PRINCIPLES FOR RESPONSIBLE BANKING REPORTING INDEX

2020
Rapport de développement durable 2020
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 (see details on page 12 and 16 of our 2020 sustainability report "Rapport de développement durable 2020"). 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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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.

1.1 Business model description

Spuerkeess is a universal bank operating in Luxembourg. Spuerkeess offers a comprehensive range of banking and finance products and services. We cater to all customer categories (private, professional, institutional, etc.) in all sectors, satisfying their needs for day-to-day management, financing, savings and investments, means of payment, and more. The Bank’s core activity consists of collecting deposits and granting loans and credits to the national economy. Spuerkeess’ lending and credit policy follows the principle of "socially responsible lending".

See chapters "Qui sommes-nous? " (p.6-7) and " Que faisons-nous " (p.8-11) of our 2020 sustainability report.

Link to the 2020 sustainability report :  

1.2 Business strategy alignment

In early 2021, Spuerkeess’ Board of Directors approved the bank’s Corporate Business Strategy 2025 integrating sustainability as a transverse pillar covering all banking and non-banking activities. Our Sustainability Policy is based on Spuerkeess’ ambition to become “Transition Enabler” (fostering a sustainable economy). In addition to the "Principles", we apply European and international frameworks, such as the Global Reporting Initiative (applied since 2018), AA1000SES, SASB, and ISO 26000. The materiality analysis, which was applied to the outcome of the stakeholders’ consultation, helped us to identify 4 pillars for our Sustainability Strategy: Ecological Transition, Social Responsibility, Value Creation for the Luxembourgish Economy, and Ethical Behaviour [Governance & Ethics], where adverse impacts have to be reduced and positive impacts increased. The priorities we have fixed support 11 of the 17 United Nations Sustainable Development Goals and respond to our most material issues. Spuerkeess will progressively align itself with the Paris Climate Accord, integrate the priorities of the European Green Deal, implement the elements of the European Sustainable Finance Action Plan and support national sustainability initiatives (PNEC “Plan national intégré en matière d’énergie et de climat”, Luxembourg Sustainable Finance Roadmap, Luxembourg Sustainable Finance Initiative).

See chapters “Devenir facilitateur de la transition” (p.12) and “Nos défis, impacts et engagements” (p.14). The details of our commitments are presented under Part III “Nos réalisations en 2020” (p.20-47).

Link to the 2020 sustainability report :  
Principle 2  
Impact and Target Setting

We will work to 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

We used the “Portfolio Impact Analysis” methodology provided by UNEP FI to undertake a general impact analysis. In identifying the areas where our impacts are most significant, the bank has taken into account its core business in terms of industries, technologies and sectors. We have covered 53% of the outstanding assets on the bank’s balance sheet as of December 31, 2020. This 53% of outstanding assets are composed of exposures to the construction sector (64%), the main corporate sectors (19%) and the public sector (17%). The non covered part of assets by the Impact analysis consists mainly of exposures concerning financial institutions that will be addressed at a later stage when more granular ESG banking data is available. Within the construction sector, housing finance with our private customers represents 86%. We determined the impacts on these 3 sectors working together with ESG Finance experts and applying a science-based methodology for 2 of the 3 sectors leading to a “ESG Risk scoring tool” for Corporates, which is still in progress given the significant complexities regarding the availability of proper ESG data, and a Sovereign “ESG Risk Scoring tool” which will shortly be integrated into our banking processes. Our impact analysis was undertaken in a national sustainability context when considering the local loan portfolio.

We also conducted a materiality analysis based on the expectations of 1434 stakeholders (external and internal Stakeholders). Our Sustainability Framework embraces the most significant expectations of our stakeholders under the 4 pillars which are referred under 1.2 Business strategy alignment. Based on these impact and materiality analyses, we identified 2 main areas where to intensify our work on Sustainability: (i) the fight against climate change and environmental degradation through energy transition and digitalisation, and (ii) social inclusion through financial education and awareness-raising about sustainable development.

See the chapter “Note méthodologique d’analyse de pertinence” (p.50-52) “Note méthodologique d’analyse d’impacts” (p.54-57).

Link to the 2020 sustainability report:

2.2 Target setting

For the Sustainability Report 2020, we defined targets (micro-targets) which support at least 11 of the 17 United Nations Sustainable Development Goals.

Targets relating specifically to “the fight against climate change/Mitigating actions” focus mainly on the exposures to the Construction sector and are referenced under our commitment of “Structurer des solutions de financement pour soutenir la transition durable de nos clients” on p.28 and p.29 and refer, among others, to:
• the number of advice given by our House Loan Advisors referring to government and private subsidies in order to stimulate renovation projects,
• the number of ESG Questionnaires (*) filled out as part of a funding application for residential or professional real estate,
• the percentage of Energy Performance Classes A & B exposures in our Residential Real Estate Loan Portfolio,
• the number of electric car loans and leasings.
For Sovereign exposures, Spuerkeess applied the ESG Sovereign Risk Scoring methodology (where the climate & environmental dimensions/factors were weighted of 40%) on exposures as of 31/12/2020. Spuerkeess has recently developed a sectoral exclusion policy in Q2 2021 that applies to certain upstream-sectors that are considered to have significant adverse impacts on the climate and/or the environment.

(*) The impact analysis on residential (housing) or professional real estate loans helped us to conceive a questionnaire enabling data ESG collection in conjunction with the customer), which includes questions relating to material ESG impacts. It will later feed into an overall ESG performance score.

See targets disclosed all along the report at the end of each of our commitments on pages 23, 28, 29, 31, 33, 35, 37, 41 and 44.

Link to the 2020 sustainability report:
### 2.3 Plans for target implementation and monitoring

Current targets related to the construction sector are monitored on a regular basis using defined KPIs (the most significant are referenced under 2.2 Target setting). As of today, measuring and monitoring the bank’s overall impacts in the area of climate change has not yet been reached. The Bank will continue its work to set goals in accordance with the “Principles”.

Considering what was said above, we have started in early Q2 2021 to work on a global concept of "SMART" targets for climate change issues that will apply at both Balance Sheet and Off-Balance Sheet levels. These targets (e.g. GHG emissions, carbon intensity, transition pathway, etc...) will be gradually deployed to all the bank and business lines (cascading down to all portfolios as well as sectoral exposures). Beneath these targets, other metrics related to environmental, social and governance issues will be introduced and be aligned with or complemented by KPIs developed by drawing from the different regulations stemming from EU Plan for a Sustainable Finance, including the SFDR, the EU Taxonomy, or the Green Asset Ratio, among others.

The monitoring of these targets is a crucial focus for the highest decision-making bodies based on the reporting that will be created under the supervision of the Spuerkeess’ Sustainability Committee and Office.

See the chapter "Notre gouvernance responsable" on p.13.


### 2.4 Progress on implementing target

We disclose our Sustainability Report on an annual basis, providing information about our general and sustainability strategy. Our Sustainability Report describes how we address corporate sustainability, how we implement our sustainability strategy, the targets we have set and our main achievements.

We have undertaken our impact analysis by identifying the areas in which we have the most significant potential positive and negative impact through our materiality assessments and the development of our policies and action plans. During 2021 and 2022, the impact analysis will be extended to include exposures to financial counterparties and will also cover the Asset under Management for our customers and investors. We will finally measure the CO₂ emissions and carbon intensity of all assets falling within the scope of climate sensitive sectors, in preparation for the TCFD reporting requirement.

See the chapter "A propos de ce rapport" (Part IV) on p.48.


### 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.

See chapters "Qui sommes-nous?" [p.6-7], "Que faisons-nous" [p.8-11], "Notre gouvernance responsable" [p.17-19] and "L'éthique bancaire" [p.46-47].

3.2 Sustainable practices with clients and customers

Specifically, we take several initiatives showing our support to our clients and customers on a daily basis and in all their projects:

- We finance housing for individuals, especially for the purchase of their first home,
- We help individuals plan their future savings,
- We protect our customers from over-indebtedness throughout the credit-granting process,
- We are actively involved in raising awareness among the younger generation by providing financial education around the need for savings and financial planning in all its aspects,
- We support the development of local businesses, in particular by financing small and medium-sized enterprises,
- We participate in the development of national and regional public governance and domestic civil society by financing local public and para-public authorities.

In late 2020, we introduced the “one Stop Shop” concept to advice our customers on government-funded and private subsidies to stimulate renovation projects. This concept will be further developed by integrating other environmental aspects besides pure energy efficiency-related aspects.

We conceived a questionnaire addressing ESG issues pertaining to the funding application for professional and residential real estate loans that are completed in conjunction with the customer. It subsequently raises awareness for sustainability issues among customers and helps us to calculate overall ESG performance scores for each of them.

Finally, we introduce financial education and raise awareness for sustainability issues to create a healthy client-bank relationship where each stakeholder understands the issues and potential benefits. Through dialogue and knowledge sharing, Spuerkeess has the ambition to help its customers and suppliers to detect, assess and manage sustainability risks and adverse impacts related to their activity, the assets financed or the assets under management (AuM) held by the bank. We will focus on further developing our solutions and advisory services to ensure that we can support our customers’ sustainability ambitions. We are continuously building capacity among all bank employees who are client-facing to enable them to engage with clients, especially those in high impact sectors.

See pages 5, 6, 9 and chapters “Structurer des solutions de financement pour soutenir la transition durable de nos clients” (p.24-29), “Education financière et sensibilisation au sujet du développement durable” (p.32-33) and “Développer le dialogue, l’engagement et le partenariat avec les parties prenantes” (p.42-44).

Link to the 2020 sustainability report:
## Principle 4

**Stakeholders**

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

### 4.1 Stakeholder consultation, engagements and partnerings

Through our triennial materiality assessment, we engage and consult with a range of internal and external stakeholders, including the Bank’s sole shareholder (represented by the Bank’s Board of Directors & Executive Committee), Bank staff (represented by the CSR Delegates), the customers, and the suppliers.

In 2020, we strengthened our commitment and raised awareness among our suppliers on issues related to sustainability, corporate social responsibility, ethics, and transparency. During individual meetings with six priority suppliers, we raised their awareness on sustainability issues, enabling Spuerkeess to further develop the ecological, social and good governance choices applied to its own supply chain.

In 2020, we entered a partnership with an energy advisory company which helped us to introduce and apply the “Bilan Carbone” method on Spuerkeess corporate level and develop an advisory tool for government an private subsidies related to energy renovation programs.

Starting November 2019, we established a formal collaborative relationship with a Climate and ESG Expert to explore the bank’s overall exposure to climate-related and environmental risks. Based on multiple topical exchanges, we started this process leading to an in-depth exploration of various research questions and the development of internal measurement and assessment tools for parts of the bank’s portfolio.

In addition to this, we engaged less formally with a range of stakeholders throughout the year.


## Principle 5

**Governance and target setting**

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

### 5.1 Governance structure

In 2020, we strengthened the Bank’s sustainable development governance structure to enhance expertise and formalize our decision-making.

The Board of Directors defines the strategic orientations of Spuerkeess and ensures their implementation by the Management Committee.

The Executive Committee is in charge of the day-to-day management of the Bank and implements the strategic orientations defined by the Board of Directors.

The Sustainability Committee, composed by representatives from the different banking functions, ensures that the objectives of the Bank’s sustainable development strategy and action plan are met. It reports regularly to the Executive Committee on the progress of the implementation of the Bank’s commitments. The Sustainability Office supports the Sustainability Committee in the implementation of the sustainability development policy. The Risk Management department will increase its involvement over time due to regulatory requirements for sustainable finance and corporate social responsibility.

See chapter “Notre gouvernance responsable” (p.17-18).

5.2 Initiatives and measures

Our approach to responsible and sustainable banking is led by the Board of Directors, the Management Committee and the committees specifically dedicated to ESG.

To ensure commitment to our "Transition Enabler-Strategy" and the "Principles", we involve our employees, among others, through:

• communicating the main orientations of our sustainability development strategy,
• organising workshops on Sustainability issues with the Sustainability delegates (currently 67 in number),
• general ESG trainings but also more practical trainings (starting June 2021), whose objective is to understand the ESG challenges of the Bank’s clients.

See chapter "Notre gouvernance responsable" (p.17-18).


5.3 Governance structure for implementation of the Principles

Our sustainability governance structure will support the implementation of the "Principles". We recently created 6 workgroups which are underlying the Sustainability Committee. These workgroups focus on following topics: Governance & Regulatory Compliance, ESG loan ratings, ESG debt & equity instruments rating, commercial opportunities, Corporate ESG communication and awareness-raising, Monitoring & Reporting.

See chapter "Notre gouvernance responsable" (p.17-18).


We have made good progress in establishing a governance structure ensuring that the "Principles" are implemented effectively, including managing significant impacts, besides setting and monitoring targets. 2021 and 2022 will be dedicated to strengthen ESG integration into our decision-making process, risk assessment and investor dialogue.

6.1 Progress on implementing the Principles for Responsible Banking

We have published for the first time our alignment with the "Principles" and progress made towards the priorities set out in our Sustainability Strategy, and will continue to do so annually. Full details of our progress made this year against our ESG priorities and targets can be found throughout this report.

We have now set out a plan for our continued efforts on material ESG topics and UNEP FI Principles for Responsible Banking, including enlarging the scope of our impact analysis and target setting and monitoring, where we will consider the EU Taxonomy and TCFD.

See chapter "Mot du président" (p.4-5).


This self-assessment represents our first year of reporting against our implementation of the Principles for Responsible Banking.

We extend the impact analysis from 53% of the outstanding assets in our balance sheet to at least 80% and will also apply the impact analysis to the AuM for customers and investors by end of 2022. We aim to progressively increase the share of “green” assets among exposures in our balance sheet to the main sectors generating CO₂ emissions (sectors listed in the European Taxonomy) in order to align with the Paris Agreement.

We will thus consider the measurement of CO₂ emissions and carbon intensity of all assets falling within the scope of climate sensitive sectors. We will continuously strengthen ESG integration into decision making, risk assessment and investor dialogue.
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