.lu - Luxembourg (public.lu)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

As **climate change** had been identified as being one of the areas where our impacts are most significant based on the "Portfolio Impact Analysis" methodology provided by UNEP FI, we concentrated in 2022 on the climate relevant sectors (Code NACE A-H & L) which represent 43% of our total assets as of December 31, 2022. We then performed the following impact assessment exercises on the climate relevant sectors by undertaking following analysis:

- **Transition risk:** A calculation of Financed GHG emissions covering 96% of climate relevant sectors' exposures by applying the "PCAF" methodology on Corporate Bonds and equities, Residential Mortgage loans and Business loans by highlighting exposures towards climate high-intensive sectors related to each asset class.
- **Physical risk:** An analysis of the potential impact of flood events on our residential mortgage portfolio based on historical data (Data provided by GEOPORTAIL) enabled us to perform a first mapping between our mortgage loans exposures and different flood zones.

Financial inclusion has also been highlighted as one of the most relevant impact areas related to our business. This impact area is not extensively elaborated as climate change but further analysis will take place during the next following months. Whereas performance measurement is partially in place, relevant targets have still to be defined.

See chapter "The carbon footprint of our banking activities" in our NFR 2022 (on pages 35-39)

See chapter "About this report" (on pages 6 and 7) and "Our carbon footprint" (on page 9) in our Net Zero Climate Report 2022

Principle 2: Impact and Target Setting

d. For these (min. two prioritized impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Climate Change

Our Net Zero Climate Target report presents the breakdown of our main assets by showing their related financial exposure as well as their financed GHG emissions. Our total exposure on climate relevant sectors was **24.549 mio €** in 2022 from which about 96% (compared to 72% in 2021) were covered by our financed GHG emissions calculation. Our financed GHG emissions from climate relevant sectors were 1,3 million tons of Scope 1 & 2 CO₂ equivalent, whereas 1,1 million tons of Scope 3 CO₂ equivalent were disclosed on only Oil & Gas and Mining sectors as required by PCAF²⁵.

Regarding our **corporate bonds** portfolio, the following sectors have been prioritized as they are responsible for the strongest actual negative impacts in our portfolio (Scope 1, 2 and 3²⁶ of the corporate bonds portfolio are being presented):

	Scope 1 & 2 (in tons of CO ₂ e)	Scope 3 (in tons of CO ₂ e)
Automotive	1.534	Not required by PCAF
Power Generation	84.366	Not required by PCAF
Oil & Gas	69.067	828.610

See chapter "The carbon footprint of our banking activities" in our NFR 2022 (on pages 38 and 39)

See chapter "Our carbon footprint" and "Our climate targets" (on pages 9 and 10) in our Net Zero Climate Report 2022

²⁵The sector list of PCAF aligns with the Scope 3 phase-in approach as defined by the EU TEG, which was included in Article 5 of the Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020 Supplementing the Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks", as defined by the PCAF standard.

²⁶ Scope 3 emissions calculated only for the Oil, Gas and Mining activities as required by PCAF. PCAF (2022). The Global GHG Accounting and Reporting, Standard Part A: Financed Emissions. Second Edition.

Principle 2 : Impact and Target Setting

Regarding our **corporate equities** portfolio, the following sectors have been prioritized as they are responsible for the strongest actual negative impacts in our portfolio (Scope 1 and 2 of the corporate equities portfolio are being presented):

- Airlines: 398.868 t CO₂e

Regarding our **business loans** portfolio, the following sectors have been prioritized as they are responsible for the strongest actual negative impacts in our portfolio (Scope 1 and 2 of the business loans portfolio are being presented):

	Scope 1 & 2 (in tons of CO ₂ e)	Scope 3 (in tons of CO ₂ e)
Construction	31.051	Not required by PCAF
Transportation and storage	135.451	Not required by PCAF
Manufacturing	113.182	Not required by PCAF
Electric utilities	109.704	Not required by PCAF

Our **residential mortgage** loans portfolio generated 146.033 t CO₂e (Scope 1 and 2) and represents the highest exposure in our portfolio with a financial exposure of 15,3 billion €.

Financed emissions are the highest for our **corporate bonds** portfolio especially for the companies belonging to the oil and gas sector. Our **corporate equities** portfolio also emits elevated financed GHG emissions through the freight airline sector.

Our approach, scope and methodology regarding our transition to a net-zero pathway including the calculation of the financed emissions are described in detail in our Net Zero Climate Target report 2022.

Financial inclusion

Financial Inclusion has also been considered to be of one of the most important impacts in our country and strongly linked to our activities. This impact has not been analysed as deeply as the “Climate Change” impact. Nevertheless, we are currently in the process of conducting a more in depth-analysis and have dedicated an entire chapter to this impact in our “sustainable development report 2022”.

We consider that Financial inclusion has to focus on three main drivers:

- Financial literacy and education,
- Accessible and affordable banking,
- Avoiding and fighting poverty.

We plan to structure the performance indicators under 3 categories:

- **Access indicator:** The access indicator reveals how specific target groups categorised by age, gender or disadvantage, have access to financial literacy and banking services/infrastructure. Some examples of our “accessible banking” as well as our “access to education” may be found in our “sustainable development report 2022” on pages 47 and 50.
- **Affordability indicator:** The affordability indicator presents the affordability of banking for more vulnerable target groups such as children or elderly and clients with specific assistance. This is mainly expressed in fees. Some examples of our “Affordable banking”, “Affordable access to housing” and “Affordable access to investment products and socially responsible investments” may be found in our “sustainable development report 2022” on pages 48-49.

See chapter “ESG Risks” in our EBA ESG Pillar 3 report (on page 137)

See chapter “Financial inclusion” (on pages 53-56) in our NFR 2022

See chapter “Accessible banking” (on page 47) in our NFR 2022

See chapter “Access to education” (on page 50) in our NFR 2022

See chapter “Affordable banking”, “Affordable access to housing” and “Affordable access to investment products and socially responsible investments”, (on pages 48-49) in our NFR 2022

Principle 2: Impact and Target Setting

- **Usage indicator:** The usage indicator shows how efficient the usage of banking services is for certain target groups. This is expressed in average savings balance or number of transactions.
- Further in-depth analysis related to the financial inclusion will be conducted during the next 12 months reporting period.

SELF-ASSESSMENT SUMMARY:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- | | | | |
|--------------------------|---|--------------------------------------|-----------------------------|
| Scope: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change and Financial inclusion

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

Principle 2 : Impact and Target Setting

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a. Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Climate Change

We considered the following policy frameworks in our approach to align these with our targets and indicators:

- The goals of the Paris Agreement by limiting the temperature well below 2 degrees, preferably to 1,5 degrees by reducing our financed GHG emissions.
- The UNEP FI Guidelines for Climate target Setting for Banks has been taken into consideration for the target setting of our net-zero commitment through our Net-Zero Banking Alliance (NZBA) membership.
- The methodology of the Partnership for Carbon Accounting Financials (PCAF) has been applied to our corporate bonds, corporate equities, residential mortgage loans and business loans portfolio to calculate the financed GHG emissions. We will progressively extend the calculation to our financed SCOPE 3 emissions of our counterparties. The methodology also allows to measure how data quality improves over the years (Data quality score).
- In order to apply scientific sectoral transition pathways for corporate bonds and equities , we consider the Transition Pathway Initiative (TPI) framework which refers to 1,5 and 2 degrees transition pathways benchmarks established by the International Energy Agency's (IEA).
- We use the decarbonisation rate from the National Energy and Climate Plan (NECP) for Luxembourg's real estate sector and apply it to our portfolio. This rate consists of a 64% reduction from 2005 until 2030. We also contribute to the objectives as defined in Luxembourg's "Plan national de Développement Durable (PNDD)".
- The European Climate Law's ambition is to reach the carbon neutrality by 2050 and to reduce the GHG emissions by at least 55% in 2030. By being a member of the NZBA, we committed to become net-zero by 2050.
- The Sustainable Development Goal 13 "Take urgent action to combat climate change and its impacts" goes along with our approach to become carbon neutral in 2050.

See chapter "Our climate targets" (on page 10) in our Net Zero Climate Report 2022

See chapter "Our ESG strategy and business model" (on page 9 and 10) in our NFR 2022

Financial Inclusion

We foster financial education and access to our financial services for all by supporting the Sustainable Development Goal 1 "No Poverty", 4 "Quality Education", 9 "Industry, innovation and infrastructure" and 10 "Reduced inequalities".

Principle 2: Impact and Target Setting

b. Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Climate Change

We compared our financed GHG emissions of 2022 of our corporate bonds and equities portfolio as well as our residential mortgage loans portfolio with the carbon footprint of our banking activities in 2021. As the scope of GHG calculation has increased in 2022 covering now 96% of the climate relevant exposures, we will use 2022 as baseline year for our transition pathways as from 2022. Further details on the current level of alignment can be found in our Net Zero Climate Target Report 2022 on pages 17-22.

The following table shows if Spuerkeess' practices are aligned to the requirements of UNEP FI exposed in the appendix of UNEP FI's Progress Report.

Impact area	Indicator code	Response
Climate change mitigation	A.1.1	Yes – See Net Zero Climate Target Report 2022
	A.1.2	Yes – Net-Zero by 2050 and see other targets for 2030 in table “Our Climate targets” in our Net Zero Climate Report 2022 page 10 – Baseline year: 2022 (Net Zero Climate Report 2022 on page 17) – IEA scenarios as well as NECP
	A.1.3	Yes
	A.1.4	Yes – <u>Lending</u> : residential + Business loans <u>Investment</u> : corporate bonds + equities
	A.1.5	Yes and in progress – See table “Our banking activities: products and services” in our NFR 2022 (page 12) and see table “Our banking solutions with environmental benefits” for the financial volume in our NFR 2022 (pages 41-46)

See chapter “Evolution of our carbon footprint of our banking activities” (on page 33) in our Net Zero Climate Report 2022

Principle 2: Impact and Target Setting

Impact area	Indicator code	Response
	A.2.1	Yes – Corporate Equities, Business Loans (mainly Luxembourg) and Residential Mortgage Loans
	A.2.2	Scope 3 ²⁷ financed GHG emissions: - Corporate Bonds: 1.046.375 t CO ₂ e - Business Loans: 39.927 t CO ₂ e
	A.2.3	Yes – see table “Our Climate targets” in our Net Zero Climate Report 2022 page 10 – Covered sectors: Oil & Gas, Power Generation, Automotive, Cargo airlines, Passenger airlines, Residential mortgage loans
	A.2.4	65% (page 17 in our Net Zero Climate Report 2022)
	A.3.1	Lending: 23,60% of annual low carbon financing in total annual financing (NFR 2022 page 11) – Renewable energies, E-Mobility and Residential mortgage loans (EPC classes A&B) Investment: 500 mio € (Green Bonds – ICMA/CBI)
	A.3.2	24.549 mio € (Net Zero Climate Report 2022 p.9)
	A.4.1	See table “Evolution of our carbon footprint of our banking activities” (Net Zero Climate Report 2022 p.33)
	A.4.2	Indicator is currently not computed

Financial Inclusion
 These kind of information regarding the baseline year as well as the current alignment are currently not developed for the “financial inclusion” area. This will be conducted during the year 2023.

See chapter “Evolution of our carbon footprint of our banking activities” (on page 33) in our Net Zero Climate Report 2022

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²⁷ Scope 3 emissions calculated only for the Oil, Gas and Mining activities as required by PCAF. PCAF (2022). The Global GHG Accounting and Reporting, Standard Part A: Financed Emissions. Second Edition

Principle 2: Impact and Target Setting







c. SMART targets: (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Climate Change

We have set specific targets for our corporate equities and bonds portfolio as well as for our residential mortgage loans portfolio. Please find below a table summarizing the objectives. For further details, please refer to our Net Zero Climate Report 2022

See chapter “Our Climate targets” (on page 10) in our Net Zero Climate Report 2022

See chapter “Financial Inclusion” (on pages 53-54) in our NFR 2022

Spuerkeess' climate relevant sectors	Metric	Baseline 2022	Target 2030	
		Value	Value	Scenario
Corporate bonds portfolio				
 Oil & Gas	gCO ₂ e/MJ	69,66	49,73	IEA 2°C
 Power generation	gCO ₂ e/Mwh	0,15	0,06	IEA 1,5°C
 Automotive	gCO ₂ e/km	129,60	80,91	IEA 2°C
Corporate equities portfolio				
 Cargo airlines	gCO ₂ e/RTK	463,00	370,00	IEA 1,5°C
 Passenger airlines	gCO ₂ e/RTK	1.052,00	616,00	IEA 1,5°C
Residential mortgage loans				
 Mortgage loans	kgCO ₂ e/m ²	50,25	24,10	NECP

Financial Inclusion

We aim to develop some targets around the subject “Financial inclusion” during the year 2023.

Our current financial education initiatives cover a vast array of financial education topics and address our audience from an early age on to create a fair entry point for each child, no matter the socio-economic background.

This allows us to address the inequity with regards to financial education among young people by integrating the subject in the general school curricula, such as how to save money or manage small budget.

Our goals are to:

- inform and raise awareness of the importance of good financial management, thus increasingly impacting future projects;
- give different age groups the opportunity to make informed choices in self-service banking products and transmit the necessary skills allowing the client to understand and manage their finances and prepare for the next steps in their life cycle.

Principle 2 : Impact and Target Setting

d.Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

Climate Change

Spuerkeess' climate relevant sectors	Metric	Baseline 2022	Target 2030		Measures to be taken
		Value	Value	Scenario	
Corporate bonds portfolio					
Oil & Gas	gCO ₂ e/MJ	69,66	49,73	IEA 2°C	Partial divestment & reinvestment of 100% of matured bonds into best in class companies
Power generation	gCO ₂ e/Mwh	0,15	0,06	IEA 1,5°C	Invest into best-in-class companies
Automotive	gCO ₂ e/km	129,60	80,91	IEA 2°C	Partial divestment & reinvestment of 100% of matured bonds into best in class companies
Corporate equities portfolio					
Cargo airlines	gCO ₂ e/RTK	463,00	370,00	IEA 1,5°C	Use of sustainable air fuel (SAF), investing into a new fleet (Boieng 777 substituting 747)
Passenger airlines	gCO ₂ e/RTK	1.052,00	616,00	IEA 1,5°C	Use of sustainable air fuel (SAF), investing into a new fleet ...
Residential mortgage loans					
Mortgage loans	kgCO ₂ e/m ²	50,25	24,10	NECP	Collection of clients' EPC, Renovation effort to enhance average EPC, ...
Other commitments					
Own operations	tCO ₂ e/FTE	1,17	1,05		Digitalisation efforts, introducing further energy cost containment measures and innovative projects,...

See chapter "Our Climate targets" (on page 10) in our Net Zero Climate Report 2022

See chapter "Financial Inclusion" (on pages 53-54) in our NFR 2022

A detailed transition (action) plan has to be worked out in Q4 2023 (and will be published in April 2024). For the time being, we provide for each target in the table above an indication of dedicated measures that have to be considered in order to reach the objectives. The table gives a summary about the action plan.

Please refer to our Net Zero Climate Report 2022 page 17-22 for further details about the measures which will be applied in order to achieve the targets.

Financial Inclusion

We aim to develop a concrete action plan around the topic "Financial inclusion" during the year 2023 when the baseline and concrete SMART targeting setting will be defined.

Principle 2: Impact and Target Setting

SELF-ASSESSMENT SUMMARY: Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...		
	Climate Change	Financial inclusion
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

Principle 2: Impact and Target Setting

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Our main impact areas are "Climate Change" and "Financial Inclusion", thereby we focus on these 2 topics for setting and monitoring concrete SMART targets.

The targets, we have set until now, are of a more general nature. Among these objectives, the following were reached in 2022:

Climate Change

- Define and set a transition plan to decarbonise our balance sheet progressively*
- Evolve the target setting methodology and scope:

 - i) extend the coverage of calculated financed GHG emissions to more asset classes (Corporate and SME loans) in compliance with the PCAF methodology to cover the total amount of climate relevant exposures;*
 - ii) engage with climate sensitive companies among our customers and among our strategic shareholdings to define transition pathways to Net-Zero.**

And for Financial Inclusion

- Raise awareness amongst children and students through a range of events and campaigns through the various communication channels to reach this audience*

Following objectives were partially or not yet achieved in 2022:

- Evolve the target setting methodology and scope: extend the impact analysis to exposures on financial institutions and to cover the Asset under Management for our customers and investors. The impact analysis will be realised in 2023;*
- Continue to develop the sectoral double materiality matrix and apply it to main exposures in our balance sheet, we strive to add at least one new significant impact area, besides climate change impact, to our measurement and monitoring framework. The double materiality analysis is postponed to 2023;*
- Physical risks: development of a methodology enabling the assessment of the financial impact of floods and droughts on our loans portfolio. Objective partially achieved: the project enabled to develop a methodology for the assessment of the financial impacts of floods.*

We defined SMART targets for "Climate Change" in our "Net Zero Climate Report 2022" for the first time.

In the next 12 months reporting, we will focus on implementing and setting SMART targets for the second impact area, financial inclusion.

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

As part of our "Spuerkeess 2025" strategy, we have chosen to adopt a "Transition Enabler" strategy whose purpose is to raise awareness among our clients (lenders and investors) and support economic players to help them move towards a sustainable economy, while showing an understanding of the sectoral and sociodemographic challenges involved.

We apply a policy for managing exclusions and controversies (page 51 in our NFR 2022) since 2022 (Assets under Management and Advisory...). Other policies like the "Responsible financing and investment policy" (pages 51-52 in our NFR 2022), the policy for "Fair advertising and marketing policy" (page 52 in our NFR 2022) are under validation process and will be published on our website end Q2 2023.

We create ESG awareness among our sales representatives who are regularly trained in the ESG aspects of their activity and products and implement tools that help customers make conscious choices about investing into sustainable products.

We have created a team dedicated to innovation and product development for our retail and professional customers. Our ambition is to further develop the ESG dimension in our business solutions.

We incentivize our retail customers to undertake renovations on their residential dwellings in order to improve their energy performance class and we introduced an ecological incentive which rewards our customers who have undertaken energy-efficient renovations by improving their energy performance class by 2 categories.

See chapter "Our ambition" in our NFR 2022 (on page 8)

See chapter "The carbon footprint of our banking activities" in our NFR 2022 (on pages 35-36)

See chapter "Our banking solutions with environmental benefits" in our NFR 2022 (on pages 41-46)

See chapter "Our banking activities" in our NFR 2022 (on page 34)

See chapter "Exclusions and controversies handling policy" in our NFR 2022 (on page 51)

Principle 3: Clients and Customers

Furthermore, we engage with our equity stakeholders (aviation and power sector) as well as with our corporate clients (10 main clients from the most climate intensive sectors) in order to support them in their sustainable transition and by reducing their GHG emissions. We focus on financing sustainable projects for SMEs and corporates, green innovations as well as clean and efficient energy projects by counting projects with climate goals like photovoltaic and solar projects, wind turbines or green mobility solutions, for which we apply preferential terms. We assess these types of projects with a tool developed by the European Investment Bank, called the “EIB Green Eligibility Checker” (further details in our NFR 2022 on page 43).

Further details on the initiatives taken for educational purposes as well as the spreading of best practices regarding corporate responsibility and sustainable finance within our stakeholder ecosystem can be found in our NFR 2022 on pages 53-54.

More details about our banking solutions with environmental and social benefits can be found in the next question.

See chapter “Responsible financing and investment policy” in our NFR 2022 (on pages 51-52)

See chapter “Fair advertising and marketing policy” in our NFR 2022 (on page 52)

See chapter “Financial inclusion” in our NFR 2022 (on pages 53-54)

See our EBA ESG PILAR 3 report (on page 118-121)

Principle 3: Clients and Customers

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.)

A summary of our products and services with a particular contribution to sustainability, can be found in our NFR 2022 on page 12.

Through our sustainable products and services with environmental as well as with social benefits, we create strategic business opportunities in relation to the increase of positive and the reduction of negative impacts. An exhaustive list as well as further details of our banking environmental (pages 41 to 46 in our NFR 2022) and social (pages 47-50 in our NFR 2022) solutions can be found in our “sustainable development report 2022”. Information on sustainable products developed in terms of value, such as the granted amount in numbers and in mio of €, are also available in our “sustainable development report 2022”.

Our value chain from 2022, presented in our “sustainable development report 2022” on page 10, indicates in which Sustainable Development Goals (SDGs) we are striving to create positive impact or reduce negative impact.

See chapter “Our banking activities: products and services” in our NFR 2022 (on page 12)

See chapter “Our banking solutions with environmental benefits” in our NFR 2022 (on pages 41-46)

See chapter “Our banking solutions with social benefits” in our NFR 2022 (on pages 47-50)

See chapter “Our value chain and ESG strategy” in our NFR 2022 (on page 10)

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes In progress No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

We engage with the following stakeholders for a clear purpose to achieve agreed outcomes:

- State of Luxembourg;
- Staff;
- Customers;
- Suppliers;
- Equity interests;
- Industries;
- Science and NGOs (operational and social partners).

For further details on how we have identified relevant stakeholders (Incoming Engagement Flow), what topics were addressed (Interest and concerns), what results were achieved (Outgoing Engagement Flow) and how they fed into our action planning process, can be found in our table from our "sustainable development report 2022" on page 14.

See chapter "Our stakeholders" in our NFR 2022 (on page 14)

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

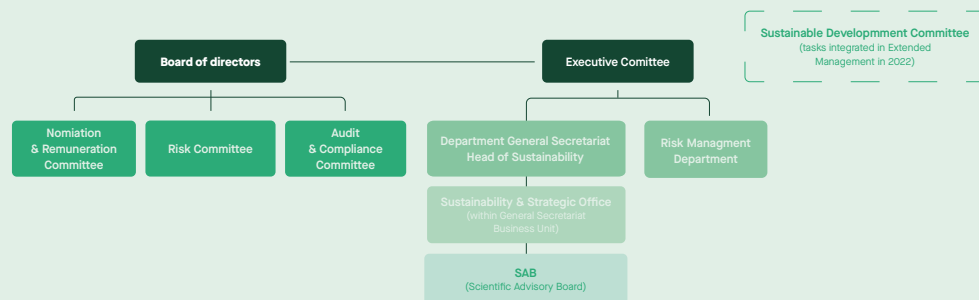
Yes In progress No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Please refer to the “sustainable development report 2022” on page 63 to find the exhaustive list of all our Spuerkeess’ sustainability policies in place.

The Board of directors, the Executive Committee and the Extended Management are involved in the setting and monitoring of the sustainability strategy. The Governance structure of our main and important committees and departments, involved in ESG subjects, is the following:



Responsibilities on ESG-related themes, among others the implementation of the Principles, have been assigned to the CEO, president of the Executive Committee.

During 2022, the Executive Committee granted decision-making power on sustainability and climate-related issues to the newly created Extended Management. The Extended Management hence takes over the responsibilities of the Sustainability Development Committee which was resolved in 2022. The Extended Management acts in close partnership with the Bank’s General Secretariat and the Head of Sustainability, providing the necessary information and reporting.

Our remuneration policy does not contain any quantitative criteria as well as ESG aspects.

See chapter “Sustainability Policies” in our NFR 2022 (on page 63)

See chapter “Governance and organisation” in our NFR 2022 (on pages 17-19)

See our EBA ESG Pilar 3 (on pages 123-124)

Principle 5: Governance & Culture

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

We have already offered some general sustainability trainings to our employees in the past and we are currently developing a sustainability learning program that is being implemented in 2023 and continuously rolled out.

Furthermore, a podcast called “Evergreens by Spuerkeess” has been created in order to have some exchanges around the table with economic players about sustainability, technology and the future of banking and finance.

We are currently in the process of implementing a Talent Management Program aiming to the continuous development of technical, transversal and leadership skills, to facilitate the planning of the succession of key positions within the Bank and to detect promising talents.

We have a dedicated internal “Sustainability page” which is accessible to all the employees. Employees can look up all specific related ESG terminology in a dictionary as well as recent ESG news. They also receive sustainable tips in a monthly basis in order to raise awareness with respect to the reduction of our carbon footprint.

We gave our employees the opportunity to work closely and on a voluntary basis to ESG topics. The so called “ESG advisers” meet regularly with the “Strategic and Sustainability Office” to exchange on important ESG subjects and in order to be updated on all the Spuerkeess-ESG projects. They can contribute to the various projects by proposing new ideas and by helping the “Strategic and Sustainability Office” with their expertise.

See chapter “Health and well-being” in our NFR 2022 (on pages 23-24)

See chapter “Financial inclusion” in our NFR 2022 (on pages 53-54)

See chapter “Leadership and future talent” in our NFR 2022 (on page 27)

Principle 5: Governance & Culture

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

In our Net Zero Climate Report, we computed our financed emissions for every climate relevant sector and set scientific-based targets for the high intensive ones. An action plan has also been set up such as divesting from “worst climate performers” and investing in best in class companies or increase the financing of A and B EPC of mortgage loans. We also engage with stakeholders and strategic partners in order to accompany our clients in the transition to a more sustainable world and economy such as to promote renovation to residential buildings and engage with SMEs and corporates.

Investment

We have an ESG Exclusion and Controversies Handling Policy, which defines a list of high climate risks sectors that we exclude from our financing and investments, as well as the exclusion process based on UNGC-related controversies.

We apply these rules not only to our own investments but also to assets under management for our customers. Severe and very severe ongoing controversies relating to environmental, social and governance issues and the disrespect of the principles of the United Nations Global Compact (UNGC) may cause a company’s exclusion. This policy reflects our intent to take action to limit global warming but also to act towards a more socially responsible world, where the human rights have to be respected.

An overview of the criteria for the detection of our restrictions and controversies can be found in our “sustainable development report 2022” on page 54.

Lending

As part of our management and mitigation of environmental and social risks process, we consider to include, in the near future, several sustainable elements in our evaluation process occurring at origination as well as during the lifecycle of the financed dwellings. These elements can be associated with information derived from the Energy Performance Certificate such as the CO₂ emissions, the location of the dwelling which may be situated in a flooding zone and a soft mobility score which indicates if the financed asset is located in the vicinity of resources of daily life (elementary school, supermarket, public transport etc.).

See chapter “Sustainability Policies” in our NFR 2022 (on page 63)

See chapter “Our banking solutions with social benefits” in our NFR 2022 (on pages 47-50)

See chapter “Our sustainability framework for our business solutions” in our NFR 2022 (on pages 51-52)

See chapter “Our climate targets” in our Net Zero Climate Report 2022 (on page 10)

See chapter “Selecting transition pathways benchmarks” and “Setting targets” in our Net Zero Climate Report 2022 (on pages 16-23)

SELF-ASSESSMENT SUMMARY:

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes Partially No

If applicable, please include the link or description of the assurance statement.

The assurance statement has been performed by Forethix and can be found in the "sustainable development report 2022" of Spuerkeess on page 69.

See chapter "Principles for Responsible Banking reporting index" in our NFR 2022 (on page 72)

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards frameworks?

GRI
 SASB
 CDP
 IFRS Sustainability Disclosure Standards (to be published)
 TCFD
 Other:

We joined the Net Zero Banking Alliance (NZBA) in October 2021 and committed to transition our own operations-GHG emissions and our attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by 2050 or sooner. NZBA also partially takes TCFD requirements into account such as the necessity to disclose metrics and to define and to monitor SMART target setting in a climate-related reporting.

We report our sustainability information also in accordance with the Global Reporting Initiative (GRI), the Article 8 of the EU Taxonomy Regulation, with the UN Principles for Responsible Banking and with the PCAF methodologies for our GHG financed emissions.

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

We will undertake a new analysis of our impact analysis and review our current positive and negative impact areas. We have identified "Financial inclusion" as our second significant impact area and we will have further analysis on this topic in order to understand the material positive and negative impact behind it. As data quality and data availability will improve overtime, we aim to strengthen our targets for both impact areas (Climate change and Financial inclusion) to align with net-zero pathways, with the Paris Agreement goals and to support our customers in the green transition.

Principle 6: Transparency & Accountability

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input checked="" type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

In general, climate-related data is not yet comprehensively available today making it very challenging to calculate certain required indicators such as the Taxonomy eligibility. Several external factors, which are out of our control, could significantly impact the financed GHG emissions of some of our portfolios via a change in the PCAF attribution factor (outstanding amount/EVIC). For example, the company's EVIC can be affected by a raise/drop in its share price which can then lead to lower/higher financed emissions on our side due to a decrease/increase in PCAF attribution factor. The same holds for foreign exchange effects (i.e. EUR/USD, EUR/CHF, etc.) as we have to report in EUR currency.

Nevertheless, data availability and quality will improve over the coming years as climate and ESG-related data disclosures are emerging world-wide. Furthermore, our latest collaboration with Greenomy will enable our Luxembourg-based corporate customers to provide reportings related to the EU Taxonomy and the CSRD as well as to improve their overall sustainability. As a result, the quality and the availability of data will improve overtime.

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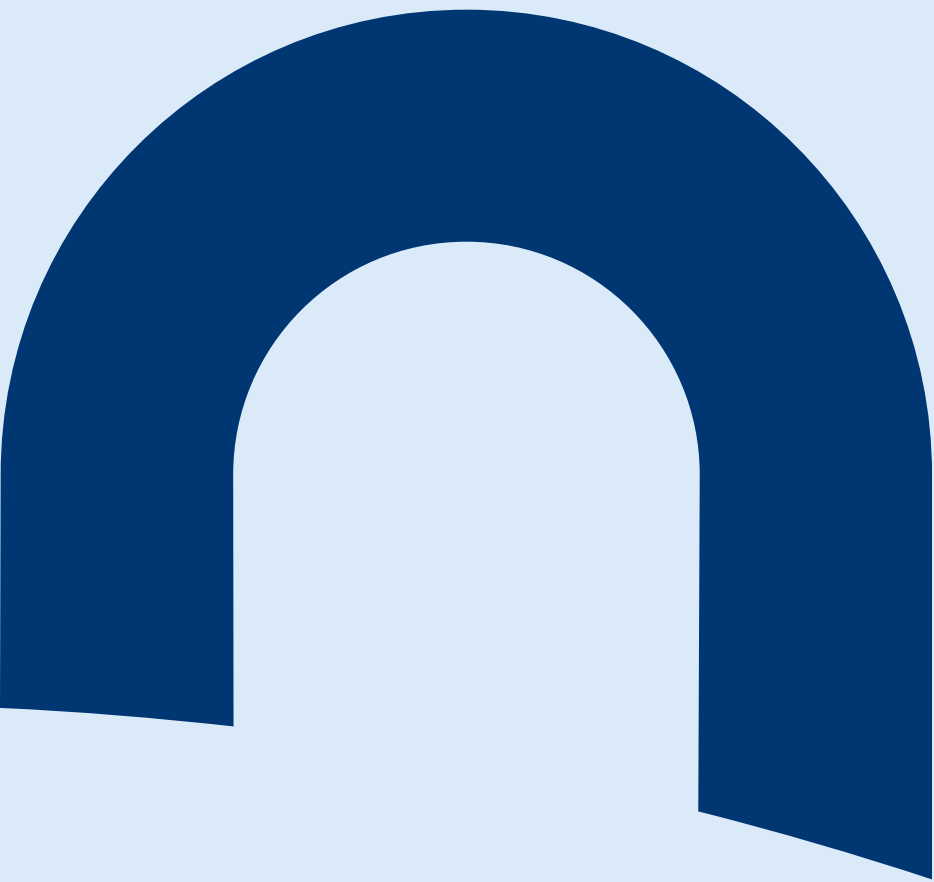
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